CHAPTER VII

THE ROLE OF EXPORT HOUSES IN THE
DEVELOPMENT OF SMALL SCALE INDUSTRY
AND THIRD PARTY EXPORTS
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The development of small scale, village level
and cottage industries is an important plank of the
Government's Industrial Policy. To foster development
in the decentralized sector, the Government has also
accorded high priority to the small scale sector in
the overall export strategy of the country.1 But, the
small scale sector generally lacks the manpower and
financial resources to market its products directly in
the international market. For this, the Export Houses
were expected to provide export channels to the small
scale units.2 The Export Houses were also required to
provide other services to the small scale sector, in
order to strengthen and diversify the industrial base
of this sector.3

1 This is clear from (i) Export Policy Resolution
1970 paragraph 12, Ministry of Commerce,(ii) The
Janata Govt, in its export strategy highlighted the
role of small-industry exports at a meeting of
Export Promotion Councils - Financial Express,
August 15, 1977, (iii) The Sixth Five Year Plan
document, Para 12.68.

2 In the various Import Policies, a number of incen-
tives were given to the Consortium of small-scale
exporters. In 1981-82, the basic objective of
Trading Houses was specified as "increasing exports
from the SSI sector".

3 Import Policy, 1981-82, paragraph 176(c).
Further, the manufacturer Export Houses are expected to export a minimum level of exports from other manufacturers (small, medium or large) rather than just export their own production. These exports are termed as third party exports. Thus, the exports by the manufacturer Export Houses, from the small scale sector, if any, are also included in third party exports.

This chapter is presented in two parts:

(A) analysis of the role of all the Export Houses in the development of small scale industry (SSI) exports and

(B) an evaluation of the performance of manufacturer Export Houses against the criteria to be fulfilled by them.

A. Export Houses and Small Scale Industry Exports

Before discussing the role of Export Houses in the promotion of exports from the small scale industry, it may not be out of place to give the growth and problems of the SSI exports in general. This will help in evaluating the role of Export Houses in a better perspective.

1 Growth of Small Scale Industry Exports

The growth of small scale enterprises occupy an important role in the country's development. This is

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1 Import Policy 1981-82, paragraph 175(f).
due to the small scale sector having a favourable capital/output ratio, high employment potential, potential for achieving wide dispersal of industrial activity and development of backward regions. In the early fifties when small industries programme was started the emphasis was mainly on import substitution, and most of the units catered to the domestic market. Gradually, small scale units developed the production and marketing skills and when in 1967 there were recessionary conditions in the domestic market, some units entered the export field. There were further incentives to the exporters by way of import replenishment and cash compensatory allowance. In the international environment, also, certain developments helped the export of labour intensive products. These were of (a) rising cost of labour in industrially advanced countries, (b) anti-pollution drive, (c) introduction of G.S.P., (d) rise in incomes and standards of living of West Asian countries. As a result of the above combination of factors, exports from the small scale industry gradually increased. An idea about the contribution of the small scale industry to the total Indian exports can be had from Table 7.1. It is observed from the table that exports from the SSI showed an increase

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<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports (Crores)</th>
<th>SSI Exports (Crores)</th>
<th>% share</th>
<th>% growth Rate Total</th>
<th>% growth Rate SSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>1608.5</td>
<td>150.0</td>
<td>9.3</td>
<td>4.6</td>
<td>N.A.</td>
</tr>
<tr>
<td>1975-76</td>
<td>4042.01</td>
<td>532.11</td>
<td>13.1</td>
<td>27.1</td>
<td>17.1</td>
</tr>
<tr>
<td>1976-77</td>
<td>5142.25</td>
<td>765.83</td>
<td>14.81</td>
<td>27.4</td>
<td>43.82</td>
</tr>
<tr>
<td>1977-78</td>
<td>5407.87</td>
<td>844.82</td>
<td>15.62</td>
<td>5.1</td>
<td>10.31</td>
</tr>
<tr>
<td>1978-79</td>
<td>5726.26</td>
<td>1069.24</td>
<td>18.67</td>
<td>6.0</td>
<td>26.56</td>
</tr>
<tr>
<td>1979-80</td>
<td>6458.76</td>
<td>1226.30</td>
<td>18.98</td>
<td>12.8</td>
<td>14.68</td>
</tr>
<tr>
<td>1980-81</td>
<td>6704.12</td>
<td>1519.18</td>
<td>22.66</td>
<td>3.9</td>
<td>23.88</td>
</tr>
<tr>
<td>1981-82</td>
<td>7368.07</td>
<td>1686.00</td>
<td>22.90</td>
<td>9.7</td>
<td>10.99</td>
</tr>
</tbody>
</table>

