Chapter 8
Summary

Export Promotion Incentives

After independence, India's need for foreign exchange has become almost unlimited. This is so because of the import of capital goods such as plant and machinery, heavy equipment, raw materials for end products for export etc. even fraction of these requirements could not possibly be mate out by the export of few traditional items like Tea, jute etc. Hence, export promotion has become inevitable.

For promotion of exports Government, RBI, Exim Bank and Commercial Banks plays an important part which can be summarised as below;

Government offered different incentives for promotion of exports to the Indian exporters.

- Cash Assistance, Duty Drawbacks
- Import Entitlement

Reserve Bank of India, with the same object in view orders to stimulate bank financing of exports by way of;

- Duty Drawback Credit scheme
- Pre-shipment Credit Scheme
- Export Bills Credit Scheme

For the purpose of export promotion Exim bank i.e. Export Import Bank provides term credit facilities.

- Long term finance guarantees
- Refinancing of export credits

Payment for exports is open to risk even at the best time. Economic difficulties or problems in balance of payment may lead a country to impose restriction on imports. In order to provide, export credit insurance support to Indian exporters, Export Credit Guarantee Corporation of India Ltd. (ECGC) was set up. It functions under the administrative control of the Ministry of Commerce and is managed by Board of Directors representing Government Banking, Insurance, Trade, Industry etc. ECGC provides guarantees to banks to protect them from risk of loss inherent in granting various types of finance facility to exporters.

The covers issued by ECGC are policies issued to the exporters and guarantee issued to the banks.

- Standard Policy
- Specific Policy
- Financial Guarantees
- Special Scheme Guarantees

Risks covered under the standard policies are;

- Commercial Risk
  - Insolvency of the buyer
  - Buyer failure to accept the goods
- Political Risk
  - War, Civil war in the buyers country
  - New import restrictions etc

Risks not covered under this policy are as below;

- Causes inherent in the nature of the god
- Insolvency/ default of any agent
- Loss or damage to goods which can be covered by General Insurers
- Exchange rate fluctuations
- Failure of the exporter to fulfill the terms of the export Contract or negligence of his parts.

In the event of non-payment export bill, policy holder required to take prompt and effective steps to prevent and minimise loss. The other important points on this are summarised as below;

- Extension of credit period, Changing tenor
- Time for payment of claim
- Settlement of claim
- Banks responsibility

Exporters required adequate financial support from banks to carry out their export contracts. ECGC guarantee cover; protect banks from losses on account of their lending to exporters. To meet the requirements of the exporters ECGC has evolved the following types of guarantees;

- Packing credit guarantee
- Export product finance guarantee
- Post-shipment credit guarantee
- Export performance indemnity
- Export Finance (overseas lending) guarantee
- Export Finance guarantee

Under special schemes of ECGC transfer guarantee, exchange fluctuation risk covers and whole turnover guarantee cover are included.

For purpose of export promotion the Government of India has set up certain institution to advice the Central Government, Local authority, Public bodies and Exporters on matters concerning exports. Few of them stated below;

- Export Promotion advisory council
- The Trade Development Authority