CHAPTER-II

2.1 OBJECTIVES AND RATIONALE

After independent, India’s trade and business in needed of stability and development in domestic and foreign trade so the Indian Government reformed in Policies like individual, trade, exchange control, foreign investment borrowings, marketing policy etc. with view to increased role of the Indian economy within the global economic system. Under globalization, India’s foreign trade has a special sector in which attention required more and more due to deficit balance of payment over the years, India’s foreign trade has recognized the need for a special and appropriate policy to accelerate the exports with view to maintain trade deficit. Appropriate financing and guarantee have been recognized to promote export of the country. In fact, present market is surrounded and combined by tough competition, price & quality of product, credit facilities which are allowed to foreign buyers by exporters under globalization era. Thus, a well and organized institutional set up for export finance and guarantee are necessary to consider to promote exports. In this context, it is a necessary a study on the operational priorities, plan and policy of the financial and guarantee institutions, which has correctly identified the strengthening of national export financing mechanism with guarantee facilities. Actually, it is heartening to not that there are many institutions involved directly or indirectly in the field of export credit and guarantee. These are, Reserve Bank of India, commercial Banks, Export-Import Bank of India, ECGC and
Foreign Banks which are the helpful with many suitable and significant various schemes.

The objectives of this study are –

(i) To know the historical back-ground and organizational ground of financial institutions involved in export finance.

(ii) To discuss the Fiscal and Exim policy of Government of India.

(iii) To discuss the Mechanism of export finance.

(iv) To examine the performance appraisal of institutions engaged in export finance and guarantee.

(v) To identify the weaknesses in the working of involved institutions in export finance and guarantee to suggest measures for improving.

In this field there are many researches and studied have been taking place but due to fast changing world, trade, competition, need more and more researches and studies. This situation forces Indian Government to establish committee and provides facilities to individuals and institutional researches for export credit and guarantee. After economic reforms, due to globalization and competition in world market, the country requires new researches and studies to find out the weakness in the path of supply of export finance and guarantee, which can be reduced and wash out with accurate, adequate and timely supply of export finance and guarantee facilities. The
present research is an humble effort in that areas. The study is expected to be useful to the Government, financial institutions specially export financing and guarantee institutions, the exporters, export oriented units and the academics.

2.2 **Methodology of the study**

The present study is based on primary and secondary sources of information. These information collected time period of ten years from 1999 on words and some places considered 1990 and on words due to reforming period in banking and financial institutions.

This study is analysesed on the basis of secondary data published in annual reports of Exim-Banks, ECGC, FDEI, RBI, brochures and other ad-haves publications of various export financing institutions. The plan documents, reports of various committees and the work produced by academics and researches both India and abroad. Collected data have been analysed with the help of simple statistical tools like percentage and ratio analysis.

2.3 **The organizational plan of the study**

The study has been organized into the following seven Chapters: Chapter one is an introductory chapter which establishes the roots of the present study. It discusses the position of India’s foreign trade, during five years plans, its composition, balance of payment during five years plan, export growth, foreign investment, objectives scope and mythology of study in chapter two. In third chapter we discussed historical back-ground of Reserve Bank of India,
Commercial Banks, Export-Import banks, Export credit Guarantee Corporation of India Ltd. And role in export finance in India. Fiscal Policy of Indian Government and Exim policy which support and improve the export of India discussed in fourth chapter. In fifth chapter, we focus the mechanism of export finance of banks and how pre-shipment and post-shipment may become cheaper and effective for exporters. Performance of RBI and commercial banks, ECGC, Exim bank analysis their credits supply and guarantee under different schemes in sixth chapter. In seventh chapter present summary of main findings of the study and suggestions for improvement in export financing system of India.

2.4 Limitations of the research :-

We studied available books, papers, work, thesis, magazines, progress report on banks, circulars of banks, FEDAI guide lines, report on currency and finance, hand book, annual report of Exim. Bank. ECGC and RBI bulletin but these are not sufficient for researcher. Due to lackness of publications, no sources we get detailed and accurate published information except total export credit by commercial banks which is published by RBI in its annual report, report on currency and finance. Some detailed information and data are available at Inter-net, annual report of Exim. Bank, ECGC, Exim bank published total amount of non-funded assistance not scheme wise same way ECGC publishes export credit guarantee and policies issued and scheme-wise in four big group not by individual scheme. As
a result of non-availability of detailed information. We could not make detailed analysis of export finance particularly.

In case of mechanism of export finance, we have only way to consider FEDAI guide lines because of there is no any other guide lines for export finance according to bank. In this study, we faced many difficulties and did not cover few aspects of export credit and guarantee in India. Present study is more beneficial for exporters. To know the problems and difficulties of exporters. We surveyed of exporters and export credit agencies but due to their poor and ignorance response we had no way but to drop it. We have also not studied about the cost of finance due to procedure of disbursement of export credit and issue of guarantee. No, doubt, there are important aspect of export finance and guarantee but due to constraints of time and resources. It is not disposables for an individual researcher to make study of each and every aspect of export finance and its guarantee in India.

This study out lines the export finance schemes, guarantee and mechanism of export finance from the available data and literature and also provided valuable suggestions to exporters and financial institutions and guarantee corporation. The study is, thus independent and is expected to be useful to all those who are relating to export agencies, exporters, bankers, students of export management study, managers of company and academics.