CHAPTER III

EXPORT FINANCE
CHAPTER III

EXPORT FINANCE

3.1 Introduction
3.2 Utilising Export Finance
3.3 Size of Exporters Utilising Pre-shipment Finance
3.4 Type of Exporters Utilising Pre-shipment Finance
3.5 Average Amount of Pre-shipment Finance Utilised
3.6 Average Amount of Pre-shipment Finance and Size of Exporters
3.7 Average Amount of Pre-shipment Finance Utilised by the Type of Exporters
3.8 Average Annual Value of Exports and Average Amount of Pre-shipment Finance Utilised
3.9 Experience in Export Business and Pre-shipment Finance
3.10 Sources of Export Finance
3.11 Utilisation of Post-shipment Finance
3.12 Size of Exporters Utilising Post-shipment Finance
3.13 Types of Exporters Utilising Post-shipment Finance
3.14 Amount of Post-shipment Credit Utilised by Exporters
3.15 Export Finance as a Motivating Factor for Increasing Exports
3.16 Utilisation of Export Finance by the Exporters
3.17 Opinions of Exporters on Export Finance Related Services Rendered by Banks
3.18 Summary
3.1 INTRODUCTION

Finance is the life blood of any business. Business requires finance at all stages of activity. All traders involved in domestic trade and foreign trade require finance.

Exporters need export finance to produce exportable cargo and compete in the world market. Export finance helps exporters to import raw materials and employ technical-know-how from foreign countries, in order to manufacture products of international standards. They need export finance in order to sustain themselves till they realize the proceeds from the importer. "There is a time lag between finalising of an export order and its final execution. For this interval during which production takes place, exporter needs working capital finance".¹

In this chapter, the researcher has analysed opinions of exporters regarding

i) utilisation of export finance,

---

ii) average amount of export finance utilised during the period from 1996 to 2000,

iii) sources of export finance,

iv) the extent of motivation provided by export finance for increasing exports, and

v) problems in utilising export finance.

The researcher has also analysed the opinions of the sample exporters regarding the statements:

Export finance provided by banks is sufficient,

Pre-shipment finance period should be extended to 270 days,

Rate of interest charged on export finance is reasonable,

Delay in sanctioning pre-shipment credit makes the exporters to borrow from other financial institutions at a high rate of interest, and

ECGC guarantee is essential for pre-shipment credit.

The researcher interviewed 170 exporters for this study. He has applied the chi-square test to assess the relationship between:
i) the size of exporters vis-à-vis utilising export finance,

ii) the type of exporters vis-à-vis utilising export finance, and

iii) experience in export business vis-à-vis utilising export finance.

Correlation is used to establish the relationship between motivation and utilisation of export finance.

3.2 UTILISING EXPORT FINANCE

Exporters utilise pre-shipment finance from bankers. Pre-shipment finance is otherwise called packing credit.

“A packing credit is a short term pre-shipment loan or advance granted by a banker to an exporter”.

“An exporter, in whose favour a letter of credit has been established or who holds a firm export order, is eligible for packing credit facility from a bank”.

“Pre-shipment credit is known as packing credit which is extended for the purposes of procuring and / or processing and packaging the goods for export”.³

“Packing credit advance is made available to the exporter for the purpose of purchasing, manufacturing, processing, transporting, warehousing, packing and shipping etc. of the goods meant for export against lodgement of documentary letters of credit established / transferred in his favour by the overseas buyer or against confirmed order/contract placed by the buyer for export of goods from India. In some cases, the finance is granted on production of sufficient evidence of receipt of export order i.e. cables, letter or fax/telex messages received from the overseas buyer⁴. Such type of communication must contain at least the following information:-

(a) Name of the buyer,

(b) Value of the order,


(c) Quantity and particulars of the goods to be exported,

(d) Date of shipment, and

(e) Terms of payment.

"In such cases, the exporter is required to give an undertaking to the financing bank that he will submit the firm order/letter of credit at a later stage as and when available for verification and endorsement".  

"Pre-shipment credit is normally provided by the commercial banks. The bank while advancing credit for this purpose, normally takes the following factors into consideration:

(a) honesty, integrity and capital of the exporter,

(b) exporter’s experience in foreign trade,

(c) security or guarantee offered.

(d) the margin and the rate of interest"\(^6\)

"Packing credit advance is sanctioned by banks at different stages of export. "Packing credit is disbursed in stages as this facility extended by the commercial banks is purely need based under the direction and supervision of the Reserve Bank of India".\(^7\)

"Pre-shipment credit can be extended from a period of 180 days to 270 days, in case the exporter fails to ship the goods due to reasons which are beyond his control".

3.2.1 EXPORT CREDIT

"During 1999-2000, export credit refinance limits of Scheduled Commercial Banks (SCBs) increased from Rs.7,269 crore in March 1999 to Rs.10,579 crore in March, 2000. The average utilisation of export credit refinance by SCBs ranged from 37.2 per cent and 95.7 per cent in 1999-2000. SCBs are required to lend a minimum 12 per cent of their advances as export

---


credit. During April – October, 2001 export credit registered a growth of 2.6 per cent compared with a decline of 1.8 per cent in the corresponding previous period".  

"The total credit extended by scheduled commercial banks increased significantly by 41.2 per cent from Rs.12,020 crore as on June 26, 1992 to Rs.16,977 crore as on June 25, 1993. The proportion of export credit to net bank credit outstanding of the banks, as a result, rose from 9.0 per cent to 10.9 per cent during the period under review. Total outstanding export credit as on January 21, 1994 was Rs.16,897 crore forming 10.4 percent of the net bank credit".  

The researcher has ascertained the opinions of the exporters regarding the utilisation of pre-shipment finance and the survey results are shown in Table 3.1. 


TABLE 3.1

UTILISATION OF PRE-SHIPMENT FINANCE BY EXPORTERS

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Opinion</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Utilised</td>
<td>70</td>
<td>27</td>
<td>29</td>
<td>27</td>
<td>153</td>
</tr>
<tr>
<td>2.</td>
<td>Not utilised</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>75</td>
<td>32</td>
<td>33</td>
<td>30</td>
<td>170</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.1 shows that out of 170 exporters surveyed, 153 exporters (90%) utilised pre-shipment finance and 17 exporters (10%) did not. It is inferred that the majority of the exporters have (90%) utilised pre-shipment finance from banks.

The researcher classified the sample exporters into four categories, [garment exporters, leather exporters, engineering exporters and plastic exporters] for ascertaining their opinions of exporters on different export trades about utilisation of export finance.

Survey results show that,

i) Out of 75 garment exporters, 70 (93%) have utilised export finance.

ii) Out of 32 leather exporters, 27 (84%) have done so.
iii) Out of 33 engineering exporters, 29 (88%) have done so.

iv) Out of 30 plastic exporters, 27 (90%) have utilised it.

3.3 SIZE OF EXPORTERS UTILISING PRE-SHIPMENT FINANCE

The researcher classified the exporters into two categories on the basis of size: large scale exporters and small scale exporters. There are 137 small scale exporters and 33 large scale exporters among the sample respondents.

"During 1997 on the recommendation of the Abid Hussain Committee, the Government has raised the investment limit on plant and machinery for small units and ancillaries from Rs.60/75 lakhs to Rs.1 crore and that for tiny units from Rs.5 lakhs to Rs.25 lakhs".10 Hence, small scale exporters mean those who have invested Rs.1 crore on plant and machinery. Those who have invested more than Rs.1 crore on plant and machinery are called large scale exporters.

TABLE 3.2

PRE-SHIPMENT FINANCE UTILISED BY SIZE OF EXPORTERS

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Pre-shipment Finance</th>
<th>Small Scale Exporters</th>
<th>Large Scale Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Utilised</td>
<td>127</td>
<td>26</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(93)</td>
<td>(79)</td>
<td>(90)</td>
</tr>
<tr>
<td>2.</td>
<td>Not utilised</td>
<td>10</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(7)</td>
<td>(21)</td>
<td>(10)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>137</td>
<td>33</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.2 reveals that out of 137 small scale exporters, 127 (93%) utilised the pre-shipment finance and 10 (7%) did not.

Out of 33 large scale exporters, 26 (79%) utilised pre-shipment finance and 7 exporters (21%) did not. It is interesting to note that 93% of the small scale exporters and 79% of the large scale exporters utilised pre-shipment finance. The researcher has attempted to test whether there is a significant relationship between the size of exporters and the utilisation of export finance by using chi-square test. The null hypothesis framed by the researcher for testing is shown below:
NULL HYPOTHESIS

There is no significant relationship between the size of exporters and utilisation of pre-shipment finance.

Calculated chi-square value = 7.13959
Table value = 3.84
Degree of freedom = 1
Significance level = 5%

As the calculated value of the chi-square is greater than its table value, the null hypothesis is rejected. Hence it is concluded that there is a significant relationship between the size of exporters and the utilisation of pre-shipment finance. It is also concluded that the size of exporters and the utilisation of pre-shipment finance are dependent.

3.4 TYPE OF EXPORTERS UTILISING PRE-SHIPMENT FINANCE

The researcher classified the exporters into two categories on the basis of type, [merchant exporters and manufacturer exporters] for the purpose of ascertaining the relationship between the type of exporters and the utilisation of pre-shipment finance.

Merchant exporter means exporters who purchases goods from manufacturers and exports the same to the foreign countries. Merchant exporters are not manufacturers.
Manufacturer exporter means exporter who manufactures goods and exports the same to the foreign countries. Manufacturer exporters sell their goods not only within the country but also in foreign country. They do domestic trade as well as foreign trade.

Table 3.3 shows the pre-shipment finance utilised by the type of exporters

**TABLE 3.3**

**UTILISATION OF PRE-SHIPMENT FINANCE BY TYPES OF EXPORTERS**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Utilisation of Pre-shipment Finance</th>
<th>Type of Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Merchant Exporters</td>
<td>Manufacturer Exporters</td>
</tr>
<tr>
<td>1.</td>
<td>Utilised</td>
<td>51 (84)</td>
<td>102 (94)</td>
</tr>
<tr>
<td>2.</td>
<td>Not utilised</td>
<td>10 (16)</td>
<td>7 (6)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>61 (100)</td>
<td>109 (100)</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.3 reveals that out of 61 merchant exporters, 51 (84%) utilised the pre-shipment finance and 10 (16%) did not.