*PROVISIONAL

from the level of Rs 150 crores during 1971-72 to Rs 1686 crores during 1981-82, marking an increase in the share of SSI in total exports of the country from 9.3% in 1971-72 to 22.9% per cent in 1981-82. This shows that the exports from SSI have been growing at a relatively higher rate as compared to total exports of the country. In the case of a number of products the small scale sector constitutes a major share of the export earnings of the country. Some of the fields in which the contribution of export earnings is practically 100 per cent from this sector include: sports goods, woollen garments and knitwear. The industries which account for about 75 per cent of export earnings from small scale sector include marine products and cashew kernels. Semi-finished leather, leather and leather manufactures account for about 60 per cent of total export earnings from small scale sector.¹

The Sixth Five Year plan of India has envisaged a growth of 12 per cent in exports from the small scale industries. It is estimated that at this rate the exports from the small scale sector would reach about 2000 crores by 1984-85 and to about Rs 4000 crores by 1990-91. Achievement of the above targets depends on removal of various constraints from which the SSI is suffering. The next section describes these major constraints.²

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¹ Annual Report, 1981-82, Small Industries Development Organization, DC(SSSI), Govt. of India.
² Sixth Five Year Plan Document, Para 12.67.
(2) **Major Constraints in SSI Export**

The Small Scale Sector faces a number of constraints while exporting. Some of these problems are not specific to the Small Scale sector, and are general in nature, but they assume special significance for the small scale sector because of its limitations to provide necessary manpower and raise adequate financial resources. The main constraints are:

(i) Gap in information and communication pertaining to overseas market potential, price trends, consumer preferences, design changes, competition, issue of tenders etc.

(ii) Non-availability of raw materials and components in adequate quantities and of the required specifications at reasonable price.

(iii) Lack of resources, particularly for the purpose of product development for export and preparation of dies/moulds, which at times are very expensive.

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1 These constraints have been described by a number of researchers and executives. See for example:
   (i) Committee on Export Strategy, 1980's, Ministry of Commerce, Govt. of India,
   (ii) National Convention on Export of Small Scale Enterprises, F.I.E.O.

2 This is indicated in a number of studies also, for example, (i) "Fabrics for foreign markets", Economic Times, May 23, 1981 (ii) A Study of Leather Goods Industry, Trade Development Authority, p.76.

3 This is again illustrated very well by the leather goods industry, where there is non-availability of quality finished leather and accessories for leather goods.
(iv) Lack of standardization of the export product.¹
(v) Lack of proper image and publicity abroad.²
(vi) Absence of proper testing facilities for quality control and pre-shipment inspection.³
(vii) Lack of know how about export marketing procedures and out-moded managerial practices.⁴
(viii) Lack of export credit, especially for working capital requirements.⁵

In order to overcome these constraints and to provide export channel for the products of the small scale sector a number of organizations were set up. These included Export Houses and Trading Houses, Central Government Trading organizations, State Government Export Corporations or Small Industry Development Corporations, Export Consortia of Small Scale manufacturers and Merchant Exporters.

