Fed in Computer
CONTENTS

ACKNOWLEDGEMENTS

PREFACE

LIST OF TABLES

CHAPTER 1 – INTRODUCTION

CHAPTER 2 – EXPORT IMPORT BANK OF INDIA

CHAPTER 3 – RESERVE BANK OF INDIA

CHAPTER 4 – EXPORT CREDIT GUARANTEE CORPORATION OF INDIA

CHAPTER 5 – PERSPECTIVE OF E.C.G.C.’s SUPPORT TO INDIAN BANKS

CHAPTER 6 – PERFORMANCE APPRAISAL OF E.C.G.C.

CHAPTER 7 – SUMMARY AND SUGGESTIONS.

BIBLIOGRAPHY

TERMINOLOGY

ANNEXURES
This is to certify that the material contained in this thesis entitled "INSTITUTIONAL SET-UP FOR EXPORT CREDIT WITH SPECIAL REFERENCE TO E.C.G.C." submitted by Miss Gita Chawla for the award of the degree of Doctor of Philosophy in commerce is original in nature to arrive at conclusion.

This work has been done under my supervision. In my opinion the work contained in this thesis is sufficient for consideration for the award of Ph.D. degree in commerce.

(Prof. Mahfoozur Rahman)
Supervisor
Acknowledgements

All praise to Almighty God without whose guiding light and perennial help we can achieve nothing.

The success of any research endeavor depends on the contribution of many people, especially those who take time to share their thoughtful criticisms and suggestions to improve the research projects.

I deem it a great pleasure to express my deep sense of gratitude and thanks to my respected supervisor Prof. Mahfoozur Rahman, Chairman and Dean Faculty of Commerce, A.M.U. Aligarh for his constant encouragement and illuminative guidance in carrying out my research work. He, despite of his multifarious academic engagements, provided excellent spirit, intellectual stimulus, effective inspiration and matured guidance. This work in fact, bears imprints of his balanced criticism and knowledgeable approach. It is his scholarly insight which shaped the content of this work.
I am deeply indebted to all teaching staff of the Department of Commerce, specially Prof. Mushtaq Ahmad, Prof. Shareefur Rehman, Prof. Mohd Ali and Prof. B. A Iqbal for their encouragements, inspiration and sympathetic attitude and immense help throughout the course of the study.

I am grateful to the Indian Institute of Foreign Trade for providing me necessary facilities and support for carrying out the study. The study would not have been completed without the understanding and full cooperation of the members of the institute. Their willingness to provide relevant information despite their busy schedules and heavy workloads is highly appreciated.

I express my profound gratitude to Mr. Ajay Bansal (C.A) whose affectionate treatment, moral support and guidance gave me a great sense of inspiration, besides having his busy schedule. Without his support it would have been very hard to accomplish this job.

I express my appreciation to all the members of non-teaching staff of the Department of Commerce as well as Faculty of Commerce, for providing a lively environment to work in.
No words can adequately express my debt of gratitude to my esteemed parents for generating in me a perennial interest in higher studies and whose constant inspiration and sacrificial devotions, I ascribe all my success.

Words are not enough. I feel proud to have sister Ginni & brothers, Janvir & Rahul who in spite of having heavy load of their work were always standing beside me, helping me in typing my thesis, collecting the material required to complete my work. Thus, it is their time bound guidance, their moral support, constructive criticism and fruitful suggestions without which this thesis might have remained incomplete.

My overriding debt with profound gratitude of course to all other members of my family who some or other way helped me in accomplishing the job.

The cooperation of the staff of seminar library is really commendable. I am specially thankful to Mr. Gohar Abbas & Mr. Ali Hasan Khan for their help.

GITA CHAWLA
Export credit is recognised as an integral part of export promotion strategy. Unless there exists an adequate credit facility, exporters cannot survive and grow in international markets. Thus, a well-organized institutional set-up for export credit is considered essential to promote export. It is heartening to note that in India there exist a number of institutions for providing, among others, export credit guarantees. These are Reserve Bank of India (RBI), large number of commercial banks including foreign banks, export credit Guarantee Corporation of India (ECGC), and Export Import (Exim) Bank of India. These institutions have been assisting export sector by providing export credit and guarantee assistance either directly or indirectly through their various schemes tailored to the requirements of various customer groups. It would be of interest to examine how satisfactorily these institutions are supplying export credits under their various schemes.

The present study examines the indirect financial support provided by RBI through its different schemes of financing exports, the direct assistance to exporters by commercial banks, the credit insurance and guarantee assistance of the ECGC, and the working performance of the Exim bank in terms of its funded and non-funded assistance. The study also identifies weaknesses in the working of the export credit institutions and offers suggestions for improvement in the export credit system in the country.
A number of studies covering almost every aspect of the working of export credit system in India have been conducted from time to time both by institutions and individuals researchers in the country.

However, this does not prohibit the new researches being conducted in the field. Since export credit is an area characterized by fast changes as a result of fast new developments in the world trade and business practices fresh researcher are required to be conducted continuously to identify the areas where improvements are needed. Such effort would help to maintain adequate and timely supply of export credit at a reasonable cost and thus help to boost up India's exports. The present is a humble attempt in that direction. The study is expected to be useful for all those who are concerned with export finance including government, export credit agencies, exporters and academics.

The study covers 10-year period. Further, it covers all institutions viz., RBI, commercial banks, ECGC and Exim bank, which are engaged in financing export trade in the country. The analysis has been done of both the funded and non-funded assistance as also scheme-wise, industry-wise and region wise assistance wherever such data are available. The study is based on the secondary data collected from Annual Reports of Exim Bank, ECGC and RBI, RBI Bulletins, Report on Currency and Finance, and various websites etc. The collected data have been analysed
with the help of suitable statistical tools like percentages and ratios.

**Objective Of The Study:**

Over the years, India has recognized the need for appropriate policy to promote exports with a view to reducing the trade deficit. The government of India started, after the mid-eighties, some sweeping and radical reforms including among others, industrial policy reforms, trade policy and exchange control reforms for increasing direct foreign investments with a view to bringing real market and seeking an increased role of the Indian economy within the global economic system. Under the changed circumstances, India's foreign trade has assumed special significance. It is more so when we look at the rising balance of payment deficit.

In today's world market which is characterized by tough competition it is not only price and quality of the product, but terms of credit allowed to foreign buyers by the exporters also counts a lot for any export transactions success. It is correctly recognized that appropriate institutional framework for financing export should be reckoned as part of strategy for export promotion of the country. Following are the main objectives of the study:

- To find the need, importance and role of export credit in export promotion strategy.
• To study the range of programme including lending programme and financial assistance provided for export capability creation of Exim bank.
• To study and analyses the working performance of Exim bank.
• To examine the indirect financial assistance of the RBI under it different schemes of financing exports.
• To study the objectives and various policies of ECGC
• To examine the role of ECGC in export promotion by providing guarantees to bank under its various assistance scheme.
• To evaluate the working performance of ECGC since 1991-2001.
• To suggest suitable measures for problems with a view to making an effective institutional set up for export credit.

Need For Research:

A Number of studies covering almost each and every aspect of the working of export credit system in India. Have been conducted from time to time both by institutions and by researchers in the country. However, this does not prohibit the new researchers to look into this aspect afresh and dig new ground in this field. Since export credit is an area characterized by fast changes as a result of tremendous expansion in a new order in the world trade and the change in the business practices both inside and outside the country, new researches are required to be
conducted continuously to identify the areas where improvements are needed. Such efforts would help to maintain adequate and timely supply of export credit at a reasonable cost and thus help to boost up India’s exports. The present study is a humble attempt in that direction. The study is expected to be useful to the government, the export credit agencies, the exporters and the academics.

**Hypothesis:**

- That the ECGC is working with the aim of improving the coverage of Indian exports.
- That the EXIM bank provides funded and non-funded assistance to the exporters directly & indirectly.
- That RBI of India is supporting other institutions through rediscounting and refinancing of export bills.

**Research Methodology:**

The study is based on secondary data published in annual reports of EXIM BANK, ECGC, RBI, IDBI which are collected from libraries, Indian Institute of Foreign Trade and concerned websites. An attempt has also been made to collect the required data from various issues of Reserve Bank of India Bulletins, Reports on Currency and Finance and Economic Survey of India, newspapers like Economic Times, Times of India, Business Standard, Financial Express. The help of various websites has also been taken to collect the required data and latest
information. The data so collected has been analysed with the help of simple statistical tools like percentage and ratio analysis.

**Design of the study:**

Keeping in view the research methodology, hypothesis and objectives, the whole study has been divided into six chapters. Every chapter has been discussed in detail and every issue concerning institutional set up has been exhaustively elaborated. The chapters highlights the following:

**Chapter 1: Introduction**

First chapter is introductory in nature and outlines the objectives, historical development and structure of export credit and also makes review of the literature on the subject.

**Chapter 2: Export – Import Bank of India**

In this chapter an attempt has been made to find out the facilities provided by Export – Import Bank of India to improve export of the country. An attempt has also been made to examine the performance, Organisation and variety of services provided by Exim bank.

**Chapter 3: Reserve Bank of India & Commercial Bank**

The third chapter has been devoted to evaluate the indirect assistance provided by Reserve Bank of India. An attempt
has also been made to examine the various schemes provided by Commercial Banks to exporters.

**Chapter 4: Export Credit Guarantee Corporation of India**

In this chapter the establishment, objectives Organisation and Management and various policies of Export Credit Guarantee Corporation has been studied.

**Chapter 5: Perspective of E.C.G.C’s Support To Indian Banks**

This Chapter makes an appraisal on various guarantees provided by E.C.G.C to the banks in order to cover risks, so as to help the exporters to get credit more liberally.

**Chapter 6: Performance Appraisal of E.C.G.C**

Under this chapter an analysis has been made on working performance of E.C.G.C with special emphasis on export credit. Covering its performance on various policies, guarantees and various special schemes issued and in force.

**Chapter 7: Summary & Suggestions**

This concluding chapter consists of mainly conclusions derived during the course of studies and finally suggestions have been offered in order to bring about better facilities to exporters.
Limitations of the Study:

Research is a never-ending process. In true sense, research in any field of knowledge paves the ground for more researches and this process goes on. That is how new disciplines come into being to flourish over the time and ultimately develop diversified disciplines. Obviously all study and researches have their own limitations. It will be pertinent to mention that the researcher while working on this project had many limitations and to mention the major ones are as under.

1) One of the limitations of the study relates to the lack of published information on export credit. From no source this researcher got detailed published information regarding export credit by banks except total export credit outstanding which is published by RBI in its annual reports and in Reports on currency and finance. Similarly, in case of RBI, we get information relating only to the banks scheme-wise export credit. Some detailed information is available only in the cases of Exim bank and ECGC from their annual reports. However, they also do not publish information relating to credits granted in some of its schemes. For instance, Exim Bank publishes amounts in aggregate of non-funded assistance and not scheme-wise. Similarly, ECGC publishes export credit guarantees and policies issued and in force for the four broad groups of schemes and not for individual schemes. As a result of non-availability of the detailed information, this researcher could not make detailed analysis of the export
credit assistance particularly in the cases of commercial banks and the RBI.

2) The study also does not cover some of the aspects of export credit in India. The present study would have been more exhaustive had it studied the problems being faced by exporters in obtaining export credits export credit agencies in lending export credits to exporters. In fact our plan of study included direct contact with the exporters to find out their problems but because of their poor response, there had been no alternative but to drop the idea. Similarly it cannot be possible to examine the procedural aspects including terms and conditions of export credit. The study also makes no assessment of the cost of export credit and the demand and supply of export credit with a view to making projection for future. Though these are important aspects of export credit but because of the time and resource constraints, it is not possible to dwell upon each and every aspect of export financing in the country by an individual researcher.


<table>
<thead>
<tr>
<th>Table No.</th>
<th>Description</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Table showing the total recourse of Exim bank</td>
<td>77</td>
</tr>
<tr>
<td>2.2</td>
<td>Show the profitability position of Exim Bank since 1991</td>
<td>79</td>
</tr>
<tr>
<td>2.3</td>
<td>Table showing the loan sanctioned and disbursement made during last 10yr.</td>
<td>80</td>
</tr>
<tr>
<td>2.4</td>
<td>Table shows the position of Guarantees sanctioned and disbursed</td>
<td>82</td>
</tr>
<tr>
<td>2.5</td>
<td>Sanctions under various financing programme of funded assistance</td>
<td>84</td>
</tr>
<tr>
<td>2.6</td>
<td>Table showing the funded assistance sanctioned and disbursed</td>
<td>85</td>
</tr>
<tr>
<td>2.7</td>
<td>Table showing the industry using assistance given by Exim bank Region wise for setting up of EOU’s (Sanctions)</td>
<td>87</td>
</tr>
<tr>
<td>2.8</td>
<td>Table showing the industry wise given by Exim bank region wise (Disbursement)</td>
<td>87</td>
</tr>
<tr>
<td>2.9</td>
<td>State wise Assistant given by Exim bank for setting of EOU’s (Sanction)</td>
<td>91</td>
</tr>
<tr>
<td>2.10</td>
<td>State wise Assistance by Exim bank for setting up of EOU’s (Disbursement)</td>
<td>92</td>
</tr>
<tr>
<td>2.11</td>
<td>Purpose wise assistance sanction by Exim bank</td>
<td>93</td>
</tr>
</tbody>
</table>
2.12 Purpose wise Assistance Disbursement by Exim bank

2.13 Region wise distribution Sanctioned

2.14 Region wise distribution Disbursed

3.1 Table showing Refinance of Export Credit Granted by RBI

3.2 Table showing the Interest Rates on Export Credit

6.1 Table showing total exports and coverage of E.C.G.C.

6.2 Total policies and Guarantees issued and inforce by E.C.G.C.

6.3 Table showing the total value of business covered by E.C.C.G. in last 10 years

6.4 Year wise number and maximum liability covered under standard Policies

6.5 Table shows the year wise specific policies issued and inforce

6.6 Year wise and scheme wise financial guarantees issued by E.C.G.C.

6.7 Year wise and scheme wise financial guarantees inforce by E.C.G.C.

6.8 Year wise and scheme wise distribution of Assistance inforce under special scheme by E.C.G.C issued.

6.9 Year wise and scheme wise distribution of Assistance inforce under special scheme
6.10 Table showing the sector wise claims in respect to policies paid

6.11 Table shows claims paid sector wise in respect to Guarantees

6.12 Table showing the value of risk covered under policies

6.13 Table showing the value of risk covered under guarantees

6.14 Commodity Wise Value of Shipments covered under short term policies

6.15 Table showing the country wise value of shipment covered under short term insurance policies
INTRODUCTION

In modern world, no economy is self sufficient rather the countries are heavily dependent on each other. Trade and Commerce have been playing a vital role in the economic development of each country be it an under developed, a developing or developed one. Trade is the foundation of modern economic activity. To meet their varied demand countries have to export and import and maintain international economic relation. The idea of growth through trade is not a new concept, as trade has since long identified been as an engine of growth, an activator of change and the barometer of economic progress. In fact foreign trade has assumed such an important role that it is difficult for a country to survive without it. It creates structural changes in a country's economic characteristics proportions and relations. It promotes capital formation and brings sectoral and external economies in the industrial activities of a country. It bestows a number of economies of scale and enables a country to produce those goods, which are economical, competitive and are based on rational cost proportions. It strengthens the rationale both economic and political, with the other trading countries and provides an opportunity to enter into custom union which bring forth trade creating and trade diverting benefits.
For developing countries, the growth and expansion of foreign trade is of crucial importance. It is believed that economic progress of most of the present industrially advanced countries of the world is attributable to their ever expanding international trade. This highlights the role of international trade in the economic development of a country. Professor Haberler has highlighted major advantages of trade within the countries. It provides material means, viz capital goods, machinery, raw materials and semi-finished goods, which are indispensable for economic development. It is an important source of technological knowledge, managerial talents and entrepreneurship. International trade is supposed to be conducive to transpiring an atmosphere of healthy competition by checking Monopolies and Restrictive Trade practices. *(1) 

Although India's foreign trade has witnessed several phases of development during the last 50 years, it has shown a sign of growth as is evident in terms of the relative changes in percentage share of exports between different sectors. But the situation has not been quite satisfactory. It is because imports have risen at a faster rate than exports resulting in an under trade gap year after year. This underlines that greater emphasis needs to be placed on boosting up export by the government. It is clearly understood that export sector can give better results and its performance can be improved only if, along with other things,

*(1) H.C.Sainy India's Foreign Trade, National publication house, New Delhi,. 1990,P.1
this sector is supported by institutional arrangement for the supply of adequate export credit. Thus export finance forms an integral part of any export promotion policy. Export is synonymous with competitiveness. Credit is the cutting edge of export competitiveness, next to production cost and quality.

Exports are capital oriented and therefore, require adequate financial resources without which it is difficult for exporters to compete in international market. Abundant financial resources are thus required at the command of exporters right from the stage of production of goods and services to packing shipment, offering credit facilities to foreign buyers, advertisement in international markets, participation in fairs and exhibitions, covering risk of non payment etc. In addition to these, export trade has some special problems which are not found generally in the case of domestic trade. Export trade is faced with the problem of long distance, greater exchange risk, difference in banking practices of different countries, greater time interval between delivery of goods, services and payment, greater international competition. All these problems can be overcome by use of greater finance which call for export credit.

Competition in world market is not confined to price and quality alone but it extends to credit terms also. An export offering liberal credit facilities can perform well in the world market against those with strict credit policies.
Foreign buyers also expose exporters to various political and commercial risks resulting in non-payment. There is thus, need for adequate supply of post shipment finance to them. Exporters cannot produce or procure goods needed for exports if pre shipment finance is not available.

As a consequence extension of credit is increasingly recognized as an effective instrument of export in all industrialized countries. A dynamic credit system need is felt for promoting exports. With a view to increasing supply of export credit, Government of India has taken several measures from time to time like establishment of international banks with worldwide network of credit links, the emergence of specialized public and private financial Institutions, the continuous adaptation of lending practices of existing financial institutions to meet the changing circumstances of exports, and exemption of export finance from national credit control. Liberalized release of foreign exchange is made available for travel abroad. Banks have switched over from indirect system to direct system of quoting exchange rates. Export credit is available to exporters at concessional rate of interest. The same can be availed of in Indian rupee as well as in foreign currency. Interest rate on export credit have been abolished. Transport subsidy is given for export by air as well as by rail. One of these measures relate to the creation of institutional set up export credit. *(1)*

*(1) By the courtesy of Indian institute of foreign trade.*
Several institutions and councils have been set up by the government to provide promotional functions to exports. Export promotional councils have specialized themselves in providing consultancy services. While corporations like Export Credit Guarantee Corporation (ECGC) have specialized themselves in providing insurance covers.

The credit needs of exporters as well as of importers are met by scheduled commercial banks including foreign banks, Reserve Bank of India and Export Import Bank actively engaged in supply of export credit in the country. The aim of the study is to evaluate the role of banks, corporation and institutions in financing export and to make rapid survey of developments that have taken place in the field of export credit in India.

**HISTORICAL DEVELOPMENT**

The development of export credit in India may be studied by dividing entire period into four i.e.,

- Pre independence period.
- Post independence period.

**Pre Independence Period**

Prior to independence of the country, financing of foreign trade was mainly governed by exchange banks or what
are now called as foreign banks.*(1). These banks were developed under the indirect patronage of the State.*(2) Before 1935, i.e. till passing of Imperial Bank of India Act, the Imperial Bank of India (now known as State Bank of India) was prevented by law from dealing in bills of exchange payable outside India, and was allowed to make remittances outside India only for the benefit of the personal needs of its customers.*(3)

On the basis of its statute, Imperial Bank of India extended credit to enterprises owned by Indian capitalists to a very limited extent for short-term period (upto 6 months).*{(4)

The Central Banking Inquiry Committee observed in this context: The imperial bank lends to European concerns more freely than to Indian concerns and that several Indian concerns, which took the banks assistance, had a bitter experience. *(5)

*{(1) Savakar, D.S., Joint Stock Banking in India, the popular book Depot, Bombay, 1938, p. 158.


In spite of the fact that these banks achieved large deposits in India at low rates and rediscounted their bills in the London market also at low rates, the exporters and importers in India had to pay higher rates for financial accommodation than their counterpart in most of other countries. The exchange banks gave poor references regarding the Indian commercial houses to enquire abroad and better references regarding the foreign houses of a lower standing, particularly owned by their nationals.*(1)

Sofia Melman has observed that the exchange banks were one of the most important foothold of British imperialists on establishing their monopoly in foreign trade, in exploiting India as a source of raw materials and also in extracting huge profits from the country by mean of non equivalent exchange*(2). The Indian joint stock banks had a little share in foreign trade financing business. *(3) The business remained practically a monopoly of the exchange bank until independence of the country. *(4)

*(2) Melman, Sofia, op. cit, p.31.
*(4) Pandandikar, S.G., & Mithani, D.A., op. cit., p.267
**Post Independence Period**

After independence, many attempts have been made by Reserve Bank of India, the government of India and other agencies to promote sufficient flow of short, medium and long term capital to exporters. The reserve bank of India along with large numbers of commercial banks continued to provide export financing even after the independence.

For the purpose of export financing the recommendation of various committees on export credit had been put into operation through the Reserve Bank of India, which is the central regulatory authority in money, and credit matters. From time to time, the Reserve Bank of India has introduced a number of schemes in order to ensure that exporters obtained adequate export credit at reasonable cost. RBI'S assistance is mainly through commercial banks.

The commercial banks authorized to deal in foreign exchange, are the main source of providing short term as well as deferred payments export credit to exporters. Whereas the short term export credit both at pre shipment and post shipment stages is provided by commercial banks wholly out of their own resources, the deferred payment export credit is provided by them wholly out of their own resources or in participation with other export credit agencies like Exim bank (industrial development bank of India prior to January, 1981). As
stated earlier, commercial banks get refinance from the reserve bank of India against their short term export credit advances, and where the deferred payment export credit have been given wholly out of their own resources, they get refinance from Exim bank.

The terms and conditions relating to pre shipment and post shipment credits are those prescribed by the Reserve Bank of India under its (i) pre shipment credit scheme (ii) Export bills credit scheme, and (iii) Export credit (interest subsidy) scheme. Prior to January, 1981 the terms and conditions relating to deferred payment of export credit were prescribed by the Industrial Development Bank of India under its (i) scheme for Refinancing of term credit (ii) scheme for direct financial assistance to Exporters and (iii) Buyer's credit scheme from January, 1981, those terms are prescribed by Exim bank. Besides, the exporters are required to follow the guidelines issued by the Reserve Bank of India.

The question of introducing an export credit guarantee scheme in the history of independent India was for the first time considered by the Export Promotion Committee (Gorwala Committee) appointed by the Government of India in 1949. The Gorwala Committee felt that the nature of India's exports, traditional ties between the exporter and the foreign importer, and the absence of political interference with export trade in most of the countries to which India exported,
rendered such a scheme unnecessary. The committee, therefore, did not recommend such a scheme for India. *(1)

But in subsequent years, the rapid changes in the pattern and mechanism of export trade and the gradual conversion from the sellers market into a buyers market with the consequential demand for payment terms more favorable to buyers therefore necessitated to re examination of the position. The question was discussed, though inconclusively, by the export advisory council in 1953 and again in 1955.*(2)

In January 1956, the Government of India appointed an Export Committee, Export Credit Guarantee Committee, under the chairmanship of Sri T.C Kapoor to examine the question and make suitable recommendations. The Committee in its report, submitted in June 1956, observed that the export risk insurance was an important export promotion measure in that it could improve the competitive capacity of Indian exporters the highly competitive markets of the world. The Committee visualized the growing importance of credit terms in the successful export marketing and through that demand for credit terms in the successful export marketing and through that

demand for credit would arise not only for new manufacture but also for products like tea, jute goods and cotton textiles. The credit insurance was considered to be of particular assistance to small and medium exporters whose number was bound to grow as the export drive gathered momentum. The committee concluded that the provision of export credit insurance facilities would considerably strengthen the hands of Indian exporters in developing new market for the country’s products and would also be of assistance to them in securing the required financial facilities from banks. The committee, therefore, recommended the setting -up of a statutory organization for export risk insurance wholly owned by the state. It was also recommended that this organization should initially prescribe a limit of Rs 50 crore on the maximum risk to be covered by it at any one time. The committee also outlined the details of the policies that could be made available to exporters. *(1)

In order to overcome credit sale difficulties to exporters, and to make them available the adequate finance, the government of India set-up an organisation Export risks Insurance Corporation Private limited in 1957 to provide credit insurance for Indian exporters. Thereafter, it was converted into Export Credit Guarantee Corporation in 1964.

*(1) Report of the credit guarantee committee in the Committee Reports on Export Credit Insurance & Export Finance Guarantee Corp. of India, Govt. of India, Bombay, 1975, p. 1-58.
Again in 1983-84, the name of the Corporation of India Limited having authorized capital of Rs 50 crore. It is wholly owned Government Company under the administrative control of the Ministry of commerce. In 1958, the bill market scheme was modified to include bills. Under the modified scheme, the eligible scheduled banks were allowed to borrow against the export bills at the bank rate. In order to overcome credit sale difficulties to exporters, and to make them available the adequate finance, the Government of India set-up an organization Export Risks Insurance Corporation Private Limited in 1957 to provide credit insurance for Indian exporters. Thereafter, it was converted into Export Credit and Guarantee Corporation in 1964. Again in 1983-84, the name of the Corporation was changed to Export Credit and Guarantee Corporation of India Limited having authorized capital of Rs. 50 crore. It is wholly owned Government Company under the administrative control of the Ministry of Commerce.

In 1958, the Bill Market scheme was modified to include export bills. Under the modified scheme, the eligible scheduled banks were allowed to borrow against the export bills at the bank rate. It also enabled banks to extend credit facilities to exporters on more liberal basis. This scheme was not used by the banks to a very large extent because of the reluctance of the exporters to draw usance bills.
In 1959, banks were given the option of either requiring the parties to cover the exchange risks or requiring them to maintain in the loan accounts a margin of not less than 25% of the export bills drawn in a foreign currency and held as security in the relating loan accounts. But in 1961, the scheme was withdrawn and the matter was left to the discretion of the banks concerned. Before October 1959, three-fourths of the stamp duty on the usance promissory notes lodged as security was to be borne by the RBI, but then it decided to bear the entire amount of stamp duty itself. *(1)

On the recommendation of the Study Group on Export finance appointed by the ministry of Commerce and Industry in September 1962, the RBI Act was amended and it was allowed to buy and rediscount export bills maturing up to 180 days. It was also authorized to make advances against usance promissory notes relating to the export of goods and maturing within 180 days.

In 1963, the pre-shipment Credit Scheme (Export Bills Credit Scheme) was introduced by the RBI. It enabled RBI to grant credit to the scheduled commercial banks against their promissory notes repayable on demand and upon their declaration of holding of eligible usance export bills drawn on foreign currencies or Indian rupees and purchased or negotiated.

At the same time, a refinancing scheme for medium-term export credit with maturity of over six months but not exceeding five years was introduced for the benefit of the Commercial Banks and exporters. In 1980, the Government initially, it was taken up by the Refinance Corporation for Industry, and later on, after its merger, by the Industrial Development Bank India.

Another landmark development in the field of export credit was the establishment of IDBI in July 1964, as a wholly owned subsidiary of the RBI. IDBI introduced the scheme of export loans and guarantees directly and jointly with commercial banks. In August 1967, for deserving bills maturing within seven years and specially deserving bills with maturing up to ten years, were also made eligible for refinancing. In 1968, at the instance of RBI, IDBI started the scheme of providing supplier's credit for exporters of engineering goods and services on deferred payment basis. A Buyer's Credit Scheme was introduced in 1973 for granting credit directly to the foreign importer of Indian capital goods. The IDBI was restructured in 1975 under the public Financial Institution Law (Amendments) Act 1975 in pursuance of the recommendation of the Export Import Bank Committee. The Export Department of the IDBI was restructured in 1975.

under the public Financial Institution Law (Amendment) Act 1975 in pursuance of the recommendations of the Export Import Bank Committee. The Export Department of the IDBI was restructured into a full-fledged International Finance Wing to function as an Export Import Bank. In line with the recommendations of the Committee, the International Finance Wing provided term export credit facilities to Indian exporters of machinery and engineering goods. The assistance used to be in the form of direct loans to exporters, refinance to commercial banks in respect of such loans extended by them out of their own resources, overseas buyer’s credit, and foreign line of credit. IDBI also used to provide bank guarantee facilities on behalf of Indian contractors undertaking construction and turnkey projects aboard. In addition, the bank also provided counseling services to Indian exporters particularly to the exporters of machinery and engineering goods.

In 1975, a Standing Committee on export Finance was set-up. The main function of the committee is to deal with the problems, which are in the matters of export financing by banks from time to time. The committee reviews export credit by commercial banks every year. In the light of its recommendations, the Government of India and the RBI take various measures to improve export credit system in the country.

In 1980, the Government of India approved the setting-up of Export Import Bank primarily to takeover all the functions of the International Finance Wing of the IDBI. The
genuine need of the export sector has been accomplished by the establishment of the Exim bank in January 1982. The need for setting of an Exim Bank was first mooted by the Working Group on Export credit headed by the then Finance Secretary as early as 1967. However, no action was taken till 1981 when a Bill in the Lok Sabha was introduced for setting-up the Export-Import Bank of India. The Bill was passed by the Lok Sabha in 1981 and the Bank was founded on January 1, 1982 with an authorized capital of Rs.200 crore which may be raised to Rs.500 crore if needed.

**STRUCTURE OF EXPORT CREDIT**

As a result of fast changes that are taking place in international market and in export financing mechanism, the concept of export finance has changed considerably over the years. *(1)*

**Export Financing Defined**

Before proceeding, it is important to be quite clear as to the exact meaning of term ‘Export Credit’. *(2)* Till recently export finance was defined as the finance required by export manufacturers & export merchants at post-shipment stage only. This is narrow concept of export finance, did not consider pre-shipment finance as export finance. But in fact, pre-shipment

*(1) Kala, N.G. and Karnaval, S.C, Export management, Manisha Prakashan, Bombay, 1991-92, p.112
*(2) The Business Review Vol 3 1997 Page 154*
finance forms a vital part of export finance and it has very significance bearing on the performance of exporters.

Whereas, in today's world every simple definition of export financing that can help in understanding the basis of the subject is that "it is finance needed by an exporter for carrying out an export order." It is the credit necessary to cover the period from shipment until payment has been received in full i.e. post-shipment finance. An exporter may need finance at two distinct stages of an export transaction. First when he gets an export order, he is likely to need finance for procuring or buying goods and putting them on board a ship. This is the case of export transaction is made on the basis of a letter of credit providing for payment at sight.

If, on the other hand, the overseas buyer has sought and the exporter has agreed to extend credit, the exporter has to wait that long for payment, to improve his liquidity and to undertake further for that period. Thus, export finance can be defined in today's changed circumstances as credit facilities made available to an eligible exporter at the pre-shipment and post-shipment stages. *(1)

The Export Credit is required mainly for the following purpose:

- Export credit assist exporters in processing or production or procuring of raw material components and accessories for production of goods for export.

- Export credit facilitates in paying for packing and forwarding, transport and insurance, marketing and labeling as well as incurring other marketing expenses such as advertisement and publicity.

- Export credit is also primarily intended to provide liquidity to exporters to enable them to offer matching credit terms to overseas buyers thus help in extending deferred payment and other credit facilities to overseas buyers.

- Export credit helps in making payment of custom duty and excise duty and meeting other claims.

- Export credit is also required for securing refinance facilities for meeting long-term credit needs.

- Export credit plays an important role as it facilitates in improving the price competitiveness of exports in foreign markets.
CHART SHOWING STRUCTURE OF EXPORT CREDIT

Export credit

- funded assistance
  - pre-shipment credit
  - packing credit
    - advance against cash incentives
    - negotiation of advance export bills
  - export bills sent for collection

- non-funded assistance
  - post-shipment credit
  - advance against goods sent on consignment basis
  - advance against incentives
  - medium term credit
  - long term credit
  - advance against duty drawbacks
  - credit guarantees and insurance
Thus, the Export credit system operates within the framework of established national credit system. There are significant differences in the procedure of financing and range facilities. But the export credit and insurance facilities are constantly under review and they are continuously being adopted to meet the changing national and international circumstances.

Categories Of Credit

As shown in chart, export credit may be broadly classified into two groups i.e.,

i) Fund Based,

ii) Non-Fund based.

- **Fund based**: Export credit assistance in values immediate commitment of fund by credit agencies.

- **Non-Fund based**: As against funded assistance, non-funded assistance does not involve any immediate financial commitment and is generally in the form of bid bonds and credit guarantees.

i) **Fund based assistance may be classified from two stand point:**

The first relates to the stage at which it is provided:

- Credit extended for facilitating production, processing or packing of export goods up to the point when they
are placed on board the ship is termed as *pre-shipment credit*.

- The financing of export goods from the stage of shipment to the date of realization abroad is known as *post-shipment credit*.

**Secondly credit is also viewed in terms of its duration as:**

a) Short term  
b) Medium term  
c) Long term

- **Short term** generally implies accommodation for a period of not exceeding sixth months.

- **Medium term credit** covers a period of over sixth months but not in excess of 5 years.

- **Long-term** credit relates to periods beyond 5 years.

Thus, exporter needs preshipment credit as working capital trading funds, whereas post shipment credit is needed by him when international competition makes it necessary for him to extend credit to an overseas buyer. The pre-shipment finance may be either for short term or for medium term. Of course, long-term credit is generally for post shipment. *(1)*

*(1)* *The Business Review Vol. 3 1997 p.155*
FUNDED ASSISTANCE

Preshipment Credit

Pre-shipment credit, also known as packing credit, which an exporter needs for procuring or producing the goods for exports. Basically, pre-shipment finance is a short-term finance, though in some cases it may be granted for medium or long-term period also. Pre-shipment finance are generally given for meeting working capital requirements between the time of the receipt of an order and the time of shipment and realization of the export proceeds, to arrange for production or procurement of raw material processing, packing, transportation warehousing.*(1) etc.

One of the characteristics of pre-shipment is that it is self-liquidating in nature as it gets liquated from the proceeds of export but when purchased, negotiated or discounted. Packing credits are generally granted against production of a valid, confirm, irrecoverable letter of credit or order. Exporter are given reasonable time for the production of these documents after availing of the credit from banks. Normally, the credit is extended by way of hypothecation loans against FOB value of the Contract/LC after keeping reasonable margin.

Sometimes, this facility is granted on the basis of post export performance of overseas supplier. Preshipment finance must be used by exporter only for the purpose for which it is granted and it must be reimbursed out of concerned export bills or from the remittances received from overseas buyer Banks charges concessional rate of interest on packing credit.

The loan amount is decided on the basis of export order & credit rating of the exporter by the bank. Bank also takes into account exporter receivable on account of cash compensatory support and custom duty drawback. Packing credit is granted for a credit from banks. Normally, the credit is extended by way of hypothecation loans against FOB value of the Contract/LC after keeping reasonable margin.

Sometimes, this facility is granted on the basis of post export performance of overseas supplier. Exporter must use Pre shipment finance only for the purpose for which it is granted and it must be reimbursed out of concerned export bills or from the remittances received from overseas buyer banks charges concessional rate of interest on packing credit.

The loan amount is decided maximum period for a maximum period of six month. Only in exceptional cases, Reserve Bank of India extends the period up to 8 months. A special feature of this credit is that rate of interest is usually lower than the normal rate on other credits.
Procedure For Obtaining Pre-Shipment Finance

In order to obtain credit at pre-shipment stage, the exporter has to file an application giving detail of his business, nature of security, tendered amount of credit desired etc. with the bank or the export financing agencies.

The agency or bank fixes a credit limit for the party depending upon the nature of his business and his requirement for the credit. As soon as credit limit is fixed, the borrower fixes a promissory note for the entire amount and lodges with the bank title deeds of fixed assets. The goods or material against which the advance is made constitute the prime security for the bank and they are either pledge or hypothecated with the bank. Generally the credit limit is on revolving basis and is reexamined at the end of every year and renewal is made with the exporter's performance.

R.B.I has instructed the banks to grant pre-shipment advance at concessional rate of interest. The present rate of Interest is 13% p.a for pre-shipment advance up to an initial period of 180 days. Pre-shipment, advance for a further period of 90 days is given at a concessional rate of 15% p.a. Banks are free to determine the interest rate for advances beyond 270 days and up to 360 days.
There are three broad types of packing credit:

- **Clean Packing Credit:**

  This represent an advance made to the exporter on the basis of a firm's export order or a letter of credit, without any control over raw material or goods.

- **Packing Credit Against Hypothecation Of Goods:**

  Under this arrangement, the goods meant for export are hypothecated to the bank as security. When the bank advance is to be utilized, the exporter is required to furnish stock statements & continue to do so whenever there is stock movement.

- **Packing Credit Against Pledge of Goods:**

  Under this arrangement, the goods meant for export are pledge to the bank with an arrangement with an approved clearing agent who ships the same on the advice of the exporters. The goods pledged with bank lie in its possession.
Post Shipment Credit:

After shipment of goods by exporters, it takes time in receiving the payment from the buyer. Thus, fund is locked up during the period from shipment to final collection. To bridge the Gap between the time of shipment of the goods and actual payment, this assistance is provided by the Indian & foreign Commercial banks.

As defined by RBI, post shipment finance is a loan or advice granted or any credit provided by a bank to an exporter of goods from India from the date of extending the credit after shipment of the goods to the date of realization of the export proceeds. This definition of post shipment finance also includes any loan or advance granted to an exporter in consideration of or on the security to cash incentives or duty drawback.

