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Chapter 1

INTRODUCTION

1.1 Genesis of the problem

Foreign trade is considered to be an important aspect for any economy in the world today. In order to get the issues relating to foreign trade in right perspective we can start with the odd question: “Can a country survive without an exchange of goods with other nations?” The answer to this question can be both a “yes” and a “no”, depending on the size, population and resource-endowment of the country concerned. A country of India’s size, with its diversified pattern of production, can manage to survive for any length of time without exporting or importing goods to and from, other countries, considering the overall potential market mass. The same may be said of any large country, be it the United States, U.S.S.R., China and Brazil.

It has been proved by centuries of experience that human needs can be met more economically and more equitably by an exchange of goods among nations. This is explained primarily by the fact that a country which can produce a thing cheaply vis-à-vis other countries should maximize the production of that item and share it with others. In other words, foreign trade is based on the theory of comparative costs and international division of labour.

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It has been fully realized that no nation of the present day world can be completely self-reliant. Even the developed and highly rich nations like USA and Canada need the co-operation of other nations in the purchase of raw materials on one side and sale of their manufactured products on the other side. The capacity to produce in case of developed nations goes far ahead of their capacity to consume. The developing countries provide the much-needed outlet for their surplus goods turned out in bulk. Developing countries need capital goods, steel, power and machinery, without which their industrial growth is not possible. It is the developed nations that provide capital machinery and what is even more important is the requisite technological know-how. Thus, the pace of economic growth gets accelerated. This situation is in the mutual interest of both the developing as well as the developed nations.

All the countries have not been endowed with the same productive resources. There are differences in the supply of labour and capital as also the climatic conditions. Because of these differences, every country finds it proper to specialize in the production of certain specific commodities. A country may be said to have surplus production if its total production capacity of a commodity far exceeds what its people can consume.²

International trade has assumed greater significance for economic development. It enables an economy to complement development of industrial or agricultural structure and ensures diversified consumption for its people. It is also instrumental in equalizing the factor prices and results in a more efficient allocation of

resources. It promotes capital formation and brings sectoral and external economies of scale and enables a country to produce those goods, which are economical, competitive and are based on rational cost proportions. It strengthens the relations, both economic and political, with other trading countries and provides an opportunity to enter into customs union, which bring forth trade creating and trade diverting benefits. It promotes the hidden talents of entrepreneurs and thus augments the comparative advantages in a country.

Trade is the foundation of modern economic activity. It is required to produce a larger volume and variety of goods, to increase production and productivity and thus develop a society built upon the division of labour. Hence, foreign trade is an indispensable tool. If there had been no trade, there would have been no stimulus to create surplus. Trade alone is responsible for an organization of production entirely different from that kind of production, which could be developed without trade. It induces new investments in new industries.

Expansion of the export trade is vitally necessary in the economic development of the country. L. Tarshis, has aptly observed, “The dependence of a country’s national income upon its exports of the goods and services is the first point to notice. The national income, in money terms, for any period, equals the value of a country’s production for that period. The value of its production, in turn, is equal to what the market pays for its purchase. Hence, greater the purchase of a country’s output higher is its national income. It is at this point the value of the exports must be introduced. Hence, greater the country’s export, other things being equal, higher will be its national income. A change in exports would certainly lead to some change in
both consumer expenditure and imports, and would probably also lead to a change in
the expenditure, of business firms, upon plant and equipment; and, of government,
upon goods and services.

With the gaining of experience relating to economic development, and the
gradual increase in the interest relating to economic growth, to which the developing
countries aspire, it has become clear that foreign aid is no longer a sufficient means of
promoting economic development. We are, thus, rightly concerned with export
promotion as a way of accelerated economic development. 3

1.1.1 Need for export trade

Export trade is concerned with selling of goods and services by identification
of needs and wants of the people across national territories. The huge trade deficits
and the alarming balance of payments position of most of the nations has created the
need for making all possible efforts to boost their exports. The famous slogan given
by Pandit Jawaharlal Nehru, “export of perish” underscores the importance of exports
of a developing economy. A developing economy with an impressive development
plan requires large imports of capital goods, technology, raw materials and other
inputs and consumer goods to implement the plan effectively. As imports are financed

3G.S.Batra and Narinder Kaur, Foreign trade and Export Policy, New Delhi: Anmol
by exports, the capacity of a nation to import, obviously, depends on its export performance.

The need for export trade can be discussed under the following points:

1. Exports earn valuable foreign exchange for the country, which can be used for the import of machinery, equipment, agricultural machinery, fertilizers, etc. Many new industrial units can be set for the production of consumer and industrial goods thus leading to economic development.

