CHAPTER-III

This chapter focuses broadly on three aspects. Firstly one the historical development of export finance before independence in i.e. Pre Independence period and after independence i.e. Post Independence period. 2ndly the institution’s organization involved in export finance and thirdly discuss their schemes and facilities provided to the exporters.

(1) Pre-Independence Period :-

Before independence of the country financing of foreign trade was mainly governed by exchange banks or what are now called as foreign banks. These banks were developed under the indirect patronage of the state (1). In 1920, passed an act for Imperial Bank of India. It was dealing the remittances outside India through bills of exchange. After establishment of Reserve Bank of India on 1 April 1935. The functions of Imperial Bank were delegated to Reserve Bank of India. On the basis of its statute, Imperial Bank of India extended credit to enterprises, owned by India capitalists to a very limited extent short-term period up to 6 months. The central Banking Inquiry committee stated in this context. The Imperial Banks lends to European concerns more freely than to Indian concern and that several Indian concerns which took the bank’s assistance had bitter experience. Actually, these banks were working for the benefits of Britishers as they achieved a number of deposits in India at low rate of interest and re-discounted their bills in the London market also at the low rates, the exporters and importers in India had to
pay higher rates for financial accommodation than their counterparts in most of other countries (2).

British Government colonized to exploit cololories, in same objective.

(2) **Post-Independence Period :-**

In order to have a close integration between policies of the Reserve Bank and those of the Government, it was decided to nationalize the Reserve Bank immediately after the independence of the country. From 1st January 1949, the Reserve Bank began functioning as a state-owned and state-controlled central Bank. It functions were indicated in the preamble to the Reserve Bank of India Act, 1934. It spells out the objectives of the Reserve Bank as to regulate the issue of bank's notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage (3) credit system of India controlled by monetary policy, in two folds. As General and selective. Reserve Bank of India employed General instrument for Bank rate Policy, Reserve Requirements. Open Market operations, moral suasion, Direct Action. While under selective credit control, minimum margin for lending against selected commodities, ceilings on the levels of credit and charging of minimum rate of interest on advances against specified commodities with these instrument RBI controls the quantum of credit and leverage on the cost credit. (4)

In sequence, of credit controls, Reserve Bank of India along with a number of commercial banks provide capital to exporters to export their goods. The Government of India and others agencies to promote banks to finance the short term, medium term and
long term advances to exporters. In order to fulfill this, RBI has introduced various schemes for adequate amount of credit and on reasonable rate of interest. In order to promote exports, many facilities and incentives have been extended by the Government of India. These facilities. Incentives, grants subsidies duty free import facilities and incentives are obviously to make the exports cheaper thereby competitive and to facilitate export growth (7). To accelerate export growth of India, Government of India set up various committee and on their recommendation there are many supportive and financial Institution established they are Chart No.1.

**Chart No.1**

<table>
<thead>
<tr>
<th>Institutions involved in export financing.</th>
<th>Supportive Institutions</th>
<th>Financing Institutions</th>
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<tbody>
<tr>
<td>Ministry of Commerce</td>
<td>RBI</td>
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<td>Advisory council</td>
<td>IDBI</td>
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<td>Commodity organization specific</td>
<td>Commercial Banks</td>
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<tr>
<td>Service Institutions</td>
<td>Exim Banks</td>
<td></td>
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<tr>
<td>State Trading Organisation</td>
<td>ECGC</td>
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<td>Agencies for export Promotion at state level</td>
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British Government over came in foreign market by monopoly with the help of exchange banks. Exchange banks set their rates for their own profits. Similarly, there were some Indian Joint Stock Bank had a little shave in financing for International trade Harberler, stated that state regulation excluding the free play of economic forces in the foreign exchange market. This
phenomena applied by British Government and control the exchange banks with monopoly since independence (10). In fact, financing systems for export was in hand of British Government and very few were in Indian as well as Britishers both but monopoly was existing in with Britishers.