The Export Houses and Trading Houses were expected to have a lasting relationship with their supporting small

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² Op.cit., "Handicrafts- opportunities and challenges".
⁴ This is again indicated by a number of studies, for example "Report on Study Tour of Selected Goods," T.D.A.
scale units. They are also expected to provide these units with important inputs, like raw materials, information about markets, sample design, financial help and export consultancy.¹

3. Export Houses in the Development of Small Scale Industry Exports

A number of steps have been taken to promote exports of CSEI products through the Export Houses, which were initially recognized in 1960. These steps include the following: (i) In the 1970–71 Import Policy, a system of import replenishment licences (REP licences) was made applicable to qualified Export Houses. The objective of this scheme was to build a more enduring relationship between Export Houses and their supporting manufacturers, by keeping the latter supplied with imported raw materials for export production. (ii) In order to assist small scale units to market their own production, such units were permitted in the Import Policy for 1974–75 to set up consortia of their own to organise

(5 from pre page) ¹ Ibid., p.268. and ¹¹Export Finance – An Emerging Bottleneck” Economic Times Nov.18, 1981, iii also see Chapter VI of this study.

¹ This has been indicated in the Import Policy for various years. See Chapter II, where the objectives for the formation of Export Houses have been described.

² This material on Government Policy with regard to Export Houses and Trading Houses has been prepared from the Annual Import Policies, Ministry of Commerce, Government of India.
sales of their products abroad. The minimum export performance for the recognition of such consortia as Export Houses was fixed at ₹ 25 lakhs of select products, collectively of the member units of the consortia. This minimum export performance was subsequently reduced to ₹ 10 lakhs in 1976-77, provided the consortium undertook to increase the exports of its members by ₹ 5 lakhs f.o.b. each year. In the Import Policy 1983-84, this export performance has again been raised to ₹ 50 lakhs of Select Products, the same level as other small-scale Export Houses; (iii) In the scheme of exports through eligible Export Houses for 1975-76 a new condition was added, namely that at least 5 per cent of the total f.o.b. value of exports on the basis of which eligibility was claimed or ₹ 25 lakhs, whichever was lower, must be the exports in respect of products manufactured by the SSI units. This condition was subsequently withdrawn (1983-84), (iv) The scheme of exports through Export Houses was considerably revised in 1976-77, as a result of which the condition for recognition as an Export House was relaxed for small scale industry exporters. Now, the small scale industry Export Houses were to be recognized on the basis of a minimum export performance of ₹ 25 lakhs, of Select products or ₹ 2 crore of non-select products as compared to ₹ 50 lakhs for select products and ₹ 3 crores, in the case of other categories of Export Houses. At present also, the minimum export
performance for small-scale industry is lower than other Export Houses; (v) In the 1976-77 Import Policy, for calculating the qualifying export performance of the applicant Export House, the value of products exported by the Export House from the small scale sector was given double weightage. This incentive was provided to Export Houses to promote exports of SSI products. This incentive continues to be provided; (iv) The value of the additional licence in the case of small scale manufacturer Export Houses was higher than other Export Houses, (Import Policy 1979-80). This facility was withdrawn in the Import Policy for 1983-84, and the small scale manufacturer Export Houses have the same value of additional licences as other Export Houses. But, even now the Export Houses can avail of additional licences for that part of their exports which are from the small scale industry. Further, there is no limit to the amount of additional licence which an Export House can acquire for each item, if the Export House can supply the names of its supporting manufacturing units in advance to the concerned licensing authority.

It is clear from the above discussion that the conditions for eligibility in the case of SSI Export Houses have been relaxed. Further, the Export Houses get additional benefits, both in recognition as an Export
House and in import facilities, for their exports from the SSI sector. Also, there is a definite change in the government's policy from one of fixing minimum export levels from SSI sector to one of promoting exports through the Export Houses by providing them with incentives.

In the 1981-82 Import policy, a new class of Export Houses was established, i.e., the Trading Houses. They are required "to develop new products and new markets for export, particularly from the small-scale and cottage industry exports." Out of a minimum qualifying limit of Rs 10 crores of select products, 10 per cent by way of direct exports or 20 per cent by way of indirect exports should be the exports of the products manufactured by small scale units.

Thus, one of the main objectives of the Trading House, is to promote exports from the small scale industry.