2. There is optimum utilization of the natural resources of the country through export trade.

3. Export trade helps to earn foreign exchange, which can be utilized to import capital goods, raw materials, technical know-how etc. and thus build the industrial environment.

4. While meeting the competition effectively from the exporters of other countries, the exporters develop fair competition among domestic producers.

5. Exports increase the size of the market and this encourages more production. Larger production involves greater use of manpower. Thus, employment opportunities are generated due to export-oriented units established in different fields.

6. Exports contribute to a good part to the national income of the country. Exports contribute from 10 per cent to 45 per cent of the national income of the countries like Japan, Netherlands, Canada, Belgium, Germany, France, etc.

7. The developing countries have heavy burden of foreign debts. A huge sum of their earnings is spent towards debt-servicing expenses. In such a situation, active participation in exports can help in reducing the increasing burden of foreign debts.

8. In a country like India where balanced development through economic planning has been accepted, a huge capital formation is needed to achieve the plan objectives. Exports of value added items could be useful to earn additional foreign exchange required for planned development.

9. Exports help to increase a profitable sales volume in overseas markets. This could be possible by exporting goods at different price ranges and of varying qualities to the utmost satisfaction of the foreign buyers.

10. Export trade is a very complex task involving various problems related with the products, consumers, regulatory provisions, political conditions, etc. at the same time an export manager who deals with the different export markets, develops his skill and talent while involving himself with, or participating directly in the various export functions.
11. Certain products could find better market in developing countries even in their "obsolescence" stage in developed markets. For example, Arms and Ammunitions, which reached obsolescent stage in developed countries, find markets in developing countries.

12. Export trade has paved the way to establish closer cultural relations between countries. This has helped in knowing the consumption habits, standards of living, traditions that prevail among the people of different countries.

13. Export trade also helps to build up good political relations. For example: India’s political relations with Pakistan are not so good but being a SAARC member country, India extends all economical and cultural supports to it for maintaining political peace.  

14. Exports help in selling surplus production. For example, in India, demand for tea is less than its potential production. If we had not been exporting tea, our total production of tea would have been smaller. Thus, export to European markets has helped us to expand our tea production.

15. Expansion of one industry helps in the expansion of other industries. For example, when exports result in expansion of an industry, it also creates greater demand for packaging, transporting etc. and, thus, leads to the growth of these sectors.

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5 M.J. Mathew, op. cit., pp. 5-7.
1.1.2 Export trade and Indian economy

The need for augmenting exports is adequately recognized by the planning authority in India. The status and growth of Indian economy largely depends upon the foreign exchange resources. Weak export capacity strains the economy and vitiates the climate of economic recovery. Economic growth rate of India is significantly retarded when foreign exchange position becomes adverse due to the depressed level of exports and abnormally high level of imports.

An analysis of export trends brings out an alarming picture of India's adverse balance of trade. The balance of payments situation in India has undergone a puzzling transition since the early fifties of the 20th century. During the quarter of a century that followed independence chronic situation were observed due to trade deficits and difficulties of payment.

The first decade of planned economic development in India witnessed stagnation in export earnings. The 1960's exhibit India's deep concern with self-reliance and its emphasis on import substitution. During the mid 1970's the balance of payments adjustments in response to the first round of oil price increase was unexpectedly smooth in India. It was based on a larger inflow of external resources, a dramatic increase in net invisibles other than transfer payments, a phenomenal growth in remittances, and above all, a management of the balance of trade situation, which transformed a large deficit into a modest surplus within three years.
In early 1980's, the adjustment process has turned out to be much more difficult, following the second round of oil price increase. The worsening in the current account deficit in early 1990's was partly on account of the Gulf War. However, the growing trade deficit was accompanied by deterioration in the invisibles account because of lower remittances and higher interest payments. Keeping in view these factors structural changes were brought out in the economy since 1991. 

Till 1991, foreign trade of India suffered from strict bureaucratic and discretionary controls. To reduce controls, procedures were simplified, and to create a congenial environment for trade, the Government of India made a Statement on Trade Policy in Parliament on August 13, 1991, ushering a new era in the foreign trade policy of India. Instead of controls and regulations, the focus shifted to promotion and development of foreign trade.

There is an ample scope to increase the export of India’s thrust products. However, lack of infrastructure is a major bottleneck in the process. The Government should try to develop infrastructure such as roads, transportation, ports and basic communications in collaboration with private entrepreneurs. Competitive advantage in export of skill-based products can be maintained by continuously upgrading technology. Linkages between different activities related to the export sectors should be strengthened in order to create and sustain the competitive advantages. Thus, India can achieve new targets in exports if appropriate strategies are formulated and implemented.