Out of 109 manufacturer exporters, 102 (94%) utilised pre-shipment finance and 7 (6%) did not.
The survey results revealed that 84% of the merchant exporters and 94% of the manufacturer exporters utilised pre-shipment finance.

In order to find out whether there is any significant relationship between the utilisation of pre-shipment finance and the type of exporters, the chi-square test has been used by the researcher. The null hypothesis framed by the researcher for testing is shown below:

**NULL HYPOTHESIS**

There is no significant relationship between the utilisation of pre-shipment finance and the type of exporters.

Calculated chi-square value = 4  
Table value = 3.84  
Degree of freedom = 1  
Significance level = 5%

Since the calculated value of the chi-square is greater than its table value, the null hypothesis is rejected. The researcher concluded that there is a significant relationship between the utilisation of pre-shipment finance and the type of exporters. Utilisation of pre-shipment finance and the type of exporters are dependent.
3.5 AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED

"Generally pre-shipment finance is available upto a maximum of the FOB value of export order or the domestic value of goods, whichever is less".11

The researcher has presented the extent of pre-shipment finance utilised by the exporters in the following pages. Details of the pre-shipment finance utilised by exporters are given in the following table.3.4.

### TABLE 3.4

**AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED BY THE EXPORTERS DURING THE PERIOD 1996 TO 2000**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Average Amount of Pre-shipment Finance utilised (Rs. in lakhs)</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 100</td>
<td>53 (76)</td>
<td>18 (67)</td>
<td>20 (69)</td>
<td>26 (96)</td>
<td>117 (76)</td>
</tr>
<tr>
<td>2.</td>
<td>100 – 200</td>
<td>2 (3)</td>
<td>-</td>
<td>4 (14)</td>
<td>-</td>
<td>6 (4)</td>
</tr>
<tr>
<td>3.</td>
<td>Above 200</td>
<td>15 (21)</td>
<td>9 (33)</td>
<td>5 (17)</td>
<td>1 (4)</td>
<td>30 (20)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>70 (100)</td>
<td>27 (100)</td>
<td>29 (100)</td>
<td>27 (100)</td>
<td>153 (100)</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.4 shows the average amount of pre-shipment finance utilised by the different category of exporters. 117 exporters (76%) utilised pre-shipment finance below Rs.100 lakhs, 6 units (4%) utilised between 100 – 200 lakhs and 30 exporters (20%) utilised above Rs.200 lakhs during the period from 1995 – 1996 to 1999 – 2000.

Out of 70 garment exporters, 53 (76%) utilised below Rs.100 lakhs, 2 exporters (3%) utilised between Rs.100-200 lakhs and 15 exporters (21%) utilised above Rs.200 lakhs.
Out of 27 leather exporters, 18 (67%) utilised below Rs.100 lakhs and 9 (33%) utilised above Rs.200 lakhs.

Out of the 29 engineering exporters, 20 (69%) utilised pre-shipment finance below Rs.100 lakhs, 4 (14%) utilised between Rs.100-200 lakhs and 5 exporters (17%) utilised above Rs.200 lakhs.

Out of 27 plastic exporters, 26 (96%) utilised pre-shipment finance below Rs.100 lakhs and 1 exporter (4%) utilised above Rs.200 lakhs. The survey results revealed that a majority of the exporters utilised pre-shipment finance below Rs.100 lakhs during the review period.

In order to find whether there is any significant relationship between the average amount of pre-shipment finance utilised and the category of exporters, the chi-square test has been carried out.

In Table 3.4 most of the cell frequencies are less than five. Hence the cell frequencies are combined for the purpose of the application of the chi-square test and the average amount of pre-shipment finance utilised by the exporters is classified into two categories (below Rs.200 lakhs and Above Rs.200 lakhs) for the purpose of using the chi-square test. The researcher developed the null hypothesis for using the chi-square test. Table 3.5 shows the average amount of pre-shipment finance utilised by categories of exporters.
TABLE 3.5

AMOUNT OF PRE-SHIPMENT FINANCE UTILISED BY DIFFERENT CATEGORY OF EXPORTERS

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Average amount of pre-shipment finance utilised Rs. In lakhs</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 200</td>
<td>55</td>
<td>18</td>
<td>24</td>
<td>26</td>
<td>123</td>
</tr>
<tr>
<td>2.</td>
<td>Above 200</td>
<td>15</td>
<td>9</td>
<td>5</td>
<td>1</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>70</td>
<td>27</td>
<td>29</td>
<td>27</td>
<td>153</td>
</tr>
</tbody>
</table>

Source: Primary Data

NULL HYPOTHESIS

There is no significant relationship between utilisation of pre-shipment finance and category of exporters.

Calculated chi-square value = 8.1541
Table value = 7.815
Degree of freedom = 3
Significance level = 5%

Since the calculated value of chi-square is greater than the table value, the null hypothesis is rejected. Hence, it is concluded that there is a significant relationship between the utilisation of pre-shipment finance and the category of exporters. Utilisation of pre-shipment finance and the category of exporters are dependent.
3.6 AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED AND SIZE OF EXPORTERS

Large scale exporters require a larger quantum of pre-shipment finance and small scale exporters require less because the utilisation of an average amount of pre-shipment finance depends upon the size of exporters. Table 3.6 shows the average amount of pre-shipment finance utilised by the exporters of various sizes during the period from 1996 to 2000.

To find whether there is any significant relationship between the average amount of pre-shipment finance utilised and the size of exporters, the chi-square test was applied by the researcher. The average amount of pre-shipment finance utilised by the exporters is classified into two categories (Below Rs.200 lakhs and above Rs.200 lakhs) for the purpose of applying the Chi-square test.
### TABLE 3.6

**AMOUNT OF PRE-SHIPMENT FINANCE UTILISED BY EXPORTERS OF DIFFERENT SIZES**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Size of exporters</th>
<th>Average amount of Pre-shipment finance utilised Rs. in lakhs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Below 100  100 – 200  Above 200</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Small scale exporters</td>
<td>95  2  26</td>
<td>123</td>
</tr>
<tr>
<td></td>
<td>(81) (33) (87) (80)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Large scale exporters</td>
<td>22  4  4</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>(19) (67) (13) (20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>117  6  30</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td>(100) (100) (100) (100)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

The researcher found that a majority of the (77%) small scale exporters utilised average amount of pre-shipment finance below Rs. 100 lakhs and a majority of the (73%) large scale exporters utilised an average amount of pre-shipment finance below Rs. 100 lakhs. The researcher developed the null hypothesis for using the chi-square test.

**NULL HYPOTHESIS**

There is no significant relationship between the average amount of pre-shipment finance utilised and the size of exporters.
Calculated chi-square value  = 1.0405
Table value = 3.84
Degree of freedom = 1
Significance level = 5%

Since the calculated value of chi-square is less than the table value, the null hypothesis is accepted. Hence it is concluded that there is no significant relationship between the average amount of pre-shipment finance utilised and the size of exporters. Average amount of pre-shipment finance utilised and the size of exporters are independent.

3.7 AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED BY THE TYPE OF EXPORTERS

The researcher interviewed 51 merchant exporters and 102 manufacturer exporters. Merchant exporters are generally small scale exporters. They purchase exportable cargo from manufacturers and export it to foreign countries. They are not involved in research and development activities. Hence they require a limited amount of pre-shipment finance.

\[ \text{ex}\text{porters} \]

Manufacturer exporters are large scale in size. They require more finance for production activities. Any export unit involved in manufacturing, marketing and distribution activities requires heavy investment. Hence, they require more of pre-shipment finance. Moreover, manufacturer exporters are involved in research and development activities. It also adds to the requirement of pre-shipment finance. The average amount of pre-shipment finance utilised
by the type of exporters during the period from 1996 to 2000 is shown in table 3.7.

**TABLE 3.7**

**AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED BY TYPE OF EXPORTERS**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Type of Exporters</th>
<th>Average amount of Pre-shipment finance utilised Rs.in lakhs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Below 100</td>
<td>100 – 200</td>
</tr>
<tr>
<td>1.</td>
<td>Merchant Exporters</td>
<td>38</td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Manufacturer Exporters</td>
<td>(32)</td>
<td>(33)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>79</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(68)</td>
<td>(67)</td>
<td>(63)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>117</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.7 reveals that out of 153 exporters, 51 are merchant exporters and 102 manufacturer exporters.

Out of the 117 exporters utilising pre-shipment finance below Rs.100 lakhs, 38 are merchant exporters and 79 manufacturer exporters.

Out of 6 exporters utilising between Rs.100-200 lakhs, 2 (33%) are merchant exporters and 4 (67%) manufacturer exporters.
Out of 30 exporters utilising above Rs.200 lakhs, 11 (37%) are merchant exporters and 19 (63%) manufacturer exporters.

The researcher found that a majority of the merchant exporters (75%) and a majority of the manufacturer exporters (77%) utilise pre-shipment finance below Rs.100 lakhs during the review period from 1996 to 2000. The researcher developed the null hypothesis for using the chi-square test.

**NULL HYPOTHESIS**

There is no significant relationship between the average amount of pre-shipment finance utilised and the type of exporters.

- Calculated chi-square value = 0.1866
- Table value of chi-square = 3.84
- Degree of freedom = 1
- Significance level = 5%

Since the calculated value of chi-square is less than the table value, the null hypothesis is accepted. Hence, it is concluded that there is no significant relationship between the average amount of pre-shipment finance utilised and the type of exporters.

### 3.8 AVERAGE ANNUAL VALUE OF EXPORTS AND AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED

Utilisation of pre-shipment finance is normally based on export orders. When the exporter gets more export orders, he needs finance for
purchasing raw materials, processing, packaging, etc. Exporter approaches the bankers or other financial institutions for getting pre-shipment credit. It is assumed that those exporters exported more, if they utilised more pre-shipment credit. The average annual value of exports are taken for a period of five years from 1996 to 2000.