(b) The Nature of Help Provided by Export Houses to SSI Exports

In order to know about the nature of help provided by Export Houses to SSI exports, a number of questions were inserted in the questionnaire sent by the researcher to selected Export Houses. Table 7.2 indicates the nature of help provided by the Export Houses to their supporting small scale units. A number of important
### TABLE 7.2

**Extent of Relationship of Export Houses with Small Scale Units (N=31)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Export House (8)</td>
<td>50</td>
<td>25</td>
<td>50</td>
<td>40</td>
<td>25</td>
<td>50</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Small Scale Export Houses (7)</td>
<td>55</td>
<td>15</td>
<td>55</td>
<td>55</td>
<td>43</td>
<td>43</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Central Govt. Export Houses (5)</td>
<td>60</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>State Government Export Houses (6)</td>
<td>100</td>
<td>100</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>80</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Trading Houses (5)</td>
<td>80</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>20</td>
<td>60</td>
</tr>
</tbody>
</table>

**Total** 31 65 48.5 56 53 45 48 12 24

SOURCE: Data collected from the Field Survey.
conclusions can be drawn from this table:

1 65 per cent of the Export Houses surveyed supplied raw materials to their supporting small scale units, while only 48.5 per cent of them supplied imported raw materials. With regard to different categories of Export Houses, it is seen that a high percentage of Central Government and State Government Export Houses and Trading Houses provided both domestic and imported raw materials to small scale units. While it is true that there is a provision for the Government Export Houses to provide raw materials to their supporting small scale units, in actual practice there is a lot of criticism against the Government Export Houses. For example, in the case of STC the clients for raw materials feel that nothing concrete has been done under the Export Assistance to Small Industries (EASI) scheme. On the other hand, many in the trade feel that STC has yet to master the intricacies of foreign trade. The clients are more about STC's collection of high rate of commission and handling charges. Handling charges vary between seven to fifteen per cent. STC, also continues with the practice of issuing provisional prices and the settlement of final price takes years.¹ In the case of a state Government Export

¹ Economic Times, September 12, 1982.
House (Haryana State Small Industries and Export Corporation) the Economic Times observed "Instead of supplying scarce raw materials at reasonable rates the Corporation charges prohibitive rates of overheads. As the registered small scale entrepreneurs have no option but to buy their requirements of raw materials through the Corporation, they are helpless. Failure to lift the raw material on the Corporations' terms means de-registration and forfeiture of earnest money."\(^1\) Similar conditions prevail in other State Government Corporations.

A number of incentives like REP licences and additional licences are available to the Export Houses, on the basis of which they can supply imported raw materials to their supporting small scale units. The small scale units can be assured of uncurtailed supply of raw materials. However, the discussions with the executives of Export Houses reveal that in reality there is no lasting relationship between the Export Houses and the small scale units. Items are usually bought out for the export market from a number of manufacturers, and hence Export Houses have not been able to develop reliable suppliers. In this situation

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1 Economic Times, April 2, 1982.
2 Import Policy, 1981-82, Para 140.
since REP licences are generally transferable, they are sold off at a premium rather than transferred to a supporting manufacturer. The smaller Export Houses readily admitted during the survey that it is no secret that most of such Export Houses have to make their financial resources for expansion of their activities from the import operations. In the case of additional licences, though non-transferable, Export Houses sell them off in the market and do not pass them on to their supporting manufacturers, to increase export production.

Generally, therefore, even with the liberal import policy the supply of raw materials at reasonable price and at proper time is still a problem with the small-scale units.

(ii) Only 50 per cent of the selected Export Houses provided information to the small scale units about market potential and opportunities. Thus, the small scale units cannot plan their production for export market. As stated above, the Export Houses generally buy out the products for which they have secured

1. Import Policy 1981–82, Para 140.
2. This view was also expressed by the Finance Minister, at an AIEI Seminar at Calcutta on 2nd April 1983 – Economic Times, April 3, 1983.
3. The former Chief Controller of Imports and Exports, Mr Narainswamy has the same viewpoint – National Seminar on Export of Small Scale Enterprises, FIEO, 1982.
orders, rather than develop and nurture supporting small scale units.