Post Shipment Assistance may be provided in any of the following forms:

Purchase/Discounting of Documentary Export Bills:

A commercial bank may purchase export bills drawn payable at shift or discount usance export bills covering confirmed sales and supported by relevant document like the bill of lading, post parcel receipts etc. The bank when it provides finance in this way, requires the documents:

- Letter of hypothecation covering the goods,
• A general guarantee by the directors or partners of the firms as the case may be and,
• A comprehensive risk cover by the Export Credit Guarantee Corporation.

**Advance Against Export Bills Sent For Collection:**

A commercial bank may provide finance by way of advance against export bills forwarded through it for collection after taking into account the credit worthiness of the party, standing of drawee, nature of goods exported usance etc. The document required by the bank for such advances are:
• A demand promissory note,
• Letter of continuity,
• Letter of hypothecation covering bills and
• A general guarantee of directors or partners of the firm as the case may be &
• An undertaking from the borrowers that they will deposit the cheques/payments received from the appropriate authorities immediate with the bank.

Post Shipment credit may be of the short, medium or long-term nature. Short term credits go up to 90% of FOB value of exports & do not exceeds 180 days. Medium term post shipment assistance is provided for a period between 2 to 5 years. Medium term advances are normally given to exporters of consumer durable and light capital goods. However, long-term post shipment finance normally covers a period between 5 to 10 years.
years and it is normally required to purchase of heavy capital goods & to enhance competitive strengths of firm’s payment facility for export of plans and machinery equipment and Capital goods. *(1)

**On the basis of customers**
Pre-shipment and post shipment credits may be classified:

1) Buyers credit
2) Suppliers credit

**Buyer’s Credit:**

In foreign trade, the buyer’s credit refers to a long term credit granted by the exporters banker to the overseas buyer’s on latter’s understanding to pay the value of the exports in installments at regular intervals over a specified number of years, and furnishing a bank guarantee in favor of the exports banker against any default in such payment. The exporter straight way from his banker who realize the payment from the importer as and when it falls due.

**Supplier’s Credit :**

Under Supplier’s credit, credit agencies extend credit facilities to suppliers. Thus, exports who make credit sales

*1) Kala, N.G and Karnavat S.C, op. Cit., p.119*
abroad reimburse themselves by obtaining post shipment credit against export document.

**NON-FUNDED ASSISTANCE**

As discussed earlier, non-funded assistance does not require immediate commitment of funds as it is generally in the form of bid bonds and credit guarantees and insurance. While bid bonds are issued by EXIM bank and commercial banks, guarantees are provided by ECGC, EXIM bank & Commercial bank. Various schemes of non-funded assistance have been introduced by these agencies, which help exporters in obtaining export orders from overseas buyers.

**Institutions Engaged In Export Financing**

Government of India has established several institutions to cater the various financial needs of export. Besides these institutions, RBI has issued norms to commercial banks and dealers dealing in export financing. Export Credit Guarantee Corporation of India Ltd. And Export Import bank of India are the pioneer institutions in the field. These institutions have launched various policies, which cover the credit needs at pre-shipment and post-shipment and risk coverage of exports*(1).

*(1) Dinkar Pagare, Business studies, Sultan chand & sons Publication New Delhi P, 355
A brief description of EXIM bank, ECGC, RBI & Commercial bank & IDBI are given below & these institutions are discussed in detail in following chapters.

**Export Import (Exim) Bank Of India:**

The Export Import Bank of India was set up in 1982 for providing financial assistance to the exporter and importer and for functioning as the principal financial institutions for coordinating the working of institutions engaged in financing export–import of goods and services with a view of promoting the country’s international trade.

The authorised capital of Exim bank is Rs 200 crores and the paid up capital is Rs 76 crores (subscribed by the Central Government). Presently, the Exim bank has the following scheme of assistance:

The Exim bank provides finance to the Indian exporters so that he can extend term credit to overseas importers of capital goods made in India.

The Exim bank provides finance to the Indian exporters of consultancy services and technology so that he can extend credit to the overseas importer.

The Exim bank provides pre-shipment credit to the Indian exporter to enable him to buy raw materials and other input required for providing capital equipment to be exported.
The Exim bank provides the overseas buyer (importer) with deferred credit for purchase of Indian capital goods.

**Reserve Bank Of India:**

As an apex banking institution of the country, the reserve bank of India’s role in the Indian economy has been dual promotional and regulatory. However, in recent years its promotional role has been more predominant.

In the field of providing finance to foreign trade, the RBI performs several important functions, some of which are as follows.

It sanctions loans to the scheduled banks against the security of bills of exchange drawn in the course of foreign trade. It exercises control over foreign exchange so that it could be made available to meet the genuine needs of foreign trade.

**Industrial Development Bank of India (IDBI)**

The industrial development bank of India was established in July 1964. With the enactment of the public financial institutions (amendment) act, 1975, the IDBI has now been made the apex financial institution to aid and control the functioning of other financial institutions.
In the field of foreign trade, IDBI provides direct loans to the export oriented industrial units and bonafide exporter. It also grants refinance against export credit provided by the scheduled banks.

**Commercial Banks**

The exporters get pre-shipment as well as post-shipment finance from commercial banks. The pre-shipment finance from Commercial Banks are in the form of packing credit in respect of shipment expected to be made within a period not exceeding 180 days from the date of advance is granted. While there is no specified time or period defined for post shipment finance. The amount is generally forwarded in the form of loan, cash overdraft or discounting of bill. If a loan is granted the borrower can draw the amount either in cash or get it credited to his current account from which he may withdraw the amount as and when required. According to credit policy announced in 1970, banks are authorized to levy a commitment charges as the commitment is made interest is chargeable right from the time the loan is made until the repayment is debited on quarterly basis.

Under cash credit and overdraft facilities, a credit limit is sanctioned for each customer by the bank and the party is permitted to withdraw a part of whole of the amount. This facility provides flexibility in drawings. The credit can be utilized
as and when required and the interest is chargeable only on the amount drawn.

Export Credit Guarantee Corporation (ECGC) Of India:

The Export Credit Guarantee Corporation, a Govt. of India undertaking, set up under the ministry of Commerce, provides insurance to Indian exporters of goods & services, against the risk of non-payment for exporters. Under the ECGC credit insurance policy, the exporter is assured that ECGC will pay if the overseas buyer fails to pay for the goods and services exported. ECGC, bearing the main brunt of risk, pay the exporter 90% of his loan on accord of commercial and political risk.

The cover issued by the ECGC could be divided into four groups as:

- **Standard Policies** issued to exporters to protect them against payment risk involved in exports on short term credit.

- **Specified policies** designed to Indian firms against payment risk involved in:
  a) Export on different terms of payment.
  b) Services rendered to foreign parties.
  c) Construction works and turnkey projects undertaken aboard.

- **Financial guarantee** issued to banks in India to protect them from risk of loss involved in their extending financial
support to exporters at the post shipment as well as pre-shipment stages.

- Special scheme, viz., transfer guarantee to protect banks which add confirmation to letter of credit opened by foreign banks, insurance cover for buyer’s credit, lines of credit, overseas investment insurance and exchange fluctuation risk insurance.

**Review of Literature**

A number of studies on export finance have been completed both inside & outside India. It may be rather difficult for an individual researcher to locate all of those studies and present their coverage and recommendations. However, we shall cover some important ones among them and present in this section, the important aspects covered by each of them. These studies have broadly been classified into two – studies completed in foreign countries and studies completed in India.

**Studies Abroad**

In 1969, a committee was appointed by the UNO on Export credit as a means of Promoting Exports from Developing Countries.’ This Committee considered both export credit financing and export credit insurance schemes as the effective means of expanding trade among developing countries. It recommended that the UNO should intensity the technical and
financial assistance to developing countries by setting up sub
regional fiscal and financial expert teams in selected areas that
would include experts in those fields. This matter was also
discussed in the two Round Table Conference held under the
Nature of Export Finance and Its Implications for Developing
Countries' was prepared in 1980 by the World Bank. The
objective of the paper was to create awareness among the Bank's
staff towards the new developments taking place in the field of
export credit and their implications in developing countries.

As among the individual researchers, the study made
by Angus Dunn and Martin Knight on 'Export Finance' in 1982
is considered to be an important one. The book covers the
theoretical aspect as well as analysis of export credit system of
the world. Similarly, UNCTAD/GATT published a report on 'The
Financing of Exports from Developing Countries' in 1984. The
report presents a review of the various aspects of export
financing and outlines how different types of incentives and
support service might be used by developing countries to
increase the supply of export credits. Harry M. Venedikian and
Gerald A. Warfield (both from the USA) in their project work
entitled 'Export Import Financing' (1986) provided guidance to
the international community regarding procedures and practices
of export credit in the USA. The revised edition of the book 'The
export credit financing System in OECD Member Countries'
(1987) published by the Organisation for Economic Co-operation
and Development deals extensively with export credit systems of

35
as many as 22 countries. It outlines the export credit agencies in each country, their functions, organization, resources and schemes of financing and refinancing, besides making study of the cost export credit in each country.

**Studies In India**

In India as exhaustive study was conducted on 'Export Credit System in India' by a Japanese expert Yoshiaki Toda in 1968 at the instance of the Reserve Bank of India. He studied the export credit procedures of the banks, ECGC and IDBI and made important recommendations in the light of experiences in Japan. The Indian Institute of Foreign Trade conducted a study on export credit facilities in India and abroad in 1970. In 1971, P.B Satagopan studies extensively the various aspects of export credit in India and ten other countries. The aspects covered by him were organization for export finance, credit limit for foreign buyers, insurance policies and risk covered, credit guarantees to banks, etc. After Yoshiaki Toda, Satagopan was another individual researcher who studied export credit system in India in such a detail. USAID Mission sponsored this study. In the same year, another study 'A Survey of Export Credit Facilities in India' as conducted by P.N. Arya. He had studied in depth the availability of short-term, medium-term and long-term export finance and credit insurance/guarantees in India.
In 1972, the Indian Institute of Management, Ahmedabad conducted a study on the working of Export Credit and Guarantee Corporation Ltd. And made several recommendations to improve the working of the Corporation. Some of these recommendations were also implemented by ECGC. S.K. Verghese of the National Institute of Bank Management also conducted a study in 1976 on 'Financing of Exports and Imports by commercial banks in India, though passing references were made of export insurance and guarantee facilities also. The report of this study was published in three volume dealing respectively with conceptual framework for foreign trade financing, export financing, and import financing. O.P Goyal in his study on 'Financial Institutional and Economic Growth of India' (1979) attempted, among other things, to forecast demand and supply of export credit for the Fifth Five Year Plan (1974-79).

In 1989, Mohammad Younus Koul made a perceptible study on 'international Marketing (Export Financing- India)'. In his study, Mr. Koul has dealt with the development of export credit and credit insurance, cost of export credit, and rationally of the credit procedures being followed by export credit agencies in India. Another research study on export financing in India' was conducted jointly by V.R Panchmuhi, V.L Rao, C.J Batliwalla, Philip Thomas, K.C. Reddy and I.N Mukherji and was published in a book form in 1991. The Asian Development Bank commissioned the study. The study has analysed the working of the export financing mechanism in India covering aspects such
as supply of export credit, export credit refinancing, and export credit guarantees. The inter-relationship among exporter, commercial banks, the RBI, the export credit Guarantee Corporation of India, and EXIM have also been analysed. H.D. Manjappa is his doctoral dissertation on Concessional Export Finance in India: An empirical Study’ (1991, University of Bombay) has examined the trend in growth of concessional export finance, the associative nature of concessional export finance and total exports of those industries where finance has been provided keeping the growth led export scenario for India, direction of engineering exports and export finance, concessional; export finance and capacity utilization, social and budgeted costs of concessional export credit subsidy for the society, and the policy in promoting south –south trade. Narinder Kumar in his study, ‘Export Financing in India.’ (1992) Has attempted to describe the institutional set-up for export credit in India, supply of export credit, and has also analysed the insurance cover and guarantees, and made some recommendations for improvement in the export credit system in the country.

In addition to the studies made by institutions and individual researchers, the Government of India has also appointed various committees from time to time to evaluate the working of export credit and guarantee systems in the country and to suggest ways for its improvements in line with the changing requirements. In 1956, Ministry of Commerce, Government of India, appointed a committee viz., Export Credit Guarantee Committee in 1956 under the chairmanship of T.C
Kapoor to go into the problem of credit guarantee/insurance. The committee strongly recommended the setting-up of Export Credit Guarantee Corporation and the same was accepted by the government. Another Working Group on Export Finance under the Chairmanship of K.P Mathrani was appointed by the Ministry of Commerce in 1962 to review credit facilities in the country. The Committee analysed the demand and supply of short-term and long-term export credits recommended strengthening of the then existing institutional structure in the country. In 1964, the Ministry of International Trade appointed a Committee (S.P Chablani Committee) on cost of Export Credit to examine the rates of interest on export credit. The Committee recommended reduction in the rates of interest. However, its recommendations did not find favour with the Government. Another Committee G.Sundaram Committee has submitted its report on the structure of export credit (1992). It examine export credit refinance & rediscounting as also the interest rate structure. The Government has already taken action on the recommendations of this committee.

The survey of available literature shows that a number of special studies have been completed in the area of export credit, besides various research papers on the subject. These studies cover almost each & every aspect of the operation of export credit system in the country. The need been hardly stated that this area of business finance has witnessed fast changes as a result of changing business requirements and trading practices within and outside the country. It, thus,
requires on-going researches both by institutions and individual researchers with a view to identifying the week areas so that the same may be streamlined and made competitive. The present study is an attempt in that direction. It examines the present institutional set-up for export finance in India, the special emphasis being placed on the working performance of Exim Bank and ECGC as also of RBI and commercial banks in so far as their export credit functions are concerned.
The previous chapter highlighted that export credit is an instrument for export promotion, to meet this need, steps have been taken in sponsoring and promoting financial institutions and devising other financial arrangements as a measure towards promoting exports. These measures comprise several financial institutions established by Government of India to cater to various financial needs of export. These institutions include Export Import Bank of India, Export Credit Guarantee Corporation of India, which are the pioneer institutions in the field. The Reserve bank of India and commercial banks are also engaged in extending this assistance. A detailed discussion of these institutions is made in this and the following chapters.

**Genesis:**

The need for setting up of an apex institution for financing international trade was felt as early as 1967 when Joshi Committee was set up in the seventies. A number of other committees and organizations stressed the need for having a high powered export institution to finance and promote export of capital goods. They recommend that an Exim bank should be set
up as a specialised institution devoting its energy entirely to the provision of a comprehensive package of financing and allied services to the export sector and thereby giving boost to the export efforts of the nation.

Origin:

It was on August 17, 1981 that the Parliament passed a bill for setting up of the long awaited Exim Bank of India. Exim Bank of India was established on January 1, 1982 under the Export Import Bank of India Act and commenced its operations in March 1982. It is a public sector financial institution created by an Act of Parliament, the Export Import Bank of India Act 1981. Exim Bank has its headquarters at Bombay and its branches at import centers in India and abroad. The bank was carved out of the international wing of IDBI.

Mission:

Exim Bank mission is to facilitate globalisation of Indian business. Its mission statement pronounces: to develop commercially viable relationships with externally oriented companies by supporting their internationalization effort, through a diverse range of product and services. The basic aim of the Exim bank is to promote international trade. The logo reflects this the logo has two -way significance. The import arrow is thinner than the export arrow. It also reflects the aim of value addition to exports.
Exims evolving vision*:

**EVOLVING VISION**

- **From financing, facilitating and promoting India's foreign trade**
- **To creating export capability by arranging competitive financing at various stages of the export cycle**
- **To developing commercially viable relationships with a target set of externally oriented companies by offering them a comprehensive range of products and services, aimed at enhancing their internationalisation efforts**

1982-85: From financing, facilitating and promoting India's Foreign trade.

1986-94: To creating export capability by arranging competitive financing at various stages of export cycle.

*Source: www.eximbankindia.com*
1995 & beyond: To develop the commercially viable relationships with a target set for externally oriented companies by offering them a comprehensive range of products and services, aimed at enhancing their internationalisation efforts.

**Objectives:**

- To translate national foreign trade policies into concrete action plans.
- To provide alternate financing solution to Indian exporter aiding him in his efforts to be internationally competitive.
- To develop mutually beneficial relationships with the international financial community.
- To initiate and participate in debates on issues central to India international trade.
- To forge close working relationship with other export development and financing agencies, multilateral funding agencies and national trade and investment promotion agencies.
- To anticipate and absorb new developments in banking export financing and information technology.
- To be responsive to export problems of Indian exporters and pursue policy resolutions.
Organisation And Management:

Exim Bank is fully owned by the government of India and is managed by board of directors with representation from government, financial institutions, commercial banks, and private trade and industry. The organizational set up of Exim bank is grouped into three clusters comprising: *(1)

i) Operating groups:
- Project finance
- Trade finance
- Overseas investment finance

ii) Support services:
- Legal
- Internal audit and vigilance
- Planning and research
- Management services
- Human resource development
- General administrative and accounts
- Co-ordination

iii) Offices in India and Abroad

The bank is headquartered in Mumbai, India and has a network of 12 offices in India and overseas. It has domestic

* By the courtesy of the Librarian, Exim Bank, New Delhi.
regional offices in New Delhi, Calcutta, Madras, Mumbai, Bangalore, Ahmedabad and Pune. Exim Bank has overseas representative offices in Johannesburg, Singapore, Washington Dc, Rome and Budapest.

The general superintendence, direction and management of the affairs of business of the Exim Banks vests in aboard which exercises all power and does all acts and things to be exercises or done by the Exim bank. As on march 31 1999, bank had a total staff of 162 which as per latest information the number had gone to 178, including 105 professional staff hailing from backgrounds as diverse as engineers, economists, bankers, accountants, business school graduates, legal and language experts, library and documentation experts, personnel and computer specialists.

**Range of Programmes***

The range of programmes of Exim Bank can be studied in the following way:

*A Range of Programmes*

- **Financing Programmes**
  - Export Credits
  - Export Capability Creation

- **Export Services & Export Promotion Programmes**

- **Research & Analysis**

*Source: [www.eximbankindia.com](http://www.eximbankindia.com)*
Financing Programmes Are Grouped As Below:

1) Export Credits

- Bank provides exports of Indian machinery, manufactured goods, consultancy and technology services
- On deferred payment terms
- Lines of credit/buyer's credits are extended to overseas entities i.e. governments, central banks, commercial banks, development finance institutions, regional development banks for financing export of goods and services from India

1. Project Finance
2. Trade Finance

2) Export Capability Creation

- Export Product Development
- Export Marketing Finance
- Export Oriented Units
  1. Project Finance
  2. Working Capital
  3. Production Equipment Finance
- European Community Investment Partners (ECIP)
- Asian Country Investment Partners (ACIP)
- Overseas Investment Finance
- Export Facilitation Programmes
  1. Software Training Institutes
  2. Minor Ports Development
3) **Export Services**

In addition to finance, Bank provides a range of information and advisory services to Indian companies to supplement their efforts aimed at globalisation of Indian business.

4) **Supporting Groups**

- Planning & Research
- Accounts/MIS/EDP
- Legal
- Co-ordination
- HRD
- Establishment

**A Variety Of Lending Programmes:**

Exim India offers a range of financing programmes that match the menu of Exim Banks of the industrialised countries. However, the Bank is a typical in the universe of Exim Banks in that it has over the years evolved, so as to anticipate and meet the special needs of a developing country. The Bank provides competitive finance at various stages of the export cycle covering:
Exim Bank supports all stages of the Business Cycle.

A) Fund based facilities

B) Non fund based facilities (guarantee facilities)

* Funded BASED:

- Lines of Credit
- Supplier's Credit
- Overseas Buyer's Credit
- Loan under FREPEC Programme: Financing Rupee Expenditure for Project Export Contracts
- Pre-Shipment Rupee Credit
- Refinance of Export Loans
- Forfaiting

*Source: www.eximbankindia.com
Lines Of Credit

Introduction

Exim Bank extends lines of credit to overseas governments/agencies nominated by them or financial institutions overseas to enable buyers in those countries to import capital/engineering goods, industrial manufactures and related services from India on deferred payment terms. This facility enables importers in those countries to import from India on deferred credit terms as per the terms and conditions already negotiated between Exim Bank and the overseas agency. The Indian exporters can obtain payment of eligible value from Exim Bank against negotiation of shipping documents, without recourse to them.*

*Source: www.eximbankindia.com
Features:

The lines of credit are denominated in convertible foreign currencies or Indian Rupees and extended to sovereign governments/agencies nominated by them or financial institutions. Such governments/agencies/institutions are the borrowers and Exim Bank the lender. Terms and conditions of different lines of credit are varying and details in respect of each line of credit can be obtained from Exim Bank. It would need to be ascertained from time to time that the lines of credit have come into effect and uncommitted balance is still available for utilisation. Indian exporters also need to ascertain the quantum of service fees payable to Exim Bank on account of prorata export credit insurance premium and / or interest rate differential cost that they can then paid up in their prices to their importers.

Supplier's Credit for deferred payment exports:

Exim Bank offers Supplier's Credit in Rupees or in Foreign Currency at post-shipment stage to finance export of eligible goods and services on deferred payment terms. Supplier's Credit is available both for supply contracts as well as project exports; the latter includes construction, turnkey or consultancy contracts undertaken overseas. *

Exporters can seek Supplier's Credit in Rupees/Foreign Currency from Exim Bank in respect of export contracts

*An Illustrative list of eligible goods is at Annexure (A)
on deferred payment terms irrespective of value of export contracts.

**The General Terms Of Supplier's Credit:**

**Extent of Supplier's Credit:**

100% of post-shipment credit extended by exporter to overseas buyer.

**Currency of Credit**

Supplier's Credit from Exim Bank is available in Indian Rupees or in Foreign Currency.

**Rate of Interest**

The rate of interest for Supplier's Credit in Rupees is a fixed rate and is available on request. Exim Bank offers supplier's Credit in Foreign Currency on a floating rate basis at a margin over LIBOR dependent upon cost of funds.

**Security**

Adequate security by way of acceptable letter of credit and/or guarantee from a bank in the country of import or any third country is necessary, as per RBI guidelines.

**Period of Credit and Repayment**

Period of credit is determined for each proposal having regard to the value of contract, nature of goods covered, security, and competition. Repayment period for Supplier's Credit facility is fixed coinciding with the repayment of post-shipment credit extended by Indian
exporter to overseas buyer. However, the Indian exporter will repay the credit to Exim Bank as per agreed repayment schedule, irrespective of whether or not the overseas buyer has paid the Indian exporter.

**Utilisation of Credit:**

Exim Bank enters into Supplier's Credit Agreement with Indian exporter as also with exporter's commercial bank in the event of the latter's participation in the Supplier's Credit. The Agreement covers details of draw-down, repayment, and includes an affirmation by Indian exporter that repayment to Exim Bank would be made on due date, regardless of whether due payments have or have not been received from overseas buyer.

**Negotiation of Documents:**

Commercial bank negotiates export documents and seeks reimbursement of Supplier's Credit amount.

**Supplier's Credit Claims:**

Commercial bank seeks reimbursement of Supplier's Credit from Exim Bank along with;

- Annexure containing particulars of shipment/s made (drawal form and Annexure format are provided to banks at the time of issue of sanction).
- Copies of shipping documents. On satisfying itself that the disbursement claim is in order, Exim Bank either credits the amount in Rupees under Rupee Supplier's Credit into the account of the commercial
bank, maintained with Reserve Bank of India (RBI) at Mumbai, or the commercial bank's Nostro Account under Foreign currency Supplier's Credit and advises details of the amount credited to bank/exporter.

**Repayment of Supplier's Credit:**

The exporter repays principal amount of credit to Exim Bank as per agreed repayment schedule. Interest amounts are payable to Exim Bank half-yearly without any moratorium.

**Overseas Buyer's Credit:**

Credit is offered directly to overseas buyer for a specific project/contract.

**Finance for Rupee Expenditure for Project Export Contracts (FREPEC)**

**FREPEC Programme:**

This programme seeks to Finance Rupee Expenditure for Project Export Contracts, incurred by Indian companies.

**The Purpose Of This Credit:**

To enable Indian project exporters to meet Rupee expenditure incurred/required to be incurred for execution of overseas project export contracts such as for mobilisation/purchase/acquisition of materials and equipment, mobilisation of personnel, payments to be made in India to staff,
sub-contractors, consultants and to meet project related overheads in Indian Rupees.

**Eligible for assistance under FREPEC Programme:**

Indian project exporters who are to execute project export contracts overseas secure on cash payment terms or those funded by multilateral agencies will be eligible. The purpose of the new lending programme is to give boost to project export efforts of companies with good track record and sound financials.

**The Quantum Of Credit Extended Under This Programme:**

Upto 100% of the peak deficit as reflected in the Rupee cash flow statement prepared for the project. Exim Bank will not normally take up cases involving credit requirement below Rs. 50 lakhs. Although, no maximum amount of credit is being proposed, while approving overall credit limit, credit-worthiness of the exporter-borrower would be taken into account. Where feasible, credit may be extended in participation with sponsoring commercial bank(s).

**Pre-Shipement Rupee Credit:**

Pre-shipment Rupee Credit is extended to finance temporary funding requirement of export contracts. This facility enables provision of rupee mobilisation expenses for construction/turnkey projects. Exporters could also avail of pre-shipment credit in foreign currencies to finance cost of imported inputs for manufacture of export products to be supplied under
the projects. Commercial banks also extend this facility for definite periods.

**Refinance of Export Credit:**

Authorised Dealers in foreign exchange can obtain from Exim Bank, hundred percent refinance of deferred payment loans extended for export of eligible Indian goods.

**Forfaiting - An Export Finance Option**:  

Forfaiting is a mechanism of financing exports;

- By discounting export receivables
- Evidenced by bills of exchange or promissory notes
- Without recourse to the seller (viz. exporter)
- Carrying medium to long term maturities
- On a fixed rate basis (discount)
- Upto 100 percent of the contract value.

The word 'forfait' is derived from the French word 'a forfait' which means the surrender of rights.

Simply put, Forfaiting is the non-recourse discounting of export receivables. In a Forfaiting transaction, the exporter surrenders, without recourse to him, his rights to claim for payment on goods delivered to an importer, in return for immediate cash payment from a forfaiter. As a result, an exporter in India can convert a credit sale into a cash sale, with no recourse to the exporter or his banker.

*Source: The Banker (Forfating boon for exporters) Sept 25, 1994*
Exports eligible for Forfaiting:

All exports of capital goods and other goods made on medium to long-term credit are eligible to be financed through Forfaiting.

Working of Forfaiting:

Receivables under a deferred payment contract for export of goods, evidenced by bills of exchange or promissory notes, can be forfaited.

Bills of exchange or promissory notes, backed by co-acceptance from a bank (which would generally be the buyer’s bank), are endorsed by the exporter, without recourse, in favour of the Forfaiting agency in exchange for discounted cash proceeds. The banker’s co-acceptance is known as avalisation. The co-accepting bank must be acceptable to the Forfaiting agency.

Exim Bank Role In Forfaiting Transaction:

The role of Exim Bank will be that of a facilitator between the Indian exporter and the overseas Forfaiting agency.

On a request from an exporter, for an export transaction, which is eligible, to be forfaited, Exim Bank will obtain indicative and firm Forfaiting quotes – Discount rate, commitment and other fees - from overseas agencies.
Exim Bank will receive avalised bills of exchange or promissory notes, as the case may be, and send them to the forfaire for discounting and will arrange for the discounted proceeds to be remitted to the Indian exporter. Exim Bank will issue appropriate certificates to enable Indian exporters to remit commitment fees and other charges.

**Forfaiting Cost Include:**

A Forfaiting transaction has typically three cost elements;

- Commitment fee
- Discount fee
- Documentation fee

**Benefits Accrue To An Exporter From Forfaiting:**

- Converts a deferred payment export into a cash transaction, improving liquidity and cash flow.
- Frees the exporter from cross-border political or commercial risks associated with export receivables.
- Finance upto 100 percent of the export value is possible as compared to 80-85 percent financing available from conventional export credit programmes.
- As Forfaiting offers without recourse finance to an exporter, it does not impact the exporter's borrowing limits. Thus, Forfaiting represents an additional source of funding, contributing to improved liquidity and cash flow.
- Provides fixed rate finance; hedges against interest and exchange risks arising from deferred export credit.
- Exporter is freed from credit administration and collection problems.
Forfaiting is transaction specific. Consequently, a long term banking relationship with the forfaiteer is not necessary to arrange a Forfaiting transaction.

- Exporter saves on insurance costs as Forfaiting obviates the need for export credit insurance.
- Simplicity of documentation enables rapid conclusion of the Forfaiting arrangement.

**Minimum value:**

The minimum value of an export contract eligible for Forfaiting and acceptable to a Forfaiting agency will generally be the equivalent of US $1,00,000.

**Non-Fund Based Facilities**

- Bid Bond
- Advance Payment Guarantee
- Performance Guarantee
- Guarantee for Release of Retention Money
- Guarantee for Raising Borrowings Overseas
- Other Guarantees
- Confirmation Of Letters Of Credit(L/C) By Exim Bank Under The Trade Facilitation Programme Of The European Bank For Reconstruction And Development (EBRD)

Exim Bank issues following guarantees directly or in participation with other banks, for project export contract.
**Bid Bond:**

Bid Bond is generally issued for a period of six months.

**Advance Payment Guarantee:**

Exporters are expected to secure a mobilisation advance of 10-20% of the contract value, which is normally released against bank guarantee and is generally payments during project execution. Recovered on a pro-rata basis from the progress.

**Performance Guarantee:**

Performance guarantee for 5-10% of contract is issued, valid upto completion of maintenance period normally one year after completion of contract period and/or grant of Final Acceptance Certificate (FAC) by the overseas employer. Format of guarantee is expected to be furnished by exporter, at least four weeks before actual issue, to facilitate discussions and formal approval.

**Guarantee for Release of Retention Money:**

This enables the exporter to obtain the release of retention money (normally 10% of contract value) before obtaining Final Acceptance Certificate (FAC) from client.

**Guarantee for Raising Borrowings Overseas:**

Bridge finance may be needed at the earlier phases of the contracts to supplement the mobilisation advance. Bridge
finance upto 25% of the contract value may be raised in foreign currency from an overseas bank against this guarantee issued by a bank in India. Request for overseas borrowings must be supported by currency-wise cash flows, also indicating the outstanding letters of credit and L/C drawal schedule.

**Other Guarantees:**

E.g. in lieu of customs duty or security deposit for expatriate labour.

**Guarantee commission:**

Is charged at rates stipulated by the Foreign Exchange Dealers Association of India (FEDAI) or as stipulated by guarantee issuing bank. Banks generally waive margin requirement for issue of guarantee for Export Performance Guarantee. However, appropriate securities are availed of.

**Financial Assistance For Export Capability Creation Programmes:**

- Lending Programme for Export Oriented Units
- Production Equipment Finance Programme
- Technology Upgradation Fund Scheme for Textile and Jute Industries
- Overseas Investment Finance Programme
- Equity Investment in Indian Ventures Abroad
- Asian Countries Investment Partners Programme
- Export Marketing Finance Programme
- Export Product Development Programme
• Export Vendor Development Programme
• Programme for Export Facilitation
• Port Development
• Software Training Institutes
• Foreign Currency Pre-shipment Credit
• Working Capital Term Loan Programme for Export Oriented Units
• Bulk Import Finance
• Finance for Research & Development for Export Oriented Units
• Long Term Working Capital
• Import Finance

**Lending Programme For Export Oriented Units**

**Objective:**

To create and enhance export capabilities of Indian companies.

**Eligible Companies:**

- Units set up/proposed to be set up in Export Processing Zones.
- Units under the 100% Export Oriented Units Scheme.
- Units importing capital goods under Export Promotion Capital Goods Scheme.
- Units undertaking expansion / modernisation / up

*Courtesy: http://www.eximbankindia.com*
gradation/diversification programmes of existing export oriented units with export orientation of minimum 10% or sales of Rs.5 crore per annum whichever is lower.

Interest Rates:

- Rupee term loan linked to Bank's minimum lending rate.
- Foreign currency term loan at floating or fixed interest rates based on Bank's cost of funds.
- Interest is payable semi-annually on reducing balances.

Production Equipment Finance Programme

Objective:

Under the Production Equipment Finance Programme (PEFP), Exim Bank seeks to finance non-project related capital expenditure of export-oriented units. PEFP is structured as an umbrella arrangement under which various equipment, imported and indigenous, can be financed, thus obviating the need to arrange finance for every such procurement. It is not necessary to identify specific equipment sought to be financed at the time of application; this could be done at the time of disbursement. PEFP is a fast-disbursing window available to export oriented units.

Overseas Investment Finance

Lending Programme for Overseas Joint Ventures/Wholly Owned Subsidiaries by Indian Companies.
**Objective:**

To finance by way of equity loan to Indian companies for setting up of overseas joint ventures/wholly owned subsidiaries.

**Refinance to Commercial Banks:**

Exim Bank provides 100% refinance to commercial banks in respect of rupee term loans extended by them to Indian promoter company for equity contribution in overseas JV/WOS. As per prevailing RBI guidelines, commercial banks can consider loan for equity investment only under Exim Bank's Refinance scheme.

**Equity Investment In Indian Ventures Abroad**

**Objective:**

To catalyse overseas investment by Indian companies to enhance visibility of Indian overseas ventures.

**Quantum of Exim Bank's equity participation:**

- Upto 25% of equity capital of the JVs involving Indian & foreign companies.
- Upto 50% of equity capital in case of wholly owned subsidiaries of Indian companies.
- Subject to a ceiling of US $ 5 million per proposal and remove subject to RBI.

*Source: www.eximbankindia.com*
Investment Criteria:

While considering equity investment with Indian companies business in India, weight age will be giving to the following:

- Background and track record of Indian and foreign promoters
- Synergy of overseas operations with business in India
- Financial viability and technical feasibility
- Return on Exims investment
- Benefits to India in terms of trade enhancement, technology transfer, foreign exchange earnings etc.

Asian Countries Investment Partners Programme (ACIP)

Objective:

To promote joint ventures in India between Indian companies & companies from Asian countries through four facilities that address different stages of the project cycle. ACIP seeks to catalyse investment flows into India by creation of Joint Ventures in India between Indian companies and companies from East Asian countries. ACIP is proposed to be a funding instrument providing finance at various stages of a Joint Venture project cycle viz. sector study, project identification, feasibility study, prototype development, setting up project and technical, managerial assistance.
### Features *

<table>
<thead>
<tr>
<th>Facility 1</th>
<th>Facility 2</th>
<th>Facility 3</th>
<th>Facility 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance for</strong></td>
<td>Identification of potential joint venture projects and partners.</td>
<td>Operations prior to launching a joint venture like pilot plant-feasibility study.</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Project Expenditure</strong></td>
<td>Human Resources development: training and management assistance.</td>
<td></td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Beneficiaries</strong></td>
<td>Chambers of commerce, industrial/investment promotion agencies and other eligible bodies.</td>
<td>Indian companies seeking joint venture in India.</td>
<td>Joint venture companies set up under ACIP.</td>
</tr>
<tr>
<td><strong>Instrument</strong></td>
<td>Grant</td>
<td>Soft loan</td>
<td>Term loan</td>
</tr>
<tr>
<td><strong>Finance available</strong></td>
<td>Maximum of Rs. 20 lakhs.</td>
<td>Maximum of Rs. 50 lakhs.</td>
<td>Need Based.</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>N.A.</td>
<td>7.5% p.a.</td>
<td>As applicable to Exim's rupee term loan</td>
</tr>
<tr>
<td><strong>Limits</strong></td>
<td>Upto 50% of the cost.</td>
<td>Upto 50% of the cost</td>
<td>Need Based</td>
</tr>
<tr>
<td><strong>Repayment</strong></td>
<td>N.A.</td>
<td>Within 5-7 years.</td>
<td>Within 5-7 years.</td>
</tr>
</tbody>
</table>

*Source: [www.eximbankindia.com](http://www.eximbankindia.com)*
Export Marketing Finance Programme

Objective:

To create and enhance export capabilities and international competitiveness of Indian companies. Under the lending programme for Export Marketing Finance, the Bank addresses the term finance requirements for a structural and strategic export marketing and development effort of Indian companies.

Eligible Activities:

Activities associated with export marketing and export capability creation are financed under the programme. Typical activities eligible for finance under this programme are desk/field research, minor product adaptation, overseas travel, training, quality certification, product launch, investment in machinery and equipment, testing/quality control equipment, and factory premises.

Export Product Development Programme

Objective:

To support systematic export product development plans with focus on industrialised markets.

Eligible Activities:

- Term finance for product design and development activities.
- Research and development activities including cost of manufacture of prototypes development, pilot plants,
product testing, development of toolings, jigs & fixtures, process development costs and product launch.

**Programme For Financing Export Vendor Development (EVD)**

**Objective:**

To finance export strategic vendor development plans for export companies with a view to enhancing exports through creation, strengthening of backward linkages with vendors.

**Eligible Activities:**

Activities undertaken by exporters to develop and upgrade vendors that will lead to export additionally are eligible for finance under EVD. Examples:

- Acquisition of production machinery;
- Purchase of toolings, moulds, jigs, dies and ancillary equipment;
- Core working capital assistance extended by exporters to vendors;

**Programme For Export Facilitation**

Exim Bank offers term finance and non-funded facilities to Indian corporates to create infrastructure facilities to facilitate India's international trade & thereby enhance their export capability.
Infrastructural facilities covered under programme:

- Port Development.
- Software.
- Any other infrastructural facility for promoting India’s international trade.