**TABLE 3.8**

**AVERAGE ANNUAL VALUE OF EXPORTS AND THE AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE UTILISED**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Average annual value of exports (Rs. in lakhs)</th>
<th>Average amount of Pre-shipment Finance utilised</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Below 200 lakhs</td>
<td>Above 200 lakhs</td>
</tr>
<tr>
<td>1.</td>
<td>Below 400</td>
<td>88</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>400 – 800</td>
<td>23</td>
<td>7</td>
</tr>
<tr>
<td>3.</td>
<td>Above 800</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>123</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.8 shows the average annual value of exports and the average amount of pre-shipment finance utilised by the exporters. Out of 153 exporters, 123 (80%) utilised pre-shipment credit below Rs.200 lakhs and 30 (20%) utilised above Rs.200 lakhs.
Out of the 123 exporters utilising pre-shipment finance below Rs.200 lakhs, 88 (72%) export goods valued at an average of Rs.400 lakhs, 23 (18%) between 400 and 800 lakhs and 12 (10%) above Rs.800 lakhs.

Out of the 30 exporters utilising pre-shipment finance of above Rs.200 lakhs, 6 (20%) export goods of annual value of below Rs.400 lakhs, 7 (23%) between 400 and 800 lakhs and 17 (57%) above Rs.800 lakhs. The researcher developed the null hypothesis for using the chi-square test.

**NULL HYPOTHESIS**

There is no significant relationship between the average annual value of exports and the average amount of pre-shipment finance utilised by exporters.

\[
\begin{align*}
\text{Calculated chi-square value} & = 28.66 \\
\text{Table value of chi-square} & = 5.991 \\
\text{Degree of freedom} & = 2 \\
\text{Significance level} & = 5% 
\end{align*}
\]

Since the calculated value of the chi-square is greater than the table value of chi-square, the null hypothesis is rejected. The researcher concluded that there is a significant relationship between the average annual value of exports and the average amount of pre-shipment finance utilised by
exporters. The average annual value of exports and the average amount of pre-shipment finance utilised by exporters are dependent.

3.9 EXPERIENCE IN EXPORT BUSINESS AND PRE-SHIPMENT FINANCE

Generally exporters do more export business, when they have more experience in export trade. It is assumed that long experience leads to more export business and less experience lead to less export business.

**TABLE 3.9**

**EXPERIENCE IN EXPORT BUSINESS AND THE AVERAGE AMOUNT OF PRE-SHIPMENT FINANCE**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Experience in export business (years)</th>
<th>Average amount of pre-shipment finance utilised</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Below 200 lakhs</td>
<td>Above 200 lakhs</td>
</tr>
<tr>
<td>1.</td>
<td>Below 5 years</td>
<td>57</td>
<td>7</td>
</tr>
<tr>
<td>2.</td>
<td>5 – 10 years</td>
<td>43</td>
<td>18</td>
</tr>
<tr>
<td>3.</td>
<td>Above 10 years</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>123</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.9 shows the experience of the exporters in export business and the average amount of pre-shipment finance utilised by them during the review period. Out of 153 exporters utilising pre-shipment finance, 64 (42%) have below 5 years of experience, 61 (40%) have between 5 – 10 years of experience, and 28 (18%) have above 10 years of experience.
Out of the 123 exporters utilising pre-shipment finance below 200 lakhs, 57 (46%) have below 5 years of experience, 43 exporters (35%) have between 5 – 10 years of experience and 23 (19%) have above 10 years of experience.

Out of the 30 exporters utilising pre-shipment finance of above Rs.200 lakhs, 7 (23%) have below 5 years of experience, 18 (60%) have between 5 – 10 years of experience and 5 (17%) have above 10 years of experience. The null hypothesis framed by the researcher for testing is shown below:

**NULL HYPOTHESIS**

There is no significant relationship between experience in export business and the average amount of pre-shipment finance utilised by exporters.

- Calculated chi-square value = 7.21
- Table value of chi-square = 5.991
- Degree of freedom = 2
- Significance level = 5%

Since the calculated value of the chi-square is greater than its table value, the null hypothesis is rejected. The researcher concluded that there is a significant relationship between experience in export business and the average amount of pre-shipment finance utilised by exporters.
3.10 SOURCES OF EXPORT FINANCE

Exporters received export finance from public sector banks and private sector banks. Both large scale exporters and small scale exporters do this. Table 3.10 shows the sources of export finance.

TABLE 3.10

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Exporters</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Small scale exporters</td>
<td>124 (98)</td>
<td>3 (2)</td>
<td>127 (100)</td>
</tr>
<tr>
<td>2.</td>
<td>Large scale exporters</td>
<td>25 (96)</td>
<td>1 (4)</td>
<td>26 (100)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>149</td>
<td>4</td>
<td>153</td>
</tr>
</tbody>
</table>

Source: Primary Data

Out of the 127 small scale exporters, 124 (98%) obtained export finance from public sector banks, and 3 (2%) received export finance from private sector banks.

Out of the 26 large scale exporters, 25 (96%) obtained export finance from public sector banks and 1 exporter (4%) received export finance from private sector banks. The survey results revealed that a majority of the large scale exporters (96%) and a majority of the small scale exporters (98%) obtained export finance from public sector banks.
3.11 UTILISATION OF POST-SHIPMENT FINANCE

Post-shipment finance is the credit extended to an exporter from the time of shipment of goods till the realisation of export finance. "Post-shipment finance requirement relates to exporters' needs after the goods are shipped till the actual payment thereof is received. Post-shipment credits are also made available by the commercial banks against the security of approved shipping documents tendered against letter of credit or otherwise. It is also provided at concessional rates".¹²

"Post-shipment credit refers to any loan or advance granted or any other credit provided by a banker to an exporter of goods from India from the date of extending the credit on the shipment of the goods to the date of realisation of the export proceeds. Such credits are provided by negotiating / purchasing export bills drawn under letter of credit or firm export order, covering goods exported on consignment basis.

Post-shipment credit also includes any loan or advance granted to an exporter in consideration of, or on the security of, any duty drawback or any

cash payment by way of incentive from the marketing development fund or any other relevant source". 13

"The post-shipment finance is the financial facility extended by the banks after the goods have been shipped and against the submission of export documents evidencing the despatch of goods. Post-shipment finance portfolio is in existence since the day the international trade has been known, but more precisely after the first world war whereby the international trade is even increasing and the shipping documents against which the exporters are getting financial facilities are well accepted". 14 "Post-shipment credit (short term) is given by banks after the shipment of goods and submission of commercial documents to them for negotiation or collection". 15


"The period of post-shipment credit will be from the date of negotiation or collection of export documents and upto the due date (not more than 180 days in any case) mentioned on the relative export bill or till the date of realisation of export proceeds from the overseas bank".  

Repayment of loan starts when the payment from abroad is realised in conformity with the terms of sale. It may take more time when the sale is done on credit or against documents or against acceptance. However, the policy of the ECGC covers such risks.

3.11.1 TYPES OF POST-SHIPMENT CREDIT

Post-shipment credit may be of three types:

3.11.1.1 SHORT TERM

The short term loans are usually for a period of 6 months and provided by commercial banks.

3.11.1.2 MEDIUM TERM

Loans generally offered for a period beyond 6 months and upto five years may be termed medium term loans. Such loans are also provided by the commercial banks in collaboration with the Export – Import Bank. Medium

term finance is provided in the case of durable consumer goods and light capital goods.

3.11.1.3 LONG TERM

Loans for a period beyond five years may be classified as long term loans. They are provided for export of capital goods and turnkey projects. Banks enjoy certain benefits in advancing loans to exporters. These benefits are:

a) An interest subsidy of 1½ per cent or refinance of credit by the Export-Import Bank or the Reserve Bank of India.

b) Guarantees for loans advanced are provided by the Export Credit and Guarantee Corporation. In such a case the ECGC covers a substantial part of the risks involved.\(^{17}\)

"Post-shipment advance granted to meet an exporters’ needs during the interviewing period between the shipment of the goods and the receipt of payment therefor".\(^{18}\) Sometimes the exporter offers liberal credit to

---


the importer. The importer will make the payment after 2 or 3 months. During that period the exporter requires finance. Whether the exporter is a manufacturer exporter or merchant exporter, he may require finance for manufacturing or purchasing goods towards the next consignment to the foreign country. In the case of the manufacturer exporter he will upgrade his technology, changing the marketing strategy, increasing the size of the organisation, opening new branches etc. Every such activity of the manufacturer exporter will require finance. Till he gets the payment from the importer, he may require finance to carry out these activities. Hence the exporter approaches the bankers for post-shipment finance.

Exporters require export finance at every stage of their activity. If there is delay in sanctioning loans / export finance, on the part of the bankers, they may even approach private financial institutions for getting finance at a higher rate of interest. It may be concluded that all categories of exporters utilise post-shipment finance for their export transactions.

The researcher has ascertained the opinions of exporters on the utilisation of post-shipment finance. Table 3.11 shows the opinions of exporters utilising post-shipment finance.
### TABLE 3.11

**OPINION OF EXPORTERS UTILISING POST-SHIPMENT FINANCE**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Opinion</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Utilised</td>
<td>70</td>
<td>27</td>
<td>29</td>
<td>27</td>
<td>153</td>
</tr>
<tr>
<td>2.</td>
<td>Not utilised</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>75</td>
<td>32</td>
<td>33</td>
<td>30</td>
<td>170</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.11 shows that out of 170 exporters surveyed, 153 (90%) utilised post-shipment finance and 17 (10%) did not. It is inferred that a majority of the exporters (90%) utilised post-shipment finance from banks.

It is found that 70 garment exporters (93%), 27 leather exporters (84%), 29 engineering exporters (88%) and 27 plastic exporters (90%) utilised post-shipment finance.

#### 3.12 SIZE OF EXPORTERS UTILISING POST-SHIPMENT FINANCE

Large scale exporters utilise post-shipment finance from banks. Their capacity for production and export is more than that of the small scale exporters. Hence they require a larger amount of post-shipment finance. In the case of small scale exporters, though their production is less, they require finance due to delayed payment by the importers. They cannot wait till the payment is made by the importer, because further production cannot be
stopped due to want of finance. Hence exporters whether they are large scale or small scale approach the bankers for finance.