Since Independence the Government has been assuring and strengthening effective support to export efforts in the country. The Government of India has established several institutions to solve the problems of exporters and supporting them in many ways chart-1 showing institutions involved in export financing in India, one is supportive institutions and second is financing institutions. The Government of India established several organizations to provide guidance assistance information and facilities which fall in six district tiers the institutional frame work as it exists today comprises functionally different segments of policy formulation advisory rate, commodity specialization state trading organizations, service support institutions, commercial representation abroad and supportive role of different state Governments.

The ministry of commerce is the apex body vested with the task of formulation, coordination and execution of the national foreign trade policy. The department of commerce in the ministry of commerce GOI bears the primary responsibilities. for evolving, guiding and directing foreign trade policy and programs including trade relations with foreign countries, various export promotion measures, incentives, regulation and development of export oriented industries. In spite of Finance and Administrative Division in the Commerce. Department in ministry of commerce
GOI consists of several functional divisions, such as, economic division, trade policy division, foreign trade territorial division, export products division, export services division and export industries division. Trade Policy Division plays the important role in keeping abreast of the development in international organization, such as UNCTAD, WTO, European Free trade Association, Economic commission for Europe. Latin American Free Trade Area, other regional grouping and common wealth, etc. Similarly, the foreign Trade Territorial Division handles the matters relating to state trading and barter deals, organization trade fairs and exhibitions, commercial publicity abroad etc. Further it also maintains contact with Indian trade mission abroad and looks after the related administrative functions including protocol functions.

The Economic division in the commerce department in the ministry of commerce Government of India is responsible for formulation of export strategic, export planning, appraisal and review of foreign trade policy etc. It also maintains co-ordination among other divisions in the commerce department which have been set up for export promotion similarly the export products division deals with problems related production for export, development of export market and generation of surplus in respect of various products which come under its jurisdiction. These products include, iter alia, plantation, Marin products, chemicals, plastic, leather and leather goods, sports goods, films, steel, metals, engineering products, minerals and ores, coal, petroleum products, mica, salt etc. Further, it is also responsible to look after
the working of other organizations and corporations whose dealer
with aforesaid commodities for their export.

The export Industries Division is responsible for the
development of rubber, tobacco, cardamom and handling of
different export promotion activities related to textile, woolens,
handlooms, readymade garments, silk and cellulosic bibbers, jute
and jute products, handicrafts, coir and coir products. The export
services division deals with the problems relating to export
assistance including import replenishment licensing, cash
assistance export credit, export house, marketing development
assistance and grant, there from, transport, free trade Zones, dry
ports, quality control, pre-shipment inspection, joint venture
abroad and capacity creation in export oriented industries
including assisting to import capital goods and essential raw
materials.

The ministry of commerce co-ordinates the function of
advisory agencies, commodity specific organizations services
institutions, state trading, export promotion councils etc. which
have been essentially set up as part of export promotion measures
in our country (13). At second tier, there are advisory, deliberative
and consultative agency, committee and councils to settle different
problems of exporters by ensuring mutual discussion between the
Government and exports. The central advisory council on trade
was constituted in 1970 for reviewing the performance of the
country’s economy in the commercial aspect and considering
problem relating to export promotion.

Zonal export import advisory committee was setup in july
1968 for north Zone, New Delhi, South Zone Chennai. Eastern
Zone, Kolkata and Western Zone, Mumbai (14). These committees deal with the respective Zonal and local problems faced by exporters and importers. Further, the Policy Advisory Committee was set up in June 1971 in pursuance of recommendation of Administration Reforms commission for deciding and considering all important issues relating to long term trade policy.

The cabinet committee on exports under the chairmanship of the Prime-minister expedites decisions on important policy matters related to export promotion. Broad on trade was reconstituted on Aug. 13, 1991 by the Union commerce ministry, Ministry of commerce GOI as its chairman. The committee advices the Government on different matters related to export import policy in different aspects of export promotion etc.

