

DEPTT. OF COMMERCE

SEMESTER IV

SUBJECT- FOREIGN TRADE OF INDIA

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NATIONAL LEVEL FINANCING INSTITUTIONS FOR PROMOTING EXPORT ACTIVITIES

It is an holistic fact that exports of any developing country like India need's guidance and assistance form various institutions at different stages of its exports. For this purpose the government of India has set up several institutions which are functioning to help an exporter in his work through assistance and incentives under various schemes .Exporters in India have been acquainted with the functions of these institutions and the nature of help that such institutions can render to exporting community, exporters have often been advised to contact these institutions so that they can become clear about the help they can expect from organized sources in their export promotion effort.

The main financing institutions for promoting export activities are:

Export and Import Bank of India (EXIM)

The Export and Import Bank of [India](#), popularly known as the EXIM Bank was set up in 1982. It is the principal financial institution in India for foreign and international trade. It was previously a branch of the IDBI, but as the foreign trade sector grew, it was made into an independent body.

The main function of the Export and Import **Bank** of India is to provide financial and other assistance to importers and exporters of the country. And it oversees and coordinates the working of other institutions that work in the import-export sector. The ultimate aim is to promote **foreign trade** activities in the country.

The management of the EXIM bank is done by a board, headed by the Managing Director. There are 17 other Directors on the board. The whole paid-up **capital** of the bank (100 crores currently) is subscribed by the Central Government exclusively.

Functions of the EXIM Bank

Some of the main functions of Export and Import Bank are:

1. Finances import and export of goods and services from India
2. It also finances the import and export of goods and services from countries other than India.
3. It finances the **import** or export of machines and machinery on lease or hires purchase basis as well.
4. Provides refinancing services to banks and other financial institutes for their financing of foreign trade
5. EXIM bank will also provide financial assistance to businesses joining a **joint venture** in a foreign country.
6. The bank also provides technical and other assistance to importers and exporters. Depending on the country of origin there are a lot of processes and procedures involved in the import-export of goods. The EXIM bank will provide guidance and assistance in administrative matters as well.
7. Undertakes functions of a merchant bank for the importer or exporter in transactions of foreign trade.
8. Will also underwrite shares/**debentures**/stocks/bonds of companies engaged in foreign trade.

9. Will offer short-term loans or lines of credit to foreign banks and governments.
10. EXIM bank can also provide **business** advisory services and expert knowledge to Indian exporters in respect of multi-funded projects in foreign countries

Importance of the EXIM Bank

Other than providing financial assistance, the Export and Import Bank of India bank is always looking for ways to promote the foreign trade sector in India. In the early 1990s, EXIM introduced a program in India known as the Clusters of Excellence.

The aim was to improve the quality standards of our imports and exports. It also has a tie-up with the European Bank for Reconstruction and Development. It has agreed to co-finance programs with them in eastern Europe.

In order to promote exports EXIM bank also has schemes such as **production** equipment finance program, export marketing finance, vendor development finance, etc.

ECGC

Export Credit Guarantee Corporation of India (ECGC) is an Indian enterprise which is administered by the Government of India through the Ministry of Commerce and Industry. ECGC which is wholly owned by the Indian Government was set up in the year 1957 with the intention to promote exports by offering credit risk insurance and allied services to the exporters.

Export Credit Guarantee Corporation of India is fundamentally an export promotion organization, which seeks to enhance the competitiveness of Indian exports by offering them credit insurance covers. Over the years

ECGC has considered various export credit risk insurance products suiting the needs of Indian exporters.

This corporation was set up for ensuring smooth functioning of Indian exporters by minimizing the risks associated with the payments emanating from other nations. This insurance cover which is provided by ECGC also assists the Indian exporters with better access to the credit facilities from banks and other financial institutions. ECGC is the 5th largest credit insurance company dealing with the exports of any country.

Export Credit Guarantee Corporation of India offers protection against the non-payment by an importer. Due to this insurance cover, the financial institutions are better placed for lending and providing larger credit to exporters. ECGC also offers credit ratings as well as shares the information on various countries and risks associated with doing business with/in those countries.

What does an ECGC do?

1. It offers an array of credit risk insurance covers to the Indian exporters against the loss with respect to the export of their goods and services
2. It provides Export Credit Insurance covers to the banks and other financial institutions for enabling exporters to find better services from them
3. It offers Overseas Investment Insurance to the Indian companies investing in Joint Ventures (JVs) abroad in the form of loan or equity.

How does ECGC help the exporters?