TABLE 3.12

SIZE OF EXPORTERS AND UTILISING POST-SHIPMENT FINANCE

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Utilising Post-Shipment Finance</th>
<th>Size of Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Large scale exporters</td>
<td>Small scale exporters</td>
</tr>
<tr>
<td>1.</td>
<td>Utilised</td>
<td>26 (79.4%)</td>
<td>127 (93.7%)</td>
</tr>
<tr>
<td>2.</td>
<td>Not utilised</td>
<td>7 (2.1%)</td>
<td>10 (7.4%)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>33 (100)</td>
<td>137 (100)</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.12 shows that out of 33 large scale exporters, 26 (79%) utilised post-shipment finance and 7 (21%) did not. Out of the 137 small scale exporters, 127 (93.7%) utilised post-shipment finance and 10 (7.4%) did not. The researcher found that 79% of the large scale exporters and 93.7% of the small scale exporters utilised post-shipment finance.

3.13 TYPES OF EXPORTERS UTILISING POST-SHIPMENT FINANCE

The researcher has classified the exporters into two categories. They are merchant exporters and manufacturer exporters. Both types require post-shipment finance irrespective of their quantum of purchase, production and
volume of exports. Table 3.13 shows the types of exporters and their utilisation of post-shipment finance.

**TABLE 3.13**

**TYPE OF EXPORTERS AND UTILISING POST-SHIPMENT FINANCE**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Opinion</th>
<th>Type of exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Merchant exporters</td>
<td>Manufacturer exporters</td>
</tr>
<tr>
<td>1.</td>
<td>Utilised</td>
<td>51</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(84)</td>
<td>(94)</td>
</tr>
<tr>
<td>2.</td>
<td>Not utilised</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(16)</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>61</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 3.13 shows that out of 61 merchant exporters, 51 (84%) utilised post-shipment finance and 10 (16%) did not.

Out of 109 manufacturer exporters, 102 (94%) utilised post-shipment finance and 7 (6%) did not.

The researcher found that 84% of the merchant exporters and 94% of the manufacturer exporters utilised post-shipment finance.
3.14 AMOUNT OF POST-SHIPMENT CREDIT UTILISED BY EXPORTERS

Post-shipment finance is given to exporters by bankers for the purpose of meeting the working capital requirements. They avail post-shipment finance according to their requirements.

Table 3.14 shows an average amount of post-shipment finance utilised by exporters during the review period from 1996 to 2000.

**TABLE 3.14**

**AVERAGE AMOUNT OF POST-SHIPMENT FINANCE UTILISED BY EXPORTERS**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Average Amount of Post-shipment Finance (Rs. In lakhs)</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 100</td>
<td>53 (76)</td>
<td>18 (67)</td>
<td>20 (69)</td>
<td>26 (96)</td>
<td>117 (76)</td>
</tr>
<tr>
<td>2.</td>
<td>100 – 200</td>
<td>2 (3)</td>
<td>-</td>
<td>4 (14)</td>
<td>-</td>
<td>6 (4)</td>
</tr>
<tr>
<td>3.</td>
<td>Above 200</td>
<td>15 (21)</td>
<td>9 (33)</td>
<td>5 (17)</td>
<td>1 (4)</td>
<td>30 (20)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>70 (100)</td>
<td>27 (100)</td>
<td>29 (100)</td>
<td>27 (100)</td>
<td>153 (100)</td>
</tr>
</tbody>
</table>

Source: Primary Data
Table 3.14 showed that 153 exporters utilised post-shipment finance.

Out of 70 garment exporters, 53 (76%) utilised below Rs.100 lakhs, 2 (3%) between Rs.100 and 200 lakhs and 15 (21%) above Rs.200 lakhs.

Out of 27 leather exporters, 18 (67%) utilised below Rs.100 lakhs and 9 (33%) utilised above Rs.200 lakhs.

Out of 29 engineering exporters, 20 (69%) utilised below Rs.100 lakhs, 4 (14%) utilised between Rs.100 and 200 lakhs and 5 exporters (17%) utilised above Rs.200 lakhs.

Out of the 27 plastic exporters, 26 (96%) utilised below Rs.100 lakhs and 1 (4%) utilised above Rs.200 lakhs.

Survey results revealed that 53 garment exporters (76%) utilised below Rs.100 lakhs, 18 leather exporters (67%) utilised below Rs.100 lakhs, 20 engineering exporters (69%) utilised below Rs.100 lakhs and 26 plastic exporters (96%) utilised below Rs.100 lakhs as the average amount of post shipment finance during the review period. The null hypothesis framed by the researcher for testing is shown below:
NULL HYPOTHESIS

There is no significant relationship between the amount of post-shipment finance utilised and the categories of exporters.

Calculated chi-square value = 8.1541
Table value of chi-square = 7.815
Degree of freedom = 3
Significance level = 5%

Since the calculated value of the chi-square is greater than the table value, the null hypothesis is rejected. Hence it is concluded that there is a significant relationship between the amount of post-shipment finance utilised and the category of exporters. The amount of post-shipment finance utilised and the category of exporters are dependent.

3.15 EXPORT FINANCE AS A MOTIVATING FACTOR FOR INCREASING EXPORTS

"The common man thinks that people go into business and become entrepreneurs solely to make money. The desire to earn money is no doubt an important motivating force". 19

Businessmen want to earn as much as possible within a short period of time. Exporters too want to earn as much as possible within a short period say 2 years / 3 years. Because exporters run a risk, the Government of India earn foreign exchange by way of exporting products and services. Exporters face international competition. It is very difficult for them to meet the competition.

When they increase their exports the Government of India earns larger foreign exchange. Exporters should be motivated to increase their exports. Motivation can be monetary. It is required for every export unit to increase their exports. "Motivation is the desire within an individual that stimulates him or her to action".  

"Motivation is a process by which a need or desire is aroused and a ‘motive’ is a particular need or desire – a psychological force within our mind – setting us in motion to fulfil our need or desire which is aroused".  


“Motivation is the core of effective management action. Motivation is the process of influencing or stimulating a person to take action by creating work environment whereby the goals of the organisation and the needs of the people are satisfied.”

In the words of Stanley Vance, motivation means "Any emotion or desire which so conditions one’s will that one is propelled into action" or to quote. Prof.Brech "Motivation is a general inspiration process, which gets the members of the team to pull their weight effectively, to give their loyalty to the group, to carry out properly the tastes they have accepted and generally to play an effective part in the job that the group has undertaken". Export finance is one of the incentive schemes offered to exporters to increase their exports.

The researcher interviewed the sample exporters to ascertain their opinions on the extent of motivation created by export finance to the exporters to increase their exports. The researcher framed a statement- “Export Finance Motivates Exporters to Increase Exports”, and the exporters were


asked to give their opinions in a Likert Five Point Scale viz. Strongly agree, Agree, Neither agree nor disagree, Disagree and Strongly Disagree towards the statement. Weights are assigned to the respective scales as Strongly Agree 5 weights, Agree 4 weights, Neither agree nor disagree 3 weights, Disagree 2 weights and Strongly disagree 1 weight. Mean score, standard deviation, coefficient of variation and z test are computed based on the weights.

Mean score, standard deviation and co-efficient of variation test the extent of consistency in the opinions of exporters on the statement 'Export Finance Motivates Exporters to Increase their Exports'.

The number of exporters in the five point scale is multiplied by the respective weight to compute the opinion score. This obtains the motivation score. This score is taken as a measurement to assess the extent of motivation created by 'Export finance' in the exporters to increase their exports.

The obtained score is divided by the maximum score to find out the percentage of motivation created by export finance.

It is also assumed that if the percentage of motivation fails above 75%, it is considered high level of motivation, 50% to 75% moderate level and below 50% low level.
The same methodology is used for the next part of this chapter Utilisation of Export Finance by the exporters.

Opinions of the exporters on the above statement are given in Table 3.15 and mean score, standard deviation, co-efficient of variation are given in Table 3.16.

**TABLE 3.15**

OPINIONS OF EXPORTERS TOWARDS THE STATEMENT "EXPORT FINANCE MOTIVATES THE EXPORTERS TO INCREASE THEIR EXPORTS"

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Opinion</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strongly agree</td>
<td>54</td>
<td>30</td>
<td>22</td>
<td>26</td>
<td>132</td>
</tr>
<tr>
<td>2</td>
<td>Agree</td>
<td>18</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td>3</td>
<td>Neither agree nor disagree</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Disagree</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total** | 75 | 32 | 33 | 30 | 170 |

Source: Primary Data
TABLE 3.16
EXPORT FINANCE MOTIVATES EXPORTERS TO INCREASE THEIR EXPORTS – MOTIVATION SCORE

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Details</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Maximum Score 100% Motivation</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
<td>850</td>
</tr>
<tr>
<td>2.</td>
<td>Obtained Motivation Score</td>
<td>351</td>
<td>158</td>
<td>151</td>
<td>146</td>
<td>806</td>
</tr>
<tr>
<td>3.</td>
<td>% of Motivation</td>
<td>94</td>
<td>99</td>
<td>92</td>
<td>97</td>
<td>95</td>
</tr>
<tr>
<td>4.</td>
<td>Level of Motivation</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>5.</td>
<td>Mean Score</td>
<td>4.68</td>
<td>4.94</td>
<td>4.58</td>
<td>4.90</td>
<td>4.74</td>
</tr>
<tr>
<td>6.</td>
<td>Standard Deviation</td>
<td>0.550</td>
<td>0.242</td>
<td>0.780</td>
<td>0.342</td>
<td>0.550</td>
</tr>
<tr>
<td>7.</td>
<td>Co-efficient of Variation</td>
<td>11.75</td>
<td>4.90</td>
<td>17.03</td>
<td>6.98</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Table 3.15 shows that out of 170 exporters, 88 (52%) strongly agree, 18 (11%) have stated agree, 12 (7%) neither agree nor disagree, 22 (13%) disagree and 30 (17%) strongly disagree with the statement 'Export Finance motivates exporters to increase their exports'.

If all 170 respondents strongly agreed with the above statement, the opinion score for 100% motivation would be $170 \times 5 = 850$. This is the maximum score. The computed opinion score is given below:
Maximum Motivation Score
(170 respondents x 5 weight) 850
Obtained Motivation Score 806
Percentage of motivation (806/850 x 100) 95%
Level of Motivation High

As the percentage of motivation of the sample exporters falls above 75%, it is found that the level of motivation of export finance to the exporters is at a high level. It is concluded that the sample exporters are highly motivated by export finance.

As the co-efficient of variation is 11.6, it is concluded that the opinions of sample exporters on the statement are consistent to the extent of 88.4%.