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Since the early nineties, the global economy has been witnessing unprecedented changes. The collapse of the Soviet Union, unification of West and East Germany, and adoption of market-economy by China have deeply affected the global economic scenario. Another important event, which has had considerable bearing on the global trade, is the transformation of General Agreement on Tariffs and Trade into World Trade Organisation (WTO). On the other hand, the trend of forming regional trade blocks has also got momentum in the last decade of the 20th century.

In the changed global economic scenario, it is important for a country like India, to formulate new strategies to increase its exports and market share in world trade. In this context, it is relevant to identify some products for making specific thrust in the international market by adopting appropriate strategies.\(^7\)

Keeping in view India’s development, trade and financial needs, India should prepare itself to play an active role in the international trading system consistent with the national objectives.\(^8\)

Government is now providing various facilities; concessions and incentives for export promotion. As a result, our exports are increasing. The country has made considerable progress as regards the value, volume, composition and direction of foreign trade.


\(^8\)Narinder Kaur, op. cit., p.8.
At the same time, our progress in the export trade is not as per our expectations and requirements. Throughout the planning period (with the exception of one or two years), our exports are less than our imports and the balance of trade is unfavourable. Our performance in the world export trade is extremely miserable. In 1990, our share in the world export trade was only 0.5 per cent. It rose to 0.7 per cent in 1996. This performance is insignificant considering the vast size and natural and potentialities of other resources available in the country.

Many other countries have made considerable progress in promoting their exports while our exports are not increasing even when we have introduced number of measures for promoting exports. Our share in the world export trade is not even one per cent. Export promotion is a must for our country. The benefits of economic reforms and globalisation will be available only when we are able to export goods, services, software and technologies on a massive scale. Large-scale exports are necessary for our economic development and survival before we gain the prestige as an "economic power" on the global canvas.

It is a fact that India had an excellent record of export trade and also a proud and premier rank in the world export trade in the early historical period and also during the British Rule. It is a sad reality that we ourselves have squandered away our economic heritage in the world trade and, that too, in a free and independent India. At present, our export performance is not satisfactory. It is not fair to be satisfied with the glorious history of our export trade. We have to secure prominent position in the world export trade. It is a national challenge and must be accepted by all sections of the society particularly the manufacturers and the exporting community. Our desire to
be a world power in the next twenty years is closely related to our exports, global competitiveness and economic growth.

At present, India has established trade links with almost all regions of the world. India's exports cover over 7,500 commodities to about 190 countries. India's exports cover a wide range of items from agriculture and industrial sectors. Along with traditional items, exports of new items such as project exports (this includes consultancy, civil construction and turnkey contracts), electronic hardware and software exports and exports of services sector are also increasing.  

1.1.3 Role of Export Promotion Organisations in India

The exporters require organizational support to promote their exports in the international markets. The exporters may require the help of specialized organizations right from the stage of selection of export markets and products till the goods reach to the importer and the realization of export proceeds and incentives thereof. The Government of India has built a strong institutional setup to advise and assist the Indian exporters in their international ventures.

Since 1951, the Government of India has started a number of organizations/institutions to assist the export trade sector. Such institutional agencies provide organizational support to exporters. However, they do not participate directly in export trade. They help exporters in finding out suitable markets, guide them

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through suitable information about foreign markets and inform them about government policies and incentives offered.

All such organizations are called export promotion organizations as they facilitate the process of export promotion. Such organizations provide assistance and guidance to Indian exporters. They issue certain certificates, which are useful to exporters in securing the benefit of government incentives. In addition, they provide training facilities, market intelligence and benefits of marketing research to Indian exporters.

They are basically service organizations and are connected with export promotion activities. They create awareness about India's industrial and technological developments and, finally, actively contribute to the creation of a favourable image of India in foreign countries. The services of export promotion organizations are available easily and economically to all exporters as they are established basically for the benefit of the exporting community and also for export promotion. Government provides financial support to such organizations and sees that they offer liberal services to Indian exporters and foreign buyers.

Important export promotion organizations operating in India are as given below:

1) Export Promotion Councils (EPCs).