A similar situation prevails in the case of Export Houses providing information about changes in product design in the export market.

As compared to Export Houses, the Trading Houses had a comparatively closer association with their supporting small scale units and provided them with the above information.

(iii) Very few Export Houses help the small scale units in the preparation of a sample. The Export Houses are not willing to invest in dies and moulds, on the basis of which the sample can be prepared. The general mode of working of the Export Houses is that they first secure orders and then try to prepare dies and moulds rather than prepare a sample on the basis of which they can secure orders. As a result, the number of orders which an Export House can secure are greatly affected.

(iv) Financial help is provided by 48 per cent of the Export Houses, that too primarily by Trading Houses. Such help is generally provided by opening a back-to-back L/C in favour of the manufacturer. Sometimes the Export Houses give an advance to the manufacturers
against an export order. There is no other financial help provided by the Export Houses either to upgrade technology or to develop new product or to develop quality control facilities of the manufacturers.

In the case of pre-shipment credit Export Houses want export credit to be given for a longer period of time (generally it is 90 days).1 Also, the rate of interest for export credit is considered high. Similarly, term credit is considered inadequate and the list of commodities for which such finance is available, is not exhaustive.2 The above problems with regard to export credit limit the capability of the Export Houses to provide finance to their supporting small scale units.

(v) In the area of packaging precious little has been done by the Export Houses and Trading Houses. This is an area where there are frequent complaints by the buyers abroad. It has been rightly pointed out that "if we do not have adequate packaging and presentation in product, it does not appeal to foreign buyer, and then we are subject to price

1 This aspect has been mentioned as one of the main problems of Export Houses, during the Survey. See Chapter VI of this study.

2 Refer to Chapter VI on the section "Needs and source of Finance."
constraints. Thus, Export Houses need to develop schemes for packaging in correct design, quality and in modern form.

(vi) In the area of export consultancy, also, to the small scale units, the Export Houses and Trading Houses have done very little. They (Export Houses) have not been able to educate their supporting manufacturers with regard to export procedures and documentation, import facilities and export incentives.

The above analysis, thus indicates that the small scale industry faces the problem of timely availability of quality raw materials at reasonable price. Only about half of the Export Houses provide the raw materials to the small scale industry. Even here there are frequent complaints by the small scale industry. Only about 50 percent of the Export Houses provide information with regard to market opportunities, design changes, customer preferences etc. to their supporting small-scale manufacturers. Financial help is limited to opening of back-to-back L/C.

The Export Houses have hardly helped the small scale units in the area of packaging, export consultancy and for improvement of quality control facilities.

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1 This comment was made by Mr. Binay Kumar, Chairman, Benaras House Ltd., during the proceedings of the Convention on Exports of Small Scale Industries, FIEO, 1982.
The Trading Houses, on the other hand, provide more facilities to the small scale industry, but in the area of packaging, quality control and export consultancy they have also done very little.

There is no attempt by Export Houses to seek out reliable manufacturers and help them with respect to different facilities and services. Hence no lasting relationship is established between the Export Houses and the small scale units. The Export Houses, though, have their own story to tell. They claim that once they have developed a small scale unit and helped it with regard to production and marketing, the small scale unit later on wants to sell in the export market on its own. The small scale unit also undercut the parent Export House. Very few of these small scale units are successful on their own. Sometimes these small scale units also undermine the country's image. For this there should be a measure of selectivity\(^1\) in exports and only reliable and dependable exporters should be allowed to export. This will also increase the level of relationship between the small scale units and the Export Houses.