At third tier, there are commodity specific organizations which deal with all the problems related to individual commodities and groups of commodities for promoting their exports. Several organizations, Broads, and councils have been established by Government in order to promote exports of individual commodities and groups of commodities. Several Export Promotion Councils (EPCs) and commodity board (CBs) have been setup to assist in the promotion of specific commodities or groups of commodities. These EPCs and CBs are nonprofit organizations and have been registered under the companies Act or the societies Registration Act. In fact, they are autonomous bodies and get financial assistance from the Government of India. Therefore, these bodies need not obtain Governments approval for regulating their own affairs. Export
promotion councils and commodity board have been established with a view to exalting export consciousness among of existing and potential exporters, At present, these are 20 Export Promotion Councils for promoting export of different commodities. They are - Approval Export Promotion Councils, New Delhi, Basic chemicals, Pharmaceuticals and cosmetics Export Promotion Council, Mumbai, Cashew export Promotion council, cochin, Chemicals and Allied Products Export Promotion council, Kolkata, cotton textile Export Promotion Council, Mumbai. Engineering Export Promotion council, Kolkata, Export Promotion council for finished leather and leather Manufacture Kanpur, Gems and Jewellery Export Promotion council Mumbai, Handloom Export Promotion Council, Chennai, Plastic and Linoleums Export Promotion council Mumbai, Processed Food Export Promotion council, New Delhi, Shellac Export Promotion council Mumbai, silk Export Promotion Council, Mumbai, Silk and Rayons Textiles Exports Promotion council Mumbai, Spices Export Promotion Council Coachin, sports Goods Exports Promotion council, New Delhi, wool and woolens Export Promotion Council, New Delhi, Carpet Export Promotion Council, New Delhi, Overseas construction council of India, Mumbai (15).

These councils advice Government on issue regarding recent development in export sectors and take necessary measures to facilitate the export growth of respective commodities, similarly, they provide assistance and extend the full range services to manufacturers exporters to solve different problems relating to export of respective commodities.
Nine statutory commodity boards have also been established under the administrative control of the ministry of commerce, GOI. They deal with traditional commodities, such as tea, coffee, rubber, spines, and tobacco etc. GOI, established commodity Board under special Acts of Parliament they are the coffee Board (1942). The tea Board (1955) the cardamom board (1965). The Rubber Board (1947). The coir Board (1953). The central silk Board, The all India Handloom Board, The all India Handicrafts Board and the Tobacco Handicrafts Board and the tobacco Board (1976). In fact, the Boards are responsible for improving the methods of cultivation, increasing productivity, up grading, processing taking up, assisting in researching and development and marketing aspects of the products allotted to them. They also undertake promotional activities such as participation in trade fairs, exhibitions, sponsoring delegation abroad, quality inspection etc (16).

The fourth tier comprises of services institutions which facilitate and assist exporters to research more effectively the export market abroad. Several organizations and institutions have been established for helping the exporters to solve the different problems faced by them in order to expand export of various products Important services institutions setup by the Government are Indian Institute of foreign trade, trade Development Authority of India, Director General of Commercial Intelligence and statistics, Kolkata, Federation of Indian Export, organization, National centre for Trade Information etc.

The fifth tier consists of state Trading organizations which handle export/import of specific commodities. It came up in 1956
as an autonomous corporation for diversifying foreign trade and supplementing efforts of the private trade and industry in developing India’s foreign trade (17).

In fact the state trading has become a world wide Phenomenon and in most of the free economies as well as centrally planned economics, the export, and import have been subjected to state trading, either partially or fully. In our country, also a other state trading corporation of India i.e. mineral and metal trading corporation, 1963.

The state trading corporation Ltd. was set up as private limited company in year 1956 but later on converted into a Public Limited Company in 1959. The STC has five subsidiaries. The corporation has been playing an important role in export/import of canalized iteming and in internal distribution of the commodities by importing them. Hence, the major role of STC includes development of trade with centrally planned economies, import and distribution of scares commodities and raw materials, price support and buffer stock operations, promotion of difficult sell items and diversification of export products and markets abroad, similarly, it provides the services of international marketing agency and assumes near total responsibility on behalf of foreign importers. Further, the STC has been mobilizing export of small and medium, scale sections, considered by it as its thrust areas and has exerted into joint ventures in various manufacturing fields with 100 percent buy-back, arrangement with foreign collaborators.