2) Commodity Boards (CBs)
   a) Tea Board
   b) Coffee Board
   c) Rubber Board
d) Cardamom Board  
e) All India Handicrafts Board  
f) Coir Board  
g) Central Silk Board  
h) All India Handloom Board  

3) The Marine Products Export Development Authority (MPEDA)  

4) Agriculture and Processed Food Products Export Development Authority (APEDA)  

5) Federation of Indian Export Organisations (FIEO)  

6) Indian Institute of Foreign Trade (IIFT)  

7) Indian Institute of Packaging (IIP)  

8) Indian Council of Arbitration (ICA)  

9) 100 per cent Export Oriented Units (100 per cent EOUs)  

10) Free Trade Zones (FTZs) and Export Processing Zones (EPZs)  

11) Special Economic Zones (SEZs)  

12) Techno-Parks  

13) Service Sectors  

14) M. Visvesvaraya Industrial Research and Development Centre (MVIRDC)  

15) Chambers of Commerce  

16) Indian Trade Promotion Organisations (IPTO)  

10Ibid., pp. 366 and 368.
1.1.4 Role of Export Marketing Organisations in India

Export marketing organisations are specialized agencies concerned with export trade. They look after the export of Indian goods and services. These organizations explore foreign markets and arrange to send goods to foreign buyers as per the orders received/collected. They also maintain necessary facilities and expert staff in order to manage export marketing activities efficiently. Export marketing organizations conduct export trade transactions on their own. In India, different types of export marketing organizations are operating. They collectively make a positive contribution in promoting exports. They do good export business and also earn substantial foreign exchange for the country.

Export marketing organizations conduct export trade transactions on a large scale. The government recognises their useful role in promoting exports. In addition, certain concessions and incentives are offered to them so as to motivate them to take more interest and initiative in promoting India’s exports. Such benefits and incentives are given in the Exim Policy and are also modified/liberalized through Exim Policy as per the need of prevailing export environment.

Some of the important types of export marketing organizations are given below:

1) Manufacturer-Exporters
2) Merchant Exporters
3) Export Houses
4) Trading Houses
5) Star trading Houses
1.1.5 MMTC - An export marketing organisation

India being the largest democratic country and having second largest demography has to achieve an important position in the global market. All sorts of economic activities are being done through different intermediaries in this mixed economy. MMTC, one of the largest trading companies, has a key role in the path of country's economic development.

MMTC, an independent corporation set up in October 1963 in the public sector, occupies a prominent position in India's foreign trade. This Corporation was established through the bifurcation of the STC and all activities of STC relating to minerals and metals were transferred to this new corporation. It is a fully government-owned company and its main object is to develop the export of mineral ores and to import and distribute some of the essential raw materials for the industries in India.

It is a leading international trading company, with a turnover of over US $ 1.2 billion. It is the first international trading company of India to be given the coveted status of "SUPER STAR TRADING HOUSE" for being the largest exporter of the country for the period 1994-1995 and 1995-1996 and it is the first public sector

\[\text{\footnotesize\textit{Ibid.}, pp. 116 and 117.}\]
enterprise to be accorded the status of "GOLDEN SUPER STAR TRADING HOUSE" for long standing contribution to exports.

MMTC has a vast international trade network, which includes a wholly owned international subsidiary in Singapore, as well as 2 international offices in Tokyo and Dubai, and spans more than 85 countries across Asia, Africa, Europe, Oceania and America. thus, giving a global market coverage.

MMTC has a comprehensive infrastructure for bulk cargo handling, with well developed arrangements for rail and road transportation, warehousing, port and shipping, operations, giving a complete control over trade logistics, both for exports and imports. The company’s countrywide domestic network is spread over 85 regional, port and field offices, warehouses and procurement centres.

Major institutional customers of MMTC in India are accredited with ISO 9002 status. It is a major global player in the minerals trade and is the single largest exporter of minerals from India. Iron ore is the main item of export of MMTC. It is the world’s second largest importer of fertilizers and the biggest in India. It is amongst the leading Indian exporters and importers of agro-products handling 8 lakh tones of agro products annually. It is also the single largest importer and distributor of non-ferrous metals in the country, offering LME indexed prices. It also undertakes extensive operations in oil seeds right from oilseeds extraction to the procurement of edible oil for domestic consumption.
MMTC is India’s largest bullion trader. It is India’s largest importer of gold and silver, and also accounts for a quarter of India’s total exports of gold jewellery. It is an authorised agency of the Government of India for duty free import of gold, silver and platinum for supplying to the exporters in India. It has established itself as a leading retailer of quality jewellery and is also an agency for overseas exhibitions. It has successfully launched its brand of hallmarked gold and studded jewellery “24 KARAT” through domestic exhibitions. It imports and supplies certain items like rough diamonds, non-ferrous metals and fertilizers at reasonable rates for industrial use. The exports of canalised and non-canalised items by MMTC are also substantial.