Financing Port Development

Objective:

To finance development of minor ports with related infrastructural activities, which would facilitate India’s international trade.

Lending Programme for Software Training Institutes

Objective:

The programme seeks to address the perceived constraint in availability of trained high-end software professionals to support the fast growing software exports. The programme aims at financing the establishment / expansion of software training institutes.

Eligible Activities

- Acquisition of fixed assets including land, building, hardware, software and related equipment.
- Extending loans towards tuition fees and other charges.

Any other activity connected with training that may be agreed by Exim Bank.
**Foreign Currency Pre-Shipment Credit (FCPC)**

**Objective:**

Under this programme, short-term foreign currency finance is available to eligible exporters for financing inputs for export production such as raw materials, components and consumables. The finance is repayable in foreign currency from proceeds of the relative exports.

FCPC programme represents another funding source to the exporter for expanding export volumes, particularly of manufactured and value added goods. It eliminates two-way exchange conversion costs and exchange risk, thus enhancing export competitiveness. FCPC can be a cost effective funding source as compared to rupee export credit as well as overseas supplier's credit depending on market conditions for loans under FCPC. As far as commercial banks are concerned, loans availed of from Exim Bank are exempt from Cash Reserve Ratio, Statutory Liquidity Ratio and Incremental Credit-Deposit Ratio requirements.

**Working Capital Term Loan Programme For Export Oriented Units (WCTL)**

**Objective:**

WCTL programme seeks to create, enhance export capabilities of Indian companies. Under the Programme, the Bank addresses the working capital (loan component) requirements of export-oriented units.
Bulk Import Finance Programme (BIF)

Objective:

To provide short term working capital finance to manufacturing companies to excess consumable inputs.

Features:

Under the programme, BIF is offered for import of eligible items with a minimum order size of Rs.1 crore. *

Programme For Financing Research & Development

Objective:

To provide integrated financing for Research & Development activities by export oriented companies.

Exim Bank's finance: *

The finance is available to financially sound companies with a minimum export orientation of 20% of their net sales for the following eligible activities and eligible expenditure.

<table>
<thead>
<tr>
<th>Eligible R&amp;D Activities</th>
<th>Eligible R&amp;D Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Development and commercialisation of new product / process / application.</td>
<td>• Acquisition of technology at the 'proof of concept' or design stage which will be used to develop new product/ process.</td>
</tr>
<tr>
<td>• Significant improvements in existing product / process / application/ design.</td>
<td>• Land and building, civil works for housing</td>
</tr>
</tbody>
</table>

*Source: www.eximbankindia.com*
• Development of technology or design to satisfy domestic or international environment, technical requirements/standards, specifications.
• Setting up, expansion of pilot plants.
• Research studies necessary for obtaining regulatory approvals, product registrations, cost of filing and maintaining international patents.
• R&D centers.

eligible R&D activities:
• Dies, tools, laboratory and other R&D equipment, mould, computer hardware, software, miscellaneous fixed assets.
• Salaries of R&D personnel, support staff during the R&D project phase including training costs.
• Cost of regulatory approvals, filing and maintenance of patent registration.
• Expenditure on external consultants for outsourcing a component of R&D project
• Product documentation and allied costs during the R&D project phase
• Costs of materials, surveys, technology demonstration studies, field trials.
Basic research with no identified application, academic research and normal process control, quality control, inspection, repairs and maintenance, contract research will not be eligible under this Programme.

**Long Term Working Capital Programme For Export Oriented Units**

**Objective:**

To provide finance for long term working capital.

**Exim Bank's finance:**

The finance is available to financially sound companies with a minimum export orientation (present or targeted) of 10% of their net sales OR export sales of Rs.5 crores (per year), whichever is lower.

**Import Finance**

**Objective:**

To provide finance for import of capital goods/plant and machinery, technology/know-how.

**Exim Bank's finance:**

The finance is available to Indian manufacturing companies.

**A Variety Of Lending & Service Programmes**

Exim Bank provides a range of analytical information and export related services. The Bank's fee based services help identify new business propositions, source trade and investment related information, create and enhance presence through joint
network of institutional linkages across the globe, and assists externally oriented companies in their quest for excellence and globalisation. Services include search for overseas partners, identification of technology suppliers, negotiating alliances, and development of joint ventures in India and abroad. The Bank also supports Indian project exporters and consultants to participate in projects funded by multilateral funding agencies.

Promotional Programmes

Grants to Indian firms for MFPO bids:

Under the strategies market entry support programme, Exim Bank reimburses the cost of tendering for Indian firms who have successfully MFPO contracts.

Grants to Indian firms for obtaining product process certification:

Exim bank provides grant support of upto 50% of the costs incurred by the company in obtaining certification. The product / process certifications covered under the programme include ISO14000, QS9000 and CE/GS certifications.

Grants to Indian consultants for undertaking services abroad:

Under the project preparatory services overseas (PPSO) programme, Exim bank provides loan/grant finance to enable Indian consultancy firms to take up project preparatory studies in developing countries.
In an arrangement with international finance corporation (IFC), Washington, Exim bank is a participant in the trust funds set up the IFC in different parts of the world. As a result of this arrangement, Indian consultants can avail of grant finance for undertaking specific assignments in select countries in Africa, Eastern Europe, and the Mekong delta region.

**Performance of Exim Bank since 1991**

Performance of Exim bank can be studied in two aspects:
- A study of its resources, loan & guarantees sanctioned, & loans & guarantees disbursed & issued, profit and dividend scenario.

**Resources:**

The paid up capital of Exim bank is wholly subscribed by the central government. The Bank can raise additional resources through borrowing from Government of India from RBI & from Market through the issue of bonds & Debentures. It can borrow foreign currency loans from international financial institutions like World Bank, Asian Development Bank, African Development Bank etc. The resources of the Bank over the period 1991-2001 have been shown in Table 2.1. The resources of the bank constitute of its paid up capital, reserves, notes, bonds & debentures issued by the Banks, deposit & other borrowing.
The total resources of the bank has increase from Rs. 24679 million in 1991-1992 to Rs. 73981 million in 2000-2001 which is nearly 33.35% increase of its corresponding figure of 1999-2000 (Rs. 70264 million) can be studied from the table that the main source of funds for the bank is the issue of bond & debentures, the bank fetch Rs. 4540 million in 1991-92 by issuing various bonds & debentures & in 2000-2001 the Bank fetched Rs. 22915 million. The second important source is other borrowings, which contributed Rs. 11198 million in 1991-92 & Rs. 20255 million in 200-2001 table 2.1 shows banks paid up capital which is increased from Rs. 2962 million in 1991-92 to Rs. 5500 million in 2000-2001, Reserved has increased many folds from Rs. 1475 million in 1991-92 to Rs. 10664 million in 2000-2001. The banks issued various bonds & debentures which increased its amount to Rs. 4540 million in 1991-92 to Rs. 22915 million in 2000-01.

Total resources of the bank have increased from Rs. 24679 millions in 1991-92 to Rs. 73981 million in 2000-01.

**Profitability:**

The profitability position of the bank over the period 1991-2001 has been shown in Table 2.2.

It can be depicted from the table that the profit before tax (PBT) has been increasing since 1919-92 till 1997-98 7 there is a decreasing trend in 1998-99 up till 2000-01. The PAT in 2001 has been Rs. 1540 million as compare to previous year.
## TABLE 2.1

### RESOURCES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-up Capital</td>
<td>2962</td>
<td>3356</td>
<td>3574</td>
<td>4403</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5500</td>
<td>5500</td>
<td></td>
</tr>
<tr>
<td>Reserve</td>
<td>1475</td>
<td>1819</td>
<td>2261</td>
<td>3119</td>
<td>3997</td>
<td>5445</td>
<td>7058</td>
<td>8352</td>
<td>9584</td>
<td>10664</td>
</tr>
<tr>
<td>Notes, Bonds &amp;</td>
<td>4540</td>
<td>5240</td>
<td>6498</td>
<td>6440</td>
<td>8861</td>
<td>9165</td>
<td>8267</td>
<td>12850</td>
<td>20944</td>
<td>22915</td>
</tr>
<tr>
<td>Debentures</td>
<td>-</td>
<td>-</td>
<td>1504</td>
<td>1620</td>
<td>1404</td>
<td>660</td>
<td>371</td>
<td>104</td>
<td>2617</td>
<td>2797</td>
</tr>
<tr>
<td>Deposites</td>
<td>-</td>
<td>-</td>
<td>1504</td>
<td>1620</td>
<td>1404</td>
<td>660</td>
<td>371</td>
<td>104</td>
<td>2617</td>
<td>2797</td>
</tr>
<tr>
<td>Other Borrowings</td>
<td>11198</td>
<td>11034</td>
<td>10827</td>
<td>14431</td>
<td>13346</td>
<td>20352</td>
<td>21808</td>
<td>21285</td>
<td>20354</td>
<td>20255</td>
</tr>
</tbody>
</table>

(Rs. in million)

Source: [http://www.eximbankindia.com](http://www.eximbankindia.com)
Rs. 1651 million. There has been a decrease of Rs. 110 million. PAT and PBT figures are matching till 1997-98, which indicates that either the bank has not paid any tax till 1997-98 or there were some special provision for taxation. PBT in 2000-2001 has been Rs. 2050 millions as compared to previous year Rs. 2273 million.

In case of dividend it has increased from Rs. 100 million in 1991-92 to Rs. 380 million in 2000-01, in 1991-92 the bank paid Rs. 100 million as a dividend & profit after tax was Rs. 1540 million.

In 2000-01 the bank paid Rs. 380 million dividends & profit after tax was Rs. 1540 million in percentage terms the Bank paid 24.6% dividend.

**Loan:**

The above Table 2.3 shows that the total sanction amount by Exim bank during 1991-92 to 2000-01 is Rs 186764 million. While the total disbursement during the last ten years is Rs 144236 million.
## TABLE 2.2

**PROFITABILITY**

(Rs. in million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Before Tax</td>
<td>376</td>
<td>467</td>
<td>580</td>
<td>788</td>
<td>1100</td>
<td>1516</td>
<td>2017</td>
<td>2400</td>
<td>2273</td>
<td>2050</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>376</td>
<td>467</td>
<td>580</td>
<td>788</td>
<td>1100</td>
<td>1516</td>
<td>2017</td>
<td>1650</td>
<td>1651</td>
<td>1540</td>
</tr>
<tr>
<td>Dividend</td>
<td>100</td>
<td>120</td>
<td>140</td>
<td>160</td>
<td>200</td>
<td>310</td>
<td>410</td>
<td>330</td>
<td>350</td>
<td>380</td>
</tr>
</tbody>
</table>

*Source: 18th Annual Report Exim Bank.*

*Website: [http://www.eximbankindia.com](http://www.eximbankindia.com)*
The Table 2.3 clearly indicates that there is large difference between sanction and disbursement as for the decade average annual growth is concerned. As regards the loans sanctions is 35% and 14% for the loans disbursements.

**TABLE 2.3**

**LOANS**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SANCTIONS</th>
<th>GROWTH</th>
<th>DISBURSEMENT</th>
<th>GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>11399</td>
<td>9.25</td>
<td>11073</td>
<td>29.02</td>
</tr>
<tr>
<td>1992-93</td>
<td>15902</td>
<td>39.50</td>
<td>12956</td>
<td>17</td>
</tr>
<tr>
<td>1993-94</td>
<td>6508</td>
<td>-59.07</td>
<td>8109</td>
<td>-37.41</td>
</tr>
<tr>
<td>1994-95</td>
<td>29030</td>
<td>346.06</td>
<td>15561</td>
<td>91.90</td>
</tr>
<tr>
<td>1995-96</td>
<td>24657</td>
<td>-115.06</td>
<td>21300</td>
<td>36.88</td>
</tr>
<tr>
<td>1996-97</td>
<td>12421</td>
<td>-149.62</td>
<td>49622</td>
<td>-41</td>
</tr>
<tr>
<td>1997-98</td>
<td>18406</td>
<td>48.18</td>
<td>12566</td>
<td>9.06</td>
</tr>
<tr>
<td>1998-99</td>
<td>18380</td>
<td>-0.14</td>
<td>12707</td>
<td>-7.30</td>
</tr>
<tr>
<td>1999-00</td>
<td>28318</td>
<td>54.07</td>
<td>17296</td>
<td>36.11</td>
</tr>
<tr>
<td>2000-01</td>
<td>21743</td>
<td>23.22</td>
<td>18964</td>
<td>9.64</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>186764</strong></td>
<td><strong>40</strong></td>
<td><strong>144236</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

*Annual Average Growth

*Source: Exim Bank of India 18th Annual report.*
Guarantees:

The Table 2.4 depicts the total guarantee sanctioned by the bank during 1991-92 to 2000-01 is Rs 20428 million. While the guarantees issued is Rs 16214 million during the past decade.

In the year 1991-92 guarantees sanctioned declined at 50.42% but guarantees issued were increase at 181.55% as compared to the previous year. In the year 1992-93 guarantees sanction went up at 139.25% and guarantees issued grew to 10.25%, which was more than the last year. However in the year 1993-94 the guarantees sanction growth was 7.97% and guarantees issued growth declined by 0.58% it further declined to 49.60% and 19.77% in 1994-95 but in 1995-96 the guarantees sanction and issued sharply gone up to 193.77% and 108.05% but again it declined from 32.66% and 14.44% in 1996-97, in the year 1997-98 the sanction amount has gone up at 194.80% and guarantees issued went high at 29.10% during the year 1998-99 guarantee sanction amount has decreased at 34.57% whereas guarantees issued increased at 29.39% during the year 1999-2000 the total guarantees sanction and issued was Rs 4404 and Rs 3017 million showing 67.26% increase & 21.95% increase during the current year 2000-01 the total guarantees sanctioned is Rs 2118 million and issued is Rs 1741 million which is 48% and 57.7% of its previous figure respectively.
The Table 2.4 shows that the annual average growth is 38% in guarantee sanction and 30% in guarantees issued.

**Table 2.4**

**GUARANTEES**

<table>
<thead>
<tr>
<th>YEARS</th>
<th>GUARANTEE SANCTIONS</th>
<th>GROWTH %</th>
<th>GUARANTEE ISSUED</th>
<th>GROWTH %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>530</td>
<td>-50.42</td>
<td>946</td>
<td>181.55</td>
</tr>
<tr>
<td>1992-93</td>
<td>1268</td>
<td>139.25</td>
<td>1043</td>
<td>10.25</td>
</tr>
<tr>
<td>1993-94</td>
<td>1369</td>
<td>7.97</td>
<td>1037</td>
<td>-0.58</td>
</tr>
<tr>
<td>1994-95</td>
<td>690</td>
<td>-49.60</td>
<td>832</td>
<td>-19.71</td>
</tr>
<tr>
<td>1995-96</td>
<td>2027</td>
<td>193.77</td>
<td>1731</td>
<td>108.05</td>
</tr>
<tr>
<td>1996-97</td>
<td>1365</td>
<td>-32.66</td>
<td>1481</td>
<td>-14.44</td>
</tr>
<tr>
<td>1997-98</td>
<td>4024</td>
<td>194.80</td>
<td>1912</td>
<td>29.10</td>
</tr>
<tr>
<td>1998-99</td>
<td>2633</td>
<td>-34.57</td>
<td>2474</td>
<td>29.39</td>
</tr>
<tr>
<td>1999-00</td>
<td>4404</td>
<td>67.26</td>
<td>3017</td>
<td>21.95</td>
</tr>
<tr>
<td>2000-01</td>
<td>2118</td>
<td>-51.91</td>
<td>1741</td>
<td>-42.29</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20428</strong></td>
<td><strong>38.4</strong></td>
<td><strong>16214</strong></td>
<td><strong>30.32</strong></td>
</tr>
</tbody>
</table>

* Annual Average Growth

*Source: Exim Bank of India 19th Annual report.*
Analysis Of Exim Bank Finance Scheme:

The total financing of Exim bank are divided into four major groups, these are:

- Loan for Indian exporters.
- Loan for foreign institutions.
- Loan for commercial bank.
- Loan for others.

It is evident from Table 2.5 that the Exim Bank has various programmes for sanctioning and disbursing finance to the exporters in the last decade i.e. from 1991-1992 to 1999-2000, total finance sanction under various scheme to Indian exporters was Rs. 1332.61 crores and for overseas entities Rs. 260.6 crores & to Commercial Banks Rs. 1134.20. Totaling Rs. 14727.41 crores. In 1999-2000 assistance to Indian exporters was to the extent of Rs. 2811.79 crores which is 162.64 % of 1998-99 and 6.7 times of 1991-1992 figures. Assistant to foreign institutions was Rs. 20 crores in 1999-2000 which is 104.5 % of 1998-99 which is 77.225 of 1991-1992.

FUNDED ASSISTANCE SANCTIONED AND DISBURSED

Exim Bank has played significant role in providing funded assistance to exporters which is evident from the Table 2.6
TABLE 2.5

Sanctions Under Various Financing Programmes
Of Funded Assistance

(Rs. in crores)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>FINANCING PROGRAMMES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PROGRAMMES FOR PROGRAMMES FOR</td>
</tr>
<tr>
<td></td>
<td>INDIAN EXPORTERS OVERSEAS ENTITIES COMMERCIAL BANKS</td>
</tr>
<tr>
<td>1991-92</td>
<td>419.3</td>
</tr>
<tr>
<td>1992-93</td>
<td>705</td>
</tr>
<tr>
<td>1993-94</td>
<td>619.8</td>
</tr>
<tr>
<td>1994-95</td>
<td>2484.9</td>
</tr>
<tr>
<td>1995-96</td>
<td>2097.1</td>
</tr>
<tr>
<td>1996-97</td>
<td>1148.1</td>
</tr>
<tr>
<td>1997-98</td>
<td>1317.8</td>
</tr>
<tr>
<td>1998-99</td>
<td>17288.2</td>
</tr>
<tr>
<td>1999-00</td>
<td>28117.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>218842.4</td>
</tr>
</tbody>
</table>
Which shows that funded assistance sanctioned during the last decade was Rs. 165020 crores & disbursement were 125272.8 crores. This assistance was fluctuating year to year however in 1999-2000 there was growth of 54.1% in sanction were as 36.10% in disbursement. When we compare the figure of 1991-1992 with 1999-2000 we find the sanction amount had reached upto 2.5 time while disbursement is 1.56 time.

**TABLE 2.6**

**Funded Assistance Sanctioned And Disbursed**

(Rs. in Crores)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SANCTIONS GROWTH DISBURSEMENTS RATE</th>
<th>DISBURSEMENTS</th>
<th>GROWTH RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>11399</td>
<td>11074</td>
<td>0.29</td>
</tr>
<tr>
<td>1992-93</td>
<td>15902</td>
<td>12956</td>
<td>1.7</td>
</tr>
<tr>
<td>1993-94</td>
<td>6507.9</td>
<td>8109.3</td>
<td>-3.74</td>
</tr>
<tr>
<td>1994-95</td>
<td>29029.7</td>
<td>15561.3</td>
<td>9.1</td>
</tr>
<tr>
<td>1995-96</td>
<td>24657.4</td>
<td>21300.5</td>
<td>3.69</td>
</tr>
<tr>
<td>1996-97</td>
<td>12420.9</td>
<td>12565.9</td>
<td>-0.41</td>
</tr>
<tr>
<td>1997-98</td>
<td>18405.8</td>
<td>13703.7</td>
<td>9.1</td>
</tr>
<tr>
<td>1998-99</td>
<td>18379.6</td>
<td>12706.5</td>
<td>-7.3</td>
</tr>
<tr>
<td>1999-00</td>
<td>28317.9</td>
<td>17295.6</td>
<td>36.1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>165020.2</strong></td>
<td><strong>125272.8</strong></td>
<td><strong>13.43</strong></td>
</tr>
</tbody>
</table>

*Annual average growth

*Source : IDBI report on Development Banking in India 1999-2000.*
### Table 2.7
**Industries-Wise Assistance Given by EXIM-Bank Region-wise for Setting up of EOUs**

**Sanctions**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food Products</td>
<td>20.8</td>
<td>26.3</td>
<td>12.2</td>
<td>5.1</td>
<td>10.3</td>
<td>29.1</td>
<td>31.2</td>
</tr>
<tr>
<td>2</td>
<td>Texile</td>
<td>14.9</td>
<td>35.6</td>
<td>28.8</td>
<td>156.4</td>
<td>146.2</td>
<td>84.9</td>
<td>184.4</td>
</tr>
<tr>
<td>3</td>
<td>Paper &amp; Paper Products</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.9</td>
<td>122.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Rubber &amp; Rubber Products</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8.2</td>
<td>0</td>
<td>0</td>
<td>26.1</td>
</tr>
<tr>
<td>5</td>
<td>Chemical &amp; Chemical Products</td>
<td>7.4</td>
<td>13.6</td>
<td>4.5</td>
<td>36.1</td>
<td>50.6</td>
<td>0</td>
<td>15.6</td>
</tr>
<tr>
<td>6</td>
<td>Cement</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>31.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Basic Metal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Iron &amp; Steel</td>
<td>9.7</td>
<td>14.3</td>
<td>3.2</td>
<td>19.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>b.</td>
<td>Non- Ferrous</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Metal Product</td>
<td>1.9</td>
<td>8.7</td>
<td>5.4</td>
<td>3.7</td>
<td>7.3</td>
<td>0</td>
<td>44.4</td>
</tr>
<tr>
<td>9</td>
<td>Machinery</td>
<td>6.6</td>
<td>12.6</td>
<td>0</td>
<td>4</td>
<td>4.6</td>
<td>0</td>
<td>81.2</td>
</tr>
<tr>
<td>10</td>
<td>Electrical &amp; Electronic Equipment</td>
<td>0.3</td>
<td>4.5</td>
<td>1.2</td>
<td>1.1</td>
<td>64.4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Transport Equipment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>5.3</td>
</tr>
<tr>
<td>12</td>
<td>Pharmaceutical</td>
<td>0</td>
<td>0</td>
<td>3.9</td>
<td>0</td>
<td>0</td>
<td>27.2</td>
<td>81.2</td>
</tr>
<tr>
<td>13</td>
<td>Services</td>
<td>1.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9.7</td>
<td>0</td>
<td>12.2</td>
</tr>
<tr>
<td>14</td>
<td>Computer Software</td>
<td>0</td>
<td>0</td>
<td>27.8</td>
<td>0</td>
<td>1.3</td>
<td>68.3</td>
<td>112.7</td>
</tr>
<tr>
<td>15</td>
<td>Other Industries</td>
<td>43.7</td>
<td>55.5</td>
<td>20.8</td>
<td>64</td>
<td>87.9</td>
<td>463.9</td>
<td>116.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>106.6</strong></td>
<td><strong>171.1</strong></td>
<td><strong>107.8</strong></td>
<td><strong>346.9</strong></td>
<td><strong>503.3</strong></td>
<td><strong>683.1</strong></td>
<td><strong>672.5</strong></td>
</tr>
</tbody>
</table>

*Source: Report on Industrial Development Banking in India 1997-98.*
TABLE 2.8
INDUSTRY-WISE ASSISTANCE GIVEN BY EXIM - BANK
REGION WISE FOR SETTING UP OF EOUs

DISBURSEMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food Products</td>
<td>14.7</td>
<td>6.0</td>
<td>5.6</td>
<td>17.0</td>
<td>42.8</td>
<td>119.4</td>
</tr>
<tr>
<td>2</td>
<td>Texile</td>
<td>33.0</td>
<td>58.6</td>
<td>114.9</td>
<td>50.0</td>
<td>107.4</td>
<td>406.5</td>
</tr>
<tr>
<td>3</td>
<td>Paper &amp; Paper Products</td>
<td>0.0</td>
<td>0.0</td>
<td>60.9</td>
<td>0.0</td>
<td>0.0</td>
<td>60.9</td>
</tr>
<tr>
<td>4</td>
<td>Rubber &amp; Rubber Products</td>
<td>0.0</td>
<td>0.0</td>
<td>2.5</td>
<td>0.0</td>
<td>0.0</td>
<td>18.5</td>
</tr>
<tr>
<td>5</td>
<td>Chemical &amp; Chemical Products</td>
<td>10.2</td>
<td>0.3</td>
<td>48.4</td>
<td>43.6</td>
<td>13.1</td>
<td>134.7</td>
</tr>
<tr>
<td>6</td>
<td>Cement</td>
<td>0.0</td>
<td>0.0</td>
<td>14.5</td>
<td>0.0</td>
<td>0.0</td>
<td>14.5</td>
</tr>
<tr>
<td>7</td>
<td>Basic Metal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Iron &amp; Steel</td>
<td>11.8</td>
<td>0.0</td>
<td>1.8</td>
<td>0.0</td>
<td>0.0</td>
<td>25.7</td>
</tr>
<tr>
<td></td>
<td>b. Non- Ferrous</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.9</td>
</tr>
<tr>
<td>8</td>
<td>Metal Product</td>
<td>14.8</td>
<td>0.0</td>
<td>7.4</td>
<td>0.0</td>
<td>0.0</td>
<td>21.9</td>
</tr>
<tr>
<td>9</td>
<td>Machinery</td>
<td>0.9</td>
<td>0.6</td>
<td>16.0</td>
<td>3.8</td>
<td>103.6</td>
<td>132</td>
</tr>
<tr>
<td>10</td>
<td>Electrical &amp; Electronic Equipment</td>
<td>1.4</td>
<td>4.1</td>
<td>12.8</td>
<td>0.0</td>
<td>18.1</td>
<td>49.6</td>
</tr>
<tr>
<td>11</td>
<td>Transport Equipment</td>
<td>0.0</td>
<td>5.9</td>
<td>0.0</td>
<td>0.0</td>
<td>42.2</td>
<td>60.9</td>
</tr>
<tr>
<td>12</td>
<td>Pharmaceutical</td>
<td>0.0</td>
<td>0.0</td>
<td>4.7</td>
<td>18.8</td>
<td>40.2</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Services</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.8</td>
</tr>
<tr>
<td>14</td>
<td>Computer Software</td>
<td>9.8</td>
<td>0.0</td>
<td>0.3</td>
<td>6.4</td>
<td>16.6</td>
<td>81.8</td>
</tr>
<tr>
<td>15</td>
<td>Other Industries</td>
<td>26.8</td>
<td>15.7</td>
<td>28.3</td>
<td>466.5</td>
<td>148.6</td>
<td>747.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>123.4</td>
<td>91.2</td>
<td>313.4</td>
<td>592.0</td>
<td>511.2</td>
<td>1917.4</td>
</tr>
</tbody>
</table>

Industry wise distribution of assistance given by Exim Bank for setting up of EOUs

For setting up of EOU's, the Exim Bank has been playing an important role which can be very well be know from Table 2.7 & 2.8. The table shows that bank has sanctioned Rs. 2701.6 Crore and disbursed Rs. 1917.4 Crore up to march 1998. The total sanctions amount in the year 1991-92 was Rs. 105.8 crore while the amount increase in the corresponding year 1992-93. In the year 1992-93 the sanctions stood at Rs. 171.1 crore. In the year 1993-94 it was Rs. 107.8 crore while disbursement stood at Rs. 127.3 crore. If we see the trend of sanction in corresponding years, then there is incrementing each year while the trend is not same for disbursement. The sanctions were Rs. 683.3 crore in the year 1996-97 & Rs. 674 crore in the year 1997-98 whereas disbursement stood at Rs. 592 crore & Rs. 571.2 crore in the year 1996-97 & 1997-98 respectively. The sanctions & disbursement decrease only in the year 1997-98 as against the previous year. If we see in term of total assistance then the textile industry has received largest amount of total sanctions & disbursements. The total sanctions were Rs. 665.4 Crore which constitute 24.63% of the total sanctions while disbursements stood at Rs. 406.5 crore which constitute 22.2% of the total disbursements amount up to March 1998.

The industrial distribution of loan sanction during 1999-2000 & 2000-2001 can be seen in the diagram on Page 89.
Industrial Distribution of Loans Sanctioned
1999 -2000
Rs. Million

![Diagram showing industrial distribution of loans sanctioned from 1999-2000 with various sectors and their respective values.]

Industrial Distribution of Loans Sanctioned
2000-2001
Rs. Million

![Diagram showing industrial distribution of loans sanctioned from 2000-2001 with various sectors and their respective values.]

- Agriculture & Food Processing
- Auto & Auto Components
- Capital & Engineering Goods
- Electronics & Software
- Consumer Goods
- Chemicals, Drugs & Pharmaceuticals
- Telecommunications
- Textiles & Garments
- Power Generation & Transmission
- Ports
- Ceramics
- Hotels
- Gems & Jewellery
- Petroleum
- Miscellaneous
State-Wise Assistance Given By Exim-Bank For The Setting Up Of EOU's

Industry wise position of distribution of assistance given by Exim Bank for setting of EOU's is given in Table 2.7 & 2.8. Table 2.9 & 2.10 gives state wise position of the same. It show sanctions and disbursement state-wise. The state which sanctioned the highest amount and disbursement of those states was highest too, are as given below. Bank has sanctioned total amount of Rs. 2347.2 crore and disbursed Rs. 1923.9 crore up to March 1998, out of which the largest portion of the sanctioned & disbursements has gone to Maharashtra. Maharashtra has been sanctioned Rs. 735.9 crore & the disbursement was Rs. 506.9 crore. Tamil Nadu & Gujarat stood at second & third position respectively. Tamil Nadu has been sanctioned Rs. 382.9 crore & disbursement was Rs. 314.8 crore. While sanction for Gujarat was Rs. 322.6 crore & disbursement was Rs. 230.5 crore.

During the year 1993-94 total sanctions was Rs. 107.8 crore & disbursement was Rs. 127.3 crore. In the year 1994-95 sanction increase but disbursement decrease as compare to previous year again disbursement & sanctioned increased which was Rs. 503.3 crore & Rs. 313.4 crore respectively. In the year 1995-96. During the base year 1997–98 bank has sanctioned Rs. 674 crore & disbursement Rs. 511.2 crore, which was Rs. 683.3 crore & Rs. 592 crore respectively in the year 1996-97.
Table 2.9
STATE - WISE ASSISTANCE GIVEN BY EXIM BANK FOR SETTING UP OF EOUs

SANCTIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>0</td>
<td>3.2</td>
<td>67.3</td>
<td>63.5</td>
<td>73.1</td>
<td>281.1</td>
</tr>
<tr>
<td>2</td>
<td>Goa</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>3</td>
<td>Gujrat</td>
<td>5.2</td>
<td>2.1</td>
<td>38.6</td>
<td>114.9</td>
<td>156.6</td>
<td>322.6</td>
</tr>
<tr>
<td>4</td>
<td>Haryana</td>
<td>0</td>
<td>3.7</td>
<td>10</td>
<td>3.6</td>
<td>13</td>
<td>48.6</td>
</tr>
<tr>
<td>5</td>
<td>Karnataka</td>
<td>19.3</td>
<td>47.2</td>
<td>25.9</td>
<td>33.6</td>
<td>38</td>
<td>180</td>
</tr>
<tr>
<td>6</td>
<td>Kerela</td>
<td>0</td>
<td>2.3</td>
<td>0</td>
<td>31.4</td>
<td>15</td>
<td>64.6</td>
</tr>
<tr>
<td>7</td>
<td>Madhya Pradesh</td>
<td>3</td>
<td>0</td>
<td>17.1</td>
<td>13.3</td>
<td>87.3</td>
<td>127.9</td>
</tr>
<tr>
<td>8</td>
<td>Maharastra</td>
<td>23.5</td>
<td>129</td>
<td>207.7</td>
<td>193.5</td>
<td>86.2</td>
<td>735.9</td>
</tr>
<tr>
<td>9</td>
<td>Orissa</td>
<td>3.2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16.5</td>
<td>22.5</td>
</tr>
<tr>
<td>10</td>
<td>Punjab</td>
<td>1.8</td>
<td>4.1</td>
<td>0</td>
<td>0</td>
<td>39.8</td>
<td>46</td>
</tr>
<tr>
<td>11</td>
<td>Rajasthan</td>
<td>0</td>
<td>31.5</td>
<td>6.5</td>
<td>23.4</td>
<td>0</td>
<td>62.6</td>
</tr>
<tr>
<td>12</td>
<td>Tamil Nadu</td>
<td>42</td>
<td>86.9</td>
<td>60</td>
<td>20.5</td>
<td>64.1</td>
<td>.382.9</td>
</tr>
<tr>
<td>13</td>
<td>Utttar Pradesh</td>
<td>0</td>
<td>19.1</td>
<td>35</td>
<td>100</td>
<td>49.1</td>
<td>202.2</td>
</tr>
<tr>
<td>14</td>
<td>West Bengal</td>
<td>4.4</td>
<td>13.3</td>
<td>16.6</td>
<td>34.2</td>
<td>6.9</td>
<td>89</td>
</tr>
<tr>
<td>15</td>
<td>National Capital</td>
<td>5.4</td>
<td>4.5</td>
<td>17.9</td>
<td>51.4</td>
<td>0</td>
<td>86.4</td>
</tr>
<tr>
<td></td>
<td>Area Delhi</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Union Territorie</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>28.4</td>
<td>32.1</td>
</tr>
<tr>
<td></td>
<td>A Chandigarh</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>21.6</td>
<td>21.9</td>
</tr>
<tr>
<td></td>
<td>B Daman &amp; Diu</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6.8</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>C Pondicherry</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3.4</td>
<td>0</td>
</tr>
</tbody>
</table>

TOTAL 107.8 346.9 502.6 683.3 705.8 2347.2

Source: IDBI Report on Development Banking in India 1997-98
Table 29

STATE-WISE ASSISTANCE GIVEN BY EXIM BANK FOR SETTING UP OF EOUs

DISBURSMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>0.7</td>
<td>0.7</td>
<td>50.9</td>
<td>69.4</td>
<td>76.2</td>
<td>214.6</td>
</tr>
<tr>
<td>2</td>
<td>Goa</td>
<td>4.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16.3</td>
</tr>
<tr>
<td>3</td>
<td>Gujrat</td>
<td>5.4</td>
<td>2.4</td>
<td>24.6</td>
<td>74.2</td>
<td>96.1</td>
<td>230.5</td>
</tr>
<tr>
<td>4</td>
<td>Haryana</td>
<td>0.1</td>
<td>0.9</td>
<td>1</td>
<td>2.8</td>
<td>11.5</td>
<td>23.4</td>
</tr>
<tr>
<td>5</td>
<td>Karnataka</td>
<td>4.2</td>
<td>8.9</td>
<td>23.8</td>
<td>55.5</td>
<td>14.7</td>
<td>123.9</td>
</tr>
<tr>
<td>6</td>
<td>Kerela</td>
<td>0</td>
<td>1.5</td>
<td>0.1</td>
<td>15.8</td>
<td>10.7</td>
<td>47.3</td>
</tr>
<tr>
<td>7</td>
<td>Madhya Pradesh</td>
<td>5.1</td>
<td>0.8</td>
<td>7</td>
<td>15.9</td>
<td>50.5</td>
<td>94.4</td>
</tr>
<tr>
<td>8</td>
<td>Maharastra</td>
<td>36.4</td>
<td>23.2</td>
<td>98.6</td>
<td>167.1</td>
<td>146.7</td>
<td>506.9</td>
</tr>
<tr>
<td>9</td>
<td>Orissa</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Punjab</td>
<td>0.6</td>
<td>3.1</td>
<td>0.2</td>
<td>0</td>
<td>13.5</td>
<td>17.7</td>
</tr>
<tr>
<td>11</td>
<td>Rajasthan</td>
<td>0.3</td>
<td>0</td>
<td>14.5</td>
<td>17</td>
<td>12.5</td>
<td>44.5</td>
</tr>
<tr>
<td>12</td>
<td>Tamil Naidu</td>
<td>43.2</td>
<td>34</td>
<td>58.3</td>
<td>32.2</td>
<td>42.6</td>
<td>314.8</td>
</tr>
<tr>
<td>13</td>
<td>Uttar Pradesh</td>
<td>0.5</td>
<td>14.9</td>
<td>13.4</td>
<td>121.5</td>
<td>26.4</td>
<td>192.7</td>
</tr>
<tr>
<td>14</td>
<td>West Bengal</td>
<td>10.3</td>
<td>0.4</td>
<td>7.6</td>
<td>9.6</td>
<td>5.6</td>
<td>39.3</td>
</tr>
<tr>
<td>15</td>
<td>National Capital Area Delhi</td>
<td>10</td>
<td>0</td>
<td>13.4</td>
<td>11</td>
<td>4.2</td>
<td>37.8</td>
</tr>
<tr>
<td>16</td>
<td>Union Territorie Area</td>
<td>0</td>
<td>0.4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6.9</td>
</tr>
<tr>
<td>A. Chandigarh</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>B. Daman &amp; Diu</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>C. Pondicherry</td>
<td>0</td>
<td>0.4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2.7</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL 127.3 91.6 313.4 592 511.2 1923.9

Source: IDBI Report on Development Banking in India 1997-98
Purpose-wise Assistance Sanctioned & Disbursed for setting up of EOU’s

The Bank Sanctions & Disburses the assistance for new project, expansion diversification, modernisation acquisition of equipment & marketing facilities. The Table 2.11 & 2.12 shows the purpose wise assistance of sanctions & disbursement for setting of export oriented units. The total sanctions & disbursement was Rs. 2701.6 crore & Rs. 1917.4 crore respectively up to March 1998. The bank has sanctioned Rs. 674 crore while disbursed amount stood at Rs. 511.2 crore during the year 1997-98. The sanctioned & disbursement for new project were Rs. 1396.6 crore, Rs.951 crore respectively up to March 1997-98. The bank has sanctioned & disbursed highest amount to the new project which constitute 51.70 % and 49.60% respectively of the total sanctioned & disbursements.

| TABLE 2.11 |
| Purpose-wise Assistance Sanctioned & Disbursed for setting up of EOU’s |

<table>
<thead>
<tr>
<th>Sanctions</th>
<th>(Rs. In Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 New Project</td>
<td>59.1</td>
</tr>
<tr>
<td>2 Expansion/Diversification</td>
<td>28.9</td>
</tr>
<tr>
<td>3 Modernisation Acquisition of Equipment</td>
<td>19.8</td>
</tr>
<tr>
<td>4 Marketing Facilities</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>107.8</td>
</tr>
</tbody>
</table>
### TABLE 2.12

**Purpose-wise Assistance Sanctioned & Disbursed**

**For setting up of EOU's**

**Disbursement**

(Rs. In Crores)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Project</td>
<td>53</td>
<td>51.1</td>
<td>155.9</td>
<td>301.8</td>
<td>239.8</td>
<td>951</td>
</tr>
<tr>
<td>2</td>
<td>Expansion/Diversification</td>
<td>45.2</td>
<td>29.7</td>
<td>135.5</td>
<td>222.5</td>
<td>248.6</td>
<td>742</td>
</tr>
<tr>
<td>3</td>
<td>Modernisation</td>
<td>29.1</td>
<td>10.4</td>
<td>22</td>
<td>67.9</td>
<td>2.7</td>
<td>204.1</td>
</tr>
<tr>
<td></td>
<td>Acquisition of Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Marketing Facilities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20.1</td>
<td>20.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>127.3</td>
<td>91.2</td>
<td>313.4</td>
<td>592.2</td>
<td>511.2</td>
<td>1917.2</td>
</tr>
</tbody>
</table>

*Source: IDBI Report on Development Banking in India 1997-98*

From the above discussion it is clear that progress of Exim bank is to some extend satisfactory. But the need of the hour is to look brighter then to trace black spot.
Sanction And Disbursement Of Funded Assistance
Region Wise Distribution

Up to March 1998 the total sanctions approved stood at Rs. 4216.6 crores and total disbursements were Rs.6813.9 crores.