It is also attempted to ascertain to what extent Export Finance motivated the various categories of exporters to increase their exports.

3.15.1 GARMENT EXPORTERS

Survey results show that out of 75 garment exporters, 54 (72%) strongly agree, 18 (24%) agree, and 3 (4%) neither agree nor disagree with the statement.
Maximum Motivation Score (75 x 5) 375
Obtained Motivation Score 351
Percentage of Motivation (351/375 x 100) 94%
Level of Motivation High

As the percentage of motivation of the garment exporters falls above 75%, it is concluded that garment exporters are highly motivated by the Export Finance scheme. The percentage of motivation of garment exporters is more than that of the Engineering exporters but it is less than that of Leather and Plastic exporters.

As the Co-efficient of Variation is 11.75%, it is concluded that the opinions of garment exporters on the statement are consistent to the extent of 88.25%. But their consistency is more than that of the Engineering exporters.

3.15.2 LEATHER EXPORTERS

Survey results reveal that out of 32 Leather exporters, 30 (94%) strongly agree and 2 agree with the statement. The motivation score of this statement is given below:

Maximum Motivation Score (32 x 5) 160
Obtained Motivation Score 158
Percentage of Motivation (158/160 x 100) 99%
Level of Motivation High

As the percentage of motivation of the leather exporters falls above 75%, it is concluded that Leather exporters are highly motivated by
Export Finance. Their percentage of motivation is more than that of other categories of exporters.

As the Co-efficient of Variation is 4.9%, it is concluded that the opinions of leather exporters regarding the statement are consistent to the extent of 95.1%. It may be concluded that the percentage of consistency of the opinions of the leather exporters towards the statement is more than that of other categories of exporters.

3.15.3 ENGINEERING EXPORTERS

Survey results show that out of 33 Engineering exporters, 22 (67%) strongly agree, 10 (30%) agree and 1 (3%) disagrees with the statement. The computed motivation score of this statement is shown below:

- Maximum Motivation Score (33 x 5) 165
- Obtained Motivation Score 151
- Percentage of Motivation (151/165 x 100) 92%
- Level of Motivation High

As the percentage of motivation of the engineering exporters falls above 75%, it is found that they are highly motivated. The percentage of motivation of Engineering Exporters is less than that of the other categories of exporters.

As the Co-efficient of Variation is 17.03%, it is inferred that the opinions of engineering exporters on the statement are consistent to the extent
of 82.97%. It is found that the percentage of consistency of the opinions of these exporters on the statement is less than that of the other categories of exporters.

3.15.4 PLASTIC EXPORTERS

The survey results show that out of 30 Plastic exporters, 26 (87%) strongly agree and 4 (13%) agree with the statement. The motivation score of the statement is as under:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Motivation Score (30 x 5)</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Motivation Score</td>
<td>146</td>
</tr>
<tr>
<td>Percentage of Motivation (146/150 x 100)</td>
<td>97%</td>
</tr>
<tr>
<td>Level of Motivation</td>
<td>High</td>
</tr>
</tbody>
</table>

As the percentage of motivation of the Plastic exporters falls above 75%, it is concluded that they are highly motivated by Export Finance. The percentage of motivation of Plastic exporters is higher than that of the Garment Exporters and Engineering Exporters.

As the Co-efficient of Variation is 6.98%, it is inferred that the opinions of Plastic exporters towards the statement are consistent to the extent of 93.02. But their consistency is more than that of Garment exporters and Engineering exporters.
3.16 UTILISATION OF EXPORT FINANCE BY THE EXPORTERS

The study reveals that export finance contributes to motivate exporters to increase their exports. The researcher has attempted to assess the extent of utilisation of export finance by sample exporters in Tamil Nadu. The researcher has recorded the opinions of exporters on the utilisation of export finance on a five point scale viz. Always Utilised, Frequently Utilised, Occasionally Utilised, Rarely Utilised and Never Utilised. Weights are assigned to the respective five scales. Table 3.17 shows opinions of respondents on utilisation of export finance (both pre-shipment and post-shipment credit).

### Table 3.17
**Opinions of Exporters on the statement “Utilisation of Export Finance Increases Exports”**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Opinion</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Always utilised</td>
<td>50</td>
<td>20</td>
<td>22</td>
<td>22</td>
<td>114</td>
</tr>
<tr>
<td>2</td>
<td>Frequently utilised</td>
<td>15</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>3</td>
<td>Occasionally utilised</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Rarely utilised</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Never utilised</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>32</strong></td>
<td><strong>33</strong></td>
<td><strong>30</strong></td>
<td></td>
<td><strong>170</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data
### TABLE 3.18

**EXPORT FINANCE – UTILISATION SCORE**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Details</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Maximum Score 100% Utilisation</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
<td>850</td>
</tr>
<tr>
<td>2.</td>
<td>Obtained Utilisation Score</td>
<td>328</td>
<td>131</td>
<td>138</td>
<td>133</td>
<td>730</td>
</tr>
<tr>
<td>3.</td>
<td>% of utilisation</td>
<td>87</td>
<td>82</td>
<td>84</td>
<td>89</td>
<td>86</td>
</tr>
<tr>
<td>4.</td>
<td>Level of Utilisation</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>5.</td>
<td>Mean Score</td>
<td>4.37</td>
<td>4.09</td>
<td>4.18</td>
<td>4.44</td>
<td>4.29</td>
</tr>
<tr>
<td>7.</td>
<td>Co-efficient of Variation</td>
<td>26</td>
<td>35</td>
<td>33</td>
<td>27</td>
<td>29</td>
</tr>
</tbody>
</table>

Table 3.17 shows that out of 170 exporters, 114 (67%) always utilised, 29 (17%) frequently utilised, 7 (4%) occasionally utilised, 3 (2%) rarely utilised and 17 (10%) never utilised Export Finance. The computed utilisation score is shown below:

- Maximum Utilisation Score (170x5) = 850
- Obtained Utilisation Score = 730
- Percentage of Utilisation (730/850 x 100) = 86%
- Level of Utilisation = High

As the percentage of utilisation of export finance falls above 75%, it is concluded that the sample exporters have highly utilised export finance in their export business.
Motivation analysis shows that the percentage of motivation provided by export finance is 95%. The utilisation score is 86%. It is concluded that the motivation score of the sample exporters is more than the utilisation score.

As the co-efficient of variation is 29%, it is inferred that the opinion of the sample exporters on the statement ‘Utilisation of Export Finance Increases Exports’ are consistent to the extent of 71%.

The researcher has attempted to measure the relationship between the level of motivation of export finance and its utilisation level among the sample exporters. Karl Pearson's correlation co-efficient is used to measure such relationship.

The researcher has attempted to analyse the percentage of utilisation of export finance by the four categories of exporters. The analysis is shown below:

3.16.1 GARMENT EXPORTERS

Survey results show that out of 75 garment exporters, 50 (67%) always utilised, 15 (20%) frequently utilised, 3 (4%) occasionally utilised, 2 (3%) rarely utilised and 5 (6%) never utilised export finance. The export finance utilisation score of the garment exporters is given below
Maximum Utilisation Score (75 x 5) 375
Obtained Utilisation Score 328
Percentage of Utilisation (328/375 x 100) 87%
Level of Utilisation High

As the percentage of utilisation of Export Finance falls above 75%, it is found that export finance is highly utilised by Garment Exporters.

As the Co-efficient of Variation is 26%, it is concluded that the opinions of garment exporters on the statement are consistent to the extent of 74%.

### 3.16.2 LEATHER EXPORTERS

The survey results show that out of 32 Leather exporters, 20 (62%) always utilised, 5 (16%) frequently utilised, 2 (6%) occasionally utilised and 5 (16%) never utilised the export finance.

Maximum Utilisation Score (32x 5) 160
Obtained Utilisation Score 131
Percentage of Utilisation (131/160x 100) 82%
Level of Utilisation High

As the percentage of utilisation of the Export Finance falls above 75%, it is found that the leather exporters have utilised it at a high level. But their level of utilisation is less than that of the other categories of exporters.
As the Co-efficient of Variation is 35%, it is inferred that the leather exporters’ opinions on the statement are consistent to the extent of 65%. The opinion consistency of the leather exporters is less than that of the other categories of exporters.

3.16.3 ENGINEERING EXPORTERS

The survey results show that out of 33 Engineering exporters, 22 (67%) always utilised, 4 (12%) frequently utilised, 2 (6%) occasionally utilised, 1 (3%) rarely utilised and 4 (12%) never utilised export finance. The utilisation score is given below:

<table>
<thead>
<tr>
<th>Maximum Utilisation Score (33x 5)</th>
<th>165</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtained Utilisation Score</td>
<td>138</td>
</tr>
<tr>
<td>Percentage of Utilisation (138/150x 100)</td>
<td>84%</td>
</tr>
<tr>
<td>Level of Utilisation</td>
<td>High</td>
</tr>
</tbody>
</table>

As the percentage of utilisation of the Export Finance falls above 75%, it is found that the engineering exporters have highly utilised the Export Finance in their export business. But their utilisation is less than the leather exporters.

As the Co-efficient of Variation is 33%, it is inferred that the engineering exporters opinions towards the utilisation of export finance are consistent to the extent of 67%.
3.16.4 PLASTIC EXPORTERS

The survey results show that out of 30 Leather exporters, 22 (73%) always utilised, 5 (17%) frequently utilised and 3 (10%) never utilised export finance. The utilisation score of these plastic exporters is shown below:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Utilisation Score (30x 5)</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Utilisation Score</td>
<td>133</td>
</tr>
<tr>
<td>Percentage of Utilisation (133/150x 100)</td>
<td>89%</td>
</tr>
<tr>
<td>Level of Utilisation</td>
<td>High</td>
</tr>
</tbody>
</table>

As the percentage of utilisation of Export Finance falls above 75%, it is found that export finance is highly utilised by the plastic exporters and their level of utilisation is more than that of the other categories of exporters.