Within its extensive range of activities, from marketing agent to manufacturer exporter, MMTC acts as a single point contract for sourcing garments for its various clients abroad and has the complete infrastructural expertise to execute export orders. Consequently, MMTC’s foreign offices are involved in aggressive marketing to major chain stores, importers and wholesale chains.

The company’s primary activity is providing ‘transaction services’ acting as an intermediary between the buyers and sellers who want to import, export or engage in offshore or domestic trading activities. It cultivates overseas markets for exporters; locate raw material or product sources that meet the needs of importers. Typically, the company is involved throughout the course of the transactions, assuming risks relating to transfer of goods and collecting payments.

To facilitate smooth transactions, the company draws upon the capabilities, which have become an integral part of its transaction services, market information
analysis, credit supervision, financing and transportation logistics. In performance of these activities, the company acts in the capacity of a distributor of goods and services, financier, market developer, resource developer, investor and project organizer. The company also assists customers in hedging against market risk through use of derivatives and other instruments.\textsuperscript{12}

Following are some of the other activities undertaken by MMTC:

1) To arrange for exports where bulk handling and long term contracting are advantageous.

2) To facilitate exports of difficult-to-sell items through various devices such as barter, link or parallel deals.

3) To help production units to overcome difficulties of raw materials and other essential requirements thereby fulfilling exporters’ needs.

4) To develop new lines of exports by various methods, and

5) To ensure implementation of trade plans and other bilateral arrangements with the trading activities.

1.2 Review of literature

In order to find out the gaps in the studies it is pertinent to review the available literature on the related aspects of the present study. The studies on the performance of MMTC are few though it is an organisation operating for the last four decades in

\textsuperscript{12}Annual Report, Ministry of Commerce and Industry, Department of Commerce, 2002-03, p. 143.
the country for promoting foreign trade. There is a pressing need to study the functioning of MMTC with a view to find out its contribution in the export trade.

There has been enough literature on foreign trade and other export marketing organizations like the State Trading Corporation, but the evaluation of performance of an organization like MMTC was felt necessary due to its immense contribution to the foreign trade of our country. This study would, therefore, be of great importance to the exporters and the policy-makers who can chalk out favourable policies, which will help in the further upliftment of the export trade of our country.

There are some research studies published in the form of books and reports. Also, there are research papers and articles published in journals devoted to foreign trade. However, all these studies more or less lay stress on foreign trade in general. The researchers have not properly attended to the institutional efforts for export marketing.

The literature related to the present study is reviewed briefly under three different heads for identifying the gaps. These heads are as under:

1) The studies relating to Indian foreign trade.

2) The studies relating to MMTC.

3) The studies relating to export of precious metals/gems and jewellery.

1.2.1 Studies relating to Indian foreign trade

The depressed international economic and trading environment particularly the dismal and fragile growth, inflationary and recessionary trends, burgeoning budgetary
and trade deficits, mounting debt burdens and balance of payment problems are a cause of concern to the global economy. Although the world community as a whole has for long been craving for an equitable and just international economic order as well as greater freedom in trading arrangements, the Third World nations have been the helpless victims of the unjust trade policies, and of serious limitations placed on flows of technology and capital. In this process prosperity has bypassed most of the developing countries. India has continued to champion the cause of the developing world and demonstrated the spirit of international cooperation for trade liberalization.

At home, notwithstanding the broad-based industrial infrastructure, rejuvenated institutional service support, and the bold policy initiatives including liberalized import regime, simplified procedures and documents, and a host of fiscal as also financial incentives, the dilemma is that the results of these efforts have fallen far too short of expectations. In spite of the overall growth in exports or diversification in their profile and directional pattern compared to yesteryears, a major proportion of country's exports still emanates from small and medium scale enterprises while the organized sector with technological capabilities and resources makes only a marginal contribution; and exports of high value manufactured products are destined mainly to developing economies whereas low-price manufactures or semi-manufactures are marketed largely to industrialised countries. Recessionary trends and intensified competition pose new challenges necessitating concerted export production efforts.
M.L. Varma\textsuperscript{13} in his book has discussed the international economic and trading environment. He has also discussed the growing trend towards bilateralism and protectionism, trade liberalization efforts of the international community and the multilateral, financial and trade institutions including the role played by India, policy framework for trade promotion within the country, India's trade performance during the planning era and the period preceding it, analysis of region-wise and market-wise trade, prospects, problems and strategies relating to important products of export interest to India, the past trends and the likely behaviour of principal items of import, the role of foreign trade management organizations in the country and areas of improvement in country's foreign trade management.