The largest sanctions were given for west Asia region which was Rs. 1793.2 Crore and disbursement was Rs. 1512.7 crore which constitute 42.53% and 22.20% of the total sanctions and disbursements. During the year 1991-92, 1992-93, the sanctions stood at Rs 144.86 crore and Rs 354.3 crore resp. During the year 1993-94 sanctions were Rs. 240.2 cr. while disbursement were Rs. 548.5 cr. The sanctions and disbursements increased in the year 1994-95 but they declined during the year 1995-96 and in the year 1996-97 while it increased further in the year 1997-98 to Rs. 556.6 and 1280 cr. resp.

Region wise Export Bids Approved*

*Source: www.eximbankindia.com
The regional distribution of export bids approved during 1998-99 & 1999-00 can be seen in the diagram on page 95.

**TABLE 2.13**
Sanction And Disbursement Of Funded Assistance
Region Wise Distribution

**Sanction**
(Rs. in crores)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>South Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.1</td>
<td>152.9</td>
<td>1.3</td>
<td>19.2</td>
<td>2.4</td>
<td>9.5</td>
<td>74.3</td>
<td>405.3</td>
</tr>
<tr>
<td>B</td>
<td>Sou East Asia For East &amp; Pacific</td>
<td>37.8</td>
<td>37.2</td>
<td>4</td>
<td>211.3</td>
<td>34.4</td>
<td>0</td>
<td>45.4</td>
<td>645.8</td>
</tr>
<tr>
<td>C</td>
<td>West Asia</td>
<td>51.2</td>
<td>69.5</td>
<td>200.1</td>
<td>271.6</td>
<td>99.3</td>
<td>4.6</td>
<td>293</td>
<td>1793.2</td>
</tr>
<tr>
<td>D</td>
<td>North Africa</td>
<td>4.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.6</td>
<td>0</td>
<td>0</td>
<td>143.3</td>
</tr>
<tr>
<td>E</td>
<td>Sub Saharan Africa</td>
<td>40.6</td>
<td>9</td>
<td>11.1</td>
<td>3.3</td>
<td>81.1</td>
<td>6.9</td>
<td>50</td>
<td>551.4</td>
</tr>
<tr>
<td>F</td>
<td>Europe &amp; America</td>
<td>9.1</td>
<td>85.7</td>
<td>23.7</td>
<td>17.3</td>
<td>86.4</td>
<td>94.5</td>
<td>93.9</td>
<td>677.6</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>144.8</td>
<td>354.3</td>
<td>240.2</td>
<td>522.7</td>
<td>308.2</td>
<td>115.5</td>
<td>556.6</td>
<td>4216.6</td>
</tr>
</tbody>
</table>
TABLE 2.14
Sanction And Disbursement Of Funded Assistance
Region Wise Distribution

Disbursement

(Rs. in crores)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>South Asia</td>
<td>66.5</td>
<td>59.9</td>
<td>12.6</td>
<td>3.8</td>
<td>45.5</td>
<td>379.4</td>
</tr>
<tr>
<td>B</td>
<td>South East Asia</td>
<td>18</td>
<td>17.3</td>
<td>52.8</td>
<td>14.1</td>
<td>19.2</td>
<td>324</td>
</tr>
<tr>
<td></td>
<td>for East &amp; Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>West Asia</td>
<td>247.3</td>
<td>240.8</td>
<td>53.8</td>
<td>45.1</td>
<td>152</td>
<td>1512.7</td>
</tr>
<tr>
<td>D</td>
<td>North Africa</td>
<td>21.7</td>
<td>12.8</td>
<td>20.6</td>
<td>62.6</td>
<td>28.4</td>
<td>446.7</td>
</tr>
<tr>
<td>E</td>
<td>Sub Saharan Africa</td>
<td>86.2</td>
<td>1.4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>206.1</td>
</tr>
<tr>
<td>F</td>
<td>Europe &amp; America</td>
<td>8.1</td>
<td>8.2</td>
<td>36.5</td>
<td>65.6</td>
<td>57.7</td>
<td>256.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>447.8</td>
<td>340.4</td>
<td>176.3</td>
<td>191.2</td>
<td>302.8</td>
<td>3125.4</td>
</tr>
</tbody>
</table>

The above discussion reveals that the Export Import Bank of India has been playing a significant role in providing export credit facilities in India. The State wise, Region wise, Industry wise sanctions & Disbursement of the amount has been shown in Tables 2.7, 2.8, 2.10, 2.11 & 2.12, 2.13 & 2.14. It is evident from the tables that amount have increased year after year. If there is strong coordination between RBI and Commercial Bank and There would be more development of our foreign trade in this context the next chapter deals with RBI & Commercial Banks.
CHAPTER 3

RESERVE BANK OF INDIA

Being the Central Bank of growth-oriented developing economy, the reserve bank of India is fully conscious of its responsibilities in the field of export promotion and export financing. However, since it is a central bank, it does not participate in export financing directly. RBI adopts such policies and measures through which banks and financial institutions are encouraged to undertake liberal export financing. The RBI supplements resources of commercial banks and financial institutions and grants refinance to them against their short term and medium term credit to exporters, with a view to improving competitiveness of Indian goods abroad, RBI has taken a number of measures.

Some of the important measures are introduction of new schemes of cash compensatory support a new simplified procedure of duty drawback disbursements at all custom houses, reduction in the rate of interest on post-shipment and pre-shipment credits for exporters, reduction in export duty in respect of certain goods, liberalization of industrial licensing policy in selected areas with a view to making industry competitive internationally in respect of sale of product and
technology, etc. The bank has also initiated several measures in the area of export finance and exchange control. It has established an export financing system, which is capable of financing a wide variety of exports. The reserve bank of India is playing an important role in ensuring adequate export credit at concessional interest rate through its liberal refinancing policy. In exercising its development function, the bank has always recognized a high priority to export and the need for enlarging the country's export base. Reserve bank also advises commercial banks and other institutions from time to time, to treat export credit as a priority category and to ensure that no worthwhile export proposal is lost for want of timely and adequate credit.

**RBI's Export Credit Schemes:**

With the object of increasing bank lending to the export sector and assisting the export trade in general, RBI has introduced from time to time, a number of schemes. These are: Export bills credit scheme, pre-shipment credit scheme, export credit (interest subsidy) scheme, duty drawback credit scheme and other supportive measures, the details of each of these schemes are as follows:

- **Export bills credit schemes**

Prior to 1958, commercial banks were not authorised to borrow money from the reserve bank of India against export bills. In October 1958, bills market scheme which had been in operation prior to that was modified to include under its scope,
the export bills also. As a result of modification, commercial banks who were authorised dealers in foreign exchange could borrow money from the RBI against export bills. The modus operandi included conversion of loans granted by banks to exporters against security of usance export bills, into usance promissory notes. These promissory notes were regarded as eligible security for obtaining loans by commercial banks from the Reserve Bank of India.

Modifications in bills market scheme to extend credit facilities to exporters could not deliver goods mainly because of two reasons. Firstly, many exporters were not prepared to execute usance promissory notes, and secondly, the credit period was considered short. Under the RBI act, it was not possible for the RBI to grant loans and advances in the absence of such usance promissory notes. Further, RBI was also not in apposition to provide export credit assistance for more than 90 days. To overcome the above difficulties, the need was felt to make amendments in the RBI act.

Consequently, in September 1962, RBI act was amended by incorporating a new section 17(3)(a) under it to enable the to make loans and advances to scheduled banks against the promissory notes repayable on demand or on expiry of fixed period not exceeding 180 days. This was followed by introduction of export bills credit scheme in March 1963. As per the scheme, all scheduled banks which are authorised dealers in foreign exchange are eligible for export credit facilities against
their usance export bills having a usance not exceeding 180 days, drawn in foreign or Indian currency and which are negotiated or discounted by the borrowing bank.

The bank applying for the rediscount facility is granted credit limit, which is valid for one year. Advances are available upto 100 % of the amount of eligible bills supported by the borrowing banks in their declarations. Interest charged by RBI on rediscounting may be at the bank rate or the RBI may notify such other rate as. The bank availing rediscounting facilities against bills earlier discounted by it, is required to maintain a register containing particulars of usance bills held by it in respect of each promissory note so that entries in the register can be verified.

The assistance provided by RBI under this scheme is more than 90 % . it is important to note here that only RBI and Exim bank are the institutions which provide this facility out of these two RBI is leading one.

- **Pre-Shipment Credit Scheme**

RBI introduced this scheme as early as 1969 with a view to making advances to commercial banks against promissory notes repayable on demand or on the expiry of fixed period not exceeding 180 days provided the borrowing furnished a declaration that it had granted loan or advance to an exporter. Later on , its scope was enlarge to include refinance eligible to
commercial banks against loans and advances granted by them to exporters. After 1969, various changes were made in the scheme (from time to time during 'seventies & eighties') to suit the changing requirements. We shall not go into details of those changes except those made in the recent past.

The growth rate of export credit has not been commensurate with the overall growth in net bank credit & in view of the development in the Gulf region & consequent pressures on the Balance of payment position, banks were advised to make substantive efforts to support exports. Considering the paramount need to promote exports & also to provide greater incentives to Banks to finance exports, banks' access to export credit refinance was increased & with effect from Jan 1, 1991, scheduled commercial banks were provided export credit refinance at the rate of 9% per annum equivalent to 100% of the increased in export credit over the monthly average level of export credit for the financial 1988-89.

Since July 1991, banks were provided credit refinance under a two-tier formula amounting to fifty percent of the increase in export credit over the monthly average level in 1988-89 plus 100% of the increase over the monthly average level of export credit in 1989-90. With effect from Sept 4, 1991, refinance limit under the first tier was raised to 60% while continuing export credit refinance of 100% under the second tier. To provide additional incentive to banks for extending export credit, refinance under the second tier was raised to 110% effective from
November 2, 1991 & further to 125% from December 28, 1991. With a view to encouraging banks to continue to provide greater support to the export sector, the usual bringing forward of the base for determining export finance was not undertaken in April 1992. This has resulted in a sharp increase in the export refinance access for Banks. Refinancing by RBI in regard export credit is more than 95% in last 20 years. Like, bill rediscounting assistance under this scheme is also mainly through RBI.

Thus, we can conclude that RBI has been playing very important role in prompting India's export by providing indirect financial assistance to this sector.

**TABLE 3.1**

Refinancing Of Export Credit Granted By Rbl

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL REFINANCE</th>
<th>REFINANCING TO EXPORTERS</th>
<th>PERCENTAGE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>1163.23</td>
<td>897.96</td>
<td>77.20</td>
</tr>
<tr>
<td>1992-93</td>
<td>11429.58</td>
<td>10401.79</td>
<td>91.01</td>
</tr>
<tr>
<td>1993-94</td>
<td>1408.27</td>
<td>1336.98</td>
<td>94.94</td>
</tr>
<tr>
<td>1994-95</td>
<td>10423.07</td>
<td>9395.28</td>
<td>90.14</td>
</tr>
<tr>
<td>1995-96</td>
<td>17526.71</td>
<td>14141.61</td>
<td>80.69</td>
</tr>
<tr>
<td>1996-97</td>
<td>6654.4</td>
<td>6654.4</td>
<td>100</td>
</tr>
<tr>
<td>1997-98</td>
<td>3517.98</td>
<td>2402.96</td>
<td>68.31</td>
</tr>
<tr>
<td>1998-99</td>
<td>11619.31</td>
<td>7269.27</td>
<td>62.56</td>
</tr>
</tbody>
</table>

*Contd.*
<table>
<thead>
<tr>
<th>Year</th>
<th>Refinance 13606.78</th>
<th>Refinance 10579.06</th>
<th>Refinance 77.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>13606.78</td>
<td>10579.06</td>
<td>77.75</td>
</tr>
<tr>
<td>2000-01</td>
<td>8248.79</td>
<td>7192.11</td>
<td>87.19</td>
</tr>
<tr>
<td>TOTAL</td>
<td>85598.12</td>
<td>70271.42</td>
<td>84.06</td>
</tr>
</tbody>
</table>

Source: Compiled By the Researcher on the basis of Information Collected through various issues of RBI Bulletin.

Table 3.1 shows the total refinance by RBI is Rs. 85598.12 crores. In the past decade out of which refinance for export credit is Rs. 70271.42 crore which is as far as year wise proportion is concern it varies year by year from 1992-93 & 1994-95, it was above 90% in 1995–96 it become 80.6% which again rose up to 100% in 1996-97, then again start declining in 1997-98 & 1998-99 reaching up to 62.56% and start rising in 1999-2000 went up to 87.19% in 2000-2001.

- **Export credit (Interest Subsidy) Scheme:**

Export Credit (Interest Subsidy) Scheme was introduce by Government of India in the year 1968 for the supply of export credit by commercial banks at a lower cost. It needs being hardly emphasis that export credit has been accorded special treatment by the Government as the stipulation of a ceiling rate of interest chargeable on a pre-shipment and post-shipment Credit is lower than the maximum lending rates for other advances.
Further, in order that the lower limit on rate of interest on loans and advances does not discourage banks from providing export credit, and to make up partially the loss of interest income, the banks are granted interest subsidy. The subsidy is granted by the Government of India, Ministry of Commerce out of the Marketing development assistance (MDA) Fund and the same is disbursed by RBI to Commercial banks. In addition to this, the Ministry of External Affairs in respect of certain special lines of Credit extended to Bangladesh for its imports from India also grants special interest subsidy.

When the scheme was introduced in 1968, the rate of subsidy was fixed at 1.5%. This rate continued till July 31, 1986 when it was increased to 3%. Again in October 1989, it was raised to 5% in respect of pre-Shipment credit & 3.8% in respect of post-Shipment Credit on cash basis. The Government of India abolished this scheme on August 6, 1991.

- **Duty Drawback Credit Scheme:**

The exporters of certain categories of goods are entitled to customs duty drawback at stipulated rates. As the sanction and disbursement of such drawback entitlements take time, the government thought of evolving a scheme for grant of advances by banks to the exporters against there duty drawback entitlements. This led to the introduction of duty drawback credit scheme by RBI in February, 1976. Duty Drawback Credit Scheme under which scheduled banks authorised to deal in
foreign exchange, can grant advances upto 90 days to exporters against their entitlements to duty drawback as provisionally certified by custom authorities pending final sanction and payments free of interest such advances are eligible for full refinance from the Reserve Bank upto a maximum period of 90 days from the advance.

Banks can sanction suitable limits to individual exporters for granting advances against the provisional duty drawback entitlement, taking into account their export performance, eligibility for the drawback & other relevant factors. The banks in turn have to apply to the RBI for fixing up of limits annually giving the date of the maximum & minimum levels of outstanding advances under the scheme in the previous year the custom authorities make payment of final duty drawbacks by cheques directly to the bank concerned which in turn repay to the RBI the corresponding amount of the refinance availed of by them.

- **Other Supportive Measures:**

  In addition to the above assistance, RBI has been assisting export sector in various other ways. These measures relate mainly to relaxation in the application of certain credit control measures. One of the important measures relates to relaxation in the credit authorization Scheme. Commercial banks are not required to obtained prior authorization from RBI for post-shipment credit as also for pre-shipment credit upto a
specified limit. This helps commercial banks to grant export credit without much procedural delays. The other supportive natures is the exemption from payment of penal rates of interest by exporters where the delay in payment is on account of reasons beyond the control of the exporters.

COMMERCIAL BANKS

Commercial banks are the oldest and by far the most important source of export credit. Prior to independence of the country, financing of exports was done mainly by exchange. But afterwards, it was entrusted to commercial banks along with exchange banks. After independence, reserve bank of India, the government of India and the other agencies have made many attempts, to provide sufficient flow of short, medium and long term finance to exporters through commercial banks.

As stated in the preceding section, the bill market scheme was modified in 1958 to include export bills. Under the modified scheme, the eligible scheduled banks were allowed to borrow against the export bills at the bank rate. It also enabled banks to extend credit facilities to exporters on a more liberal basis. This scheme was not used by banks to a very large extent because of the reluctance of the exporters to draw usance bills

In 1959, banks were given the option of either requiring the parties to cover the exchange risks or requiring them to maintain in the loan accounts a margin of not less than 25 percent of the export bills drawn in a foreign currency and
held as security in loan accounts. But in 1961, the scheme was withdrawn and the matter was left to the discretion of the banks concerned. Before October 1959, three fourth of the stamp duty on the usance promissory notes logged as security was to be borne by the RBI, but then it decided to bear the entire amount of stamp duty itself. *(1).

On the recommendations of the study group on export finance appointed by the ministry of commerce and industry in September 1962, the RBI act was amended and it was allowed to buy and rediscount export bills maturing upto 180 days. It was authorised to make advances against usance promissory notes relating to the export of goods and maturing within 180 days. Again in 1963, the RBI introduced the pre shipment credit scheme. It enabled RBI to grant, "Credit to the commercial banks against their promissory notes repayable on demand and upon their declaration of holding of eligible usance export bills drawn in foreign currency or Indian rupees and purchased or negotiated by them. *(2).


*2) Goyal, O.P. Financial Institutions and economic growth of India light and life publisher, new Delhi, 1989, p.482.
Export Credit Scheme

Under the foreign regulation act 1949, only licensed Commercial Banks are permitted to deal with the foreign exchange business. The scheme of export credit of these banks may broadly be classified into two i.e. pre-shipment credit scheme and post shipment credit schemes.

Pre- Shipment Credit Scheme

Pre shipment export credit is generally provided by Commercial Banks in the form of packing credit. Under the scheme, credit is granted by banks to exporters to finance the manufacturing of goods exclusively in relation to specific export order. It is generally a short-term credit facility granted to exporter against anticipated shipment of goods. The facility is also provided against cash incentives and duty drawbacks.

The main features of pre shipment credit scheme are as under:

**Period of credit:**

Pre-shipment or packing credit is normally granted for a short term period, not excluding 180 days from the date of disbursement of loan by bank. However, reserve bank of India is authorised to extend the credit period beyond 180 days in special cases.
Lodgment of documentary evidence:

Pre-shipment credit is generally granted by banks only after lodgment of documentary evidence such as letter of credit or a firm export order. However, in special cases RBI permits granting of credit even in the absence of these documents. But in such cases the exporter is required to furnish an undertaking to the effect that the letter of credit or the firms export order will be furnished within a specified period.

Rate of Interest:

The rate of interest depends on the currency in which pre-shipment is granted, credit worthiness of the exporter and the drawee, terms of payment period of maturity, etc. It is worth noting that the rates of interest on export credit are lower than the normal lending rates by commercial banks on other loans. The interest rate structure relating to export credit, both pre-shipment and post-shipment, is given below:
## Interest Rates on Export Credit

### Export credit | Rate of interest  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Percent per Annum)</td>
</tr>
</tbody>
</table>

1. **Pre-shipment Credit**
   
i) Up to 180 days | \( \leq \text{PLR}-1.5 \text{PP} \) | 10.00
   
   ii) Beyond 180 days and up to 270 days | \( \leq \text{PLR}+1.5 \text{PP} \) | 13.00
   
   iii) Against incentives receivable from Government covered by ECGC Guarantee up to 90 days | \( \leq \text{PLR}-1.5 \text{PP} \) | 10.00

2. **Post-shipment Credit**
   
i) Demand Bills for transit period (as specified by FEDAI) | \( \leq \text{PLR}-1.5 \text{PP} \) | \( \leq 10.00 \)
   
   ii) Usance Bills (for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)
       a) Up to 90 days | \( \leq \text{PLR}-1.5 \text{PP} \) | \( \leq 10.00 \)
       b) Beyond 90 days and up to six months from the date of shipment | \( \leq \text{PLR}+1.5 \text{PP} \) | 12.00
       c) Beyond six months from the date of shipment
   
   iii) Against incentives receivable from Government covered by ECGC Guarantee (up to 90 days) | \( \leq \text{PLR}-1.5 \text{PP} \) | \( \leq 10.00 \)
   
   iv) Against undrawn balance (up to 90 days) | \( \leq \text{PLR}-1.5 \text{PP} \) | \( \leq 10.00 \)
   
   v) Against retention money (for supplies portion
Quantum of export credit:

The amount of loans under this scheme generally does not exceed FOB value of the goods or its domestic market value. Whichever is less. However, there may be some exceptions to it.

Interest subsidy:

As stated in the preceding section, commercial banks are eligible to avail of interest subsidy at the rate of 1.5% per annum on pre-shipment and post-shipment granted by them. This subsidy is available to banks under export credit (interest subsidy) scheme, 1968 of the RBI the interest subsidy claim is lodged as “on account” claim generally through the central office of the concerned bank. The branches are required to submit their interest subsidy claims in the prescribed formats on quarterly basis to their central office to reach at their counters well in advance before the expiry of the next month. Banks are required to lodge “on account” export subsidy claims on prescribed forms with reserve bank of India within one month from the close of each calendar quarterly period*(1).

*Source: www.rbi.org.in
**Refinance from RBI and Exim Bank:**

Commercial Banks which are authorised to grant pre-shipment and post-shipment export credit can avail of refinance facility from RBI and Exim bank. RBI's refinance is available up to the extent of 125 per cent of the incremental outstanding advance over the average monthly outstanding credit on account of export advance. This facility is also available from the Exim bank against the usance bills purchased by banks.

**Post –Shipment Credit:**

After selling goods to foreign buyers, it takes time to finally collect the sale proceeds. As a result of this, a large amount of fund of an exporter is blocked. Commercial banks have devised a number of schemes to provide post-shipment finance to exporters. These schemes are:

- Negotiation of export document drawn under foreign LCs including the bank acting as accepting or paying banker.
- Purchase of export document drawn under confirmed export contracts/ order.
- Advance against bill sent for collection basis.
- Advance against goods sent on consignment basis.
- Advance against under drawn balances.
- Advance against cash incentives.
- Advance against duty draw back.
- Financing exports against deferred payment.
It needs being hardly mentioned that the above schemes are related with supplier’s credit. Exporters who make credit sale of goods and services are reimbursed through post-shipment credit from commercial banks against their export document.

In addition to funded assistance, Commercial Banks also provide non-funded assistance, which includes issue of bid bonds and participation in different types of export guarantees along with Exim bank and E.C.G.C. They also provide other support and assistance such as credit reports on buyers and scrutiny of letter. Further, they also oversee that under FERA, the full value of goods exported are realized in the prescribed manner. In the case of non-payment of export bills, they pursue the matter with overseas correspondents.
Welcome to ECGC - An export promotion organisation in India, ECGC's goal is to provide cost effective insurance and trade related services to meet the needs and expectations of the Indian export market.
CHAPTER 4

EXPORT CREDIT GUARANTEE CORPORATION OF INDIA

In our country, planners and administrator recognize the relevance of exports at an early stage and in the 40 years that have followed the country's independence the policies of the Government have consistently reflected the country's commitments to achieve higher growth in its exports. Our exports which once predominantly consisted of primary products have widened & are broad - based now. Our product range includes sophisticated engineering items and we are able to undertake high value turn key projects as well as civil construction jobs. This great transformation of India from a traditional product exporting country to that of a multi product non traditional product dominated exporting country has been achieved because of the initiative and entrepreneurship displayed by the trade and industry and the constant support given by the Government to the export effort.

There have been other institutional support as well both financial & non financial. Export Credit Insurance support provided by the Export Credit Guarantee Corporation of India Ltd. More popularly know as ECGC, has been one such important support, which has played a significant role in
achieving this transformation by making it possible for Indian exporters to venture into non-traditional exports as well as non-traditional markets with greater confidence. In addition, ECGC's credit insurance support given to the commercial bank has made it possible for the banking sector to provide finance to the exporters more readily and liberally at both pre-shipment and post-shipment stages and thus the exporters have been able to obtain adequate credit facilities without which it would not have been possible for the trade and industry to achieve the impressive record of growth in our exports.

This chapter relates to ECGC of India which has been actively engaged in providing export credit guarantees ever since its inception. This chapter deals with the establishment and objectives of the Corporation and various schemes which are being operated by it.

The Establishment

Payments for exports are open to risk even at the best of times. The risks have assumed large proportions today due to the far-reaching political and economic changes that are sweeping the world. An outbreak of war or civil war may block or delay the payments for goods exported. A coup or an insurrection may also bring about the same result. Economic difficulties or balance of payment problems may lead a country to impose restrictions or either import of certain goods or on transfer of payments for goods imported. In edition, one has to contain with
the usual commercial risk of the foreign buyer going bankrupt or
loosing his capacity to pay is heightened due to the political and
economic uncertainty. Conducting export business in such
conditions of uncertainties is fraught with dangers.

The loss of large payments may spell disaster for any
exporter, whatever his prudence and competence. On the other
hand, less conscious attitude in evaluating risks and selecting
buyers may result in loss of hard to-get business opportunities.
Export credit insurance is design to protect exporters from the
consequences of the payment risks, both political and
commercial and to enable them to expand there overseas
business without fear of lose.

Export Credit Insurance also seeks to create a
favorable climate in which exporters can hope to get timely and
liberal credit facilities from bank to home. For this purpose,
export credit insurer provides guarantees to banks to protect
them from the risk of loss inherent in granting various types of
finance facilities to exporters.

In order to provide export credit insurance supports
to Indian exporters, the Government of India set up the Export
Risk Insurance Corporation (ERIC) in July 1957. It was
transformed into Export Credit and Guarantee Corporation Ltd.
(ECGC) in 1964. To bring the Indian identity into sharper focus,
the Corporation’s name was once again changed to the present
Export Credit and Guarantee Corporation Ltd. in 1983. ECGC is
a Company wholly owned by the Government of India. It functions under the administrative control of the Ministry of Commerce and is managed by Board of Directors representing Government, banking, and Reserve Bank of India, Insurance and Exporting Organizations.

ECGC, the fifth largest credit insurer of the world in terms of coverage of national exports. ECGC capital base has been strengthened as its authorized capital has been raised to 1000 crores and its present paid up capital is Rs. 340 crores, which is expected to enhance to Rs. 500 crores by the year 2002.

**Objectives**

The primary goal of ECGC is to support and strengthen the Export promotion drive in India. By providing a range of credit risk insurance covers to exporters against loss in export of goods and services and also by offering guarantees to banks and financial institutions to enable exporters to obtain better facilities from them. It also aims at providing overseas investments insurance to Indian companies investing in joint ventures aboard in the form of equity or loan. It seeks to create a favorable climate in which exports can hope to get timely and liberal credit facilities from bank at home.

The objectives of ECGC as laid down in its Memorandum of Association are as under:

- To import a sense of security by incurring the exporter
Oversea credit risk.

- To encourage banks to extent liberal credits to exporters for their various needs.
- To undertake functions entrusted to it, by government including grants of credit in foreign currencies.
- To act as an agent of the government and discharge such functions as is in the interest of the country.

Functions

The main functions of E.C.G.C are as follows;

- To support and strength the export promotion.
- To provide a range of credit insurance cover to exporters against loss in export of goods and service.
- To offer guarantees to banks and financial institutions to enable exporters to obtain better facilities.
- To provide insurance against fluctuations in exchange rates to provide information on credit worthiness of overseas buyers by providing information on about 180 countries with its own credit rating, thus providing protection for overseas investments.
- It assists exporters in recovering bad debts.

Types Of Credit Insurance Policies & Financial Guarantees

The primary objective of ECGC is to provide insurance protection to exporters against payment risk by foreign buyers
and to offer financial guarantees to banks and financial institutions so as to make it easy to obtain export finance from these institutions and banks. In order to fulfill this objective the corporation has provided a number of insurance and guarantees covers.

The cover issued by ECGC can be divided broadly into four groups as follows;

- Standard policy,
- Specific policy,
- Financial Guarantees and
- Special Scheme

**Standard Policy**

Policies issued to exporters to protect them against payment risk involved in export on short-term credit.

**Specific Policies**

These are designed to protect Indian firms against payment risk involved in:

- Export on deferred terms of payments.
- Services rendered to foreign parties.
- Construction works and turnkey projects undertaken aboard.
The schemes of ECGC are classified as broadly in the chart below:

**Schemes of ECGC**

<table>
<thead>
<tr>
<th>Policies (For Exporters)</th>
<th>Guarantees (For Banks)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard Policy</strong></td>
<td></td>
</tr>
<tr>
<td>1 For Supply Contracts</td>
<td>1 Packing Credit</td>
</tr>
<tr>
<td>2 For Buyer's Credit</td>
<td>2 Export Production</td>
</tr>
<tr>
<td>3 Service Policy</td>
<td>3 Post-shipment Export</td>
</tr>
<tr>
<td>4 Construction Works</td>
<td>4 Export Finance</td>
</tr>
<tr>
<td>Policy</td>
<td>5 Export Performance</td>
</tr>
<tr>
<td>5 Overseas Investment</td>
<td>6 Export Finance</td>
</tr>
<tr>
<td>Insurance</td>
<td>(Overseas Lending)</td>
</tr>
<tr>
<td>6 Exchange Fluctuation</td>
<td>7 Transfer Guarantee</td>
</tr>
<tr>
<td>Risk Cover</td>
<td></td>
</tr>
</tbody>
</table>
These policies are issued separately for each specific contract and cover risks normally from the date of contract.

**Financial Guarantees**

Are issued to banks in India to protect them from risk of loss involved in their extending financial support at pre-shipment and post-shipment stages. These also covered a host of non-funded based facilities that are extended to exporters.

**Special Schemes**

Transfer guarantee meant to protect banks which at confirmation to letter of credit opened by foreign banks, insurance cover for buyers credit, lines of credit, overseas investment insurance and exchange fluctuation risk insurance.

**Standard Policy**

Shipments policies which is commonly know as standard policy, is the one ideally suited to cover risks in respect of goods exported on short term credit i.e. credit not exceeding 180 days. The Standard policy is a whole term policy design to provide continuing insurance for the regular follow of exporters shipments of raw material, consumer goods and consumer durables for which credit period does not exceed 180 days. This type of policy is useful in the case of continues supply of the
same product or services through out the year. The policy cover both commercial and political from the date of shipment.

ECGC has design 4 types of standard policies to provide cover for shipments made on short-term credit.

- Shipments (comprehensive risk) policy-to cover both commercial and political risk from the date of shipment.
- Shipments (political risk) policy-to cover only political risk from the date of shipments.
- Contracts (comprehensive risk) policy-to cover both commercial and political risk from the date of contract.
- Contract (political risk) policy-to covers political risk from the date of contract.

**Commercial Risks:**

Include insolvency of the buyer, default in payment by the buyer and buyer’s failure to accept goods subject to certain conditions.

**Political Risks:**

On the other hand political risk cover imposition of restriction on remittances by the government, internal disturbances, imposition of import restriction or continuation of valid import license and any other kind of loss occurring outside India not covered by commercial insurance.
The shipment (comprehensive risk) policy is the one ideally suite to cover risks in respect of goods exported on short-term credit. This policy covers both commercial and political risk from the date of shipment. Risk of pre-shipment losses due to frustration of export contract is nil or very low since goods exported on short term credit are raw materials, primary goods, consumer goods or consumer durables which can be resold easily. Contracts policy, which cover risks from the date of contract are issued only in special cases when goods to be exported are manufactured to non-standard specification of a buyer.

Shipments to associates or to agents and those against letters of credit can be covered only for political risk by suitable endorsements to the shipments (comprehensive risk) policy. Premium is charge on such shipments at low rates. “Deemed exports” can be covered under comprehensive risks policies.

**Risks covered**

The risks covered under the standard policies are:

**Commercial Risks:**
- Insolvency of the buyer.
- Failure of the buyer to make the payments with in

*Source: www.ecgcindia.com*
specified period, normally four month from the due date.

- Buyer's failure to accept the goods, subject to certain conditions.

**Political Risks:**

- Imposition of restrictions by the government of the buyer's country or any government action, which may block the delay of transfer of payment made by the buyer.

- War, Civil war, revolution or civil disturbances in the buyer's country.

- New import restrictions or cancellation of valid import license interruption or insurance charges which cannot be recovered from the buyer after the date of shipment or contract as applicable.

- Cancellation of export license or imposition of new export licensing restrictions in India after effective date of contract (under contracts policy).

- Payment of additional handling, transport or insurance charges occasioned by interception or diversion of voyage which cannot be recovered from the buyer; and
- Any other cause of loss occurring outside India, not normally insured by commercial insurer, and beyond the control of the exporter and/or the buyer.

**Risk Not Covered***

The policy does not cover losses due to the following risks:

- Commercial disputes including quality disputes raised by the buyer, unless the exporter obtains a decree from a competent court of law in the buyer’s country in his favor.
- Causes inherent in the nature of the goods
- Buyer’s failure to obtain necessary import or exchange authorization from authorities in his country.
- Insolvency or default of any agent of the exporter or of the collecting bank.
- Loss or damage to goods which can be covered by general insurers
- Exchange rate fluctuation
- Failure of the exporter to fulfill the terms of export contract or negligence on his part.

**Shipment covered***

The shipments (Comprehensive Risks) Policy is meant to cover all the shipments that may be made by an exporter on credit terms during a period of 24 months ahead. In other words,

*Source: www.ecgcindia.com*
insurance will be refunded to the exporter if the premium payable on actual shipments falls below the amount of Minimum Premium. An exporter is required to offer for insurance each and every shipment that may be made by him in the next 24 months on DP, DA or Open Delivery terms to buyers other than his own associates. The Policy cannot be issued for selected shipments. Selected buyers or selected markets.

**Exclusions:**

An exporter may, of course, exclude shipments made against advance payments or those that are supported by irrevocable Letter of credit, which carry the confirmation of banks in India, since he faces no risk in respect of such transaction. Where an exporter is dealing with several distinct items, ECGC may agree to exclude all shipments of certain agreed items, provided that what is offered for insurance consisted of all items of allied nature and offer the corporation a reasonable portion of the exporters total business with a fair spread of risks.

**Shipments against Letter of Credit:**

Unless they are confirmed by banks in India, payment under irrevocable Letter of credit are subject to political risk. Exporters, therefore, will be well – advised to get them also covered under the policy. Such shipments, which are excluding from the scope of the policy, can be covered under it if an exporter so desires. Lower premium rates are applied to them because they do not involve commercial risks and only the political risk have to be covered.
For shipments made against irrevocable Letters of credit, an exporter has option to obtain either political risk cover only or cover for comprehensive risk, i.e., for all political risk and the risk of insolvency or default of the bank opening irrevocable Letter of Credit. In either case, cover will be provided by the corporation only if the exporter agrees to get all the shipments made against irrevocable Letters of Credit covered under the policy. Cover will not be available for selected transactions.

**Shipments To Associates:**

Shipments to associates i.e. foreign buyers in whose business the exporters has a financial interest, are normally excluded from the policy. They can, however be, covered against political risks under the policy if an exporter so desires. Where the associate is a public limited company in which exporters share holding does not exceed 40%, cover can be provided against insolvency risks in addition to all the politics risks.

**Shipments On Consignment Basis:**

Shipments which are made to an overseas agent under an agreement that he will receive the goods as agent of the exporter and remit the proceeds on their being sold by him are excluded from the scope of the policy. However, if an exporter wants it, the corporation can get them included under the policy. On credit, comprehensive risks cover can be provided only against political

*Source: www.ecgcindia.com*
risk since the agents acts for the exporter. If however, goods are sold to ultimate buyer on credit comprehensive risks cover can be provided for sales to such ultimate buyer if the exporter wants such cover.