ECGC provides the insurance protection to Indian exporters against the payment risks. It helps the exporters in a number of ways which include:

1. Guiding export-related activities
2. Making information available with respect to various countries with its credit ratings
3. Making it easy to get export finance from the banks and other financial institutions
4. Helping Indian exporters recover bad debts
5. Providing information on the credit-worthiness of foreign buyers ECGC further insures exporter's credit risks against both political as well as

commercial conditions and guarantees the payment to exporters. ECGC offers several types of insurance covers and these could be classified into the following groups:

- a. Standard policies that protect Indian exporters against overseas credit risks
- b. Construction works and services policies
- c. Financial Guarantees
- d. Special policies

ECGC offers following types of guarantees to the exporters:

- i. Export finance guarantee
- ii. Packing credit guarantee
- iii. Post-shipment export credit guarantee
- iv. Export production finance guarantee
- v. Transfer guarantee
- vi. Export performance guarantee

MMTC

MMTC the largest international trading company of India and the first Public Sector Enterprise was established in 1963.

This enterprise has been accorded the status of “**FIVE STAR EXPORT HOUSE**” by Government of India for long Standing Contribution to Exports.

This corporation is one of the two Highest Foreign Exchange earner for India is a leading international trading company with a turnover of over US \$ 5 billion.

trading MMTC's diverse trade activities encompass third country trade, Joint Ventures, link deals all modern day tools of international. Its vast international trade network which includes a wholly owned international

subsidiary in SINGAPORE spans almost in all countries in Asia, Europe, Africa, Oceanic and America giving MMTC a global market coverage.

Aims and Objectives of MMTC:

Aims:

As the largest trading company of India and a major trading company of Asia MMTC aims at improving its position further by achieving sustainable and viable growth rate through excellence in all its activities generating optimum profits through total satisfaction of shareholders, customers, suppliers, employees and society.

Objectives:

1. To be a leading International Trading House in India operating in the competitive Global trading environment with focus on “bulk” as Core competency and to improve returns on capital employed.
2. To retain the position of single largest trader in the country for product lines, like minerals, metals and precious metals.
3. To promote development of trade related infrastructure.
3. To provide support services to the medium and small scale sectors.
4. To render high quality of service to all categories of customers with professionalism and efficiency.
5. To streamline system within the company for settlement of commercial disputes.
6. To upgrade employees skills for achieving higher productivity.

STC

The State Trading Corporation (STC) was set up by the Government in May 1956 incorporated under the Indian Companies Act, 1956. It was designed as the sole import export agency as may be decided by the Government of India from time to time. Initially, it was established to deal with bilateral trading partners largely in the socialist block. It has now become a wholly owned holding company of the Project and Equipment Corporation of India Limited.

Management:

The State Trading Corporation is a registered company under Indian Companies Act and managed by a Board of Directors including both executive and non-executive directors. It is headed by a Chairman.

Objects of the STC:

The main objects of the STC are as follows:

1. To organise and undertake trade in socialist countries as well as other countries in commodities entrusted to the company from time to time by the Government of India and to undertake the purchase, sale and transport of such commodities in India or elsewhere in the world.
2. To undertake at the instance of the Union Government of India import and/or internal distribution of any commodity in short supply with a view to stabilising prices and rationalizing distribution.
3. To implement such special arrangement for imports/export, internal trade or distribution of particular commodities as the Union Government may specify in the public interest.
4. To arrest the declining trend in exports or to boost export by introducing new products in new markets.
5. To assist small exporters in their export trade.

6. To assist export-oriented organisations in their export and financial and organisational activities.

Workings of STC:

The State Trading Corporation has completed 54 years of its existence. It has played a commendable role in achieving its objectives for which it was established.

Its workings can be evaluated by the facts written below:

1. The Turnover of the STC:

The turnover of the STC over the years has increased. Before 1971-72 the turnover was quite insignificant but after that the increase was significant. The exports reached to the highest peak during 1980-85 and started declining afterwards.

In the beginning the STC efforts were guided by the policies of the Government. But in latter years it has developed the non-canalized exports such as of items marine products, garments, engineering goods and products and textiles.

2. Important Products:

It deals in nearly 3000 commodities including agricultural and consumer items and items of construction materials, software, miscellaneous engineering items, fresh and processed food, leather and leather products, meat and marine products. The major imports of STC are edible oils, cement, explosives, natural rubber standard and glazed newsprint. Its trade is stretched over 115 countries.

On the whole, the STC has developed a sound infrastructure for development of exports through it about 20 branches in India and 18 overseas offices and a large force of trained marketing personnel. Foreign offices provide market intelligence and can pursue the STC business matters with the various parties concerned.

With this sound infrastructure, STC should not only act as a casualising agency but should also make efforts to create an image of an effective trading house on lines of Japanese trading houses. It should provide new dimensions and leadership as the biggest export house in the country. It has stepped forward towards achieving its objectives of boosting exports.