Vibha Mathur \textsuperscript{14} in her book has shown the developments in the external sector of India, covering foreign trade and foreign direct investment, during the period 1991-2001. She has examined the trade policy system in India during the pre-liberalisation period, the balance of payments crisis during the period 1950-90, the trade policy adjustments during the decade 1991-2001, radical reforms introduced in the export-import policy of the country, trends in the commodity composition and direction of trade, policy measures introduced by the Government to promote exports, the creation of WTO and its impact on the economies of developing countries with particular emphasis on India. She has also emphasized on the policy of the Government regarding foreign direct investment, sectoral analysis of foreign


\textsuperscript{14}Vibha Mathur, Trade Liberalisation And Foreign Investment in India, Delhi: New Century Publications, 2001.
investment in India and has discussed the prospects and opportunities of foreign investment in India, with special reference to infrastructure.

Vibha Mathur has covered past, present and future of India’s foreign trade in the book, with focus on developments since 1991. She focused on the export-import policy covering the five-year period 2002-07. More importantly, she has discussed the interface between India’s foreign trade policy and rules and regulations of WTO. She has focused on the future of India’s foreign trade in the context of WTO-related current issues.

Pawan Kumar Garga has made an attempt to explain and analyse the performance, problems and potential for major products of Indian exports so as to suggest measures to boost the exports of these value-added items to various countries of the world. He has explained the conceptual framework of export marketing, India’s foreign trade policy during the post-independence period with focus on post-liberalisation reforms and present structure of India’s foreign trade. He has also analysed exports of readymade garments, exports of handicraft and jewellery and exports of processed foods.

S. Ramesh Babu has analysed the trends and growth in the composition, regional and country-wise distribution of Indian imports and estimated import


\[\text{Pawan Kumar Garga, } \text{loc. cit.}\]

\[\text{S. Ramesh Babu, } \text{India’s Foreign Trade – Some Trends, Allahabad: Chugh Publications, 1988.}\]
determinants for total imports and for imports by RITC (Revised Indian Trade Classification) section of the aggregate level for imports of selected products across region and markets. In his book he has concluded that India’s imports grew at an average annual rate of 10.69 per cent during the period 1958-77. The shares of both food and non-food imports declined while the shares of fertilizers, petroleum products imports increased and consumer goods witnessed extreme fluctuation. The wide range of import controls imposed by the Indian government did not help in diversifying the import structure of the economy.

Sugata Marjit and Ajitava Raychaudhuri, in their book have pointed out that the most important lacuna in Indian exports is the lack of price competitiveness of the products, resulting from a distorted market structure due to a high level of protection granted to the Indian producers. They have suggested an increase in the role of the market mechanism and reduction in the scope of the distortionary taxes and subsidies.

Neela Mukherjee and Amitabha Mukherjee, have made an attempt to discuss the performance of India’s exports and trade policies in their book. They have analysed India’s trade with different regions, trading blocs and currency areas for the period 1950-86. They also presented an overall picture of the dynamics of India’s trade relationship with important countries like UK, USA, USSR, Japan, West Germany, etc. They have concluded that over the years India’s direction of trade has

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spread amongst a number of countries and regions and has not concentrated on any single country or market.

H. Lajipathiraj, in his book has recommended an urgent need for India to promote the adjustment of the Indian economy to the changing parameters of world trade. A programme aiming at structural readjustments has been suggested so that resources will be redirected in terms of a strict order of national priorities. According to him deficits in India’s foreign trade can be removed by prudent formulation of import-export policies since the future presents tough competitive situation with more dynamic changes in price, quality and promotional factors of various products and markets.

Narinder Kaur, has examined the issue of diversification of country’s export pattern in terms of both commodities and markets. In his book future prospects of export sector has been examined to find out the effect of government’s trade policy on export performance. Keeping in view India’s development, trade and financial needs, he has suggested that India should prepare to play an active role in the international trading system, consistent with the national objectives. Further, he has suggested that export promotion measures should be adopted in the light of broader economic and social needs of the country and the changing global environment.

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21 Narinder Kaur, loc. cit.
Archana Singh, has recommended in her book that if India wanted to improve her export performance, an appropriate action is needed to provide selective policy incentives to manufacturers in order to increase output levels, and restructuring of the export incentive schemes on a selective basis is required. There is also a need to integrate trade policy, production planning, in order to have efficient export, which is based on co-operative advantage and exploration for co-operation with other developing countries.