(C) **Share of SSI in Total Exports of Export Houses**

This section examines the importance of small scale industry exports in the exports of the Export Houses, by \(^1\) This suggestion was mooted as far back as 1963 by Sir A. Ramaswamy Naidu, heading the Selectivity Committee.
examining their share in the total exports of the Export Houses. An attempt is also made to find out how various steps taken by the Export Houses to promote SSI exports have affected their share. Table 7.3 indicates the share of the small scale industry exports in the total exports of the Export Houses. It is clear from this table that the share of small scale industry which was 28.7 per cent in 1977-78 increased to 41.8 per cent in 1981-82. A closer look at the statistics in Table 7.3, however, indicates that the total share of SSI products has increased primarily because of substantial increase of SSI exports by the Trading Houses. The share of SSI exports in the total exports of Trading Houses increased from 14 per cent in 1977-78 to 73 per cent in 1981-82. The share of SSI exports in the total exports of Large Houses and Central Government Export Houses is negligible. The increase in this share during the period under study is also marginal. In the case of Small Scale Export Houses, the share of SSI exports was 25 per cent in 1981-82. This low share in SSI exports is due to the fact that Small Scale Export Houses mostly export their own production, and they are not involved by and large in exports of other manufacturers. The State Government Export Houses are generally trading organizations, which are solely engaged in the exports of the products of the small scale
TABLE 7.3
Percentage Share from Small Scale Sector
(N= 31)

<table>
<thead>
<tr>
<th>Category of Export Houses</th>
<th>Y 77-78</th>
<th>E 79</th>
<th>A 80</th>
<th>R 81-82</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Large Export Houses (8)</td>
<td>0-100</td>
<td>0-100</td>
<td>0-100</td>
<td>0-100</td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(0)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td>2 Small Scale Export Houses (7)</td>
<td>0-93</td>
<td>0-93</td>
<td>14-19</td>
<td>15-88</td>
</tr>
<tr>
<td></td>
<td>(21)</td>
<td>(22)</td>
<td>(25)</td>
<td>(25)</td>
</tr>
<tr>
<td>3 Central Government Export Houses (5)</td>
<td>0-90</td>
<td>0-90</td>
<td>0-90</td>
<td>0-90</td>
</tr>
<tr>
<td></td>
<td>(15)</td>
<td>(15)</td>
<td>(20)</td>
<td>(20)</td>
</tr>
<tr>
<td>4 State Government Export Houses (6)</td>
<td>70-100</td>
<td>74-100</td>
<td>75-100</td>
<td>75-100</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>5 Trading Houses (5)</td>
<td>12-100</td>
<td>15-100</td>
<td>15-73</td>
<td>20-81</td>
</tr>
<tr>
<td></td>
<td>(14)</td>
<td>(45)</td>
<td>(55)</td>
<td>(58)</td>
</tr>
</tbody>
</table>

Average Median Value 28.7 34.0 38.3 39.1 41.8

Note: Figures in brackets indicate the median values, and for direct exports from the SSI sector.

Source: Data collected during the field survey and annual reports of Export Houses.
industries. This explains why their share in this regard is high. Two of the six State Government Export Houses, namely, MARKFED and U.P. Export Corporation also have their own production units. It has, however, already been stated that these State Government Export Houses have not done much by way of providing various facilities to their supporting units. It would thus be clear that their high share in SSI exports cannot be attributed to the facilities provided by them, but to the fact that they are engaged solely in trading activity.

To conclude, except the Trading Houses, the other Export Houses are not acting as true Export Houses in the sense in which they are expected to act. They are acting as mere exporters. Export Houses have not been able to fulfil the objectives — "Involvement in the export of the products of small scale industries as well as the assistance by way of imported raw materials and the like provided to supporting manufacturers".¹ The Trading Houses have been able to increase the share of SSI exports because they have been able to provide help and assistance to their supporting small scale manufacturers. It can thus be concluded that despite Government's policy to encourage SSI exports through Export Houses, these Houses have not been able to evolve a lasting relationship with their supporting manufacturers.

¹ Import Policy 1981-82, Para. 175 (f).
B. Third Party Exports by Manufacturer Export Houses

One of the conditions for eligibility of an Export House is that the manufacturer Export Houses must have an enduring relationship with their supporting manufacturers. Thus, the manufacturer Export Houses are expected to export the products of other manufacturers also, besides their own production. This section first describes the minimum criteria which the Export Houses are expected to meet with regard to exports of other manufacturers (third-party). Then, the performance of manufacturer Export Houses has been judged against this criteria.