As the Co-efficient of Variation is 27%, it is inferred that the plastic exporters’ opinions of the utilisation of export finance are consistent to the extent of 73%. The opinion consistency of the plastic exporters towards the ‘utilisation of export finance to increase their exports’ is more than the leather and engineering exporters.
TABLE 3.19

EXPORT FINANCE – MOTIVATION AND UTILISATION

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Exporters</th>
<th>Level of Motivation in percentage</th>
<th>Level of Utilisation in percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Garment sector</td>
<td>94</td>
<td>87</td>
</tr>
<tr>
<td>2</td>
<td>Leather sector</td>
<td>99</td>
<td>82</td>
</tr>
<tr>
<td>3</td>
<td>Engineering sector</td>
<td>92</td>
<td>84</td>
</tr>
<tr>
<td>4</td>
<td>Plastic sector</td>
<td>97</td>
<td>89</td>
</tr>
</tbody>
</table>

The present study shows that in the case of the garment exporters the percentage level of motivation is 94 and the percentage level of utilisation is 87 with regard to the incentive scheme of export finance.

The percentage level of motivation and the percentage level of utilisation in the case of leather exporters are 99 and 82 respectively for the export finance incentive scheme.

In the case of engineering exporters the percentage level of motivation is 92 and the percentage level of utilisation is 84 for export finance incentive scheme.

The percentage level of motivation and the percentage level of utilisation in the case of plastic exporters for export finance incentive scheme are 97 and 89 respectively.
The researcher has used Karl Pearson’s coefficient of correlation to assess the extent of relationship between motivation of export finance to the exporters and utilisation of export finance by the exporters.

TABLE 3.20

MOTIVATION AND UTILISATION – RESULTS OF CORRELATION ANALYSIS

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Exporters</th>
<th>Correlation</th>
<th>t value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Garment Exporters</td>
<td>+0.865</td>
<td>14.729</td>
</tr>
<tr>
<td>2</td>
<td>Leather Exporters</td>
<td>+0.5532</td>
<td>3.637</td>
</tr>
<tr>
<td>3</td>
<td>Engineering Exporters</td>
<td>+0.7754</td>
<td>6.837</td>
</tr>
<tr>
<td>4</td>
<td>Plastic Exporters</td>
<td>+0.8754</td>
<td>9.583</td>
</tr>
<tr>
<td>5</td>
<td>Sample (170) Exporters</td>
<td>+0.8102</td>
<td>17.916</td>
</tr>
</tbody>
</table>

* Significant at 5% level.

The motivation of export finance to the garment exporters and the utilisation of export finance by them are positively and highly correlated.

The correlation between motivation of export finance to the leather exporters and the utilisation of export finance by them is moderately positive.

The motivation of export finance to the engineering exporters and the utilisation of export finance by them are positively and highly correlated.

The correlation between motivation of export finance to the plastic exporters and the utilisation of export finance by them is highly positive.
The motivation of export finance to the sample exporters and the utilisation of export finance by them is positively and highly correlated.

3.17 OPINIONS OF EXPORTERS ON EXPORT FINANCE RELATED SERVICES RENDERED BY BANKS

The researcher analyses the opinions of the exporters relating to the amount of export finance, period of export finance, rate of interest, delay in sanctioning export finance and ECGC guarantee for export finance. Favourable and positive opinions have a strong bearing on the utilisation of export finance. The researcher has designed the following statements to assess the opinions of exporters on the above aspects.

Procedural Aspects of Export Finance

1. Export finance provided by banks is sufficient

2. Pre-shipment finance period should be extended to 270 days.

3. Rate of interest charged on export finance is reasonable.

4. Delay in sanctioning pre-shipment credit makes the exporters borrow from other financial institutions at a high rate of interest.

5. ECGC guarantee is essential for pre-shipment credit.

Opinion scores are computed based on the opinions expressed by the exporters on the above statements on a Likert’s Five Point Scale.
Percentage of agreement with the statements relating to export finance also computed.

The obtained score on the five point scale is divided by the maximum score and multiplied by hundred to assess the percentage of agreement with the statements.

If the obtained percentage of agreement is above 75%, it is presumed that the level of agreement is of a high level, 50% to 75% moderate level and below 50% low level.

Co-efficient of variation is also attempted to assess the consistency of exporters in expressing their opinions towards the procedural aspects of export finance.

The researcher attempted to use Z test to ascertain whether the opinions of the sample exporters are drawn from population.

Grand mean is assumed as population mean. Z test shows that there is a significant relationship between sample mean and population mean for the statements given below.

Table 3.21 shows the opinions of the respondents on the statements relating to utilisation of export finance.
### TABLE 3.21

**PROCEDURAL ASPECTS OF EXPORT FINANCE**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Procedural Aspects</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree nor disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total Score</th>
<th>Obtained Agreement Score</th>
<th>Mean Score</th>
<th>Standard Deviation</th>
<th>CV</th>
<th>Z Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Export Finance Provided by banks is sufficient.</td>
<td>87</td>
<td>27</td>
<td>16</td>
<td>22</td>
<td>18</td>
<td>850</td>
<td>653</td>
<td>3.84</td>
<td>1.432</td>
<td>37.00</td>
<td>+1.88*</td>
</tr>
<tr>
<td>2.</td>
<td>Pre-shipment finance period should be extended to 270 days</td>
<td>69</td>
<td>43</td>
<td>11</td>
<td>25</td>
<td>22</td>
<td>850</td>
<td>622</td>
<td>3.66</td>
<td>1.452</td>
<td>40.00</td>
<td>+0.2336*</td>
</tr>
<tr>
<td>3.</td>
<td>Rate of interest charged on export finance is reasonable</td>
<td>73</td>
<td>26</td>
<td>21</td>
<td>20</td>
<td>30</td>
<td>850</td>
<td>602</td>
<td>3.54</td>
<td>1.550</td>
<td>44.00</td>
<td>-0.791*</td>
</tr>
<tr>
<td>4.</td>
<td>Delay in sanctioning pre-shipment credit makes the exporters borrow from other F.I at a high rate of interest</td>
<td>74</td>
<td>30</td>
<td>11</td>
<td>28</td>
<td>27</td>
<td>850</td>
<td>606</td>
<td>3.56</td>
<td>1.549</td>
<td>44.00</td>
<td>-0.623*</td>
</tr>
<tr>
<td>5.</td>
<td>ECGC guarantee is essential for pre-shipment credit</td>
<td>67</td>
<td>38</td>
<td>17</td>
<td>21</td>
<td>27</td>
<td>850</td>
<td>607</td>
<td>3.57</td>
<td>1.494</td>
<td>42.00</td>
<td>-0.0049*</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4250</td>
<td>3090</td>
<td>18.17</td>
<td>7.477</td>
<td>207.00</td>
<td></td>
</tr>
</tbody>
</table>

* Significant to Grand Mean.

F.I - Financial Institutions, ECGC – Export Credit Guarantee Corporation.
3.17.1 ANALYSIS OF PERCENTAGE OF AGREEMENT OF EXPORTERS WITH THE STATEMENT ‘EXPORT FINANCE PROVIDED BY BANKS IS SUFFICIENT’

It is shown in Table 3.21 that out of 170 exporters, 87 (51%) strongly agree with the statement. 27 (16%) agree, 16 (9%) neither agree nor disagree, 22 (13%) disagree and 18 (11%) strongly disagree with the statement ‘Export Finance Provided by Banks is sufficient’.

The percentage of agreement with the statement is given below:

| Maximum (100%) Agreement score (170x5) | 850  |
| Obtained Agreement score                | 653  |
| Percentage of Agreement (653/850 x 100) | 77%  |
| Level of Agreement                     | High |

As the percentage of agreement falls above 75%, it is presumed that exporters highly agree with the statement and it is found that the amount of export finance provided by banks is sufficient to the exporters.

The Z test shows that there is a significant relationship between the sample mean and the population mean for the statement “Export Finance provided by banks is sufficient”.

The researcher has attempted to assess the percentage of agreement of the four categories of exporters towards the above statement.
3.17.1.1 GARMENT EXPORTERS

Survey results show that out of 75 garment exporters, 42 (56%) strongly agree, 12 (16%) agree, 7 (9%) neither agree nor disagree, 10 (13%) disagree and 4 (6%) strongly disagree with the statement.

3.17.1.2 LEATHER EXPORTERS

The survey results show that out of 32 leather exporters, 15 (47%) strongly agree, 6 (19%) agree, 3 (9%) neither agree nor disagree, 3 (9%) disagree and 5 (16%) strongly disagree with the statement.

3.17.1.3 ENGINEERING EXPORTERS

Survey results show that out of 33 engineering exporters, 13 (40%) strongly agree, 6 (18%) agree, 3 (9%) neither agree nor disagree, 5 (15%) disagree and 6 (18%) strongly disagree with the statement.

3.17.1.4 PLASTIC EXPORTERS

Survey results show that out of 30 plastic exporters, 17 (57%) strongly agree, 3 (10%) agree, 3 (10%) neither agree nor disagree, 4 (13%) disagree and 3 (10%) strongly disagree with the statement.
TABLE 3.22

‘EXPORT FINANCE PROVIDED BY BANKS IS SUFFICIENT’ – AGREEMENT SCORE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum (100%) Agreement Score</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Agreement Score</td>
<td>303</td>
<td>119</td>
<td>114</td>
<td>117</td>
</tr>
<tr>
<td>Percentage of Agreement</td>
<td>81</td>
<td>74</td>
<td>69</td>
<td>78</td>
</tr>
<tr>
<td>Level of Agreement</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Co-efficient of Variation</td>
<td>32</td>
<td>31</td>
<td>45</td>
<td>37</td>
</tr>
</tbody>
</table>

As the percentage of agreement of the Garment Exporters and Plastic Exporters falls above 75%, it is concluded that Garment and Plastic exporters highly agree with this statement and it is inferred that export finance provided by banks to them is sufficient.

As the percentage of agreement of the Leather Exporters and Engineering Exporters falls between 50% and 75%, it may be concluded that Leather and Engineering exporters moderately agreed with this statement and it is found that the amount of export finance is not sufficient to leather exporters as it is to engineering exporters.
It is observed that the percentage of agreement of the Garment Exporters is more than that of the other categories of exporters.

Survey results show that the levels of consistency expressed by the Garment, Leather, Engineering and Plastic Exporters with the statement are 68%, 69%, 55% and 63% respectively. It is concluded that the opinion consistency on the statement of the Leather Exporters is more than that of the other categories of exporters.