The minerals and metals trading corporation of India (MMTC) was set up in 1963. It occupies a prominent place in
India’s foreign trade in minerals and metals. Very recently the corporation’s registered name was changed to MMTC limited. Exports of iron are, manganese are and chrome are continues to be canalized through MMTC, exports of coal were decimalized since 19 August 1992. Similarly, imports of industrial raw materials, non-ferrous metals and fertilizers MOP and DAP, fertilizer raw materials (sulphur and rock Phosphate) and fertilizer intermediate (Phosphoric acid and ammonia) were decimalized over the year 1991-92. Thus, MMTC was established and expanded with the avowed government objectives of placing the export/import trade, especially, of the products which come under the purview (18).

At last, several state Government in our country have also been playing a significant role in export promotion at their levels. Many state Governments have setup export promotion boards and export corporations for stimulating exports of the products originating from their respective states. Further, some states have made serious attempt to appoint liaison Officers for promoting export and maintaining links with different central Government departts and organizations in order to implement successfully different policies related to export promotion. Besides, export promotion advisory committee have also been established by some state Governments.

**Institutions for Export Financing :-**

Apart from the above arrangements, the Government has also promoted specialized institutions particularly for providing credit and insurance facilities to the exporting community in the country. In fact, the Government is aware of the facts of exporters with view to insuring that exporter no longer suffer due to scarcity
of finance and guarantee facilities, these institutions involved in financing of foreign trade. These include, the Reserve Bank of India IDBI commercial Banks, Export-Import Bank and Export credit guarantee corporation of India. Being central bank. The RBI’s of evolution passed through following stages –

Chart-II

Origin and Evolution of the RBI.

Presidency Banks

Imperial Bank of India

Ref.:- i.bid. Page-129.

Hilton-young commission’s proposal to set-up a Reserve Bank of India as a private shareholder’s Bank.

Central Banking enquiry committee, 1931.

Reserve Bank bills, 1927

Reserve Bank of India Act, 1934.

Constitution of the Reserve Bank of India April, 1, 1935.

Nationalization of the Reserve Bank of India, 1949.
Organizational Structure :-

The Reserve Bank of India was originally constituted as a share holder’s Bank with a share capital of Rs. 5 crores divided into 5 lakhs fully paid up shares of Rs. 100 each. The entire share capital was owned by private individuals with the exception of shares of the normal value of Rs. 2,20,000/- which were allotted to the central Government for issue to the directors of the central Board of the Bank seeking to obtain the minimum share qualification.

For the successful operation of the bank, the country was divided into five areas, viz. Mumbai, Kolkata, Chennai, Delhi and Rangoon but the Rangoon office was closed in 1947 with a view to securing more or less even distribution of shares all over the country, the shares were allotted on an even basis to share holders registered in the five regions. To prevent concentration of in the Mumbai region. Even the amendment of the Reserve Bank of India. Act in 1940 did not stop this concentration of shares in Mumbai region. This defect was removed only with the nationalization of the Reserve. Bank in 1949. After nationalization, the affairs of the bank are controlled by a central Board of Directors. The central Board consists of the following members.

1. One Governor and not more than four Deputy Governors appointed by the central Government for such periods not exceeding five years as may be fixed by the central Government at the time of their appointment.
a. Central Government nominated four Directors one from each of the four local Boards. The term of office of the directors is related to their membership in the local Boards.

b. The other ten directors are nominated by central Government. These directors hold office for four years there is provision in the Act for their retirement by ration.

c. One Government official to be nominated by the central Government. He/she shall hold office during the pleasure of the central Government.

Besides the central Board, these are Local Boards for the four regions of the country with headquarters at Mumbai, Kolkata, Chennai and Delhi Local Board Consists of five members appointed by central Government for team of four years to represent as well as possible territorial and economic interests as well as interests of the co-operative and indigenous banks (19). Series of specialized institutions (IDBI) Industrial Development Bank of India is one of the financial institution that provides term loans to industry. In fact, this bank established to meet the requirements of new and growing industrial enterprises. It came into its existence in July 1964 for fulfillment of two fold objectives one is for huge financial resources and other to co-ordinate the activities of all agencies which are concerned with the provision of finance for industrial development (20).