**Shipments Made By Air:**

Where shipments are made by air, the buyer are often able to obtain delivery of goods from the airlines before making payments of the bills or accepting them for payment, as the case may be. If the buyer fails to make the payments subsequently as per the contract, the risk of loss will not be covered under the policy if premium has been paid on the shipment for DP or DA terms of payment. An exporter can however, get cover for such contingencies also if he obtains credit limit on such buyers on open delivery terms and also pays premium at rates applicable to open delivery term.

**Additional Cover For Shipments To Governments Buyers:**

All shipments made to government buyers are covered under the policy against political risks. The exporter has, therefore, to declare such shipments to the corporation and pay premium at rates applicable for covering political risks. The corporation's specific approval should be obtained where the country is in the list of restricted cover countries. This cover does not extend to commercial risks like default or non-acceptance of goods. If an exporter wants these risks also to be covered, then he should write to the corporation asking that risk number (XI) described in the policy be also covered. In his letter, the exporter
should give information about the name and address of the buyer, the status of the buyer and the detail of the contract. If the corporation approved the request, the shipment concerned will be covered against comprehensive risks if the exporter pays premium on those shipments at rates applicable for comprehensive risks. It may be noted that the corporation will considered the following as government buyer:

- A department of the central government and
- If the buyer be a government body like a board, state government, municipality or government owned corporation companies, if the performance of the contract if guaranteed by the central government.

**Contract cover:**

The standard policy provides cover only for the post-shipment stage, i.e., from the date of shipment. Cover for pre-shipment losses, i.e. losses which may be sustained by an exporter due to impossibility of exporting goods already manufactured or purchased for reasons like ban on export of the item, restrictions on import of the item into the buyer’s country or war, civil war, etc, are not cover under the policy because the risk is very low in respect of raw materials, primary products, consumer goods or consumer durables which can easily be resold. Where, however, the export involves an item, which is manufactured to the non-standard specification of a buyer, cover can be provided for the pre-shipment risk as well as the
post-shipment risks by means of an endorsement to the standard policy.

**Shipments Made On Credit Exceeding 180 Days:**

The policy is meant to provide cover for shipments involving a credit period not exceeding 180 days. In exceptional cases, however, cover may be granted for shipments with longer credit period, provided that such longer credits are justifiable for the export items concerned.

**The Risks Are Covered in the following way:** *

* **Maximum liability:**

As the policy is intended to cover all the shipments that may be made by an exporter in a period of 24 months ahead, the corporation will fix its maximum liability under each policy. The maximum liability is the limit upto which ECGC would accept liability for shipments made in each of the policy years, for both commercial and political risks. It will be advisable for exporters to estimate the maximum outstanding payments due from overseas buyers at any one time during the policy period and to obtain the policy with maximum liability for such a value. The maximum liability fixed under the policy can be enhanced subsequently, if necessary.

*Source:*[www.ecgcindia.com](http://www.ecgcindia.com)
**Credit Limits On Buyers:**

Commercial risks are covered subject to a credit limit approved by the corporation on each buyer to whom shipments are made on credit terms. As commercial risks are not covered in the absence of a credit limit, exporters would be well advised to apply to ECGC for approval of credit limit on buyer in the prescribed form (NO.144) before making shipment. The exporter has, therefore, to apply for a suitable credit limit on each buyer. On the basis of its own judgment of the creditworthiness of the buyer, as ascertained from credit reports obtained from banks and specialized agencies abroad, the corporation will approve a credit limit which is the limit up to which it will pay claim on account of losses arising from commercial risks. The credit limit is a revolving limit and once approved it will hold good for all shipments to the buyer as long as there is no gap of more than 12 months between 2 shipments. Credit limit is a limit on the corporation’s exposures on the buyer for commercial risks & not a limit on the value of shipment that may be made to him. Premium has, therefore, to be paid on the full value of each shipment even where the value of the shipment of the total value of the bills outstanding for payment is in excess of the credit limit.

As the credit limit is indicative of the safe limit of credit that can be extended to the buyer, it will be advisable for exporters to see that the total value of the bills outstanding with the buyer at any one time is not out of the proportion to the credit limit. Incases where the credit limit that the corporation is
prepare to grant is far lower than the value of the outstandings & exporters needs enhancement in limit he may apply in the prescribe form giving his past experience with the buyer, exporters should discuss the problem with the corporation.

Credit limits need not be obtained if a shipment is made on D.P or C.A.D terms & if the value of the shipment does not exceed Rs. 10 lacs. Political as well as commercial risks will stand automatically covered for such shipments, the only qualification being the claims will not be paid on more than two buyers during the policy period under this provision.

- **Status enquiry charges:**

  ECGC spends a good amount on getting status report on overseas buyer but charges a nominal fee of Rs. 50/- for each application. An exporter need not pay any status enquiry fee for credit limits up to Rs. 2 lacs if he furnishes a bank report not older than 6 months, on the buyer.

  Incase limit is required urgently; exporters may request ECGC to obtain cable report on the buyer and remit an amount of Rs. 400/- towards cable expenses. Alternatively exporter may obtain cable report through his bank and furnish the same in original to ECGC for a quick decision.
Discretionary limit: *

In cases where the buyer is one with whom the exporter has had satisfactory previous experience, the exporter can have losses due to commercial risks covered under a discretionary limit. The discretionary credit limit applies where the export has made at least three shipments to the buyer in the preceding 2 year and the buyer made the payments promptly on due date the discretionary credit is available to the policy holder under clause 21 B (ii) of the standard policy which have been enhanced from Rs. 10 lacs to Rs. 20 lacs for D.P shipment and from Rs. 3 lacs to Rs. 7.5 lacs for D/A shipments provided that:

- At least three shipments have been affected by the exporter to the buyer during the preceding 2 year on similar payment terms and at least one of them was not less then the discretionary limit availed of by the exporter and
- The buyer has made payment for the shipments on due dates.

Restricted cover countries:

For a large majority of countries, the corporation places no limit for covering political risks. However, in the case of certain countries where the political risks are very high, which are around 57 at present, cover for political as well as commercial. Policyholders intending to export to such countries are risk is granted on restricted places.

*Source: www.ecgcindia.com
required to obtain specific approval of the corporation for each shipment or contract in advance, preferably before concluding the contract.

Where specific approval is granted, it may be subject to certain special conditions and, in some cases, subject to payment of a specific approval fee in the range of 0.5% to 2% of the contract value. Specific approval fee is payable in addition to the premium on the shipment. A portion of the specific approval fee is refundable in the event of shipments not taken place or if the payments are received before the expiry of the waiting period for claims.

**Percentage of cover or exporter co-insurer:**

It is customary in credit insurance to make the insured share a small percentage of the risk. ECGC normally pays 90% of the losses on account of political or commercial risk. In the event of loss due to repudiation of contractual obligation by the buyer, ECGC indemnifies the exporter up to 90% of the loss if final and enforceable decree against the overseas buyer is obtained in a competent court of law in the buyer’s country. The remaining 10% has to be borne by the exporter himself the corporation, at its discretion may wave such legal action where it is satisfied that such legal action is not worthwhile and in that event also losses are indemnified up to 90%. Recoveries made after the payments of claim are shared with the ECGC in the same proportion in which the loss was borne.
Minimum premium: *

Policy will be issued against a minimum premium of Rs. 10,000/-, which will be adjusted against actual premium payable on shipments declared.

Additional premium will have to be paid on the shipment declared to the Corporation after the Minimum Premium gets fully adjusted. No part of the Minimum Premium

Declaration of Shipment and payment of premium:

On or before the 15th of every month the Policy holder is required to declare to the Corporation, in the form prescribed by the Corporation, all the shipments made by him in the preceding calendar month. Premium due on the shipments will be first adjusted against the Minimum Premium and he will remit the premium due on further shipments along with the declaration. If no shipment is made in a month, a NIL declaration should be sent. For enabling the policyholder to calculate the Premium, the Corporation gives him a Schedule of Premium Rates along with the policy. The premium rates vary according to country classification and the length of credit

Premium rates:

The rates of premium, which vary depending upon the terms of payment, the classification of the buyers country and whether a shipment is covered against a comprehensive risk or

*Source: www.ecgcindia.com
only political risk, are given in the premium schedules which are issued along, with each policy. Premium at political risks rates are payable on shipments made to buyers on whom the corporation has refuse to approve credit limits and where cover has been provided at the request of the exporter, on shipments to associates and shipment made against irrevocable letters of credit. Incases where an exporter obtains cover for shipments made on consignment bases, comprehensive cover for shipments made against irrevocable letters of credit or contracts cover (which will be granted only in exceptional cases) or cover for shipment with a credit period exceeding 180 days, premium rates will be quoted while granting such cover premium at comprehensive rates will be payable where additional cover is provided for shipments made to government buyers for the purpose of premium, countries have been classified in seven groups from A1 to E with effect from 1st April 1999. Depending on the combination of the payment term and the country group, the premium may range from 0.07% to 3.5%. ECGC's premium rates are one of the lowest among credit insurers in the world.

**Reporting Defaults:**

In the event of non-payment of any bill, policyholder is required to take prompt and effective steps to prevent or minimize loss. A monthly declaration of all bills which remains unpaid for more then 30 days should be submitted to ECGC in the prescribe form indicating action in each case. Granting extension of time for payment, converting bills from D.P to D. A
terms or resale of unaccepted goods at a lower price require prior approval of ECGC.

**Extending Credit Period or changing the tenor of the bills:**

It may sometimes become necessary for an exporter to extend the credit limit of D. A bill or to convert D.P bill in to a D.A bill in circumstances in which the buyer is unable to meet the payment obligation as per the original tenor of the bill whenever a policy holder wishes to grant such extensions or conversions, for good reason, he should get the prior approval of the corporation and pay the necessary additional premium.

**Resale of un-accepted goods:**

The policyholder is obliged to take immediate & effective action to minimize the possible loss if and when a buyer does not take delivery of the goods. If he wishes to resale the goods to an alternate buyer he should take prior approval of the corporation. Notice of resale should be given to the original buyer so that it would be possible to take legal action against him subsequently, if considered necessary, for recovery of loss. If the exporter decides to bring the goods back to India, the corporation will make good 90% of the reshipment expenses.

**Settlement of Claims:**

A claim could arise when the exporter suffers loss arising from any of the insured risks and will be paid to the exporter immediately upon the loss being ascertained by the Corporation. In case of insolvency of an overseas buyer, losses
will be ascertained one month after the exporter's claim is admitted to rank against the insolvent's estate or after four months from the due date, whichever is earlier. In all other cases claim is payable after four months from the date of the event causing loss.

However, in case of exports to countries where long transfer delays are experienced, ECGC may extend the waiting period and claims for such shipments are payable after the expiry of such extended period.

Where the buyer does not accept goods or pay for them because of differences over fulfillment of the terms of contract by the exporter, counter claims or set-off ECGC considers claims after the dispute between the parties is resolved and the amount payable is established by obtaining a decree in a court of law in the country of the buyer. This condition is waived in cases where the corporation is satisfied that the exporter is not at fault and that no useful purpose would be served by proceeding against the buyer.

**Debt Recovery:**

Payment of claims by the ECGC does not relieve an exporter of his responsibility for taking recovery action and realising whatever amount can be recovered. The exporter should, therefore, consult ECGC and take prompt and effective steps for recovery of the debt. For its part, ECGC will help
exporter by providing the name of a reliable lawyer or debt-collecting agency and by enlisting the help of India’s commercial representative in the buyer’s country.

**Sharing Recovery With ECGC**

All amounts recovered, net of recovery expenses, should be shared with ECGC in which the loss was originally shared. Receipt of a claim from ECGC does not relieves an exporter from obligations to the Exchange Control Authority for recovering the amount from the overseas buyers.

**To Obtain A Policy:**

The exporter should fill in a Proposal Form, which can be obtained from any of the ECGC offices listed in this booklet and send it to the nearest ECGC office. He should also confirm his acceptance of the premium rates, which will be given to him along with the Proposal Form and remit Minimum Premium of Rs.10,000.

**Specific policies**

The standard policy is a whole turnover policy designed to provide a continuing insurance for the regular flow of an exporters shipments of raw materials. Consumer goods & durable for which credit period does not exceeds 180 days.

*source: www.indianexportregister.com*
Contracts for export of capital good or turnkey projects or constructions work or rendering services abroad which are not identical or not of a repetitive nature, they in value medium/long term credits. The policies are issued separate from each specific contract & cover risk normally from the date of contract such insurance policy are known as specific policies.

ECGC pays 90% of the loss from both commercial and political risk. The payment may exceed to 95% for policies risk in respect of large export orders. The premium to be charged depends on the credit period and the country to which goods or services are exported. The corporation operates the following specific policies:

- Specific Policy For Supply Contracts.
- Insurance covers for buyers credit and line of credit.
- Service policy.
- Construction works policy.

Specific Policy for supply contract may take any of the following forms:

- Specific shipments (comprehensive risks) Policy.
- Specific shipments (political risks) Policy.
- Specific contract (comprehensive risk) Policy.
- Specific contract (Political risks) Policy.

**Specific shipments (comprehensive Risks) Policy**

It provides cover against all the risks covered under the standard policy in respect of shipments to be made under the
contract. It is an appropriate policy for an export to take if the payments are to open to both commercial and political risks at post shipment stage.

**Specific shipments (political risks) Policy**

When commercial risks are absent and only political risks is to be covered at post shipment stage in case where the payments are guaranteed by bank or by the government of the overseas country, the exporter may opt for the shipments (political risk) policy for which the premium rate will be lower then that for the comprehensive risk policy.

- **Specific contract (comprehensive risk) Policy.**
- **Specific contract (Political risks) Policy.**

Contract policy differs from the shipment policy in that the former provide the exporter not only with post shipment cover that shipment policy provides but also with some preshipment cover. In case shipment could not be made due to any of the risks covered or due to restrictions on export of the goods from India the loss in respect of unshipped will also be covered under contract policies. Premium rate for contract policies will be higher then those for shipment policies.
Insurance cover for buyers credit and line of credit:

Financial institutions in India, like those in several other countries, have started direct lending to buyers or financial institutions in developing countries for importing machinery and equipment from India. This kind of financing finicalities immediate payment to exporters and frees them fro the problem of credit management as well as from the fear of loss on account of overseas credit risk.

Financing may take the form of buyer’s credit or line of credit. Buyer’s credit is a loan extended by financial institutions, or a consortium of financial institutional to the buyer for financing a particular export contract. Under line of credit, a loan is extended to government or financial institutions in the importing country for financing import of specified items from the lending country.

Buyer's credit is a credit extended by a bank in India to an overseas buyer for a specific purpose of enabling the buyer to pay for machinery and equipments that he may be importing from India for a specified project. A line of credit is accredit extended by a bank in India to an overseas bank, institutions or government for the purpose of facilitating import of a variety of listed goods from India into the overseas country. A number of importers in the overseas country may be importing the goods under the line of credit.
To be eligible for cover, a buyer credit or a line of credit should not be higher than 85% of the value of the goods to be extended. Cover can be granted either for political risk or for comprehensive risk. **Political risk covered under the scheme is the following:**

- The occurrence of war between the country of the overseas party and India.
- The occurrence of war, hostilities, civil war, revolution, rebellion, insurrection or other disturbance whether as the same kind as here in before enumerated the country of overseas party
- The operation of law or of an order, decree or regulation having the force of law which in circumstances outside the control of the lender and/or the overseas party, prevents, restricts or controls, the transfer of the sums due to the lender by the overseas party under the financial Agreement.

Where Corporation agree to provide Comprehensive risks cover, the risk of protracted default of the borrower to pay the amounts due under the loan agreement and insolvency of the borrower, where applicable, will be covered in addition to the political risks mentioned above. The premium rates applicable to Comprehensive Risks cover will naturally be higher than that for political risks cover.

At least 20% of the total amount of premium payable for the cover should be paid in advance. The balance amount of
premium may be paid on a quarterly basis in proportion to the amount of credit disbursed.

**Services Policy***

Where Indian firms render services to foreign parties they would be exposed to payment risks similar to those involve in export of goods. Service policy offer protection to Indian firms against such payment risk. The policy has been designed broadly on the lines of ECGC insurance policies covering export of goods.

In order to give a measure of protection to such exporters of service, the corporation has evolved four types of policies:

- Specific service contract (comprehensive risk) Policy,
- Specific service contract (Political risk) Policy,
- Whole turnover services (Comprehensive risk) Policy And
- Whole turnover service (political risk) Policy.

Specific policy is issued to cover a single specific contract. It is issued to provide cover for contracts, which are large in value and extended over a relatively long period. Whole turnover policies are appropriate for exporters who provide service to a set of principles on a repetitive basis and where the period of each contract is relatively short. Such policies are issue to cover all

*Source: By the courtesy of librarian Indian institute of foreign trade, New Delhi*
contracts that may be concluded by the exporter over a period of 24 months ahead. A wide range of services like technical or professional, hiring or leasing can be covered under the policies. The Comprehensive Risks Policy covers the following risks:

- Insolvency of the buyer;
- Protracted default in payment;
- Restriction on remittance in the buyer’s country or any government action which may block or delay payment to the exporter
- War between India and the buyer’s country;
- Revolution or other civil disturbances in the buyer’s country
- Government action in India or in buyer’s country which prevents the performance of the contract; and
- Any other cause of loss occurring outside India and beyond the control of the buyer or the seller.

The policies do not cover losses arising from event preventing the completion of the contract in the circumstance where such frustration could free the buyer from his obligation to make payment under the contract.

The policy covers 90% of the loss suffered by the seller. The claim is payable after four months from the due date of payment if the loss arises due to the risk of protracted default. In case of insolvency, claim is payable after four months from due date of payment or one month after four months from the due
date or the date of the event which is the cause of loss, as the case may be if the loss is caused by any of the other risks.*(1)

Premium rates are closely related to the risks involves & vary according to the country of the buyer and the term of payment. Quotations for any specific proposition or business on hand can be obtained by writing to ECGC giving details thereof.

The Services Policy covers such contracts under which only services are to be rendered. Contracts under which rendering of services is part and parcel of a bigger contract for supply of goods or machinery or erection of a plant are covered under Construction Works Policies.

**Construction Works Policy:**

Construction Works policy is designed to provide cover to an Indian contractor who executes a civil construction job abroad. The distinguishing features of a construction contract may be summarized as under:

- He contractor keeps raising bills periodically throughout the contract period for the value of work done between one billing period and another;
- To be eligible for payment, the bills have to be certified by a

*(1) By the Courtesy : Librarian of Indian Institute of Foreign Trade, New Delhi.
consultant or supervisor engaged by the employer for the purpose and

- That, unlike bills of exchange raised by suppliers of goods, the bills raised by the contractor do not represent conclusive evidence of debt but are subject to payment in terms of the contract that may provide, among other things, for penalties or adjustments on various counts.

- The scope for disputes is very large. Besides, the contract value itself may only be an estimate of the work to be done, since the contract may provide for cost escalation, variation contracts, additional contracts, etc. It is therefore, important that the contract ensures that the contract is well drafted to provide charity of the obligations of the two parties and for resolution of disputes that may arise in the course of execution of the contract. Contractor will be well advised to use the standard Conditions of contract (International) prepared by the Federation International Des Ingenieurs Conseils (FIDIC) jointly with the federation International du batiment et des Travaux Publics (FIBTP).

The following risks are covered in case of contracts with government employers or if the employer’s government guarantees the payments:

- Default of the government employer;
- Delay in the transfer of payments to India;
- War between India and the employer’s country;
• Civil war or similar disturbances in the employer’s country;
• Imposition of import or export licensing (or cancellation of an existing license) for goods or materials manufactured or purchased by the contractor after the date of contract, for use on the contract, and for which on the date of loss the employer has no obligation to pay in terms of the contract;
• Additional handling, transport or insurance charges due to interruption or diversion of voyage; and
• The employer’s failure to pay to the contractor sums awarded in arbitration proceedings under the contract.

**Risk Not Cover**

The Construction Work Policy excludes from its purview losses, which may be, sustain due to the following causes:

i) Failure of the contractor and/or the Employer (where the employer is not a Government) to obtain, issue or deliver any authority necessary under the law of India or the Employer’s country for execution of the project and to make payment therefore;

ii) Risks which can normally be insured with commercial insurers;

iii) Insolvency, default or negligence of any agent, seller or subcontractor;

iv) Execution of any work or incurring of any expenditure by the contractor after the employer has been in default in making any payment for a period of 120 days unless, on
an application made by the contractor for the purpose within 90 days of such default, the corporation has agreed to his continuing execution of the contract despite the said default of the Employer;

v) Execution of any works or incurring of any expenses by the Contractor after the estimated date for completion of the contract unless, at the request of the Contract or, the corporation has agreed to a change in such date.

**Premium**

Premium rate will be dependent on the classification of the Employer’s country and the payment terms will be quoted by the Corporation on request. The rate will be applied on the estimated contract value to arrive at the amount of premium payable to the Corporation and this amount of premium is payable in advance. The Contractor is obliged to notify the Corporation if the estimated contract value undergoes any change and the premium will be adjusted accordingly.

** Declarations**

The Contractor is required to submit to the Corporation such periodical declaration as may be prescribed by it relating to the execution of the contract and the position of payments there under.
Ascertainment Of Loss

When a loss arises due to any of the risks insured, the amount of loss shall be ascertain by the Corporation, after the contractor files a claim under the policy, in accordance with the provisions of clause 16 of the policy. It should, however, be noted that, where the Contractor has been simultaneously executing certain other contract also for the same Employer, all amounts paid by the Contractor shall be allocated to the amounts outstanding under all the contracts in the chronological order of the due dates of the dates of the due date of payment of those amounts, irrespective of whether such other contracts have been insured by the corporation or not.

Payment Of Claim

If a claim is admitted under the policy, the corporation shall make payment of the amount direct to the Contractor's bank in India which may have a right or lien over the receivables under the contract,. The payment shall be subject to the Contractor giving the Corporation an undertaking to the effect that he will take all steps, including such steps as may be suggested by the Corporation, to recover the dues from the Employer and to pass on to the Corporation its share of the amounts so recovered. The Contractor shall, if required to do so, support such an undertaking with a bank guarantee for an amount equal to the amount of claim. The amount of claim paid by the
Corporation shall become refundable to the Corporation with interest if the Contractor fails to take steps for effecting recovery.

**Exchange Rate For The Purpose Of Cover, Claim And Recovery: *  

The liability of the Corporation under the Policy will be in terms of Indian Rupee. If the contract value is expressed in a foreign currency, it shall be converted into Indian Rupee at the rate specified in the policy, the rate being approximately the same as the Bank buying Rate of Exchange on the date contract, for the purpose of determining the amount covered and the Maximum Liability of the Corporation under the Policy.

The same exchange rate shall be used by the Contract for the purpose of submitting periodical declarations to the Corporation. However, if the currency in which the Employer has to pay has been devalued before the Corporation pays a claim, the amount claimed by the Contractor in Indian Rupees shall be based on the devalued rate. Recoveries will be reckoned, net of recovery expenses at the actual rate at which the amounts recovered were converted by the receiving bank into Rupee and such amounts shall be divided between the Corporation and the Contractor in the same ratio in which the loss was originally borne by the two, irrespective of whether for not such division results in the Corporation retaining an amount greater or lesser than the amount paid by it as claim.

*Source: www.ecgcindia.com
SPECIAL SCHEMES

Transfer Guarantee: *

When a bank in India adds its confirmation to a foreign Letter of Credit, it binds itself to honour the drafts drawn by the beneficiary of the Letter of credit without any recourse to him provided such drafts are drawn strictly in accordance with the terms of the Letter of Credit. The confirming banks will suffer loss if the foreign bank fails to reimburse it with the amount paid to the exporter. This may happen due to the insolvency or default of the opening bank or due to certain political risks such as war, transfer delays or moratorium that may delay or prevent the transfers of funds to the banks in India. The Transfer Guarantee seeks to safeguard banks in India against losses arising out of such risks. Transfer Guarantee is issued, at the option of the bank, either to cover political risks alone, or to cover both political and commercial risks. Loss due to political risks is covered up to 90% and loss due to commercial risks up to 75%.

Overseas Investment Insurance:

With the increasing exports of capital goods turnkey projects from India, the involvement of exporters in capital participation in overseas projects has assumed importance. The developing countries, which are our main customers, have the

* Source: www.indianexportregister.com
problem of scarcity of capital and management skills and may like to invite Indian participation in capital-to-capital and management when large turnkey projects are set up. The exporter’s participation in capital and management instills confidence in the buyer about proper functioning of the project.

ECGC has evolved a scheme to provide protection for such investments. Any investment made by way of equity capital or united loan for the purpose of setting up or expansion of overseas projects will be eligible for cover under investment insurance.

The investment may be either in cash or in the form of export of Indian capital goods and services. The cover would be available for the original investment together with annual dividends and interest payable.

The risks of war, expropriation and restriction on remittance are covered under the scheme. As the investor would be having a hand in the management of the joint venture, no cover for commercial risks would be provided under the scheme. For investment in any country to qualify for investment insurance there should preferably be a bilateral agreement protecting investment of one country in the other. ECGC may consider providing cover in the absence of any agreement or code, provided it is satisfied that the general laws of the country afford adequate protection to the Indian investment.
The period of insurance cover will not normally exceed 15 years. Incase of projects involving long erection period cover may be extended for a period of 15 years from the date of completion of the project subject to a maximum of 20 years from the date of commencement of invest. Amount insured shall be reduced progressively in the last five years of the insurance period.

**Exchange Fluctuation Risk Cover Schemes:**

The Exchange fluctuation Risk Cover Schemes are intended to provide a measure of protection to exporters of capital goods, civil engineering contractors and consultants who have often to receive payments over a period of years for their exports, construction work or services. Where such payments are to be received in foreign currency, they are open to exchange fluctuation risk and the forward exchange market does not provide cover for such deferred payments.

The Exchange fluctuation Risk Cover is available for payments schedule over a period of 12 months or more upto a maximum of 15 years. At the stage of bidding, an export/contractor can obtain Exchange fluctuation Risk (Bid) Cover. The basis for cover will be a “reference rate” agreed upon. The reference rate can be the rate prevailing on the date of bid or a rate approximating it. The cover will be provided initially for a period of twelve months and can be extended if necessary. If the bid is successful, the exporter/contractor is required to obtain Exchange fluctuation (Contract) Cover for all payments due under the contract. The
reference rate for the contract cover will be either the reference rate used for the Bid cover or the rate prevailing on the date of contract at the option of the exporter/contractor. If the bid is unsuccessful, 75% of the premium paid by the exporter/contractor is refunded to him.

The Exchange fluctuation Risk (Contract) Cover can be issued only if the payments under the contract are scheduled to be received beyond 12 months from the date of contract but in such cases, the cover will apply for any installment falling due within 12 months as well. Cover will be available for all amounts receivable under the contract, whether it is payment for goods or services or interest or any other payment. Contracts coming under the schemes. The exporter has also an option to terminate the contract at the expiry of the third year, by giving three months advance notice.

Cover under the schemes is available for payments specified in US Dollar, Pound Sterling, Deutsche Mark, Japanese Yen, French Franc, Swiss Franc, UAE Dirham and Australian Dollar. However, cover can be extended for payments specified in other convertible currencies at the discretion of the ECGC.

Exchange fluctuation Risk Cover will normally be provided along with suitable credit insurance cover. There is, however, provision to grant the cover independently also in which case premium will be loaded by 20%.
however, provision to grant the cover independently also in which case premium will be loaded by 20%.

The contract cover provides a franchise of two percent loss or gain within a range of 2% of the reference rate to the exporter’s account. If loss exceeds 2%, ECGC will make good the portion of loss in excess of 2% but not exceeding 35% of the reference rate will be to the exporter’s account. If there be a gain in excess of 2% of the reference rate, the portion which is beyond 2% and upto 35% will be turned over to the ECGC.

The rate of premium is 40 paise per Rs. 100/- per year or 10 paise per Rs. 100/- per quarter for the bid cover and the total premium is payable at the time of issue of the policy.

Premium for contract cover is also payable at the rate of 40 paise per Rs. 100/- per annum. Ten percent of the total premium payable and premium for the first two years should be paid at the time of issue of the policy. Thereafter the annual premium will have to be paid in such a manner that premium for the next two-year is always kept paid to the corporation.

SPECIAL FACILITIES

Small Scale Exporters

Small With a view to enabling small scale sector to participate to a greater extent in the export activities of the country,
ECGC provides special facilities to small scale exporters by offering higher percentage of cover and procedural relaxations under its policies and guarantees.

These facilities will apply to exporters whose anticipated annual export turnover does not exceed Rs 50 lacs and total annual turnover, including exports, does not exceed Rs 25 lacs. Also, small-scale industrial units as defined by Government of India whose annual exports do not exceed Rs 10 lacs shall be deemed to be small-scale exporters even though their total turnover may exceed Rs 25 lacs. Further exports may be qualifying small scale exporters through (a) co-operatives of artisans (b) co-operatives or associations or consortia of small scale industries (c) handloom and handicrafts export corporation or state export corporations (d) state small scale industries corporations and (e) national small industries corporation are also eligible for these special facilities.

Main facilities provided under the scheme are: higher cover of 90% for banks under the whole turnover packing credit guarantee; and higher cover of 90% under whole turnover post-shipment export credit guarantee in respect of exporters who have taken ECGC contracts/ shipments policy and 65% cover for non-policyholders. Cover under Standard policy is increased to 95% against commercial risks and 100% against political risks, provided the maximum liability under the policy does not exceed Rs 5 lacs. The waiting period for payment of all types of claims is reduced to half the normal stipulated period.*
The Small Exporter's Policy is basically the Standard Policy, incorporating certain improvement in terms of cover, in order to encourage small exporters to obtain and operate the policy. It differs from the Standard Policy in the following respects: *

- **Period Of Policy:** Small Exporter's policy will be issued for a period of 12 months, as against 24 months in the case of Standard Policy.

- **Minimum Premium:** Minimum premium payable for a Small Exporter's Policy will be an amount equal to 0.30% of the anticipated turnover on D/P and D/A terms of payments plus where the exporter seeks cover also for L/C shipments, 0.10% of the anticipated turnover on L/C terms or Rs.1000 whichever is higher.

- **Declaration of shipments:** Shipments need to be declared quarterly.

- **Declaration of overdue payments:** They are required to submit monthly declarations of all payments remaining due by more than 60 days from the due date, as against 30 days in the case of exporters holding the Standard Policy.

- **Percentage of Cover:** For shipments covered under the Small Exporter's Policy, the Corporation will pay claims to the extent of 95 percent where the loss is due to commercial risks and 100 percent if the loss is caused by any of the political risks. Under

*Source: [www.indianexportregister.com](http://www.indianexportregister.com)*
the Standard Policy, the extent of cover is 90% for both commercial and political risks.

- **Waiting period for claims:** The normal waiting period of 4 months under the Standard Policy has been halved in the case of claims arising under the Small Exporter's Policy.

- **Change in terms of payment of extension in credit period:**
  In order to enable small exporters to deal with their buyers in a flexible manner, the following facilities are allowed:

  a). A Small Exporter may, without prior approval of the Corporation convert a D/P bill into a D/A bill, provided that he has already obtained suitable Credit Limit on the buyer on D/A terms.

  b). Where the value of this bill is not more than Rs.3 Lac, conversions of D/P bill into D/A bills is permitted even if Credit Limit in the buyer has been obtained on D/P terms only, but not more than one claim can be considered during the policy period on account of losses arising following such conversions;

  c). A Small Exporter may, without the prior approval of the Corporation extend the due date of payment of a D/A bill provided that a Credit limit on the buyer on D/A terms is in force at the time limit of such extension.

**Resale Of Unaccepted Goods:**

If, upon non-acceptance of goods by a buyer, the exporter sells the goods to an alternate buyer without obtaining
prior approval of the Corporation as required under the Policy, the Corporation may consider payment of claims upto an amount considered reasonable by the Corporation, provided that the Corporation is satisfied that the exporter did his best under the circumstances to minimize the loss.

**Claims Due To Loss Or Damage To Goods:**

The Corporation may also consider payment of claim upto an amount considered by it as reasonable where loss is due to loss of or damage to the goods due to certain risks, which are not normally included in general/marine insurance policies. The exporter should in such cases, have exercised normal care in obtaining the general/marine insurance policies. In all other respects, the Small Exporter’s Policy is the same as the Standard Policy.

**Simplified scheme for small exporters**

With the objective of helping small exporter, ECGC has evolved a simplified scheme viz. the lump sum premium scheme. The scheme applicable to the exporters whose annual export turnover does not exceed Rs 10 lacs. The maximum liability of the policy under the scheme is restricted to Rs 5 lacs.

The rate of premium on the policy is 50 paise per Rs 100 /- per annum on the maximum liability of the policy, payable as a lump sum at the time of the issue of the policy. Small
exporters who opt for this scheme have to observe all the terms and conditions of policy but they are not required to submit monthly shipment declarations. Specific approval has to be obtained in respect of exports to restricted cover countries. Such exports would attract payment of specific approval fee, wherever applicable. Shipments to restricted cover countries are required to be declared every month in form (no 203) by the 15th of succeeding month and premium paid thereon at the rates indicated in the premium schedule attached to the policy.

Exporters Of Book And Publications: *

In view of the special features of export trade in books and publications, the following liberalizations have been made under the standard policy for exporters of books and publications.

- In case of exports to individuals, on whom credit limit is not fixed, normal cover of 90% will be available provided that the value of each consignment does not exceed Rs. 2,000/-.  
- In case of exports to regular book dealers, on whom credit limit is not fixed, normal cover of 90% is available provided that the value of each consignment does not exceed Rs. 5,000/-.  
- In case of exports to institutions like universities, libraries and research organizations, on whom no credit limit is fixed, normal cover of 90% will be available provided that the value of each consignment's not more than Rs15000/-.  

160
• Cover upto Rs. 15,000/ will be available for exports to an individual, institution, or a dealer if at least two shipments on similar terms of payment had been made in the preceding twelve months and payment for them received on due dates.

• Shipments made in a calendar month can be declared, along with payment of premium, before 25\textsuperscript{th} of the following month, as against the normal time limit of 15 days.

• Premium will be charged at as special low rate, varying with the group under which the country is classified.

The liberalized facilities are available only to reputed publishers for exports to Australia, Canada, the USA, the UK, and countries in Western Europe.
CHAPTER 5

PERSPECTIVE OF E.C.G.C'S SUPPORT TO INDIAN BANKS

The discussion in the previous chapter concludes that timely and adequate credit facilities, at the pre-shipment as well as post-shipment stage, are essential for exporters to realize their full export potential. Exporters may not, however, be able to obtain such facilities from their bankers for several reasons, e.g. the exporter may be relatively new to export business, the extent of facilities needed by him may be out of proportion to the equity of the firms or the value of collateral offered by the exporter may be inadequate. ECGC has designed a scheme of Guarantees to banks with a view to enhancing the creditworthiness of the exporters so that they would be able to secure better and large facilities from their bankers. The Guarantees seek to achieve this objective by assuring the banks that, in the event of an exporter failing discharge his liabilities to the bank, and thereby making the bank incur a loss, ECGC would make good a major portion of the bank's loss. The bank is required to be co-insurer to the extent of the remaining loss. Any amount recovered from the exporter subsequent to payment of claims shall be shared between the Corporation and the bank in the same ratio in which the loss was borne by them at the time of settlement of claim. Recovery expenses shall be first charged on the amounts recovered.

To meet the varying needs of exporters, the Corporation
has evolved the following types of Guarantees: *(1)

- Packing Credit Guarantee;
- Export Production Finance Guarantee;
- Post-shipment Export Credit Guarantee;
- Export Finance Guarantee;
- Export Performance Guarantee; and
- Transfer Guarantee

**Packing Credit Guarantee**

This guarantee is designed to protect the banks, which grant packing credit advances to exporters from losses that may arise due to the insolvency or protracted default of the exporter. Thus, protected against the risk of loss, the banks are enabled to grant pre-shipment credits on comparatively more liberal basis to exporters who will be better placed to develop and expand their overseas trade.

**Eligible Advances:**

The guarantee covers advances granted to exporters at the pre-shipment stage for the purpose of purchase, manufacture, processing or packing of goods meats for export against firm contracts of sale; whether on credit terms or against irrecoverable Letter of Credit.

*(1) Source: B.S Rathore, Export Marketing, 1983; Page 192*
‘Pre-shipment’ advances given by banks to Indian firms engaged in export of service or to those which take up contraction work abroad to meet preliminary expenses in connection with such contracts are also eligible for cover under this guarantee.

**The Period:**

The guarantee is issued to cover advances made by banks over a period of time, normally a year. Each packing credit advance has to be liquidated by the exporter with in a stipulated by the bank while granting the advance. For granting any extension in the due date, the bank has to seek prior approval of the ECGC, furnishing reason for granting such extension.

**Risk Insured:**

The guarantee protects insured banks against any loss that may arise due to the failure of the exporter to repay advances because of his-

- Insolvency or
- Protracted default to repay the insured debt.

The risk under the guarantee, by implication, also include non-payments on account of non-shipment of goods, non-delivery of valid shipping documents by the exporter to the lending bank or default in payment, wholly or in part.
**Extent Of Loss:**

Any loss arising from the occurrence of any of the risks insured under the guarantee shall be borne by the Corporation to the extent of 66-2/3 percent, subject to a maximum liability fixed under the guarantee.

**Claims:**

Claims are payable-

- In the case of insolvency of the exporter, thirty days after receipt of confirmation that the insured debt has been admitted to rank against the insolvent’s estate, or after four months from the due date of payment, whichever is earlier.