3.17.2 ANALYSIS OF PERCENTAGE OF AGREEMENT OF EXPORTERS WITH THE STATEMENT – ‘PRE-SHIPMENT FINANCE PERIOD SHOULD BE EXTENDED TO 270 DAYS’

The researcher interviewed 170 exporters to ascertain their opinions on the statement ‘Pre-Shipment Finance Period should be Extended to 270 Days’. It is revealed in Table 3.21 that out of 170 exporters, 69 (41%) strongly agree, 43 (25%) agree, 11 (6%) neither agree nor disagree, 25 (15%) disagree and 22 (13%) strongly disagree with this statement.

The percentage of agreement of the sample exporters with the statement is given below:

<table>
<thead>
<tr>
<th>Maximum (100%) Agreement Score (170x5)</th>
<th>850</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtained Agreement Score</td>
<td>622</td>
</tr>
<tr>
<td>Percentage of Agreement (622/850 x 100)</td>
<td>73%</td>
</tr>
<tr>
<td>Level of Agreement</td>
<td>Moderate</td>
</tr>
</tbody>
</table>
As the percentage of agreement falls between 50% and 75%, it is presumed that the sample exporters are moderately agreed with the statement. It is found that the majority does not want extension of the pre-shipment finance period from 180 days to 270 days.

The Z test shows that there is a significant relationship between the sample mean and the population mean for the statement “Pre-shipment finance period should be extended to 270 days”.

The researcher has attempted to assess the percentage of agreement of the four categories of exporters on the above statement.

3.17.2.1 GARMENT EXPORTERS

The survey results show that out of 75 garment exporters, 27 (36%) strongly agree, 23 (30%) stated agree, 5 (7%) neither agree nor disagree, 10 (13%) disagree and 10 (14%) strongly disagree with the statement ‘Pre-Shipmen Finance Period should be Extended to 270 Days’.

3.17.2.2 LEATHER EXPORTERS

The survey results show that out of 32 leather exporters, 12 (38%) strongly agree, 8 (25%) agree, 2 (6%) neither agree nor disagree, 7 (22%) disagree and 3 (9%) strongly disagree with the statement.
3.17.2.3 ENGINEERING EXPORTERS

The survey results show that out of 33 engineering exporters, 15 (45%) strongly agree, 7 (21%) agree, 2 (6%) neither agree nor disagree, 4 (12%) disagree and 5 (16%) strongly disagree with the statement.

3.17.2.4 PLASTIC EXPORTERS

The survey results show that out of 30 plastic exporters, 15 (50%) strongly agree, 5 (17%) agree, 2 (7%) neither agree nor disagree, 4 (13%) disagree and 4 (13%) strongly disagree with the statement.

The percentage of agreement of the four categories of exporters with the statement is given below.

TABLE 3.23

PRE-SHIPMENT FINANCE PERIOD SHOULD BE EXTENDED TO 270 DAYS – AGREEMENT SCORE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum (100%) Agreement Score</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Agreement Score</td>
<td>272</td>
<td>115</td>
<td>122</td>
<td>113</td>
</tr>
<tr>
<td>Percentage of Agreement</td>
<td>73</td>
<td>72</td>
<td>74</td>
<td>75</td>
</tr>
<tr>
<td>Level of Agreement</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Co-efficient of Variation</td>
<td>33</td>
<td>39</td>
<td>41</td>
<td>40</td>
</tr>
</tbody>
</table>
As the percentage of agreement of the Garment Exporters, Leather Exporters, Engineering Exporters and Plastic Exporters with the statement ‘Pre-Shipment Finance Period should be Extended to 270 Days’ falls between 50% and 75%, it is concluded that their agreement is moderate. It is inferred from the opinions expressed by the four categories of exporters that they do not support fully the idea of extending the pre-shipment finance period.

The survey results reveal that the level of consistency among the Garment Exporters, Leather Exporters, Engineering Exporters and Plastic Exporters towards the statement – ‘Pre-shipment Finance Period should be Extended to 120 Days’ is 67%, 61%, 59% and 60% respectively. It is observed that opinion consistency of the Garment Exporters with the statement is more than among the other categories of exporters.

3.17.3 ANALYSIS OF PERCENTAGE OF AGREEMENT OF EXPORTERS WITH THE STATEMENT – ‘RATE OF INTEREST CHARGED ON EXPORT FINANCE IS REASONABLE’

It is shown in Table 3.21 that out of 170 exporters, 73 (43%) strongly agree, 26 (15%) agree, 21 (12%) neither agree nor disagree, 20 (12%) disagree and 30 (18%) strongly disagree with this statement ‘Rate of Interest Charged to Export Finance is Reasonable’.
Percentage of agreement of the sample exporters with the statement is given below:

- Maximum (100%) Agreement Score (170x5) 850
- Obtained Agreement Score 602
- Percentage of Agreement (602/850 x 100) 71%
- Level of Agreement Moderate

As the percentage of agreement falls between 50% and 75%, it is presumed that the opinion of the sample exporters with the statement is ‘moderate’. It is inferred from the opinions of the exporters that they are not fully satisfied with the present interest rate charged on pre-shipment finance. They are of the opinion that banks should charge less than the present rate of interest on pre-shipment finance.

The Z test shows that there is a significant relationship between the sample mean and the population mean for the statement “Rate of interest charged on export finance is reasonable”.

The researcher has attempted to assess the percentage of agreement of the four categories of exporters with the above statement.

3.17.3.1 GARMENT EXPORTERS

The survey results show that out of 75 garment exporters, 40 (53%) strongly agree, 12 (16%) stated agree, 10 (14%) neither agree nor
disagree, 7 (9%) and 6 (8%) strongly disagree with the statement 'Rate of Interest Charged to Export Finance is Reasonable'.

3.17.3.2 LEATHER EXPORTERS

The survey results show that out of 32 leather exporters, 6 (19%) strongly agree, 6 (19%) agree, 3 (9%) neither agree nor disagree, 7 (22%) disagree and 10 (31%) strongly disagree with the statement.

3.17.3.3 ENGINEERING EXPORTERS

The survey results show that out of 33 engineering exporters, 15 (46%) strongly agree, 5 (15%) agree, 5 (15%) neither agree nor disagree, 3 (9%) disagree and 5 (15%) strongly disagree with the statement.

3.17.3.4 PLASTIC EXPORTERS

The survey results show that out of 30 plastic exporters, 12 (40%) strongly agree, 3 (10%) agree, 3 (10%) neither agree nor disagree, 3 (10%) disagree and 9 (30%) strongly disagree with the statement 'Rate of Interest Charged on Export Finance is Reasonable'.

The percentage of agreement of the four categories of exporters with the statement is given below.
### TABLE 3.24
"RATE OF INTEREST CHARGED ON EXPORT FINANCE IS REASONABLE"— AGREEMENT SCORE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum (100%) Agreement Score</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Agreement Score</td>
<td>298</td>
<td>87</td>
<td>121</td>
<td>96</td>
</tr>
<tr>
<td>Percentage of Agreement</td>
<td>79</td>
<td>54</td>
<td>73</td>
<td>64</td>
</tr>
<tr>
<td>Level of Agreement</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Co-efficient of Variation</td>
<td>33</td>
<td>56</td>
<td>41</td>
<td>54</td>
</tr>
</tbody>
</table>

As the percentage of agreement among the Garment Exporters falls above 75%, it is concluded that they agree with this statement very well and it is inferred that the rate of interest charged on export finance is reasonable on the opinion of garment exporters. It is observed that this percentage is higher than that of the other categories of exporters.

As the percentage of agreement among the Leather Exporters, Engineering Exporters and Plastic Exporters falls between 50% and 75%, it is presumed that their agreement on interest rate charged for export finance is moderate. It is inferred that the opinions of the leather exporters, engineering exporters and plastic exporters that they are not fully satisfied with the present
interest rate charged for pre-shipment finance, as their agreement to rate of interest is moderate. It is concluded that they have moderately agreed with this statement. They are of the opinion that banks should charge less than the present rate of interest for pre-shipment finance.

The survey results further show that the levels of consistency expressed by the Garment Exporters, Leather Exporters, Engineering Exporters and Plastic Exporters with the statement are 67%, 44%, 59% and 46% respectively. It is observed that the opinion consistency of the Garment Exporters is more than that of the other categories of exporters.

3.17.4 ANALYSIS OF PERCENTAGE OF AGREEMENT OF EXPORTERS WITH THE PROCEDURAL ASPECT OF EXPORT FINANCE – ‘DELAY IN SANCTIONING PRE-SHIPMENT CREDIT MAKES EXPORTERS BORROW FROM OTHER FINANCIAL INSTITUTIONS AT A HIGH RATE OF INTEREST’

It is shown in Table 3.21 that out of 170 exporters, 74 (44%) strongly agree with the statement. 30 (18%) agree, 11 (6%) neither agree nor disagree, 28 (16%) disagree and 27 (16%) strongly disagree with this statement.

The percentage of agreement of the sample exporters with the statement is given below.
Maximum (100%) Agreement Score (170x5) 850
Obtained Agreement Score 606
Percentage of Agreement (606/850 x 100) 71%
Level of Agreement Moderate

As the percentage of agreement falls between 50% and 75%, it is presumed that the opinion of the sample exporters on the statement is 'moderate'. It is concluded that exporters moderately agreed with this statement. They are of the opinion that delay in sanctioning pre-shipment credit can be avoided by the bankers, so that exporters need not borrow from other financial institutions at a high rate of interest.

The Z test shows that there is a significant relationship between the sample mean and the population mean for the statement "Delay in sanction in pre-shipment credit makes exporters borrow from other financial institutions at a high rate of interest".

The researcher has attempted to assess the percentage of agreement of the four categories of exporters with the above statement.

3.17.4.1 GARMENT EXPORTERS

Survey results show that out of 75 garment exporters, 40 (53%) strongly agree, 10 (13%) stated agree, 5 (7%) neither agree nor disagree, 10 (13%) disagree and 10 (14%) strongly disagree with the statement.
3.17.4.2 LEATHER EXPORTERS

Survey results reveal that out of 32 leather exporters, 15 (47%) strongly agree, 5 (16%) agree, 2 (6%) neither agree nor disagree, 5 (16%) disagree and 5 (15%) strongly disagree with the statement.