**Organizational Structure :-**

IDBI was a wholly-owned subsidiary of the Reserve Bank of India tell 1976. The general direction, management and
superintendence of IDBI was vested in a Board of Directors, which was the same as the central Board of Directors of RBI. The governors and deputy governor of RDBI were the chairman and vice chairman of IDBI. The Finance Ministry of the Government of India wanted direct control and direction of IDBI. 16 Feb. 1976 it was declined from the RBI and made an autonomous corporation fully owned by the central Government.

The authorized capital of IDBI is Rs. 500 crores and the paid-up capital is Rs. 445 crores. In addition, it can raise loans from the central Government and the RBI besides this it can raise resources through sale of its bonds and debentures, acceptance of public deposits for periods of not less than 12 months. It can also borrow on long-term from the National Industrial credit funds established by RBI. Normal banking accommodation for a period upto 90 days is available to the IDBI against trustee securities. It can also receive gifts, grants, donations or depreciations from Government and Non-Government sources. It can add to its resources with the approval of the government, including amounts in foreign currency from any bank of financial institutions in any foreign country.

Enhance, IDBI grants assistance direct, Indirect, special assistance and foreign currency requirements. The Industrial Development Bank provides direct loans to industrial concerns, refinance of industrial loans and export credit, rediscounting of bills, under writing of and direct subscription to share and debentures of industrial units and direct loans for exports.
Commercial Banks :-

Evolution of commercial Banks :- Commercial Banks play an important role in directing the affairs of the economy in various ways. As a matter of fact the operations of commercial banks record the economic pulse of the country. Banking is as old as authentic history and origin of modern commercial Banking are traceable to ancient times. The New Testament mentions about the activities of the money changers in the Temples of Jerusalem. In ancient times, around 2,000 B.C., temples were used as depositors for peoples. Surplus money and they were centers of money-lending transactions. In India, the ancient Hindu Scriptures refer to the money lending activities in the Vedic period. During Vedic period and Epic age the business of banking was carried on by the members of the vaish community. Hindis and indigenous bills of exchange came into use about the 12th century A.D. The indigenous bankers not only lent money but also financed inland and foreign trade.

The British came to India for the purpose of trade but in the course of a century and a half the flag, as goes the saying, followed the trade and they became the rulers of the country and also the founder of modern banking in India. In seventeenth century, they established Agency Houses to full fill the requirements of British officers and English traders. Actually they were business firm which performed trade along with banking functions (25). The first bank being, the Bank of Hindustan in 1970, as an appendage of one of the British agency M/s Alexander & Co. The present era in Banking may be taken to have commenced with the establishment of Bank of Bengal in 1809 under the
Government charter and with Government participation in the share capital. Bank of Bombay and Bank of Madras commenced in 1840 and 1843 respectively. These three banks started second phase of banking development in India. They got capital from East-India Co. and also had Powers to issue notes. Since their notes did not become famous and at last their powers were withdrawn in 1862. After this period there was a number of banks came in to existence from the year 1860. Allahabad Bank Ltd. was established under European management in 1865. The Punjab National Bank Ltd. in 1895. The Bank of India Ltd. and Canara Bank Ltd. in 1906. The Indian Bank Ltd. in 1907, Bank of Baroda Ltd. in 1908, central Bank of India Ltd. in 1911, Union Bank of India Ltd. in 1919. Andhra Bank Ltd. in 1923, syndicate Bank Ltd. in 1925, Bank of Maharashtra Ltd. in 1938. United commercial Bank Ltd. in 1943, and United Bank of India Ltd. in 1950. These banks opened many branches in different parts of the country and some of them foreign branches also. All these commercial banks undertake all types of banking business including deposits, advances, collection and purchase of bills, remittances and foreign exchange.

Many banks did not follow the principles of sound Banking particularly during the periods 1913 to 1937 and 1931 to 1938. Due to lock up their funds in Industrial, speculative deals they faced crises. In 1967 a new concept social control introduced by GOI in the banking sector. Actually Government wanted to change the management and credit policy of the commercial banks. In 19 July 1969, by an ordinance, the GOI nationalized 14 major Indian Banks with a view to serve better the needs of
development of the economy, in conformity with National Priorities and objectives.