- In the case of default, after the expiry of four months from the due date of payments.

**Recoveries:**

The banks has to take all steps necessary for the recovery of debt from the exporter, including such steps as the ECGC may require the bank to take. Any recoveries made after the payment of claim by the Corporation less recovery expenses shall be shared between the ECGC and the lending bank in the same proportion in which the loss is borne.
The Proposal:

The bank may send in the proposal for this guarantee in the prescribe form. And care should be taken to complete the form in all respects, including the undertaking at the foot of the form, to avoid delays in the issue of guarantees.

It will facilitate quick issue of guarantees if all the information called for in the propose form is given in detail. In addition, it will help the corporation if in the respect of proposals of large magnitude; say over Rs. 5 lakhs, the following information about the exporting firm is furnished along with the proposal from:

- Is copy of the latest balance sheet;
- Export turn over for the previous last two years;
- A report on the firm and on its proprietor/partners/directors, etc. indicating, besides their financial position and reputation, the value of the personal assets, properties, etc;
- Whether it is possible to obtain a demand pro-note from the proprietor/partner/directors, hypothecation/pledge of goods and any other tangible security; and
- The names of other banks from which the exporter has been availing of pre-shipment finance previously.

The Guarantee:

If the ECGC approves the bank’s proposal, guarantee will be issued with Maximum liability. The Maximum Liability fixed under the guarantee is the limit of the corporation’s share of loss under the guarantee. In fixing the Maximum Liability, ECGC is normally guided by the assessment of the lending bank as to the standing and
creditworthiness of the exporter. The limit operates on a revolving basis and can be enhanced / reduced during the period of the guarantee.

Declaration And Premium:

On or before the tenth day of every calendar month, the bank has to submit to the corporation a declaration of credits granted and repayments received during the previous month, declaring the value of advances granted to the exporter. The repayments made by the exporter and the highest amount outstanding during the month. The Corporation has prescribed a form for the declaration (Annexure I*).

The premium is payable while making the declaration, at the rate of 7.5 paise per Rs. 100 per month or part thereof. The financing bank has to pay the premium calculated on the basis of monthly declarations. On the highest amount outstanding during the month.

Type Of Guarantees:

- Individual Packing Credit Guarantee

Banks can take out individual guarantees to cover advances made to each exporter-client, during a specified period of time. Banks should however ensure that each advance is covered by a valid export contract keeping in view the maximum liability fixed under the guarantee.

* Please See Annexure I
• **Packing Credit Guarantee**  
  *(Small Merchant Exporter)*

As the name suggests, this guarantee is meant for covering credit advances to small merchant exporters whose export turnover during the period of 12 months proceeding the date of the proposal has not exceeded Rs. 2 lakhs. Application for this guarantee is to be made in the prescribed form and must be accompanied by a certificate from a Chartered Accountant to the effect that the export turnover of the exporter has not exceeding 12 months.

The terms and conditions of this guarantee are similar to those of the Packing Credit Guarantee, except that the Corporation’s share in the loss under this guarantee is 90%. Similarly any recoveries made after payment of a claim by the Corporation less recovery expenses are to be shared between the Corporation and the bank in the proportion of 90:10.

• **Whole-turnover Packing Credit Guarantee**

ECGC is prepared to offer a more liberal cover to banks at a concessional rate of premium, for covering all the pre-shipment advances, under the Whole-turnover Packing Credit Guarantee of the Corporation. Advances to public sector undertakings are normally excluded from the purview of this guarantee. The percentage of loss covered under this type of guarantee is 75. The premium is payable on the daily average product basis, which also considerably reduces the premium incidence for the cover. As regards the premium rate, the concession in the rate will depend upon the volume of the business
offered to the corporation for cover, the speared of risks, incase exclusion of certain types of advances is sought, etc. This scheme is intended to keep the administrative work to the minimum by introducing procedural refinements in the matter of declaration, credit limit approvals on the exporters, etc. More details about the Whole turnover Guarantee are obtainable from the Head Office of the Corporation.

**Post-Shipment Export Credit Guarantee**

This guarantee is evolved to protect the banks, which grant post-shipment advances to exporters, from losses that may arise due to the insolvency or protracted default of the exporter. The guarantee thus seeks to find post-shipment finance for the exporter by covering the risks of his bank.

**Eligible Advances:**

The guarantee covers advances granted to exporters at the post-shipment stage for the purpose of purchase, discount or negotiation of export documents. Normally, the Guarantee is issued only on account of such exporters as obtain the appropriate insurance policy of the corporation.

**The Period:**

The guarantee is issued to cover advances made by the banks over a period of time, normally a year. Each post-shipment advance has to be liquidated by the exporter within a period stipulated by the bank, while granting the advances. Extensions in the
due date may be granted whenever needed after obtaining the approval of the ECGC.

**Risks Insured:**

The guarantee protects the insured banks any loss that may arise due to the failure of the exporter to repay advances because of his

- Insolvency; or
- Protracted default to repay the insured debt.

**Extent Of Cover:**

The corporation bears 75 percent of the loss, arising from the occurrence of either of the risks insured under the guarantee. ECGC may agree to cover 80 % of the loss incase where a bank makes advances of Rs. 2 crore or more in respect of a single contract for export of engineering and/ or metallurgical goods.

**Claims:**

Claims are payable-

- In the case of insolvency of the exporter, thirty days after receipt of confirmation that the insured debt has been

  - Admitted to rank against the insolvent’s estate or after four months from the due date of payments, whichever is earlier.

  - In the case of default, after the expiry of four months form the due date of payment.
Recoveries:

All steps necessary for the recovery of debt from the exporter, including such steps as the ECGC may require, have to be taken by the bank. Any recoveries made after the payment of a claim by the Corporation less recovery expenses shall be shared between the ECGC and the lending bank in the same proportion in which the loss was borne.

The Proposal:

The bank may send in the proposal for this guarantee in the prescribe form (*Annexure II)*. A specimen of the form is appended hereto. Care should be taken to complete the form in all respects, to avoid delays in the issued of the guarantee.

The Guarantee:

If the ECGC approves the bank’s proposal. Guarantee will be issued with a permitted limit. The permitted limit fixed under the guarantee is a limit up to which advances granted by the lending bank are covered by the ECGC. In fixing the permitted limit, ECGC is normally guided by the assessment of the lending bank as to the standing and creditworthiness of the exporter. The limit operates on a revolving basis and can be enhanced / reduced during the period of the guarantee.

* Please see Annexure II.
Declerations And Premium:

Separate guarantees to cover credits granted to each exporter-client, during a on or before the tenth day of every calendar month the bank shall submit to the corporation a declaration (Annexure III)* of credits granted during the previous month, declaring the date of export, and the name of the importer, the gross invoice value of the shipment, the value of the advances granted to the exporter, the terms of payments, etc.

The premium is payable along with the declaration at the rate of 5 paise per Rs. 100 per month or part thereof, on the highest amount outstanding on any day during the month.

Banks have to take out specified period of time. Banks should however ensure that each advance is covered by valid export documents and that the total of the advances granted at any one time does not exceed the permitted limit fixed under the guarantee.

EXPORT FINANCE GUARANTEE

This guarantee protects the banks with grant advances to exporters at the post-shipment stage against export benefits (such as cash assistance, duty drawback, steel price differential, etc.) receivable from the Government, against the risk of loss that may arise due to the insolvency or protracted default of the exporter. The guarantee thus seeks to find post-shipment finance for the exporter by covering the risks of his bank, to the extent of the receivable due from the government.

*Please see Annexure III.
covering the risks of his bank, to the extent of the receivable due from the government.

**Eligible Advances:**

Often, export prices are lower than domestic prices. This gap is to some extent covered by the export assistance available under government’s schemes. Advances granted by banks to the extent of the margin between the value of the shipments and the quanta of assistance admissible are eligible for cover under this guarantee. The guarantee thus enables the banks to offer on a selective basis discounting facilities (i) up to 50% of the FOB value of the shipment; or (ii) up to 75% of the FOB value of the shipment provided that the value of the import content in the export product is not less than 40% of the FOB value of the shipment and the rate of import duty paid on the import content of the export product is not less than 100%.

Either of the two options may be adopted in respect of any advances under the export finance guarantee, as convenient. As in the case of Export Production finance guarantee, the rate of import replenishment may be taken as the import content of the export product.

**The Period:**

The guarantee is issued to cover advances made by the banks over a period of time, normally a year. Each advance has to be liquidated by the exporter within a period stipulated by the bank, while granting the advance, subject to a maximum of six months. This period may, however, be extended up to the date of realization of the
incentive against the relative shipment with the prior approval of the ECGC.

**Risk Insured:**

The guarantee protects the insured bank against any loss that may arise due to the failure of the exporter to repay advances because of his:

- Insolvency; or
- Protracted default to repay the insured debt.

**Extent Of Cover:**

The corporation bears 75 percent of the loss, arising from the occurrence of either of the risks insured under the guarantee.

**Claims:**

Claims are payable-

- In the case of insolvency of the exporter, thirty days after receipt of confirmation that the insured debt has been admitted to rank against the insolvent's estate or after four months from the due date of payments, whichever is earlier.

- In the case of default, after the expiry of four months from the due date of payment.

**Recoveries:**

Necessary steps as for the recovery of debt from the exporter, including such steps as the ECGC may require, have to be
taken by the bank. Any recoveries made after the payment of a claim by the Corporation less recovery expenses shall be shared between the ECGC and the lending bank in the same proportion in which the loss was borne.

**The Proposal:**

The bank may send in the proposal for this guarantee in the prescribe form (*Annexure IV*) A specimen of the form is appended hereto. To expedite issue of the Guarantee, all information called for in the form should be furnished in detail.

**The Guarantee:**

If the ECGC approves the bank’s proposal, Guarantee (Form No. 108) will be issued with a ‘permitted limit’. The permitted limit fixed under the guarantee is a limit up to which advances granted by the lending bank are covered by the ECGC. In fixing the permitted limit, ECGC is normally guided by the assessment of the lending bank as to the standing and creditworthiness of the exporter. The limit operates on a revolving basis and can be enhanced / reduced during the period of the guarantee.

**Declarations And Premium:**

A declaration of credits granted during the month, declaring the date of shipment and the name of the importer, the

*Please see Annexure IV
gross invoice value of the shipment, the FOB value of the shipment, 
the value of the advances granted to the exporter over the FOB value, 
the terms of repayment etc., should be submitted to ECGC on or 
before the tenth day of every calendar month.

The premium is payable while making the declaration at 
the rate of 7.5 paise per Rs. 100 per month or part thereof. However, 
in the case of Banks holding whole-turnover Packing Credit 
GUARANTEE, rate of premium payable would be 3.5 paise per Rs. 100/- 
per month.

Banks should take out individual guarantees to cover 
credits granted to each exporter-client. Banks should however ensure 
that each advance is covered by valid export documents and that the 
total of the advances granted at any one time does not exceed the 
permitted limits as explained herein before.

The Guarantee seek to find for the exporter post-shipment 
finance somewhat how can secure on the basis of domestic value of the 
goods, by enabling the bank to sanction advances to bridge the gap 
between the export price and the domestic value, to the extent of the 
export benefits receivable from the Government.

**EXPORT PRODUCTION FINANCE GUARANTEE**

The purpose of his guarantee is to enable banks to sanction 
advances to the extent of 50% over and above the F.O.B value of the 
shipment subject to the limit of not exceeding 100% of the domestic
value of the export product. Under the Guarantee the banks may sanction advances, within this limit, even at the pre-shipment stage or only at the post-shipment stage to the extent of receivables.

This guarantee, which will be issued to the financing bank, provides an indemnity to the extent of 66-2/3% of any loss incurred by the bank due to insolvency of the manufacturer/exporter or his protracted default.

**Eligible Advances:**

The guarantee will cover advances made for export of the following commodities:

Textiles, yarn, garments, engineering goods, chemicals and allied products prime iron and steel, woolen carpets and sport goods. In addition, the commodity, which becomes eligible to receive cash assistance/customs excise drawback under this guarantee should be made only against firm export contracts/ LCs. They should not exceed the F.O.B value of the goods to be exported plus the amount of cash assistance and drawback of duties, if any, receivables from the government under the export assistance schemes.

The salient feature of this guarantee is that an exporter can avail of advances against contracts even at the pre-shipment stage, in anticipation of cash assistance/duty drawback receivable at the prescribe rates from the government after actual shipment. This guarantee is thus intended to cover both pre-shipment and post-shipment advances granted by the financing institution up to:
• 50% over and above the F.O.B value subject to a maximum of 100% of the domestic cost of the export product; or

• 75% over and above the F.O.B value of the shipment provided that the value of the import content in the export product is not less than 40% of the F.O.B value of the shipment and the rate of import duty paid on the import content of the export product is not less than 100%; or

• up to an amount established to the satisfaction of the banks as the domestic cost (excluding profit) of the export product.

For each advance under the guarantee the banker is open to adopt the option most appropriate.

The maximum period for which an amount can be given is 8 months from the date of advance. This may however be extended in specific cases, if there be justification.

While forwarding proposals for this guarantee, banks may have to indicate the quantum of cash assistance/duty drawback receivable from the government on the commodity to be exported.

Any advances given to a manufacturer/ exporter for the purpose of purchase, manufacture, processing or packing of goods for export against firm contract of export sale or against satisfactory documentary evidence of goods having been exported or delivered for the purpose of export, qualifies for this guarantee.
**Risk Insured:**

Any losses sustain by a bank or financial institution due to the failure of the manufacturer/exporter to repay the insured debt because of his insolvency or protracted default is covered.

**Limit Of Advance:**

Before covering risks, ECGC approves a “permitted limit” in respect of the individual manufacturer/exporter to whom advances are proposed to be made. The permitted limit is a limit up to which advances can be given by the lending institution under the guarantee. Advances given to a manufacturer/exporter should not, in any case, exceeds 100% of the domestic value of the goods to be exported.

**Period Of Advance:**

The advances granted under this guarantee shall be repayable as soon as the manufacturer/exporter realizes the incentives against the relative shipments or after such period as agreed upon between the bank and the manufacturer/exporter. In case, the period of advance shall not exceed 8 months.

**Share Of Loss:**

ECGC’s indemnity to the lending institution under the guarantee is of the order of 66-2/3% of the loss, which may be sustained by them.
CLAIMS

Claims are payable:

- In case of insolvency of the manufacturer/exporter, thirty days after the receipt of confirmation that the insured debt has been admitted to rank against the insolvent's estate, or after four months from the due date of payment, whichever is earlier.

- In the case of default, after the expiry of four months from the due date of payment.

Recoveries:

Any recoveries made after the payment of the claim are shared between the insured and ECGC in the proportion of 1:2.

Proposal For A Guarantee:

Proposal for Export Production Finance Guarantee are to be made by the lending institution on the prescribed form with ECGC.

Type Of Guarantee:

Guarantee are issued either to cover a single advance to a manufacturer/exporter (Specific), or to cover a series of advances over a period of time to one or several manufacturers/exporters (Whole Turnover).
Returns:

The lending institution has to send to ECGC, on or before the 10th of every month, a statement of credits granted to the manufacturer/ exporters and repayments made by them in the proceeding month on the prescribed form.

Premium:

The premium rate is 7.5 Paise per Rs. 100 per month or part thereof. The financing institution has the option to pay the premium either in advance for the entire period of the guarantee calculated on the basis of "permitted limit: or every month on the basis of monthly returns.

To the lending institution, this guarantee is an indemnity against the default and insolvency of the manufacturer/exporter; and to the manufacturer/exporter, it is a valuable instrument which helps him to secure, through the banking system, the requisite finance at relatively easy terms so that he may enlarge his production for export without unduly deploying or straining his financial resources.

EXPORT PERFORMANCE GUARANTEE

The Export Performance Guarantee has been evolved to help exporters secure, on easier terms, bank guarantees they have to furnish in the course of export business.
In many cases, Government authorities require exporters to undertake export obligations; and these have to be supported by a bond executed by the exporter and guaranteed by a Scheduled Bank. For giving the guarantee, banks require the exporters to deposit varying amounts of cash, depending on the standing of the exporter with the bank. To the extent he has to make cash deposit, the exporter's resources are blocked and this would affect his export business. The Export Performance Guarantee seeks to help the exporter to obtain the bank guarantee without making any cash deposit or against a reduced margin of deposit. The Guarantee will be issued to the bank will protect against 75% of any loss sustain by it due to the insolvency or protracted default of the exporter. (1)

The Export performance Guarantee will be issued to cover the following types of guarantees:

- For export;

- Bank guarantees given in support of export undertakings furnished by exporters in connection Bank guarantee issued for the purpose of exporting goods without payment of Central Excise duty;

- Bank guarantees issued for the purpose of taking imported raw materials without payment of Custom duty or indigenous raw materials, without payment of Central Excise duty into bonded warehouses where the raw materials are to be manufactured with import of raw materials or capital goods;
• Bank guarantees furnished by exporters to foreign buyers where the latter make advance payment to the exporters;

• Bank guarantees furnished by exporters to foreign buyers to ensure due performance of the export contract;

• Bank guarantees furnished by exporters in lieu of earnest money while participating in foreign tenders;

• Bank guarantees furnished by exporters to S.T.C., M.M.T.C., Export Promotion Councils, Commodity Boards and recognized Export House in the course of export business;

• Bank guarantees issued by Indian banks to banks in foreign countries who give local currency advances to Indian parties engaged in rendering services or in construction works in such countries.

While forwarding proposals for this guarantee against which ECGC's counter guarantee is sought, the contract value and the percentage of this value for which the guarantee is required.

The guarantee would also covered Letters of Credit opened by banks for import of raw materials for manufacture of goods for export against an export obligation undertaken by the exporter.
**Risk Covered:**

The guarantee covers any loss sustained by the bank arising from the failure of the exporter, because of his insolvency or protracted default, to meet the payment as and when the bank guarantee is invoke or payment falls due under the Letter of Credit. In the latter case the exporter/bank should have fulfilled all the requirements under the existing import and exchange control regulations.

**Claims**

When the bank guarantee is invoke or payment falls due under the Letter of Credit, the bank will have recourse to the exporter to meet the payment. If the exporter fails to pay, the bank can make claim on the ECGC Claims are payable:

- In the case of insolvency of the exporter, thirty days after receipt of confirmation that the insured debt has been admitted to rank against the insolvent’s estate, or after four months from the due date or extended due date of payment, whichever is earlier.

- In case of default, after the expiry of four months from the due date of payment.
Recoveries:

The banks will take all necessary steps to recover the debt from the exporter. All recoveries made after the payment of claim will be shared between the ECGC and the bank in the proportion of 3:1.

PROCEDURE

Proposal:

Proposals for export Performance Guarantee are to be made by the bank in the prescribe form.

Types Of Guarantee:

The Export Performance Guarantee is issued either to cover a single guarantee/ LC or a series of guarantees / LCs to a single exporter.

Permitted Limit:

The ECGC will fix a “Permitted Limit” on the exporter and the same will be indicated in the Schedule to the Guarantee. The bank has to ensure that the total value of guarantees given and/or Letters of Credit opened, minus cash deposits taken, if any does not exceed the Permitted Limit at any one time.
Returns

The bank has to send, on or before the 10th of every month, a declaration of guarantee given and/or Letter of Credit opened during the preceding month.

Premium:

The premium rate for the Export Performance Guarantee is 7.5 Paise per Rs. 100 per month or part thereof. The premium is payable for the entire period of the guarantee or Letter of Credit, while submitting the monthly declaration.

TRANSFER GUARANTEE

The Transfer Guarantee seeks to safeguard the banks in India on the confirmation they might add to letter of credit opened by banks abroad in favour of Indian exporters.

When a bank in India adds its confirmation to a foreign Letter of Credit, it binds itself to honour the drafts drawn by the beneficiary of the Letter of Credit without any recourse to him, provided such drafts are drawn strictly in accordance with the terms of the Letter of credit. The confirming bank will suffer a loss if the foreign bank fails to reimburse it with the amount paid to the exporter. This may happen due to the insolvency or default of the opening bank or due to certain political risks such as war, civil war,
transfer delays or moratorium, which may delay or prevent the transfer or funds to the bank of India.

The need for this type of Guarantee is felt by the banks only in respect of a few countries with either unstable political or economic condition or in serious balance of payments difficulties.

The salient features of this Guarantee are under:

**The name of the Guarantee:**

This Guarantee is to be known as “Transfer Guarantee”.

**Risks Covered:**

Insolvency of the bank in the foreign country which has opened the letter of credit: or

Failure of the opening bank to pay the Insured Debt to the Insured within four months of the due date of payment; or

The operation of law or an Order, Decree of Regulation having the force of law which, in circumstances outside the control of the insured and/or the opening bank, prevents, restricts or controls the transfer of the Insured Debt to India; or

The occurrence of war between the country of the opening bank and India; or

The occurrence of war, hostilities, civil war, rebellion, insurrection or other disturbances in the country of the opening bank.
**Types of Guarantee:**

This Guarantee is of two types i.e. Transfer Guarantee (Comprehensive Risks) which covers both commercial and Political Risks and Transfer Guarantee (Political Risks) which covers only Political Risks. The Guarantee will be issued to cover individual L/Cs. In other words, this will be in the nature of specific guarantees and not whole turnover.

**Claims:**

Claims are payable-

In the case of insolvency of the opening bank, one month after receipt of confirmation i.e. the insured debt has been admitted to rank against insolvent’s estate, or after four months from the due date of payment, whichever is earlier;

In the case of default of the opening bank or if the loss is due to any other risks insured, four months after the due date or four months after the occurrence of the event which is the cause of loss.

**Recoveries:**

The Insured has to take all steps necessary for the recovery of the debt from the opening bank, including such steps as the ECGC may require the Insured to take. Any recovery made after the payment of acclaim by the corporation less recovery expenses shall be shared between the ECGC and the lending bank in the same proportion in which the loss is borne.
Return:

The Insured has to send on or before the 10\textsuperscript{th} of every month the declaration in the prescribe form of the amounts due, received and outstanding at the end of the preceding month.

Premium rates:

The premium rates will be charged at the rates normally applicable under the Corporation’s insurance policy covering export of goods. The actual rate will depend on the country in which the Letter of Credit is opened and the length of the period to be covered.

Rate of Exchange:

All payments under the Guarantee shall be made in Indian Rupees at the Head Office of the Corporation and for the purpose of the payment of premium and losses, the value of Letter of Credit expressed in a foreign currency shall be converted into Indian Rupees at the bank buying rate of exchange at Bombay on the date on which the Letter of Credit was confirmed by the Insured, Provided that, if devaluation of the currency in which the Letter of Credit is expressed takes place before a claim is paid, the amount claimed in Indian Currency shall be based on the devalued rate.
CHAPTER -6

PERFORMANCE APPRAISAL OF ECGC

This chapter consists the analysis of the working performance of ECGC under various schemes to exporters. An attempt has been made to analyses total coverage of ECGC as compare to total India’s export, and its performance as regards to its various policies, guarantees and special scheme issued and inforced in order to know the relative position of different countries and commodities in the total insurance policies of the corporation, an evaluation of commodity wise and country wise value of shipment covered under short term policies by ECGC is also analysed.

Total Exports and E.C.G.C Coverage

The coverage of E.C.G.C is growing very fast. Table 6.1 shows that coverage becomes 24618 crore in 2000-02 as compared to 9055 crore in 1991-92. Which is 2.72 times increased over ten-year period. The rate of increase if we compare with India’s total exports is going downwards this was 20.50% of total export in 1991-92 that goes down to 12.16% in 2000-01. The coverage of ecgc remain almost constant from the year 1993-94 to 1997-98 which was around 17% from 1998-99 it started falling and reached to 12.16% in 2000-01. The reason being that the total exports of India had gone up speedily from 1998-99.
TABLE 6.1

TOTAL EXPORTS AND E.C.G.C COVERAGE

SHORT TERM EXPORTS

_Rs. in crores_

<table>
<thead>
<tr>
<th>YEARS</th>
<th>TOTAL EXPORTS</th>
<th>E.C.G.C COVERAGE</th>
<th>%E.C.G.C COVERAGE TO TOTAL EXPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>43978</td>
<td>9055</td>
<td>20.59</td>
</tr>
<tr>
<td>1992-93</td>
<td>53351</td>
<td>9948</td>
<td>18.65</td>
</tr>
<tr>
<td>1993-94</td>
<td>69547</td>
<td>11847</td>
<td>17.03</td>
</tr>
<tr>
<td>1994-95</td>
<td>82338</td>
<td>13996</td>
<td>17.26</td>
</tr>
<tr>
<td>1995-96</td>
<td>106465</td>
<td>17542</td>
<td>16.48</td>
</tr>
<tr>
<td>1996-97</td>
<td>117525</td>
<td>20345</td>
<td>17.31</td>
</tr>
<tr>
<td>1997-98</td>
<td>124231</td>
<td>20287</td>
<td>17.26</td>
</tr>
<tr>
<td>1998-99</td>
<td>141604</td>
<td>22972</td>
<td>16.22</td>
</tr>
<tr>
<td>1999-00</td>
<td>162925</td>
<td>231239</td>
<td>14.2</td>
</tr>
<tr>
<td>2000-01</td>
<td>202510</td>
<td>24618</td>
<td>12.16</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1104474</strong></td>
<td><strong>173749</strong></td>
<td><strong>15.73</strong></td>
</tr>
</tbody>
</table>

Source: 43rd annual report of Exports Credit Guarantee Corporation of India.
TOTAL EXPORTS AND E.C.G.C COVERAGE (SHORT TERM EXPORTS)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>91-92</td>
<td>50000</td>
</tr>
<tr>
<td>92-93</td>
<td>100000</td>
</tr>
<tr>
<td>93-94</td>
<td>150000</td>
</tr>
<tr>
<td>94-95</td>
<td>200000</td>
</tr>
<tr>
<td>95-96</td>
<td>150000</td>
</tr>
<tr>
<td>96-97</td>
<td>100000</td>
</tr>
<tr>
<td>97-98</td>
<td>50000</td>
</tr>
<tr>
<td>98-99</td>
<td>100000</td>
</tr>
<tr>
<td>99-00</td>
<td>250000</td>
</tr>
<tr>
<td>00-01</td>
<td>250000</td>
</tr>
</tbody>
</table>

- Total Ex: Sheet1!$A$12portCoverage
- E.C.G.C Coverage
- Total % of Export Coverage
Growth In Total Business

Total number of contracts as regard policies and guarantees issued has been reduced from 10934 in 1991-92 to 9344 in 2000-01. Table 6.2 shows that total no of contracts remain constant around 10,000. The rate of increase in maximum liabilities has increased from Rs. 753163 lakhs in 1991-92 to Rs. 2655831 lakhs in 2000-01, which is 3.53 times. However the overall business was frequent and wide yearly fluctuations with rising trend except in 1996-97 & 1998-99 where it had gone downwards.

As far as policies and guarantees is concerned it shows almost downward trend. The numbers of contracts were 19576 in 1991-92 to Rs. 15743 in 2000-01. From 1993-94 to 1996-97 number were reduced every year from 1997-98 and 1998-99. It covers its downfall, after that again downward trend started.

However maximum liabilities were increased from 1583101 lakhs in 1991-92 to 3721606 lakhs in 2000-01, which is 2.35 times over the ten-year period.

In short our analysis of corporation total business shows that though there had been growth in the total business over ten year period starting from 1991-92 – 2000-01 the same was not in tune with the growth rate of India’s export.
## Table 6.2

**TOTAL NUMBER AND VALUE OF RISKS COVERED UNDER INSURANCES**

**Policies And Guarantees Issued And In Force**

(Rs. IN LAKHS)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>No.</th>
<th>POLICIES AND GUARANTEES</th>
<th>No.</th>
<th>POLICIES AND GUARANTEES</th>
<th>INDIA'S EXPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>ISSUED MAXIMUM LIABILITY</td>
<td></td>
<td>IN FORCE MAXIMUM LIABILITY</td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>10934</td>
<td>753163</td>
<td>19576</td>
<td>1583101</td>
<td>4397800</td>
</tr>
<tr>
<td>1993-94</td>
<td>10015</td>
<td>1239605</td>
<td>20680</td>
<td>2182842</td>
<td>6954700</td>
</tr>
<tr>
<td>1994-95</td>
<td>10642</td>
<td>1473472</td>
<td>19925</td>
<td>2499761</td>
<td>8233800</td>
</tr>
<tr>
<td>1995-96</td>
<td>10634</td>
<td>1678828</td>
<td>19793</td>
<td>2927560</td>
<td>10646500</td>
</tr>
<tr>
<td>1996-97</td>
<td>10628</td>
<td>1051085</td>
<td>18152</td>
<td>3158950</td>
<td>11752500</td>
</tr>
<tr>
<td>1997-98</td>
<td>10087</td>
<td>1983394</td>
<td>18626</td>
<td>3477815</td>
<td>12423100</td>
</tr>
<tr>
<td>1998-99</td>
<td>10417</td>
<td>1441805</td>
<td>19121</td>
<td>3456921</td>
<td>14160400</td>
</tr>
<tr>
<td>1999-00</td>
<td>9075</td>
<td>1966249</td>
<td>17988</td>
<td>3608706</td>
<td>16292500</td>
</tr>
<tr>
<td>2000-01</td>
<td>9344</td>
<td>2655831</td>
<td>15743</td>
<td>3721606</td>
<td>20251000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>91776</td>
<td>14243432</td>
<td>169604</td>
<td>26617262</td>
<td>110447400</td>
</tr>
</tbody>
</table>

*Source: Compiled by the Researcher from various issues of Annual Reports of ECGC.*
Value Of Business Covered Sector-Wise

The value of business covered sector-wise is presented in the Table 6.3. Table shows guarantees in short term exports covered maximum proportion that is more than 80 percent followed by standard policies and transfer guarantees around 13 percent. While share of policies projects and term exports, guarantees projects and term exports is negligible 0 to 1 percent. If we analyse data of 2000-01 we found guarantees short term exports covers (158962 crores) which is 86.16 percent followed by standard policies and transfer guarantees that is 13.35 percent (24632crores) while policies, project and term exports covers 0.31 percent (574 crores) and guarantee project and term exports is (320 crores) about 0.18 percent. We can conclude that short term exports covers 99 percent of the total business while term export cover only 1 percent.

Analysis According To Type Of Business

As stated in the chapters discussed, the business of ECGC is broadly divided into following four groups:

- Standard policies.
- Specific policies.
- Financial guarantees.
- Special schemes.
# TABLE 6.3

**VALUE OF BUSINESS COVERED SECTOR WISE**

(Rs. IN CRORES)

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>YEARS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard policies &amp; transfer guarantees</td>
<td>9066</td>
<td>9948</td>
<td>11847</td>
<td>13997</td>
<td>17542</td>
<td>20345</td>
<td>20287</td>
<td>22972</td>
<td>23139</td>
<td>24632</td>
</tr>
<tr>
<td>Policies- projects &amp; term exports</td>
<td>742</td>
<td>651</td>
<td>1107</td>
<td>789</td>
<td>882</td>
<td>1014</td>
<td>1184</td>
<td>1551</td>
<td>1815</td>
<td>574</td>
</tr>
<tr>
<td>%</td>
<td>1.35</td>
<td>0.96</td>
<td>1.28</td>
<td>0.67</td>
<td>0.68</td>
<td>0.67</td>
<td>0.71</td>
<td>0.93</td>
<td>1.05</td>
<td>0.31</td>
</tr>
<tr>
<td>Guarantees- short term exports</td>
<td>44734</td>
<td>57120</td>
<td>72930</td>
<td>101653</td>
<td>111052</td>
<td>129860</td>
<td>144716</td>
<td>141365</td>
<td>148088</td>
<td>158962</td>
</tr>
<tr>
<td>%</td>
<td>81.29</td>
<td>83.90</td>
<td>84.17</td>
<td>86.94</td>
<td>85.35</td>
<td>85.68</td>
<td>86.91</td>
<td>84.79</td>
<td>85.34</td>
<td>86.16</td>
</tr>
<tr>
<td>Guarantees projects &amp; term exports</td>
<td>485</td>
<td>366</td>
<td>766</td>
<td>490</td>
<td>642</td>
<td>345</td>
<td>327</td>
<td>844</td>
<td>493</td>
<td>323</td>
</tr>
<tr>
<td>%</td>
<td>0.88</td>
<td>0.54</td>
<td>0.88</td>
<td>0.42</td>
<td>0.49</td>
<td>0.23</td>
<td>0.20</td>
<td>0.51</td>
<td>0.28</td>
<td>0.18</td>
</tr>
<tr>
<td>TOTAL</td>
<td>55027</td>
<td>68085</td>
<td>86650</td>
<td>116929</td>
<td>130118</td>
<td>151564</td>
<td>166514</td>
<td>166732</td>
<td>173535</td>
<td>184491</td>
</tr>
</tbody>
</table>

**Source:** Annual Report ECGC 1995-96 to 2000-01
Of these, the first two types of business relate to insurance policies granted to exporters to protect them from non-payment by foreign buyers, while the last two types of business are related to guarantees by ecgc to banks to make the payment in the case of default by exporter-loanees. Under this section analysis of assistance provided by the corporation under these four broad schemes has been made.

**Standard Policies:**

Standard policies are generally short-term policies granted to exporters of generally consumer items. It is also a whole term policy designed to provide continuing insurance for the export of identical products throughout the year. It covers both types of risks- commercial and political.

The corporation under its standard policies has designed four types of policies. These are:

- Shipments (comprehensive risks) policy,
- Shipments (political risks) policy,
- Contracts (comprehensive risks) policy and
- Contracts (political risks) policy.

Separate data are not available for each of these schemes and, therefore, our analysis relates to standard policies as a whole.
Standard Policies Issued:

The number and maximum liability covered under standard policies are analysed in Table 6.4. As it is apparent from the table the total number of policies issued in last ten years was as high as 63605 covering maximum liability of Rs. 4813397 lakhs. It is clear from the table that standard policies had been an important business of the corporation. This is evident from the fact that the number of policy issued accounted for 69 % of the share however the relative share of the total maximum liabilities covered during the ten year period constitutes 35.75 % of the total business and during that period. A high share in number and low share in maximum liabilities covered shows that standard policies are related with the export contracts of relatively low amount besides of short term in nature.

The standard policy business was on rise trend over ten year period in term of maximum liability covered. While numbers are not increasing every year. Maximum liability reaches from Rs. 264464 lakhs in 1991-92 to 679507 lakhs in 2000-2001 again there was yearly fluctuations in both maximum liability and number.
## TABLE 5.4

**NUMBER AND MAXIMUM LIABILITY COVERED UNDER STANDARD POLICIES ISSUED AND IN FORCE**

**RUPEES IN LAKHS**

<table>
<thead>
<tr>
<th>YEARS</th>
<th>ISSUED</th>
<th>MAXIMUM LIABILITY</th>
<th>INFORCE</th>
<th>MAXIMUM LIABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td></td>
<td>No.</td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>6708</td>
<td>264464</td>
<td>13847</td>
<td>498617</td>
</tr>
<tr>
<td>%</td>
<td>61.3</td>
<td>35.1</td>
<td>70.7</td>
<td>31.5</td>
</tr>
<tr>
<td>1992-93</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>1993-94</td>
<td>6225</td>
<td>358326</td>
<td>14202</td>
<td>737222</td>
</tr>
<tr>
<td>%</td>
<td>58.49</td>
<td>28.91</td>
<td>68.67</td>
<td>33.77</td>
</tr>
<tr>
<td>1994-95</td>
<td>7653</td>
<td>525091</td>
<td>13946</td>
<td>951420</td>
</tr>
<tr>
<td>%</td>
<td>71.91</td>
<td>35.63</td>
<td>69.99</td>
<td>38.06</td>
</tr>
<tr>
<td>1995-96</td>
<td>7619</td>
<td>542621</td>
<td>13994</td>
<td>1130527</td>
</tr>
<tr>
<td>%</td>
<td>71.65</td>
<td>32.32</td>
<td>70.7</td>
<td>38.61</td>
</tr>
<tr>
<td>1996-97</td>
<td>7527</td>
<td>619121</td>
<td>13487</td>
<td>1171384</td>
</tr>
<tr>
<td>%</td>
<td>70.82</td>
<td>58.9</td>
<td>74.3</td>
<td>37.08</td>
</tr>
<tr>
<td>1997-98</td>
<td>7061</td>
<td>534380</td>
<td>13336</td>
<td>1182044</td>
</tr>
<tr>
<td>%</td>
<td>70</td>
<td>26.94</td>
<td>71.6</td>
<td>33.98</td>
</tr>
<tr>
<td>1998-99</td>
<td>7347</td>
<td>685444</td>
<td>13665</td>
<td>1336359</td>
</tr>
<tr>
<td>%</td>
<td>70.53</td>
<td>47.5</td>
<td>71.47</td>
<td>38.65</td>
</tr>
<tr>
<td>1999-2000</td>
<td>8632</td>
<td>604443</td>
<td>13805</td>
<td>139345</td>
</tr>
<tr>
<td>%</td>
<td>73.08</td>
<td>30.74</td>
<td>76.7</td>
<td>38.61</td>
</tr>
<tr>
<td>2000-01</td>
<td>6833</td>
<td>679507</td>
<td>13209</td>
<td>1478444</td>
</tr>
<tr>
<td>%</td>
<td>73.13</td>
<td>25.58</td>
<td>83.9</td>
<td>39.73</td>
</tr>
</tbody>
</table>

**TOTAL** | 63605 | 4813397 | 123491 | 9879475 |
**TOTAL %** | 66.99 | 33.79  | 72.83  | 37.98  |

Policies In Force

Our analysis on standard policy in force is presented in *Table 6.4* which shows that there were wide fluctuations in number of standard policies while maximum liability covered was continuously increasing. The number in 1991-92 was 13847 and in 2000-01 was 13200 while maximum liability was 498617 lakhs in 1991-92 goes upto 1478444 in 2000-01 which is 2.96 times, it is important to note that the share of standard policies in force in the total business was higher than that of standard policies issued.