3.17.4.3 ENGINEERING EXPORTERS

Survey results show that out of 33 engineering exporters, 6 (18%) strongly agree, 8 (24%) agree, 2 (6%) neither agree nor disagree, 9 (27%) disagree and 8 (25%) strongly disagree with the statement.

3.17.4.4 PLASTIC EXPORTERS

Survey results show that out of 30 plastic exporters, 13 (43%) strongly agree, 7 (23%) agree, 2 (7%) neither agree nor disagree, 4 (13%) disagree and 4 (14%) strongly disagree with the statement ‘Delay in Sanctioning Pre-Shipment Credit makes the Exporters borrow from other Financial Institutions at a High Rate of Interest’.

The percentages of agreement of the four categories of exporters with the statement is given below.
TABLE 3.25

"DELAY IN SANCTIONING PRE-SHIPMENT CREDIT MAKES THE EXPORTERS BORROW FROM OTHER FINANCIAL INSTITUTIONS AT A HIGH RATE OF INTEREST" - AGREEMENT SCORE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum (100%) Agreement Score</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Agreement Score</td>
<td>285</td>
<td>116</td>
<td>94</td>
<td>111</td>
</tr>
<tr>
<td>Percentage of Agreement</td>
<td>76</td>
<td>73</td>
<td>57</td>
<td>74</td>
</tr>
<tr>
<td>Level of Agreement</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Co-efficient of Variation</td>
<td>40</td>
<td>43</td>
<td>52</td>
<td>40</td>
</tr>
</tbody>
</table>

As the percentage of agreement of the Garment Exporters falls above 75%, it is concluded that the garment exporters highly agree with this statement and it is inferred that they are of the opinion that bankers can avoid the delay in sanctioning pre-shipment credit. It is observed that the percentage of agreement of Garment Exporters is more than that of the other categories of exporters.

As the percentage of agreement of the Leather Exporters, Engineering Exporters and Plastic Exporters falls between 50% and 75%, it is presumed that their agreement with the procedural aspect is moderate. It is
concluded that they have moderately agreed with this statement. It is inferred from the opinions of the leather exporters, engineering exporters and plastic exporters that they do not fully support the statement, as their agreement with this statement is moderate. They are of the opinion that bankers can sanction the pre-shipment credit even without the slight delay so that they need not borrow from other financial institutions at higher rates of interest.

Survey results further show that the level of consistency expressed by the Garment Exporters, Leather Exporters, Engineering Exporters and Plastic Exporters with the statement are 60%, 57%, 48% and 60% respectively. It is observed that the opinion consistency on the statement of the Garment Exporters and Plastic exporters are the same and they are more than these of the Leather and Engineering Exporters.

3.17.5 ANALYSIS OF PERCENTAGE OF AGREEMENT OF EXPORTERS WITH THE STATEMENT – ‘ECGC GUARANTEE IS ESSENTIAL FOR PRE-SHIPMENT CREDIT’

It is revealed in Table 3.21 that out of 170 exporters, 67 (40%) strongly agree with the statement ‘ECGC Guarantee is Essential for Pre-shipment Credit’. 38 (22%) agree, 17 (10%) neither agree nor disagree, 21 (12%) disagree and 27 (16%) strongly disagree with this statement.

The percentage of agreement of the sample exporters with the statement is given below:
Maximum (100%) Agreement Score (170x5)  850  
Obtained Agreement Score               607  
Percentage of Agreement (607/850 x 100) 71%  
Level of Agreement                     Moderate

As the percentage of agreement falls between 50% and 75%, it is presumed that the opinion of the sample exporters regarding the statement is 'moderate'. It is concluded that the sample exporters are moderately agreed with this statement 'ECGC Guarantee is essential for pre-shipment credit'. It is inferred from the opinions of the exporters that they are not fully satisfied with the present procedure and they are of the opinion that the ECGC guarantee is not essential for pre-shipment credit.

The Z test shows that there is a significant relationship between the sample mean and the population mean for the statement "ECGC guarantee is essential for pre-shipment credit".

The researcher has attempted to assess the percentage of agreement of the four categories of exporters with the above statement.

3.17.5.1 GARMENT EXPORTERS

The survey results show that out of 75 garment exporters, 35 (47%) strongly agree, 18 (24%) stated agree, 7 (9%) neither agree nor disagree, 8 (11%) disagree and 7 (9%) strongly disagree with the statement.
3.17.5.2 LEATHER EXPORTERS

Survey results reveal that out of 32 leather exporters, 10 (31%) strongly agree, 8 (25%) agree, 3 (9%) neither agree nor disagree, 4 (13%) disagree and 7 (22%) strongly disagree with the statement.

3.17.5.3 ENGINEERING EXPORTERS

Survey results show that out of 33 engineering exporters, 12 (36%) strongly agree, 8 (24%) agree, 2 (6%) neither agree nor disagree, 5 (15%) disagree and 6 (19%) strongly disagree with the statement.

3.17.5.4 PLASTIC EXPORTERS

Survey results reveal that out of 30 plastic exporters, 10 (33%) strongly agree, 4 (13%) agree, 5 (17%) neither agree nor disagree, 4 (13%) disagree and 7 (24%) strongly disagree with the statement.

The percentage of agreement of the four categories of exporters is given below.
TABLE 3.26

'ECGC GUARANTEE IS ESSENTIAL FOR PRE-SHIPMENT CREDIT' – AGREEMENT SCORE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Garment Exporters</th>
<th>Leather Exporters</th>
<th>Engineering Exporters</th>
<th>Plastic Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum (100%) Agreement Score</td>
<td>375</td>
<td>160</td>
<td>165</td>
<td>150</td>
</tr>
<tr>
<td>Obtained Agreement Score</td>
<td>291</td>
<td>106</td>
<td>114</td>
<td>96</td>
</tr>
<tr>
<td>Percentage of Agreement</td>
<td>78</td>
<td>66</td>
<td>69</td>
<td>64</td>
</tr>
<tr>
<td>Level of Agreement</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Co-efficient of Variation</td>
<td>35</td>
<td>47</td>
<td>45</td>
<td>49</td>
</tr>
</tbody>
</table>

As the percentage of agreement of the Garment Exporters falls above 75%, it is concluded that the Garment Exporters have highly agreed with this statement and it is inferred that they are of the opinion that ECGC Guarantee is essential for sanctioning pre-shipment credit by the bankers. It is also concluded that the percentage of agreement of the Garment Exporters is more than the other category of exporters.

As the percentage of agreement of the Leather Exporters, Engineering Exporters and Plastic Exporters falls between 50% and 75%, it is presumed that their agreement with the statement is moderate. It is concluded that they moderately agreed on this statement. It is inferred from the opinion of
the leather exporters, engineering exporters and plastic exporters that they are not fully satisfied with the present procedural aspect of sanctioning pre-shipment credit by the bankers after getting ECGC guarantee. They are of the opinion that the ECGC guarantee is not essential for pre-shipment credit.

Survey results further reveal that the level of consistency expressed by the Garment Exporters, Leather Exporters, Engineering Exporters and Plastic Exporters towards the statement 'ECGC Guarantee is essential for pre-shipment credit' are 65%, 53%, 55% and 51% respectively. It is concluded that opinion consistency of the garment exporters about the statement is more than the other categories of Exporters.

The average percentage of agreement of the sample exporters on the given statements related to export finance is 73%. It is presumed that their agreement with all the above statements is moderate as the average percentage of agreement falls between 50% and 75%.

3.18 SUMMARY

The study reveals that out of 170 exporters, 153 (90%) have utilised pre-shipment and post-shipment finance. It is further revealed that a majority of the four categories of exporters have utilised pre-shipment and post-shipment finance.
It is highlighted in this study that there is a significant relationship between the size of exporters (small scale exporters and large scale exporters) and utilisation of pre-shipment finance.

This study reveals that there is no significant relationship between

1. the average amount of the pre-shipment finance utilised and the size of exporters.

2. the average amount of the pre-shipment finance utilised and the type of exporters.

Further the present research study establishes a relationship between:

1. the size of exporters and utilisation of pre-shipment finance.

2. utilisation of pre-shipment finance and the type of exporters.

3. utilisation of pre-shipment finance and categories of exporters.

4. the average annual value of the exports and the average amount of pre-shipment finance utilised by exporters.

5. experience in export business and the average amount of pre-shipment finance utilised by exporters.
6. The average amount of post-shipment finance utilised and categories of exporters.

The research study indicates that 96 per cent of the sample exporters have received export finance from public sector banks.

The obtained motivation score on the statement ‘Export Finance motivates exporters to increase exports’ is 806. The percentage of motivation of export finance to the sample exporters is 95 per cent. (806/850 x 100) and the level of motivation is high. All the four categories of exporters are highly motivated by the export finance provided by the banks. Utilisation analysis reveals that the percentage of utilisation of export finance by the exporters is 86%. The obtained utilisation score is 730 and the level of utilisation is high. All the four categories of exporters highly utilised the export finance provided by the banks.

The correlation between motivation of export finance and utilisation of export finance among the sample exporters is +0.8102. There is a positive correlation between the motivation and utilisation of export finance.

The percentage of agreement with the statement ‘Export finance provided by banks is sufficient’ is 77. It is a high level agreement. Leather and
Engineering exporters agreed to a moderate level and Garment and Plastic exporters agreed to a high level.

The percentage of agreement with the statement 'Pre-shipment finance period should be extended to 270 days' is 73%. It is a moderate level of agreement. All the four categories of exporters have expressed moderate level of agreement to this statement.

The percentage of agreement with the statement 'Rate of interest charged to export finance is reasonable' is 71%. It is a moderate level of agreement. Garment exporters have expressed a high level of agreement. Leather, Engineering and Plastic exporters have expressed moderate level of agreement.

The percentage of agreement with the statement 'Delay in sanctioning pre-shipment credit makes the exporters to borrow from other financial institutions at high rate of interest' is 71%. It is a moderate level of agreement. Garment exporters have stated high level of agreement with this statement. Leather, Engineering and Plastic exporters have expressed moderate level of agreement.
The percentage of agreement with the statement ‘ECGC guarantee is essential for pre-shipment credit’ is 71%. It is a moderate level of agreement. Garment exporters have expressed a high level of agreement. Leather, Engineering and Plastic exporters have expressed a moderate level of agreement with this statement.