**CHART-III**

The structure of a Commercial banks Board of Directors

- Head Office-Functional Departments
- Circle Office or Zonal Office
- Divisional Office/Regional Office
- Branches/Service Units.

Beside this structure, there is a particular department/wing at head office level or also a circle office to look after the facts of Banking such as credit, Deposits, Recovery, Foreign Exchange, Premises, Personnel and General Administration. Besides, branches have been also categorized as large Branch, very large Branch on the basis of volume of business. Narasimham committee recommended to abolished a few tiers in administration. Suggestion are foot as to consolidation of and mergers of Banks with a view to make the Indian Banks have a size comparable to foreign banks, so that it will be easier to face the increasing global competition (27).

**Export-Import Bank of India :-**

Macrow View :- In 1967, India’s financing body and Government felt a special apex body that works only for export-
financing. In nineteen seventy many committees and organizations were in need of an institution that promote and finance to export of capital goods.

Having thought seriously, on this point parliament passed a bill for setting-up a Exim Bank of India. Actually billed was passed on Aug. 17, 1981 but bank came into existence in January 1, 1982. In fact, after existence of the Exim Bank, it took over the export financing functions of IDBI. Besides it has been entrusted with the takes of extending finance to soft-ware and consultancy services and overseas joint ventures and turnkey construction projects in third countries. Further, it has also been conducting export market studies, financing export oriented industrial units and international banking services (28).

**Objectives and Functions :-**

The Exim Bank of India was established for financing export and Import trade.

In fact, its objectives is to provide financial assistance to exporters and co-ordinate the working of institutions engaged in financing export and import of goods and services to promote export and reduce trade deficit so that economic position of country may become sound.

To get above objectives, the import functions of the banks as out-lined in the Exim Bank Act. According to Act Exm. Banks’s area of operation mainly, finance, services and research and analysis.

The main target of Exim Bank in India to provide loans, to the persons who are in wish to export from India’s goods including
export of turnkey projects, civil constructions contracts and services jointly or separately, Exim bank also grant loans in order to diversify the foreign trade. Not only it is but also it grants lines of credit to Government financial institutions and other sound organizations in foreign countries and the importers. Some times this exim banks direct transactions where mix of Government to Government credit and commercial credit for export is connected Bid-Bonds. Guarantee and other facilities are also given on behalf of persons exporting from India including different projects civil contracts etc. Besides, it purchasing, discounting and negotiating the export bills. Exim banks takes keen interest in selling or discounting export bills in International market or purchased by scheduled commercial banks or financial institutions, credital by Government and advances against such bill. It also have a look on issuing confirmation endorsing letters of credit on behalf of exporters in India collecting bills, opening of letters of credit on behalf of importers of goods. It also maintains the foreign currency accounts with banks for the purposes connected with the business. In promotion and development of the foreign trade it provides assistance to survey, research and studies. Exim banks provide financial assistance those institutions who are involved in under writing shares, debentures and administrative and financial activities.

Exim bank alleyways ready to avail the finance for machinery and equipments on lease basis by which exportable goods are produced.

Thus Government of India organized exim banks in such away that objectives of it may be achieved.
Structure of Exim Banks:

The structure of Exim bank has been described in chart-Exim bank of India Act. Board of directors of bank consists following.
1. Chairman and managing director are appointed by central Government.
   (a) One director nominated by RBI.
   (b) One director nominated by IDBI
   (c) Cone director nominated by ECGC.

2. These should not be more than twelve directors nominated by the central Government in out of them five directors will be related to officials of central Government. These must be only three directors from the scheduled commercial banks. There should be four experienced persons in export & import or financing activities.

Today, as we have sixteen members in the bank’s board directors and chairman. One member each represents
ministry of commerce, industry and external affairs, and two members represent ministry of commerce, industry and external affairs and two members represent ministry of finance one each represent RBI, IDBI and ECGC and two members stand for commercial banks. But no members has been selected from export community and professionals.

**Resources of Exim Bank:-**

The exim bank was set-up with an authorized capital of Rs. 200 crores which can be increased to Rs. 500 crores. As on March 31, 1997.