1.2.2 Studies relating to MMTC

MMTC, incorporated in 1963, has progressively grown over the years into India's largest State trading organisation. Starting from a turnover of Rs. 68 crore in its year of inception, MMTC has covered long distance of undulating business environment. Globalisation has brought in its wake new challenges and opportunities for MMTC as the markets across the globe continue to open up overcoming barriers and borders. To adapt itself to the changing situation, the company undertook strategic marketing, financial and organizational initiatives, and results have been assuringly encouraging.

Amar Jeet, in his article has highlighted about E-Commerce in MMTC wherein it was to launch its own Web Site. The Web Site offers the organisation's

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introduction in brief, and gives the business offer through e-tendering and e-enquiry.

He has also described about the benefits of ERP (Enterprise Resource Planning) adopted by MMTC. According to him E-Commerce solution allows immediate access for remotely located suppliers, customers, and employees; while at the same time creating clients/server environment, and develop contents within a successfully secure network. He also emphasized that the ERP will benefit in incorporating the best business practices for MMTC.

C. Govindankutty, \(^{24}\) in his article in the MMTC News has provided details about the contract between MMTC and Japanese Steel Mills, and Pohang Steel (POSCO) of South Korea. The memorandum of association signed with the Japanese Steel Mills covers Iron Ore supplies – 5.3 million tons to 9.3 million tons per annum, by MMTC, and Kudremukh for five years from 1st April, 2001 as against the earlier long-term agreement for 4.5 to 9 million tons per annum. The higher quantities under the new long-term agreement have been achieved, despite the reduced quantity of Iron Ore concentrate from Kudremukh for the next five years. The delegation also signed a memorandum of association for the next long-term contract with POSCO for the period – FY 2001 – FY 2005 for a higher quantity with a minimum of 2 million tons annually in the range of 2 million tons to 2.8 million tonnes. The unique feature of the new long-term contracts with Japan and South Korea is that this is the first memorandum of association with changed product-mix. The above information shows progressive steps undertaken by MMTC.

D.P. Vernekar, in his article has described about MMTC's regional office in Goa as to how from a modest beginning, the iron ore exports grew by leaps and bounds. Against a total iron ore export of 15.96 million tons from all over India, the importance of regional office; Goa is of special significance. Owing to the momentous changes in East Europe in the late eighties, however, export of iron ore by MMTC dwindled to less than a million tons in 1991-92. For a long time, the increase in exports was hampered by the fact that there was no broad-gauge railway line connecting Goa to the rich hinterland of mineral ores, viz., Bellary/Hospet sector. With the completion of the conversion of the existing meter-gauge rail conversion to broad-guage, exports have, now, been facilitated and the iron ore export trade is again looking up. The above facts narrated by the author indicate ups and downs in the activities of MMTC in Goa.

The Pioneer, newspaper containing an article on MMTC gave an account as to how it has not only consolidated its position in its traditional business of minerals and metals but has also diversified into new business areas like agro products and coal and hydrocarbons. It represents an attempt to spread the company's risk on a wider canvas reducing exposure arising out of periodic downturn of varying severity witnessed by every industry today. MMTC also plans to move up the value chain by focusing on branded products having already made a successful foray in hallmarked, guaranteed for purity, branded sterling silverware with its Sanchi silverline of household items and gold and silver medallions. MMTC's focus is more than ever on

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looking not only on creation of a product but also towards activities that the customers perform and the benefits they seek. The thrust is on synchronization of how customers think and how MMTC organizes itself to meet their aspirations.

A. N. Gaur,27 in his article has given an account of Sanchi-Silver, the brand name that has been given to MMTC's silverware in September 1999. He has narrated that MMTC carried out several surveys and found out that no branded silverware products were available to the customers willing to buy the merchandise. It was available in the higher segment, which was totally out of reach for the general public, and non-branded products were available in the local market, which did not guarantee purity and good finish of the product. Thus, MMTC launched its brand to cater to the segment of those buyers who were willing to pay a reasonable price for purity and good finish of the product.

Vijendra Kumar,28 in his article has described the role of MMTC in the promotion of gems and jewellery trade. According to him MMTC accounts for about 10 per cent of the gold sales all over India. MMTC is one of the nominated agencies and a leading supplier of bullion to jewellery exporters and domestic users in India since 1988. It has 18 outlets all over India for supply of bullion off-the-shelf. The total turnover of Precious Metals Division in the year of inception, that is, 1987-88 was Rs.413 million, which increased to Rs.54832 million in the year 2003-04, which shows a remarkable increase in the turnover of the Precious Metals Division over the.


years. MMTC contributes to the valuable foreign exchange earnings for the country by conducting overseas exhibitions particularly in the Middle East countries like Kuwait, UAE, Bahrain.