**SPECIFIC POLICIES:**

Contracts for exports of capital goods, turnkey projects, construction work, etc is generally not of repetitive nature and, therefore, insurance policies in their cases differ from contract to contract. It is this reason that such policies are termed as specific policies. These policies are generally of medium and long term nature i.e. between 6 months and five years and more than 5 years, respectively.

The progress made over the period under study in the area of specific policies has been presented in *Table 6.5.*
TABLE 6.5

NUMBER AND MAXIMUM LIABILITIES COVERED UNDER SPECIFIC POLICIES ISSUED AND IN FORCE

(MAXIMUM LIABILITY IN Rs LAKHS)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>ISSUED</th>
<th>IN FORCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NO</td>
<td>MAXIMUM LIABILITY</td>
</tr>
<tr>
<td>1991-92</td>
<td>42</td>
<td>44525 (5.9)</td>
</tr>
<tr>
<td>%</td>
<td>(0.4)</td>
<td>N.A.</td>
</tr>
<tr>
<td>1992-93</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>N.A.</td>
</tr>
<tr>
<td>1993-94</td>
<td>52</td>
<td>96851 (7.81)</td>
</tr>
<tr>
<td>%</td>
<td>(0.52)</td>
<td>(2.83)</td>
</tr>
<tr>
<td>1994-95</td>
<td>49</td>
<td>69690 (4.73)</td>
</tr>
<tr>
<td>%</td>
<td>(0.46)</td>
<td>(2.67)</td>
</tr>
<tr>
<td>1995-96</td>
<td>43</td>
<td>77906 (4.64)</td>
</tr>
<tr>
<td>%</td>
<td>(0.40)</td>
<td>(2.67)</td>
</tr>
<tr>
<td>1996-97</td>
<td>63</td>
<td>80834 (7.69)</td>
</tr>
<tr>
<td>%</td>
<td>(0.59)</td>
<td>(3.15)</td>
</tr>
<tr>
<td>1997-98</td>
<td>60</td>
<td>75363 (3.79)</td>
</tr>
<tr>
<td>%</td>
<td>(0.59)</td>
<td>(3.47)</td>
</tr>
<tr>
<td>1998-99</td>
<td>38</td>
<td>104466 (7.24)</td>
</tr>
<tr>
<td>%</td>
<td>(0.36)</td>
<td>(3.10)</td>
</tr>
<tr>
<td>1999-2000</td>
<td>46</td>
<td>127196 (6.46)</td>
</tr>
<tr>
<td>%</td>
<td>(0.51)</td>
<td>(3.19)</td>
</tr>
<tr>
<td>2000-01</td>
<td>25</td>
<td>26910 (1.01)</td>
</tr>
<tr>
<td>%</td>
<td>(0.27)</td>
<td>(0.43)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>418</td>
<td>703741</td>
</tr>
</tbody>
</table>

Source: Annual Report of ECGC
Policies Issued:

The progress of E.C.G.C business under specific policies is presented in Table 6.5. In terms of number of policies, share of specific was negligible during the period under study. However in terms of amount of maximum liability covered, its share was about 4.25 percent. The higher share of amount as compare the number is because of the fact that specific are related to the export contracts involving large amounts. The growth rate in this area of operation of the corporation was negative. This is clear from the fact that there was a decline in the number of specific policies issued (from 42 in 1991-92 to 25 in 2000-01) though there were fluctuations in number of policies year to year. In 1993-94 it was 52, which goes down upto 43 in 1995-96. The numbers again reaches to the point 63 in 1996-97. Which came down again to 38 in 1998-99. Number of policies again increased to 46 in 1999-2000. This again comes down to 25 in 2000-01. Maximum liability issued was also fluctuating year to year. When we compare 1991-92 figures to 2000-01 we found there was sharp decline in maximum liability i.e. (44525 lakhs in 1991-92 to 26910 in 2000-01).

Policies In Force:

As far as specific policies in force is concerned the number of policies remains constant around 30 percent till 1999-2000. However there was decline in number in 2000-01 to the 0.43 percent. The position of maximum liabilities was little
different, the trend was upward from 1991-92 to 1997-98 (from Rs 400018 lakhs in 1991-92 to 681332 in 1997-98) for the year 1998-99 the amount goes down to 638333 lakhs, same again reaches to Rs.710299 lakhs in 1999-2000. Like the number the maximum liability in 2000-01 also falls to 254473 lakhs that is 6.83 percent of total business as compare to 25.3 percent in 1991-92. This was mainly because of declining share of exports of capital goods, civil construction, projects etc.

FINANCIAL GUARANTEES:

The first two types of business relate to insurance policy to exporters, while financial guarantee to banks extending credits to exporters in case an exporter fails to repay export credit to the bank. ECGC compensates the lender bank from such loss. The corporation has launched six schemes of financial guarantee i.e.

- Packing credit guarantee,
- Export production finance guarantee,
- Post shipment export credit guarantee,
- Export finance guarantee,
- Export performance guarantee &
- Export finance (overseas lending) guarantee

Year wise and scheme details of financial guarantees issued have been shown in Table 5.6. The table shows that financial guarantees is the most important scheme of the corporation as the amount of maximum liability covered
TABLE 6.6

YEAR-WISE AND SCHEME-WISE FINANCIAL GUARANTEE ISSUED BY E.C.G.C

(Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PACKING CREDIT GUARANTEE</td>
<td>323</td>
<td>251193</td>
<td>283</td>
<td>423645</td>
<td>259</td>
<td>465229</td>
<td>242</td>
<td>613259</td>
<td>205</td>
<td>144569</td>
</tr>
<tr>
<td>%</td>
<td>1230</td>
<td>182126</td>
<td>1123</td>
<td>250025</td>
<td>689</td>
<td>244556</td>
<td>362</td>
<td>581466</td>
<td>673</td>
<td>114641</td>
</tr>
<tr>
<td>POST SHIPMENT GUARANTEE</td>
<td>% 36.99</td>
<td>% 39.25</td>
<td>% 37.25</td>
<td>% 40.17</td>
<td>% 54.17</td>
<td>% 47.32</td>
<td>% 29</td>
<td>% 139</td>
<td>% 607</td>
<td>% 537</td>
</tr>
<tr>
<td>EXPORT FINANCE GUARANTEE</td>
<td>% 7.59</td>
<td>% 0.68</td>
<td>% 0.54</td>
<td>% 0.19</td>
<td>% 0.41</td>
<td>% 0.12</td>
<td>% 0.09</td>
<td>% 0.049</td>
<td>% 0.027</td>
<td></td>
</tr>
<tr>
<td>EXPORT PRODUCTION GUARANTEES</td>
<td>% 0.29</td>
<td>% 0.105</td>
<td>% 0.017</td>
<td>% 0.001</td>
<td>% 0.13</td>
<td>% 0.001</td>
<td>% 0.001</td>
<td>% 0.001</td>
<td>% 0.001</td>
<td></td>
</tr>
<tr>
<td>EXPORT PERFORMANCE GUARANTEES (SHORT TERM)</td>
<td>% 1850</td>
<td>16200</td>
<td>1511</td>
<td>16650</td>
<td>1662</td>
<td>24281</td>
<td>1851</td>
<td>29123</td>
<td>1517</td>
<td>48259</td>
</tr>
<tr>
<td>EXPORT PERFORMANCE GUARANTEES (LONG TERM)</td>
<td>% 2217</td>
<td>20217</td>
<td>2217</td>
<td>20217</td>
<td>22679</td>
<td>214</td>
<td>27622</td>
<td>214</td>
<td>27622</td>
<td>214</td>
</tr>
<tr>
<td>TOTAL</td>
<td>% 4.11</td>
<td>% 5.05</td>
<td>% 4.93</td>
<td>% 2.14</td>
<td>% 8.02</td>
<td>% 1.96</td>
<td>% 4.37</td>
<td>% 2.56</td>
<td>% 1.05</td>
<td></td>
</tr>
<tr>
<td>FINANCIAL GUARANTEES AS % TO BUSINESS</td>
<td>% 48.1</td>
<td>56.1</td>
<td>% 37.1</td>
<td>% 63.23</td>
<td>% 27.27</td>
<td>% 59.16</td>
<td>% 27.44</td>
<td>% 62.86</td>
<td>% 28.1</td>
<td>% 32.76</td>
</tr>
</tbody>
</table>

**NOTE:** *TOTAL OF EXPORT PERFORMANCE GUARANTEE(SHORT TERM+LONG TERM)

Source: Compiled by the Researcher from issues of annual Reports of ECGC.
under this scheme constitute around 60 percent (Rs. 8732795 lakhs) of the total business during 1992 to 2001 in terms of number also the share of this scheme was around 30 percent. The business of financial guarantee has cover significant rise over ten-year period. The liability cover amount Rs. 422406 lakhs in 1991-92, the same reaches to as high as Rs. 1946724 lakhs. This is 4.61 times by the year 2000-01. There was increasing trend every year except in 1996-97 & 1997-98 when it became almost half of its previous figure, the trend again started to go up from 1999-2000.

Scheme wise analysis shows that the largest share 56 percent in the total financial guarantees issued during the whole of study period was for packing credit guarantee scheme. Followed by post shipment guarantee schemes, which is around 40 percent, and export performance guarantee scheme (long term) which is 3 percent than export performance guarantee scheme (short term) 2.3 percent. As against this export finance guarantee scheme and export production guarantee scheme accounted for a negligible share in the total financial guarantees constituting only 1 percent in total. More or less same composition existed throughout the period of study with few exceptions here and there.

Financial Guarantees in force:

The corporation performance in terms of financial guarantees in force has been up to the mark. as far as number is
concerned this was around 22 percent of contracts was for financial guarantees up till 1998-99 which started declining and reached to 2452 (15.58) in 2000-01. The maximum liability covered rose from 601700 lakhs to 1946724 lakhs, which is 3.23 times over the period of ten year. However there were frequent fluctuations both in number and maximum liability covered during the period. The trend was upward up till 1997-98 and it had declined in 1998-99 and again started improving in 1999-2000. The Table 6.7 also shows that around 43.62 percent of the corporations business in terms of maximum liability covered relate to packing credit guarantees and one third to post shipment guarantees. Thus, these two together covers more than four fifth of the total guarantees in nineties. Export performance guarantees covers 17 percent of the business while export production finance guarantees coverage was negligible in proportion to total financial guarantees.

**Special Schemes:**

Besides standard policies, specific policies and financial guarantees, the corporation has also launched from time to time, some special schemes of guarantees /insurance policies. There are at present, at present, five special schemes in operation i.e. transfer guarantee, lines of credit, buyers credit, overseas investment policies. The total number of guarantee policies, during ten-year period, as high as 97 percent was accounted for by transfer guarantee scheme only.
## TABLE 6.7
### YEAR-WISE AND SCHEME-WISE FINANCIAL GUARANTEE IN FORCE BY E.C.G.C

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PACKING CREDIT GUARANTEE INCLUDING (WTPCG)</td>
<td>349</td>
<td>302426</td>
<td>313</td>
<td>432417</td>
<td>273</td>
<td>465636</td>
<td>234</td>
<td>617811</td>
<td>216</td>
<td>672597</td>
</tr>
<tr>
<td>%</td>
<td>50.26</td>
<td>47.72</td>
<td>45.19</td>
<td>50.42</td>
<td>50.4</td>
<td>48.42</td>
<td>49.5</td>
<td>50.69</td>
<td>64.82</td>
<td></td>
</tr>
<tr>
<td>POST SHIPMENT GUARANTEE INCLUDING (WTPSG)</td>
<td>1209</td>
<td>167852</td>
<td>1078</td>
<td>296172</td>
<td>373</td>
<td>354974</td>
<td>729</td>
<td>391079</td>
<td>597</td>
<td>424636</td>
</tr>
<tr>
<td>%</td>
<td>27.9</td>
<td>32.68</td>
<td>34.45</td>
<td>31.92</td>
<td>31.82</td>
<td>33.52</td>
<td>32.65</td>
<td>31.7</td>
<td>33.1</td>
<td></td>
</tr>
<tr>
<td>EXPORT FINANCE GUARANTEES</td>
<td>361</td>
<td>6125</td>
<td>205</td>
<td>13141</td>
<td>144</td>
<td>11219</td>
<td>53</td>
<td>1203</td>
<td>39</td>
<td>1009</td>
</tr>
<tr>
<td>%</td>
<td>1.02</td>
<td>1.45</td>
<td>1.09</td>
<td>0.1</td>
<td>0.08</td>
<td>0.1</td>
<td>0.05</td>
<td>0.02</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>EXPORT PRODUCTION FINANCE GUARANTEES</td>
<td>18</td>
<td>1811</td>
<td>13</td>
<td>1811</td>
<td>4</td>
<td>791</td>
<td>3</td>
<td>694</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>%</td>
<td>0.3</td>
<td>0.2</td>
<td>0.08</td>
<td>0.06</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.01</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>EXPORT PERFORMANCE GUARANTEES (SHORT TERM)</td>
<td>3248</td>
<td>15552</td>
<td>3081</td>
<td>23811</td>
<td>3137</td>
<td>31079</td>
<td>2119</td>
<td>42653</td>
<td>2337</td>
<td>67646</td>
</tr>
<tr>
<td>%</td>
<td>1.72</td>
<td>2.31</td>
<td>2.54</td>
<td>3.20</td>
<td>4.46</td>
<td>2.94</td>
<td>2.82</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXPORT PERFORMANCE GUARANTEES (LONG TERM)</td>
<td>3237</td>
<td>123650</td>
<td>939</td>
<td>147129</td>
<td>1109</td>
<td>173933</td>
<td>1053</td>
<td>183285</td>
<td>1061</td>
<td>193735</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5174</td>
<td>601700</td>
<td>5796</td>
<td>906222</td>
<td>5348</td>
<td>1030364</td>
<td>5209</td>
<td>122512</td>
<td>4032</td>
<td>133463</td>
</tr>
<tr>
<td>% TO TOTAL BUSINESS</td>
<td>26.50</td>
<td>61.33</td>
<td>28.03</td>
<td>41.51</td>
<td>26.84</td>
<td>41.22</td>
<td>26.32</td>
<td>41.84</td>
<td>22.21</td>
<td>42.25</td>
</tr>
</tbody>
</table>

Source: Compiled by the Researcher from various issues of ECGC Reports

**Not Available**
However in terms of maximum liability covered was only 40 percent. As against this line of credit scheme constitute negligible (.25) percent in terms of number, while the maximum liabilities covered by special scheme is accounted for 14 percent of the total maximum liability covered under special scheme. The number of policies in terms of overseas investment policy scheme was negligible while relative figure of maximum liability was around 35 percent. As we saw in Table 5.8 there was wide fluctuations in every scheme.

**Schemes in force:**

The analysis of assistant issued and in force under this scheme shows in Table 6.9. Total maximum liability issued under the special assistance scheme taken together during the ten-year period was Rs.579120 lakhs relating to 498 number of contracts. It shows a very low proportion in total business of the corporation. The numbers of contracts under all five schemes of special assistance are around .30 percent of E.C.G.C business. While the liability is around 3 percent. Further there was a significant decline in the number of contracts from 96 in 1993-94 to 61 in 1995-96 and remains around 60 up till 1999-2000. In case of maximum liability the trend remains upward till 1999-2000 reaching to the figure of 107607 lakhs in 1999-2000 from Rs. 21768 lakhs in 1991-92, which is 4.97 times. The liability goes down to Rs. 41965 lakhs in 2000-01. The scheme wise analysis show that out of five scheme only line of credit and buyers credit were most popular schemes up till 1996-97.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
<td>liability</td>
</tr>
<tr>
<td>TRANSFER GUARANTEES %</td>
<td>15</td>
<td>596</td>
<td>20</td>
<td>452</td>
<td>38</td>
<td>1025</td>
<td>52</td>
<td>2225</td>
<td>48</td>
<td>2368</td>
</tr>
<tr>
<td>LINES OF CREDIT %</td>
<td>3</td>
<td>21172</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>557</td>
<td>1</td>
<td>3607</td>
<td>0</td>
</tr>
<tr>
<td>OVERSEAS INVESTMENT</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>223</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>110</td>
<td>2</td>
<td>784</td>
</tr>
<tr>
<td>POLICIES %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>18</td>
<td>21768</td>
<td>22</td>
<td>675</td>
<td>38</td>
<td>1025</td>
<td>54</td>
<td>2892</td>
<td>51</td>
<td>6759</td>
</tr>
<tr>
<td>SPECIAL SCHEME AS % TO</td>
<td>0.16</td>
<td>.22</td>
<td>.05</td>
<td>.36</td>
<td>.07</td>
<td>.51</td>
<td>.17</td>
<td>.48</td>
<td>.64</td>
<td>.51</td>
</tr>
<tr>
<td>BUSINESS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Report ECGC

** Not Available
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TRASFER GUARANTEES %</td>
<td>3</td>
<td>281</td>
<td>27</td>
<td>523</td>
<td>16</td>
<td>1061</td>
<td>8</td>
<td>326</td>
<td>8</td>
<td>323</td>
</tr>
<tr>
<td></td>
<td></td>
<td>liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>17315</td>
<td>9</td>
<td>17110</td>
<td>10</td>
<td>17110</td>
<td>10</td>
<td>17110</td>
<td>10</td>
<td>17110</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>653</td>
<td>11</td>
<td>647</td>
<td>11</td>
<td>647</td>
<td>5</td>
<td>470</td>
<td>5</td>
<td>1063</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>257</td>
<td>12</td>
<td>257</td>
<td>12</td>
<td>257</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>71</td>
<td>827</td>
<td>96</td>
<td>79471</td>
<td>86</td>
<td>83516</td>
<td>61</td>
<td>82904</td>
<td>62</td>
<td>87101</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>63</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>97287</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>56</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>105109</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>59</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>107607</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>40965</td>
</tr>
</tbody>
</table>

Source: Compiled by the Researcher from various issues of the Annual Report of ECGC

** Not Available
Overseas investment scheme became popular. 72 percent of the total business under special scheme is covered by lines of credit followed by buyers credit and overseas investment scheme. Proportion of lines of credit remains constant while buyers credit was diverted to overseas investment from 1997-98.

After analyzing the guarantees/insurance policies issued and in force under the different schemes. We shall now examine commodity wise and country wise value of shipment covered under short-term policies by E.C.G.C this would help in knowing the relative position of different countries and commodities in the total insurance policies of the corporation.

**Claims paid Sector–Wise:**

When we analyse sector –wise claims paid under policies and guarantees as shown in *Table 6.10 & 6.11*, we found guarantees covers 82.97 percent (17629.78 crores) of claims paid in 2000-01. in which major portion is of packing credit guarantee s which covers 50 percent of the total claims paid followed by export performance guarantees long term 16.02 percent and standard policies 14.38 percent. Post shipment guarantees 12.42 percent, export performance and project and term export policies covers very nominal proportion 2 to 5 percent and export finance guarantees and transfer guarantees covers negligible portion.

If we analyse year –wise trend, we found upto 1995-96 project and term export policies was leading sector
### TABLE 6.10

CLAIMS PAID SECTOR WISE
POLICIES

(RUPEES. IN LAKHS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STANDARD POLICIES</td>
<td>4544.24</td>
<td>1110.25</td>
<td>2065.93</td>
<td>2187.21</td>
<td>2105.17</td>
<td>2408.8</td>
<td>2870.99</td>
<td>3056.58</td>
<td>20349.2</td>
</tr>
<tr>
<td>%</td>
<td>40.49</td>
<td>6.94</td>
<td>16.19</td>
<td>22.54</td>
<td>40.57</td>
<td>59.68</td>
<td>97.56</td>
<td>84.43</td>
<td>31.09</td>
</tr>
<tr>
<td>TRANSFER GUARANTEES</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>44.73</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.39</td>
</tr>
<tr>
<td>%</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.86</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
<td>0.07</td>
</tr>
<tr>
<td>PROJECT &amp; TERM EXPORT POLICIES</td>
<td>6679.22</td>
<td>14876.2</td>
<td>10586.2</td>
<td>7514.42</td>
<td>3039.4</td>
<td>1627.06</td>
<td>71.71</td>
<td>563.43</td>
<td>44957.6</td>
</tr>
<tr>
<td>%</td>
<td>59.51</td>
<td>93.06</td>
<td>82.95</td>
<td>77.46</td>
<td>58.57</td>
<td>40.32</td>
<td>2.44</td>
<td>15.56</td>
<td>68.68</td>
</tr>
<tr>
<td>OVERSEAS INVESTMENT POLICIES</td>
<td>0</td>
<td>0</td>
<td>110.75</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>110.75</td>
</tr>
<tr>
<td>%</td>
<td>0.00</td>
<td>0.00</td>
<td>0.87</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.17</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11223.46</td>
<td>15986.5</td>
<td>12762.8</td>
<td>9701.63</td>
<td>5189.3</td>
<td>4035.86</td>
<td>2942.7</td>
<td>3620.4</td>
<td>65462.7</td>
</tr>
<tr>
<td>%</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Various issues of Annual Report of ECGC
TABLE 6.11
CLAIMS PAID SECTOR WISE GUARANTEES
(RUPEES IN LAKHS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Packing credit guarantee (including WTPCG)</td>
<td>1899.7</td>
<td>1387.3</td>
<td>1730.1</td>
<td>4628.7</td>
<td>7510.1</td>
<td>6675</td>
<td>8735.88</td>
<td>10653.8</td>
</tr>
<tr>
<td>Post shipment guarantees (including WTPSG)</td>
<td>1176.2</td>
<td>365.56</td>
<td>520.38</td>
<td>1429.2</td>
<td>2184.2</td>
<td>1299</td>
<td>1597.69</td>
<td>2638.56</td>
</tr>
<tr>
<td>Export finance guarantee</td>
<td>0</td>
<td>1.67</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>34.86</td>
<td>0</td>
<td>34.86</td>
</tr>
<tr>
<td>Export production finance guarantees</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Export performance guarantees (short term)</td>
<td>136.85</td>
<td>28.74</td>
<td>21.7</td>
<td>96.68</td>
<td>207.05</td>
<td>63.1</td>
<td>166.22</td>
<td>897.67</td>
</tr>
<tr>
<td>Export performance guarantees (long term)</td>
<td>4919.7</td>
<td>4982</td>
<td>7052.3</td>
<td>4446.5</td>
<td>8485.7</td>
<td>0</td>
<td>0</td>
<td>3404.93</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8132.4</td>
<td>6765.2</td>
<td>9324.5</td>
<td>10601</td>
<td>18387</td>
<td>8072</td>
<td>10499.79</td>
<td>17629.8</td>
</tr>
</tbody>
</table>

Source: ECGC Annual Report

**Value Of Risk Covered**

The value of policy covered under Ecgc schemes is presented in Table 6.12 & 6.13 it shows that the policy covered under ECGC schemes is increasing year by year. It is 2520690 lakhs in 2000-2001 from 1295401 lakhs in 1993-94 which became almost 2 time in eight years period. Same trend continued in guarantees except in 1998-99 it reduces marginally. Value of guarantees cover in 2000-2001 is Rs. 15928461 lakhs as compared to 7369604 lakhs which become 2 times.

Sector wise analysis of Guarantees covered under Table 5.13 representing packing credit guarantee covers 70% portion i.e. Rs. 4652358 lakhs followed by post shipment guarantees 29.21%, export performance, export finance guarantees covers negligible shares.

**Commodity –Wise Short Term Policies:**

TABLE 5.14 shows that the total value of shipment under short term policies by E.C.G.C till 1995-96 was of engineering goods from, from 1998-99 chemical and chemical
TABLE 6.12
VALUE OF RISK COVERED (POLICIES)

(RUPEES IN LAKHS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STANDARD POLICIES</td>
<td>1184266</td>
<td>1398163</td>
<td>1751664</td>
<td>2031070</td>
<td>2027620</td>
<td>2296118</td>
<td>2313446</td>
<td>2461673</td>
</tr>
<tr>
<td>TRANSFER GUARANTEES</td>
<td>481</td>
<td>1468</td>
<td>2539</td>
<td>3459</td>
<td>1124</td>
<td>1083</td>
<td>499</td>
<td>1613</td>
</tr>
<tr>
<td>PROJECT &amp; TERM</td>
<td>109936</td>
<td>78927</td>
<td>87631</td>
<td>100246</td>
<td>106982</td>
<td>131174</td>
<td>156832</td>
<td>41632</td>
</tr>
<tr>
<td>EXPORT POLICIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OVERSEAS INVESTMENT</td>
<td>718</td>
<td>0</td>
<td>523</td>
<td>1181</td>
<td>11378</td>
<td>23914</td>
<td>24716</td>
<td>15772</td>
</tr>
<tr>
<td>POLICIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1295401</td>
<td>1478558</td>
<td>1842357</td>
<td>2135956</td>
<td>2147104</td>
<td>2452289</td>
<td>2495493</td>
<td>2520690</td>
</tr>
</tbody>
</table>

Source: Annual Report of ECGC
### TABLE 5.13

**VALUE OF RISK COVERED-(GUARANTEES)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PACKING CREDIT GUARANTEES (INCLUDING WTPCG)</td>
<td>4507324</td>
<td>5785738</td>
<td>6494141</td>
<td>8300688</td>
<td>9552306</td>
<td>9929310</td>
<td>10390696</td>
<td>11146198</td>
</tr>
<tr>
<td>POST SHIPMENT GUARANTEES (INCLUDING WTPSG)</td>
<td>2748635</td>
<td>4339041</td>
<td>4568366</td>
<td>4634574</td>
<td>4831987</td>
<td>4138428</td>
<td>4358062</td>
<td>4652358</td>
</tr>
<tr>
<td>EXPORT FINANCE GUARANTEES</td>
<td>9677</td>
<td>6214</td>
<td>2071</td>
<td>1689</td>
<td>2106</td>
<td>2115</td>
<td>913</td>
<td>1310</td>
</tr>
<tr>
<td>EXPORT PRODUCTION FINANCE GUARANTEES</td>
<td>1440</td>
<td>589</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>EXPORT PERFORMANCE GUARANTEES (SHORT TERM)</td>
<td>25898</td>
<td>33747</td>
<td>40664</td>
<td>49039</td>
<td>85210</td>
<td>66634</td>
<td>59125</td>
<td>96343</td>
</tr>
<tr>
<td>EXPORT PERFORMANCE GUARANTEES (LONG TERM)</td>
<td>76630</td>
<td>49021</td>
<td>64229</td>
<td>34496</td>
<td>32667</td>
<td>84356</td>
<td>49271</td>
<td>32252</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7369604</td>
<td>10214350</td>
<td>11169471</td>
<td>13020486</td>
<td>14504276</td>
<td>14220843</td>
<td>14858067</td>
<td>15928461</td>
</tr>
</tbody>
</table>

*Source: Various issues of Annual Reports of ECGC*
## TABLE 6.14
COMMODITY WISE VALUE OF SHIPMENTS COVERED UNDER SHORT TERM POLICIES

(Rs. in Crores)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Engereing Goods</td>
<td>1449.08</td>
<td>1810.3</td>
<td>2301.15</td>
<td>3030.93</td>
<td>3090.65</td>
<td>3132.58</td>
<td>3731.44</td>
<td>3342.47</td>
<td>3957.15</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Leather</td>
<td>1243.68</td>
<td>1500.87</td>
<td>1735.76</td>
<td>2069.08</td>
<td>1953.09</td>
<td>2024.16</td>
<td>1976.81</td>
<td>2132.4</td>
<td>2497.42</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Ready made Garments</td>
<td>1105.45</td>
<td>1486.86</td>
<td>1728.0</td>
<td>2307.48</td>
<td>2691.31</td>
<td>2199.88</td>
<td>2614.76</td>
<td>2826.36</td>
<td>3329.08</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Chemicals</td>
<td>1563.05</td>
<td>1576.06</td>
<td>1874.88</td>
<td>2548.36</td>
<td>3345.01</td>
<td>3206.63</td>
<td>3914.98</td>
<td>3656.88</td>
<td>4873.61</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Cotton Textiles</td>
<td>478.59</td>
<td>485.79</td>
<td>645.4</td>
<td>1027.14</td>
<td>977.19</td>
<td>1630.36</td>
<td>1570.44</td>
<td>1670.91</td>
<td>1155.89</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Including handloom &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Tea</td>
<td>392.33</td>
<td>400.63</td>
<td>260.56</td>
<td>271.91</td>
<td>303.76</td>
<td>382.97</td>
<td>419</td>
<td>277.48</td>
<td>345.73</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Woollen Goods</td>
<td>261.64</td>
<td>386.28</td>
<td>417.42</td>
<td>448.23</td>
<td>635.41</td>
<td>659.08</td>
<td>627.1</td>
<td>604.04</td>
<td>508.13</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Gems &amp; Jewellery</td>
<td>111.02</td>
<td>100.45</td>
<td>111.37</td>
<td>152.57</td>
<td>635.35</td>
<td>196.43</td>
<td>191.1</td>
<td>157.97</td>
<td>219.54</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Jute</td>
<td>204.39</td>
<td>181.34</td>
<td>215.43</td>
<td>262.92</td>
<td>351.01</td>
<td>254.91</td>
<td>223.77</td>
<td>249.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Agricultural Products</td>
<td>275.35*</td>
<td>460.24</td>
<td>411.42</td>
<td>773.22</td>
<td>1057.35</td>
<td>925.15</td>
<td>879.4</td>
<td>738.37</td>
<td>577.7</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Marine Products</td>
<td>360.74</td>
<td>411.78</td>
<td>568.24</td>
<td>459.12</td>
<td>421</td>
<td>626.82</td>
<td>60.27</td>
<td>691.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Cotton Yarns &amp; Thread</td>
<td>139.44</td>
<td>466.03</td>
<td>215.45</td>
<td>329.5</td>
<td>203.97</td>
<td>148.69</td>
<td>1899.12</td>
<td>120.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Granite</td>
<td>117.71</td>
<td>168.24</td>
<td>249.59</td>
<td>307.51</td>
<td>310.92</td>
<td>508.21</td>
<td>399.19</td>
<td>409.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Handicrafts</td>
<td>163.43</td>
<td>172.62</td>
<td>217.18</td>
<td>265.46</td>
<td>309.56</td>
<td>356.61</td>
<td>357.37</td>
<td>286.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Tobacco</td>
<td>207.91</td>
<td>92.67</td>
<td>241.65</td>
<td>337.13</td>
<td>326.08</td>
<td>351.55</td>
<td>317.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Others</td>
<td>2193.17</td>
<td>2434.192</td>
<td>2952.99</td>
<td>3180.15</td>
<td>3859.94</td>
<td>3976.42</td>
<td>4789.36</td>
<td>6088.12</td>
<td>5037.97</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>9055.36</td>
<td>11842.66</td>
<td>13981.63</td>
<td>17516.64</td>
<td>20310.7</td>
<td>20276.2</td>
<td>22961.18</td>
<td>23134.46</td>
<td>24616.73</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the Researcher from various issues of Annual Report of ECGC
products are covering highest proportion till 2000-01. When we analyse 2000-01 we found chemicals share is 19.79 percent (4873.61 crores) followed by engineering goods 16.07 percent (3957.15 crores), ready made garments 13.52 percent (3329.08 crores), leather 10.14 percent (2497.42 crores), cotton textiles including handloom goods 4.69 percent (1155.89 crores) and marine products 2.80 percent (691.44 crores). Commodities like tea, gems and jewellery, jute, cotton yarn, granite, handicrafts, tobacco, woollen goods and agriculture products accounted for only a negligible share ranging 0.5 to 2.5 percent of the total policies covered in that year. The share of the other goods was however nearly one fifth of total insurance cover as regard trend it is flexible. Chemicals engineering and ready made garments, leather products are increasing trend as far as value is concerned, however tea, woollen goods and cotton yarn seems going downward.

**Country-Wise Short Term Policies**

The TABLE 6.15 covers the analysis of country wise short-term policies. USA, UK, GERMANY are the major beneficiaries of the corporations assistance. In 2000-01 USA constituted the largest share 24015 percent (5945.86 crores) of the total short-term policies covered, followed by UK 10.49 percent (2581.97 crores), Germany 9.30 percent (2290.63 crores). These three countries accounted for around 44 percent of the total short term policies covered by E.C.G.C. the relative
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>1305.03</td>
<td>2280.79</td>
<td>2725.93</td>
<td>3233.49</td>
<td>3559.16</td>
<td>3972.62</td>
<td>4601.53</td>
<td>5020.32</td>
<td>5945.86</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>U.K</td>
<td>1056.29</td>
<td>1409.71</td>
<td>1718.26</td>
<td>2312.7</td>
<td>2708.69</td>
<td>2820.1</td>
<td>2591.55</td>
<td>2967.91</td>
<td>2581.97</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>973.95</td>
<td>1439.1</td>
<td>1669.72</td>
<td>2056.07</td>
<td>2130.1</td>
<td>1964.38</td>
<td>2733.04</td>
<td>2067.5</td>
<td>2290.63</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Italy</td>
<td>315.46</td>
<td>433.76</td>
<td>610.92</td>
<td>688.72</td>
<td>762.83</td>
<td>978.12</td>
<td>967.26</td>
<td>1327.58</td>
<td>1157.35</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>T.Oman(UAE)</td>
<td>345.13</td>
<td>456.18</td>
<td>597.37</td>
<td>678.52</td>
<td>716.05</td>
<td>758.18</td>
<td>848.34</td>
<td>1003.39</td>
<td>1035.52</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>France</td>
<td>234.57</td>
<td>305.13</td>
<td>510.96</td>
<td>672.1</td>
<td>720.69</td>
<td>752.03</td>
<td>814.13</td>
<td>779.6</td>
<td>1001.68</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Netherland</td>
<td>218.15</td>
<td>435.55</td>
<td>419.62</td>
<td>509.07</td>
<td>626.85</td>
<td>646.6</td>
<td>886.52</td>
<td>678.5</td>
<td>777.23</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Japan</td>
<td>268.67</td>
<td>384.57</td>
<td>515.24</td>
<td>616.83</td>
<td>721.38</td>
<td>628.8</td>
<td>695.87</td>
<td>751.04</td>
<td>715.44</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Singapore</td>
<td>268.74</td>
<td>444.09</td>
<td>532.23</td>
<td>1111.82</td>
<td>1167.43</td>
<td>923.7</td>
<td>566.94</td>
<td>609.01</td>
<td>697.63</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Hongkong</td>
<td>152.42</td>
<td>219.94</td>
<td>265.05</td>
<td>389.22</td>
<td>482.84</td>
<td>485.16</td>
<td>621.69</td>
<td>562.8</td>
<td>565.82</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Canada</td>
<td>113.27</td>
<td>183.07</td>
<td>253.18</td>
<td>294.89</td>
<td>357.19</td>
<td>353.66</td>
<td>452.45</td>
<td>495.44</td>
<td>525.26</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Bangladesh</td>
<td>146.17</td>
<td>177.49</td>
<td>256.39</td>
<td>358.99</td>
<td>482.84</td>
<td>299.66</td>
<td>379.71</td>
<td>420.58</td>
<td>477.74</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Spain</td>
<td>83.18</td>
<td>134.47</td>
<td>185.26</td>
<td>234.19</td>
<td>302.05</td>
<td>275.59</td>
<td>392.54</td>
<td>398.2</td>
<td>420.9</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Australia</td>
<td>153.2</td>
<td>252.18</td>
<td>328.76</td>
<td>392.33</td>
<td>380.96</td>
<td>395</td>
<td>398.65</td>
<td>395.63</td>
<td>361.41</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Sri Lanka</td>
<td>0</td>
<td>0</td>
<td>155.76</td>
<td>196.86</td>
<td>286.01</td>
<td>293.35</td>
<td>388.7</td>
<td>479.03</td>
<td>358.44</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Switzerland</td>
<td>163.51</td>
<td>216.56</td>
<td>228.6</td>
<td>438.09</td>
<td>532.78</td>
<td>443.16</td>
<td>424.96</td>
<td>373.5</td>
<td>354.55</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Belgium</td>
<td>113.87</td>
<td>199.85</td>
<td>254.6</td>
<td>248.22</td>
<td>306.19</td>
<td>304.59</td>
<td>295.32</td>
<td>345.18</td>
<td>349.89</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Saudi Arabian</td>
<td>176.33</td>
<td>189.24</td>
<td>180.98</td>
<td>158.53</td>
<td>191.74</td>
<td>190.65</td>
<td>281.8</td>
<td>223.72</td>
<td>338.28</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Malaysia</td>
<td>85.8</td>
<td>106.43</td>
<td>130.69</td>
<td>200</td>
<td>238.9</td>
<td>194.09</td>
<td>175.65</td>
<td>191.66</td>
<td>306.66</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Sweden</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>188.88</td>
<td>147.53</td>
<td>179.96</td>
<td>180.73</td>
<td>191.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Common Wealth</td>
<td>1453.49</td>
<td>320.24</td>
<td>444.07</td>
<td>139.47</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of Independent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>States (Inc. Russia)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Others</td>
<td>1448.12</td>
<td>2254.31</td>
<td>1988.04</td>
<td>2586.53</td>
<td>3412.64</td>
<td>3451.23</td>
<td>4265.02</td>
<td>3863.04</td>
<td>4163.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9075.35</td>
<td>11842.66</td>
<td>13981.63</td>
<td>17516.64</td>
<td>20276.2</td>
<td>20276.2</td>
<td>22961.18</td>
<td>23134.46</td>
<td>24616.73</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Compiled by the Researcher from various issues of Annual Report of ECGC

*Not Available
share of ITALY, U.A.E and FRANCE range about 4 percent each. While other countries covered under four percent of the total business. Again the countries where India’s export were larger the relative share of the corporation assistance was also larger which is quite obvious.
Chapter-7

SUMMARY & SUGGESTIONS

In modern world, no economy is self sufficient rather the countries are heavily dependent on each other. Trade and Commerce have been playing a vital role in the economic development of each country be it an under developed, a developing or developed one. Trade is the foundation of modern economic activity. To meet their varied demand countries have to export and import and maintain international economic relation.