The bank is authorized to raise to resources from the Government of India both by way of shares capital and borrowings of RBI, domestic and foreign market, public deposits and generation of internal fund.

**Export Credit Guarantee Corporation of India :-**

Any trade or transaction does involve certain risks such as counter party default, disputes in quality/terms, rejection of goods, less of goods etc. These risks are operative even when the parties are from the same area or known to each other. One can think of the risks involved in the transactions when these familiarities are not existing, specially in international transactions like exports (29). Payment in export is full of a variety of risks as commercial risks, political risks, cargo risks, credit risks. Risks arising out of foreign risks, exchange fluctuation risks, etc. Exporters try to protect themselves from these risks. It is very difficult task to recognize
which country is risky and when Actually risks are to be always present in every market developed or under developed or undeveloped. Markets fluctuate due to change in the demand and supply conditions and changes in prices besides these other commercial risks like competition, substituted products, transit time, environment also arise and add the risks for exporter where world markets open trade, there on political factors like changes in party in power, changes in the Government, coups, civil wars or rebellions, capture of cargo during war, etc. create political risks for exporters and importers both legal tussle between the importer and exporter arise due to different commercial laws for proceeding, goods from one country to another. In proceeding goods, exporters and importers face cargo risks due to fire, storm, collision theft, leakage, explosion, spoilage etc. If transactions dealt on credit, the exporter faces the risks of default the payment be bankrupt, foreign exchange restrictions or moratorium, earthquake, typhoon internal disturbances or external distances etc. and under these circumstances the importer may not be in a position to pay off thus the exporter may have to bear the whole risks. These are not only but exporter and importer also suffer the risks of exchange fluctuations.

In fact, due to risks, the loss of a large payment may spell disaster for any exporter what ever his prudence and competence on the other hand, too cautious an attitude in evaluating risks and selecting buyers may result in loss of hard-to-get business opportunities. Thus, export credit insurance is an import tool to protect exporters from the consequences of the payment risks, both political and commercial so that exporters avail export
finance and expand their overseas business without fear of loss. For this, export credit insurance creates a favourable climate in which exporters expect to get timely, appropriate and liberal credit facilities from banks at home. For it, export credit insurer provides guarantee to banks to protect them from the loss arise in granting lending facilities to the exporters.

In order to provide export credit insurance support to Indian exporters the government of India set-up export risks Insurance corporation (ERIC) in July 1957. It was transformed into export credit guarantee corporation limited in 1964. To bring the Indian identity into sharper focus, the corporation’s name was once again changed to present export credit guarantee corporation of India limited in 1983. It is company wholly owned by the GOI (31).

Objectives and Functions of ECGC :-

Memorandum of Association of ECGC spells out its basic function-

1. To secure exporters by incurring the overseas credit risks.
2. To encourage the commercial banks and exim bank to extend liberal financing to exporters.
3. To undertake functions entrusted to it by Government including grants of finance in foreign currencies.
4. It works as an agent of Government and performed functions as in the beneficial for the country. And the main functions performed by ECGC are followed-
(a) ECGC is always responsible for providing numerous suitable schemes and policies to strengthen exports.
(b) To lay guarantees to banks and financial institutions and exporters to obtain better facilities.
(c) To ensure the exporters against fluctuations in exchange rate in the world.

**Structure of ECGC :-**

Actually, the final target of ECGC is to work without, having any profit for exporters as well as banks. In order to design its plan it has a head office in Mumbai, five regional and 51 branches across India to service exporters and banks and these offices are connected by WAN and offer web-based-services.

The organization board has seven members, a chairman and managing director, second person is related with general issuance corporation Mumbai, and other chairman and managing director of Exim bank of India Mumbai, fourth person is joint secretary ministry of commerce and industry. President FIEO, New Delhi is the fifth and executive director, Reserve Bank of India is sixth one joint secretary ministry of finance is the last one and seventh respectively.

**Resources :-**

In authorized capital of the ECGC is Rs. 100000000 equity shares of Rs. 100 each. And paid up capital is Rs. 7000000. The ECGC raise its resources from Borrowings like debenture, Bonds, banks, financial Institution and others.

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