(1) Criteria

When a manufacturer Export House fulfills the minimum turnover criteria (Chapter VI) "his exports of the products of other manufacturers should not be less than 20 per cent of the prescribed minimum (of Select/ Non-select products as appropriate). He should also undertake to increase the level of exports of goods produced by other manufacturers by the same value, so as to reach the minimum prescribed limit within 5 years."¹ This brings out the fact that the share of other manufacturers should be at least 20 per cent of Rs 1 crores (20 lakhs) for select products or 20 per cent of Rs 5 crores (1 crore) for Non-Select products. In the case of

¹ Import Policy, 1981-82, Para. 176(f).
a small scale Export House this obligation would be Rs 5 lakhs and Rs 40 lakhs respectively. Exports of other manufacturers are also expected to increase by the above values every year.

The above criteria of minimum exports of 20 per cent from third party manufacturers is a welcome stop as it forces an Export House to help other manufacturers in the export field. But, a growth rate of 20 per cent per annum in third party exports is on the high side. It may also be noted that exports of SSI products are also included in the third party exports, and the conclusions with regard to the relationship with the SSI sector would also be true for third-party exports.

(2) Evaluation

Table 7.4 shows the extent of third party exports, by the manufacturer Export Houses. It is clear from the table that 74 per cent of the manufacturer exporters meet the obligation of 20 per cent. There are at least 26 per cent Export Houses which do not meet the criteria.

If we consider category-wise performance it is seen that the Trading Houses and Central and State Govt. Export Houses generally fulfill the criteria of third

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1 In the Import Policy, 1983–84, the condition of 20% exports from third party has been deleted altogether.
<table>
<thead>
<tr>
<th>Type of Export Houses</th>
<th>Total Number</th>
<th>Number Exporting at least 20% from other manufacturers</th>
<th>% No. reaching prescribed minimum in five years.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Large Export Houses</td>
<td>7</td>
<td>4</td>
<td>57</td>
<td>3</td>
</tr>
<tr>
<td>2 Small Scale Export Houses</td>
<td>7</td>
<td>5</td>
<td>86</td>
<td>3</td>
</tr>
<tr>
<td>3 Central Govt. Export Houses</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>4 State Govt. Export Houses</td>
<td>2</td>
<td>2</td>
<td>100</td>
<td>Nil</td>
</tr>
<tr>
<td>5 Trading Houses</td>
<td>2</td>
<td>2</td>
<td>100</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>14</td>
<td>74</td>
<td>9</td>
</tr>
</tbody>
</table>

**Source:** Compiled from data collected during the field survey
party exports. This as already observed, is due to the fact that the major activities of these Export Houses is trading rather than manufacturing. The percentage of large and small scale Export Houses fulfilling this criteria is low because these Export Houses are basically manufacturer Export Houses and market their own production rather than help third party exports. These Export Houses thus do not truly operate as an Export House, as the Export Houses were set up to help other manufacturers to market their products abroad, since it was accepted that the Export Houses possess the requisite resources and marketing skills.

Table 7.4 further reveals that only 47 per cent of the manufacturer Export Houses were able to maintain the exports of their supporting units at a growth rate of 20 per cent per annum.

From the above analysis it can be concluded that the manufacturer Export Houses generally do not meet the criteria of third-party exports. The Export Houses are generally content to market their own production. The Government has also not strictly enforced this condition for eligibility as an Export House. In the Import Policy 1983-84 it has completely done away with the condition of third party exports. Instead the
Government policy is to encourage relationship between Export Houses and their supporting manufacturers through increased incentives, like a higher value of additional licences. While it is too early to comment on the changed policy, it goes without saying that the Export Houses should export products of other manufacturers, who may not be in a position to market their products on their own. Further, the Export Houses were expected to benefit by economies of scale in export marketing. Export in bulk by these Houses was expected to improve their bargaining position with buyers abroad. But, these objectives have not been achieved because these Houses have not involved themselves in third-party exports.