India has at present , a network of institutions engaged in financing export trade. These are RBI, Commercial, Banks, ECGC and Exim Bank. RBI is entrusted with the task of regulating export finance by making policy pronouncements from time to time and assisting Export trade by indirect financial providing assistance in the form of export credit refinance export bills, rediscounting, export credit interest subsidy, & advances against duty drawback through Commercial Banks which operates with in the guidelines laid down by RBI. Commercial Banks, on other hand, are engaged in proving export credit directly to exporter. ECGC provide insurance to exporters, particularly to manufactures-exporters, against non payment by foreign buyer & also give guarantees to Commercial Banks for making payment to them in the case of non payment of export credit by the borrowers. Exim Bank is the principal financial institution for financing, facilitating and promoting India's
foreign trade. The bank provides both funded & non-funded assistance.

Funded assistance which requires immediate commitment of funds by export credit institutions, is extended both directly & indirectly to exporters under the various pre-shipment and post shipment schemes. Direct financial to exporter is provided by Commercial Bank and Exim Bank only.

Indirect export credit is in the form of export credit refinancing and export bill rediscounting assistance provided by RBI and Exim Bank and export credit interest subsidy and advances against duty draw back assistance provided by RBI only. The total assistance under refinancing of export credit scheme amounted to Rs. 85598.12 crore during 1991-2001.

Unlike funded assistance, non funded assistance does not require immediate commitment of funds by credit agencies and include financial guarantees and policies of various types. The institutions engaged in this function are ECGC and Exim Bank.

RESERVE BANK OF INDIA

Policies relating to export credit by Commercial Banks, cost of export credit, interest subsidy, export bills rediscounting and refinance of export credit are framed by RBI. In addition, RBI has also been operating a number of scheme with a view to increasing the supply of export credit and assisting
the export trade. These are; exports bills credit scheme, pre-shipment credit scheme, export credit (interest subsidy) scheme & duty draw back credit scheme besides other supportive measures.

The first two scheme relates to bills rediscounting and refinance of export credit respectively. The scheme of rediscounting of export bills, operates under the over all operations of bills market scheme u/s 17(4) (C) of RBI Act. The banks total refinance under this scheme during 1991-2001 is Rs. 70271.42 crores as against total refinance of Rs. 83598.12 crores which witnessing 84.06 %. In order to facilitate export credit at concessional interest rates, refinance scheme has been introduced by RBI. Under this scheme, all scheduled banks which are authorised dealers in foreign exchange are eligible for credit facilities against their usance export bills having usance not exceeding 180 days. Under the export credit (interest subsidy scheme) 1968, subsidy is payable to all types of export credit provided by banks, except those refinance by Exim Bank. The scheme is administered by RBI on the behalf of the government of India u/s 17(iiA) (b) of the RBI Act. Funds for subsidy are provided from out of the marketing development assistance fund of the Ministry of Commerce. Originally, the interest subsidy granted was 1.5 % which was increased to 3.5w.e.f from March 1, 1989. Under the revised rate the cost of pre-shipment credit upto 180 days is 7.5 % per annum and 9.5 % per annum beyond 180 and up to 270 days, while the revised post shipment rate is 8.65 % the lowering of down of interest
rates is an ample evidence of RBI intension to support India's export trade.

Duty draw back scheme was introduced by RBI in 1976. Under this scheme the eligible Commercial Bank can advance upto 90 days to exporters against their entitlements to duty draw backs as provisionally certified by the customs authorities pending final sanction and payment free of interest. Such advances are eligible for interest free refinance to the extent of 100 % from RBI upto a maximum period of 90 days.

In addition to the above mentioned four schemes, RBI's other supportive measures in the field of export credit are relaxation in the credit authorization scheme and exemption from application of penal rates of interest on export credit.

COMMERCIAL BANKS

Commercial Banks are the oldest and the most important source of export credit in India. The export financing function of these banks is governed by the policies & procedures as laid down by RBI. They provide export credit at pre-shipment & post-shipment stages. The credit may be short term ( for a period of 180 days) , medium term ( for a period of ranging between 180 days & five years or long term for ( period beyond five years). Pre-shipment credit is generally for short term period , while post-shipment credit may be short term, medium term or long term.
Commercial Banks have been operating a number of schemes of pre & post shipment credits. Under the pre-shipment credit there are three scheme in operation i.e. packing credit-clean & secure, advanced against cash incentives and advanced against duty drawback scheme. Similarly there are eight schemes relating to post-shipment finance. These are negotiation of export document drawn under a foreign LC, purchase of export document drawn under a confirmed export contract, advanced against bills sent on collection basis, advanced against goods sent on consignment basis, advance against un drawn balances, advance against cash incentive, advance against duty drawback, and financing exports against deferred payment agreements and turnkey contract. The outstanding export credit under all pre & post shipments credit scheme together was on rise year after year.

Commercial Banks have also been providing non funded assistance such as issue of bid bonds, participation in different types of export guarantees along with other institutions, furnishing of credit reports about foreign buyers, scrutiny of Letters of Credit etc.

**EXPORT CREDIT GUARANTEE CORPORATION**

Due to the risks and uncertainties in international trade, export credit insurance and guarantees provided by the Corporation play a vital role in promoting India's export trade. The Corporation undertake to make good any loss which an exporter taking its policies sustain due to commercial and
political risks. The protection offered by the Corporation enables Indian exporters to take greater risk and there by increase there exports.

Besides, the corporation also gives various types of guarantees for loans granted by Commercial Banks to exporters and there by enables the banks to give credit on liberal basis. The resultant easier access to export fiances at pre-shipment as well as post-shipment stages make it possible for exporters to maximize there export turnover. Thus the policies and guarantees issued by the Corporation makes a significant contribution to the growth of India's export trade. In providing insurance and guarantee facilities, the corporation is not guided by profit motive. With promotion of exports as its principal objectives, ECGC make its facilities available to exporter & banks at the rates of premium which are among the lowest in the world.

The Corporation has devised a number of schemes for providing insurance & guarantee facilities. These scheme are broadly classified into four standard policy, Specific policy, Financial guarantee and Special Schemes. During the 10 year period of study taken as a whole, as high 91776 policies and guarantees were issued by ECGC covering the total risk of Rs 14243432 lakhs. of the total amount of risk covered during the period, 61.12% was related to financial guarantees, 33.96% to standard policies, 4.44% to specific policies and 0.44% to special schemes. Thus, of the four broad groups of the schemes, financial guarantees and standard policies were the major ones,
for, these two together constituted nearly 95% of the total business. Again, the corporation business in terms of total number issued and increase by 3.5 times in terms of the total risks covered. However, a disquieting feature is that the growth rate in Corporations total business was not commensurate with India’s exports. This calls for further intensification of its activities to meet the expanding requirement of India’s exports.

ECGC has been playing a very important role in promoting India’s export by issuing standard and specific insurance policies. This is evident from the fact that the total number of policies in force was as high as 13276 as at the end of 2000-01. of this, 99.5% related to standard policies, while only 0.50% related to specific policies. Similarly, the maximum liabilities in force as at end-March 2001 stood at Rs 1732917 lakhs, including liabilities covered under standard policies Rs 1478444 lakhs (or 85.32%) and specific policies Rs 254473 lakhs (or 14.68%). The higher percentage share of specific policies in terms of liabilities covered as against a negligible share in terms of number of policies was on account of the fact that specific policies were of long term nature and involved a larger amount of liability in each policy. Further, both number of policies as well as the total amount of liability in force had witnessed a rising trend over the period under study.

As regards financial guarantees, five types of guarantees have so far been evolved by ECGC. These are packing credit guarantees, export production guarantees and
export performance guarantees. The total amount financial guarantees enforce under all the five schemes taken together at Rs 1946724 crores in respect of 2452 cases of guarantees as at end – March 2001. There was also three times increase in the amount of guarantees and 0.5 times decrease in the number of guarantees in force by the end of 2000 –01 as against those of 1991-92. The three schemes viz., packing credit guarantees, export performance guarantees and post –shipment guarantees together accounted for over 95% of the total number and amount of guarantees. Even of these, the first two schemes shared over 90% of the total business. In the cases of other two schemes of financial guarantees viz., export finance guarantees and export production finance guarantees, the assistance was almost negligible throughout the period of the study.

Under its special schemes, such as, lines of credit, buyers credit, transfer guarantees, overseas investment insurance policies and exchange fluctuation risk cover scheme, the total assistance issued amounted to Rs. 706831 lakhs during 1992-2001. Of this, over two- thirds belonged to the line of credit alone this was followed by buyers credit, transfer guarantees, exchange fluctuation risk cover scheme and overseas investment insurance policies.

In short, ECGC has assumed a considerable amount of risk by undertaking large volume of insurance and guarantee business. This is evident from the fact that a large amount of claims is paid by the corporation every year, the same being over
Rs 65463 lakhs in eight-year period. Sometimes, the amount of claims paid is even more than the premium income, resulting in loss to the corporation. The amount of claims in some years was so heavy that the ECGC had to seek Government support for making the liability as it happened din 1991-92 due to Gulf war, collapse of trade with the erstwhile, USSR & eastern Europe and recession in several developed countries who were India's important trading partners. Thus, by assuming so much risk the Corporation has been helping in a very significant way the India's export trade.

**EXPORT-IMPORT BANK OF INDIA**

Exim Bank was set-up in January, 198 as a principal financial institution for financing, facilitating and promoting India's foreign trade. In fulfillment of its objectives, the Bank has introduced a variety of lending programme-both funded & non-funded. Under its programme of funded assistance, the bank is operating as many as 17 schemes which include 7 scheme for Indian companies/ exporters, three schemes for foreign Governments, companies & financial institutions, three schemes for Commercial Banks, and four other schemes under the non-funded programme of assistance. In addition, there are six schemes relating guarantees. Thus, in all there are 23 schemes in operations tailored to the needs of the different customer groups. A special feature of the financing by Exim bank is that its assistance is generally of long and medium term nature.
However, Exim Bank, along with Commercial Bank, also grants supplementary working capital finance to exporters.

Our study has shown that neither financial position judged in terms of capital structure nor profitability of the bank was up to the mark. Debt equity ratio was hardly 3.58:1 as against a normal debt equity ratio of 10:1 in case of financial institutions in general. Thus, the bank has enough scope of raising fund through debts including issue of bond.

The total assistance granted by the bank upto March, 2001 aggregated to Rs. 186764 lakhs. Of this as high as 77% (or Rs. 1442360 lakhs) was utilized. The annual assistance sanctioned also recorded an increase of about 2 times over period of study from (Rs. 113990 lakhs in 1991 to Rs. 21743 lakhs in 2000-01)

A revealing feature is that the banks operations were limited mainly to funded assistance. For, the assistance accounted for as high as 83% or (Rs.1650202 lakhs) of the total assistance during 1991-2000. Another notable feature is that the major portion of the funded assistance was in form of indirect assistance including export bill rediscounting, SSI export bills rediscounting, bulk import finance, and export credit refinance.

As among various purposes new projects covers 51.67% of its total assistance followed by expansion and
diversification i.e. 39.81%. Modernisation and marketing facilities cover only 8.5%.

Maximum assistance under state wise distribution is availed by Maharashtra covering 27.24% of the total assistance followed by Tamil Nadu 14.17%, Gujarat 11.94%, Andhra Pradesh 10.40%, Uttar Pradesh 7.48% and Karnataka 6.6%, other States like Madhya Pradesh, West Bengal, Delhi, Kerela cover below 5% of total assistance provide by Exim Bank.

Region wise analysis has shown that the largest share 67.45% of the Banks funded assistance has gone to Asian countries, followed by African countries 16.47% and American & European countries 16.07%. Again, while the assistance to Asian countries was marked with a rising trend both absolutely and relatively. In case of Africa and American and European countries remained fluctuating over the period. As among the different industries, the largest share 24.62% of the bank funded assistance was accounted for by textile industry and services, followed by computer 10.2% food products 5%, chemicals 4.92%, pharmaceutical 4.63%, paper 4.60% and machinery 4.1% whereas others are negligible.

Besides funded assistance, Exim Bank has also been providing non-funded assistance, which is in the form of guarantees. The total assistance under it amounted to Rs. 21180 lakhs which constituted hardly 11% of the total assistance not only that, the assistance sanctioned under this programmed has
also decline both in absolute as well as relative terms. Our study has also show that the regional pattern of the Banks non-funded assistance was same as that of funded assistance. In other, the bulk of the assistance related to financing exports to Asian country followed by African country, and American and European countries. However, industry wise distribution of non-funded assistance was different from that of funded assistance. Thus, the largest share in the total non-funded assistance was accounted for by contraction, followed by, power generation and distribution and consultancy.

**SUGGESTIONS**

The study has brought to fore that exports are a vital tool in the economic growth of the country. To boost the export promotional efforts most importantly the financial assistance in the form of export credit are the basic necessity. Although various steps have been taken by the government, the RBI and other export credit agencies with a view to enlarging the flow of export credit and streamlining the credit the granting procedure, there is still sufficient scope for improving the export credit system in the country. Some of the suggestions are.

- Single window programme: At present, different agencies perform different types of functions. RBI provides refinance and export bills rediscourting functions, EXIM bank provides medium and long term credit, commercial banks
generally grant short term credit, and ECGC provides insurance and guarantee facilities. Exporters are, thus required to approach different institutions for availing the export credit. In order to provide assistance under single window, refinancing operations of the RBI and the operations of EXIM bank and ECGC should be merged together and a single apex institution should be formed. Commercial bank should however continue to provide short-term export credit, as at present the proposed institution may not afford to have a network of branches throughout the country. This arrangement will help certain exporters, particularly the bigger ones and those seeking medium and long-term credit.

- Many times, foreign buyers return the goods imported from India on account of poor quality of the same. This causes a lot of hardships to exporters resulting in defaults in the repayment of export credit. Thus, adequate infrastructure should be created for quality control. General awareness among exporters for the supply of only standard products should be created.

- Generally, there is delay in getting advances from the banks under the duty draw back scheme. This causes hardships to exporters. It is suggested banks should disburse that loan amount immediately after the certificate from custom authorities is obtained by the exporter and furnished the same to the commercial bank.
The repayment periods of the loans granted by commercial banks is generally shorter and the rate of interest is higher in India as compared to those in other countries. These affect exporters adversely in the international markets. Therefore, commercial banks should provide export credit with longer maturity period at lower rate of interest. It requires further restructuring of the interest rates to make the same internationally competitive further, RBI and EXIM bank should also provide still more liberal refinance to banks against export credits than at present.

For facilitating exports of capital goods, engineering goods, etc from the developing countries, it is desirable to initiate a refinancing scheme similar to the one operated by the American Development Bank. In addition, the IMF should extend the scope of the compensatory financing scheme to cover refinancing of deferred export credits, granted in respect of exports of capital goods originating from the developing member-countries of the IMF.

One of the most common complaints is that the banks do not provide timely and adequate credits to the exporters. It is so inspite of the fact that export credit has been given over riding priority. The banks should evolve a system of closely monitor the processing of export credit proposals to ensure that no exporter is denied legitimate credit need and that the same timely. As per the circular issued in
November 1992 to all scheduled commercial banks, all cases of rejection of export credit proposals should be brought to the notice of the chief executives of banks explaining the reasons for rejections.

- Billing in domestic currency leads to elimination of risks arising from fluctuations in exchange rates. Therefore, the need for forward cover is obviated. There has been a significant increase in recent years in the use of Indian rupee in our export trade. Any further increase in the use of rupee as a medium of international settlements hinges on the development of rediscounting facilities for rupee bills. Provision of forward cover facilities for foreign importers and, above all, stability of value of the rupee.

- A close and an effective monitoring of the export credit performance of each bank by the RBI and the Ministry of Finance.

- Many exporters still complain as per the annual report of ECGC that the Corporation takes a long time for settling claims. In order to expedite the settlement of claims involving substantial sums, it is desirable to set up a consultative committee, consisting of representatives of ECGC, the industry and trade and the Ministry of Foreign Trade. This committee can also devise ways and means. The committee can also suggest ways and means for
ensuring greater cooperation between ECGC and exporting community.

- In the event of war, insurrections etc, unexpectedly a very large amount of claims are required to be paid by ECGC. Sometimes, the amount of claims is so high that ECGC finds itself short of funds and thus is forced to seek government’s assistance. For expending payments of claims, ECGC should strengthen its resource base by arranging additional capital and increasing premium rates. The setting up of national export insurance fund is considered necessary to meet any claims arising out of such business that is considered to be in the national interest.

- Exim Bank’s loans are mostly for longer period, which unnecessarily block the fund available and restrict its ability to finance. Thus it would be highly facilitative if the bank gives priority to the programmes, which encourages short-term loans so that the blockage of funds should be minimum. Moreover the rate of return for short term lending is often higher which could be lowered.

- Constant changes in export credit policy will significantly affect the programme of the banks. They also introduce an element of uncertainty in the marketing programme of exporters. Therefore, it is imperative that systematic export
credit policy is evolved and as far as possible continuity in policy and procedures is ensured.

- Exim Bank's major expense in form of debt services which reduces its profitability. Thus the bank should try to raise its paid up capital for fund requirement with securities that do not fetch fixed charge on it. Banks income from the investment made is very meagre around 25% of the investment. Thus the banks should avoid investing fund in areas of lower profitability. Banks should provide financial assistance to industries that fetches maximum foreign currency for the country.

- It is unfortunate that the institutions of such a high status which is particularly dealing with export & import guarantees; insurance etc has very few branches all over the country. It is a matter of great concern that the institutions on which export and import is dependent has a small number of branches to cover one of the biggest countries of the world. It is suggested that bank should open new branches at least one in every state and union territory in order to provide service to every nook and corner of the country. Apart from that in opening new branches to some extent it will help in solving chronic problem of unemployment and boost the export in every state.
During the survey it is observed that exporters are not aware of the policies and schemes of the institutions engaged in providing credit. Therefore, need of the hour is that these institutions should regularly take steps to organize seminar, orientation programmes and publicity campaign in industrially concerned trader areas so as to focus its attention to existing, new & small entrepreneur who are in the process of entering export business, so as to familiarized such exporters with the policies and procedures of finance for exports so that the interested persons could take benefits from the schemes of these institutions.
BIBLIOGRAPHY

Books


• Goswani, Oukar, Who is afraid of convertibility, Business India , Jan, 1997.

• Pagare, Dinker, Business Studies, Sultan Chand & Sons Publication, N.Delhi, 1997.


• Sharma, Rajinder, Export Marketing, Anmol Publication, New Delhi.

• Sainy, H.C., India’s Foreign Trade its value & problems, National Publishing House, N.Delhi, 1979.

• Sundharam K.P.M., Money, Banking, Trade, and Finance, Sultan Chand & Sons Publications, New Delhi, 1992.

• Varma, M.L., Foreign Trade Mgt. in India, Vikas Publication House Pvt. Ltd.


• Anupam, (1979) Export Incentives. Delhi : Anupam. P.N.


• Eduard; Dillon, K.B.; Puckahtikam, C. and Xafa Miranda. (1986) Export Credits, Washington: IMF.


• Grimwade Nigel, (200). International Trade, New Patterns of Trade, Production & Investment. Published: Routledge 11 NEW Fetter Lane London.


• Tondon, Rameshwar (1983). Some Perspectives on India’s Trade Policy, Chugh Publications.


• Nair Purushothaman S. N. (1992), Export Promotion in India, Discovery Publishing House.

**Journals & Newspaper**

- Export Today(Journal of Institute of Exports)
- Export Import Trade Flash
- Exim Review
- Eximus Export Advantage
- Export Gazette
- Economic Statistics
- ECG News
- The Banker
- Business Review
- Indian Journal of Commerce
- Financial Times
- Express Newsline
- Economics Times
- Business Standard
- Export Newspaper
- Import Export Times of India

**Websites**

- www.ecgcindia.com
- www.indianexportregister.com
- www.eximbankindia.com
• www.visionindia.com/ecgc
• www.bullentin.rbi.org.in
• www.cpolicy.rbi.org.in
• www.notifics.rbi.org.in
• www.annualreport.rbi.org.in
• www.cir.rbi.org.in
• www.masterscirculars.rbi.org.in

REPORTS


• Annual Report of Reserve Bank of India.

• Exim Bank in promotion of India’s Exports. A pamphlet.

• Bank of International Settlement. Export Credit Insurance & Export Credit.


Commonly used terms in export - Transaction

• **Free on Rail (F.O.R.) & Free on Truck (F.O.T)**

  These terms are used when the goods are to be carried by rail, but they are also used for road transport. The sellers obligations are fulfilled when the goods are delivered to the carrier.

• **Free alongside Ship (F.A.S.)**

  Once the goods have been placed alongside the ship, the sellers 'obligations' are fulfilled and when the buyer is notified, the buyer has to enter into a contract with the sea carrier for the carriage of the goods to the destination and pay the fright. The buyer has to bear all costs and risks of the loss or damage to the goods hereafter.

• **Free on Board (F.O.B.)**

  The Seller's responsibility ends the moment, the contracted goods are placed on board the ship free of cost to the buyer, at a port of shipment named in the sales contract. On board means that a receipt for shipment bill of lading is not sufficient. Such bill of lading if issued must be converted into, shipped on board B/L by using the stamp, “Shipped on Board” and must bear the signature of the carrier or his authorized representative together with date on which the goods were boarded.
• **Cost & Freight (C & F)**

The seller must on his own risk and not as an agent of the buyer contract for carriage of the goods to the port of destination named in the sale contract and pay the freight. This being a shipment contract, the point of delivery is fixed to the ship’s rail, and the risks of loss or of damage to the goods is transferred from the seller to the buyer, at that very point. Though the seller bears the cost of carriage to the named destination the risk is already transferred to the buyer at the part of shipment itself.

• **Cost Insurance Freight (C.I.F)**

The term is basically the same as C& F, with the addition that the seller has to obtain insurance at his against the risks of loss or damage to the goods during the carriage.

• **Freight or Carriage Paid (F.C.P)**

While C & F is used for goods, which are to be carried by sea, the term F.C.P. is used for land transport only including national and international transport by road, rail and inland waterways. The seller has to contract for the carriage of the goods to the agreed destination named in the contract of the sale and pay freight. His obligation is fulfilled when the goods are delivered to the first carrier and not beyond.
Annexure (A)

List of goods in respect of which Commercial Export Credit may be offered by Indian Exporter

A. Capital And Producer Goods

- Air compressors.
- Air Conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
- Alcohol and brewery plant.
- Aluminium plant and equipment.
- Asbestos cement machinery.
- Cement machinery.
- Cinematography equipment for motion picture and television studios.
- Chemical and pharmaceutical plant and machinery.
- Cigarette making machinery.
- Coffee processing machinery.
- Coke oven plant and equipment.
- Coke oven refractories.
- Control and Process Instruments including X-Ray equipment for Industrial Applications.
- Copper Ore concentration machinery.
- Dairy equipment and animal feed plant.
- Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers, etc.
- Edible Oil Mill machinery and oil expellers.
- Electric motors and pumps.
- Electronic Data Processing equipment.
- Fertilizer Plant and equipment.
- Flour, rice and dal mill machinery.
- Food processing plant.
- Foundry equipment including mould making machinery, Sand and Shot blasting equipment.
- Freight containers.
- Garage equipment.
- Gas and air separation plants.
- Glass and Ceramic machinery.
- Heat Exchangers.
• Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces), Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
• Ice-making machinery.
• Industrial boilers.
• Industrial furnaces.
• Industrial switchboards, Control panels, circuit breakers, air break switches. Jute machinery.
• Leather tanning and processing machinery.
• Machine tools.
• Machinery for manufacturing air-conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables, etc.
• Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
• Material handling equipment like fork lifts, electric lifts, cranes, hoists, etc. and conveyor systems.
• Metal working machinery.
• Mining machinery.
• Motor vehicles and chassis, including three-wheelers.
• Oil drilling rigs.
• Oil refinery equipment.
• Packaging and weighing machinery.
• Pile foundation machinery.
• Plastic machinery.
• Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers conductors, cables, sub-station equipment and protective equipment.
• Power line carrier communication equipment. Power station structures, hydraulic structures like pen-stocks gates and gearing, sub-station structures.
• Pressure vessels.
• Printing and book-binding machinery.
• Pulp and paper mill machinery.
• Railway electrification equipment and structures and railway signalling equipment.
• Railway rolling stock including locomotives, wagons, coaches and trolleys.
• Rubber machinery.
• Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers and vibrators.
• Ship, boats, trawlers, steamers, launches, barges.
• Solvent extraction machinery.
• Spraying equipment.
• Steam, diesel and petrol engines.
• Steel fabrication for bridges, factories, etc.
• Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
• Steel shuttering and scaffolding materials.
• Steel tanks.
• Sugar (including Khandsari) machinery.
• Telecommunication and signalling equipment.
• Textile machinery.
• Tractors and Trailers.
• Vending machines.
• Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
• Weigh bridges.
• Welding machinery.
• Wood working machinery.

B. Other Goods

• Agricultural implements.
• Auto Parts.
• Bicycles, motor-cycles, scooters, mopeds and parts.
• Construction materials including sanitary ware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
• Agricultural chemicals and industrial chemicals.
• Pressure cookers, watches and clocks, knitting/sewing machine, vacuum flasks, cutlery, plastic moulded luggage.
• Domestic electric appliances.
• Drugs and pharmaceuticals.
• Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application.
• Electronic components.
- Electronic goods including radios, TV, Public Address Systems, record players, tape recorders.
- Fiberglass, PVC & Plastic based products including pipes and tubes, tyre cord.
- Ferrous & Non-ferrous castings, forgings, stampings, extrusions and rolled products.
- Ferrous/Non-ferrous pipes, tubes, sheets, strips, foils, rods, wire, wire ropes.
- Heating and cooling equipment including air-conditioners, refrigerators, water coolers.
- Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
- Instruments for measurements, scientific survey and for surgical applications.
- Industrial fasteners, bearings, valves, gears and gaskets.
- X-Ray and other electro-medical and other hospital equipment.
- Office equipment including typewriters, calculators, duplicators, teleprinters.
- Metal and plastic furniture.
- Hand tools, cutting tools, grinding wheels, moulds, dies.
- Gas Cylinders, fire fighting equipment, photographic equipment, helmets, including fiberglass helmets.

**NOTE**: The Working Group on Project Exports functioning at Exim Bank may consider proposals to include new items to exclude existing items from the list.
Annexure I
(To be forwarded in TRIPLICATE to the Corporation not later than the 10th of each month)

MONTHLY DECLARATION OF ADVANCES GRANTED AND PAYMENTS RECEIVED

To,
The Managing Director/Branch Manager, The Export Credit & Guarantee Corporation Limited, BOMBAY/CALCUTTA/MADRAS/
NEW DELHI/COCHIN.

Dear Sir,
Our advances for the month of ........................................ against Packing Credit Guarantee No...........................................and payments received from the Exporter(s) are declared as under:

<table>
<thead>
<tr>
<th>Name of the Exporter</th>
<th>Amount Outstanding at the end of previous month</th>
<th>Packing Credit Advances granted during the month</th>
<th>Payments received</th>
<th>Highest outstanding on any day during the month</th>
<th>Rate of Premium</th>
<th>Amount of Premium</th>
<th>Outstanding at the end of the month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

Dated:........................................

Yours Faithfully,

Signature of the Insured

P.T.O.
**Annexure II**  

THE EXPORT CREDIT & GUARANTEE CORPORATION LIMITED  
(A GOVERNMENT OF INDIA CONCERN)  
‘Express Towers’, 10th Floor, Post Box No. 373, Nariman Point, Bombay-400021

PROPOSAL FOR A POST-SHIPMENT EXPORT CREDIT GUARANTEE

(This proposal is to be forwarded by the banks or financing institution to ECGC direct)

Name And Address of the applicant: ________________________________

We hereby apply for the POST-SHIPMENT EXPORT CREDIT GUARANTEE of the Export Credit & Guarantee Corporation Ltd., to pay us 75% of the loss as defined therein that we may sustain in accordance with the terms and subject to the conditions of the said Guarantee (which we have already read) in respect of advances which we propose to give or have given to the party named in the declaration herein below. The advance will be made to the Exporter against purchase/negotiation/or discount of export bills relating to shipment of goods out of India under a firm contract or agreement for sale.

---

We declare as under:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Name &amp; full address of the Exporter:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Is the Exporter an individual, Partnership a Public or Private Ltd., Company?</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3. In case of an individual give the name of the proprietor. In case of Partnership a) give name &amp; address of the partners b) is the exporter registered under the Partnership Act?</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>4. In case of a company, state a) Authorised Capital b) Subscribe Capital c) Paid-up Capital d) Names &amp; Addresses of Directors</td>
<td></td>
</tr>
</tbody>
</table>
5. Commodities to be exported.

6. Details of contract indicating the value and terms of payment and whether the Reserve Bank of India has approved the transaction, where necessary. (If exports are against letter of credit, please state whether the letter of credit is revocable or irrevocable and whether it is confirmed by any bank in India).

7. Name & address of overseas buyers:

8. a) Amount for which Guarantee is required.
   b) Period for which the Guarantee is required.
   c) Period within which each advance is to be repaid:
   d) Rate of Interest:
   e) Has any security been taken? If so, give particulars. If not, please state reasons.

9. a) Since when is the Exporter your client?
    b) Have you been giving Credits to him?
    c) What is the largest amount of credit given by you to him so far at any one time?
    d) What is the Income-tax paid by the Exporter during the last two years?
    e) What is the export turnover of the exporter for the last two years?

10. a) What is your general assessment of the creditworthiness of the party?
    b) Has the Exporter been discharging his liabilities to you promptly and regularly? If there has been any misunderstanding or dispute regarding his financial obligations to you, please state details.

11. a) Is the Exporter holding a shipment?
Policy of ECGC? If so, please indicate the number, Maximum Liability and the period of the policy.

b) Have you obtain any Guarantee from ECGC on account of the Exporter or his sister concern? If so, please give details.

12. Is the Exporter maintaining account with any other bank(s)? If so, please give the name and address of the bank(s).

We enclose a copy of the latest balance sheet of the Exporter. (This is necessary in respect of proposals over Rs. 5 Lakhs.)

We further declare that we will get all necessary documents in connection with grant of credit duly executed before advancing the loan. We undertake that:

(a) If the Exporter does not deliver properly executed shipping documents or fails to repay the debt with interest thereon or before.........we shall take all steps which may be necessary or expedient, or which the Corporation may at any time require, to effect recoveries, whether from the buyer/exporter or from any other person from whom such recoveries may be made, including (if so required) the institution of proceedings.

(b) In the event of the Corporation paying us the claim under the Guarantee, we shall pay to the Corporation 75% of any amount recovered by us after the payment of claim.

We hereby declare and certify that all above representations and statements made us are true, and that we have not misrepresented or omitted any material fact which has a bearing on the Guarantee and we agree that this declaration and proposal and all the representation and statements and the undertaking contained therein shall form the basis of and be incorporated in the Guarantee and that the truth of such representations and statements and the due performance of each and every undertaking contained herein or in the Guarantee shall be a condition precedent to any liability of the Corporation under the Guarantee and to the enforcement thereof by us.

APPLICANT'S SIGNATURE: _______________________
ADDRESS: __________________________

____________________________________
Date: _______________________________
Annexure III
(To be forwarded in TRIPlicate to the Corporation not later than the 10th of each month)
MONTHLY DECLARATION OF CREDIT GRANTED

To,
The Managing Director/Branch Manager, The Export Credit & Guarantee Corporation Limited, Bombay/ Calcutta/Madras/Delhi/Cochin.

POST-SHIPMENT EXPORT CREDIT GUARANTEE NO. _________________________, A/c. M/s. ____________________________

Dear Sir,

We declare hereunder against the above Guarantee all the advances made to the Exporter(s) during the month of__________________________

<table>
<thead>
<tr>
<th>Amount Outstanding at the end of previous month.</th>
<th>Details of fresh Advances During the Month</th>
<th>Repayments</th>
<th>Highest amount outstanding on any day during the month</th>
<th>Amt. of premium @ 5% payable on Amount in Column No. (9)</th>
<th>Amount outstanding at the end of the month.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Outstanding at the end of previous month.</td>
<td>Date of Shipment</td>
<td>Name of the Buyer and Country</td>
<td>Gross Invoice Value of Shipment</td>
<td>Date of Advance</td>
<td>Amount advanced</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Dated:

N.B. Please give on the reverse the details of amounts advanced in earlier months, which have not been repaid on the due dates.

Yours Faithfully,

Signature of the Insured

P.T.O.
b) Have you been giving Credits to him?
c) What is the largest amount of credit given by you to him so far at any one time?
d) What is the Income-tax paid by the Exporter during the last two years?

8. a) What is your general assessment of the creditworthiness of the party?
b) Has the Exporter been discharging his liabilities to you promptly and regularly? If there has been any misunderstanding or dispute regarding his financial obligations to you, please state details.

9. Is the Exporter maintaining account with any other bank(s)? If so, please give the name and address of the bank(s).

10. Have you obtain any Guarantee from ECGC on account of the Exporter or his sister concern? If so, please give details.

We enclose a copy of the latest balance sheet of the Exporter. (This is necessary in respect of proposals over Rs. 5 Lakhs.) We further declare that we will get all necessary documents in connection with grant of credit duly executed before advancing the loan. We also undertake that:

(a) If the Exporter does not deliver properly executed shipping documents or fails to repay the debt with interest thereon or before........we shall take all steps which may be necessary or expedient, or which the Corporation may at any time require, to effect recoveries, whether from the buyer/exporter or from any other person from whom such recoveries may be made, including (if so required) the institution of proceedings.

(b) In the event of the Corporation paying us the claim under the Guarantee, we shall pay to the Corporation 75% of any amount recovered by us after the payment of claim.

We hereby declare and certify that all above representations and statements made us are true, and that we have not misrepresented or omitted any material fact which has a bearing on the Guarantee and we agree that this declaration and proposal and all the representation and statements and the undertaking contained therein shall form the basis of and be incorporated in the Guarantee and that the truth of such representations and statements and the due performance of each and every undertaking contained herein or in the Guarantee
Annexure IV

THE EXPORT CREDIT & GUARANTEE CORPORATION LTD.
(A GOVERNMENT OF INDIA CONCERN)
‘Express Towers’, 10th Floor, Post Box No. 373, Nariman Point, Bombay-400021

PROPOSAL FOR EXPORT FINANCE GUARANTEE

(This proposal is to be forwarded by the Banks or Financing Institution to ECGC direct)

Name & Address of the applicant: ________________________________

We hereby apply for the EXPORT FINANCE GUARANTEE of the Export Credit & Guarantee Corporation Ltd., to pay us 75% of the loss as defined therein that we may sustain in accordance with the terms and subject to the conditions of the said Guarantee (which we have already read) in respect of advances which we propose to give or have given to the party named in the declaration herein below. The advance will be made to the Exporter against purchase/negotiation/or discount of export bills relating to shipment of goods out of India under a firm contract or agreement for sale.

We declare as under:

1. Name & full address of the Exporter: ________________________________

2. Is the Exporter an individual, Partnership, a Public or Private Ltd., Company?

3. In case of an Individual:
   Give the name of the proprietor and his individual worth, assets etc.
   In case of Partnership:
   Their individual worth, assets etc.
   a) Give name & address of the partners
   b) Is the exporter registered under the Partnership Act?
   In case of a company, state:
   a) Authorised Capital ________
   b) Subscribe Capital ________

XX
c) Paid-up Capital

d) Names & Addresses of Directors

4. (a) Commodities to be exported:
(b) Is the commodity eligible for cash assistance/ drawback of customs/ Excise duty/ International Steel Price differential to be received from J.P.C. Calcutta?
(c) If so, please indicate the quantum of receivables as in (b) above and number and date of the letter under which it is sanctioned by Government.
(d) If the Manufacturer/ Exporter himself is not exporting, the name and address of the Exporter.

5. (a) Value of the goods to be exported under the sale contract concerned and payment terms. (If exports are against letter of credit, Please state whether the letter of credit is revocable or irrevocable and whether it is confirmed by any bank in India.)
(b) What is the export turnover of the exporter for last two years.

6. a) The amount for which Guarantee is required.
    b) The period for which the Guarantee is required.
    c) The period for which credit is given
    d) Rate of Interest:
    e) Terms of payment.
    f) Has any security been taken? If so, give particulars. If not, please state reasons.
    g) Does the security cover only advance for which this guarantee is sought, or does it also cover other advances to the exporter? If so, please give details.

7. a) Since when is the Exporter your client?
shall be a condition precedent to any liability of the Corporation under the Guarantee and to the enforcement thereof by us.

APPLICANT'S SIGNATURE: __________________________
ADDRESS: __________________________
____________________________
Date: __________________________