A. N. Gaur,\textsuperscript{29} in his article has focused on MMTC's assaying and hallmarking Unit, which was set up in 1989 with the objective of improving the quality of gold jewellery for the purpose of exports and to enhance the image of the country in the precious metals sector. According to him the analysis of the samples at MMTC is carried out by internationally accepted Fire Assay/Cupellation method, which is the most accurate and reliable method. MMTC uses this said system for testing and hallmarking of the jewellery being sold at domestic exhibitions, retail shops, and the jewellery that is being exported to other countries.

M. K. Rite,\textsuperscript{30} has highlighted MMTC's role in undertaking social welfare activities as a corporate citizen in his article. According to him, MMTC had made a humble contribution of Rs.50 lakhs to the Prime Minister's Relief Fund to take care of heavy loss of life and property in the Gujarat earthquake. This amount represented salary contribution made by officers and staff of MMTC, NINL and KMCL, together with the matching contribution made by MMTC Ltd. He further describes that MMTC has donated capital cost of one mobile medicare unit to be run and operated by Helpage India, a non-governmental organization engaged in rendering care to the elderly citizens of Orissa which was ravaged by the high intensity cyclone.


R. Hari,\(^{31}\) has thrown light on the training of the human resource of MMTC through his article. He explains that the HRD Division of MMTC has undertaken assignment of imparting computer skills to all graduate employees at all levels in the organization. A number of in-house training programmes have been held in the areas of trade and trade operations and also in areas like, legal aspects, general human resource development, etc. Further, MMTC has also arranged tie-up with leading institutions like National Institute of Financial Management, National Law School, Neelachal Maritime Institute, etc., for in-house programmes.

Meenakshi Kumar,\(^{32}\) in her article has focused on MMTC’s brand of jewellery ‘24 Carat’ which was launched in 1994 in the first All India Jewellery Exhibition in New Delhi. According to her, branded jewellery signifies a certain level of quality of product, which distinguishes it from the ‘me too’ category, and helps people change their perceptions about the product as well as the company which launches the brand. She examines that ‘24 KARATS’ definitely poses a tough competition to the local jewellers. The branded jewellery of MMTC aims at acquainting people with the latest international brands, educating people on how to buy jewellery and at the same time providing the customers with unique international shopping experiences.

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Preeti Chaturvedi in her article mentioned about MMTC's assaying and hallmarking unit, which strictly follows the quality control measures adopted by the British Hallmarking Council. The internationally accepted fire assay method for testing the purity of gold content in the jewellery articles is been followed at MMTC. MMTC's qualified assorters do testing of gems and diamonds. She has highlighted that MMTC is continuously using the machines provided by Developing Countries Trade Assistance (DECTA) under British government for the purpose of assaying and hallmarking for their direct export order and also domestic exhibitions.

1.2.3 Studies relating to export of precious metals/gems and jewellery

India is an important player in the international gems and jewellery industry. Having achieved a leadership position as the foremost supplier of cut and polished diamonds to the world, the industry here has forward integrated into jewellery manufacture for exports. The country processes over 900 tonnes of gold and is the largest consumer of this precious metal. Year after year India notched an impressive growth rate in jewellery exports. Though a fairly new entrant into the international jewellery market, India has seen jewellery exports increase from US$ 203 million in 1990-91 to US$ 1135 million in 2000-01. However, this forms only a miniscule 1.4 per cent of the estimated world jewellery market (for both plain and studded) of US$ 80 billion. The Government of India has focused on jewellery exports as a thrust area, realizing the potential that exists to capture a larger share of the international market.

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Maneet Kumar,\textsuperscript{34} after examining in his book on export marketing of gems and jewellery concluded that adequate, timely availability of raw materials (rough diamonds, gold, etc.) at international prices, easy and adequate financial facility, exemption from taxes, liberal import of technology, machinery and tools, holding fairs and exhibitions and arranging buyer/sellers meet will boost the exports of this industry.

M. L. Varma,\textsuperscript{35} in his book has examined that compared to the size of the international market; the share of Indian gems and jewellery is very small. He opines that the sector lacks compatibility in terms of export production, infrastructure for proper hallmarking and assaying, fashion trends and design requirements of the advanced countries. According to him, there is an urgent need to focus on publicity campaigns, organization of exclusive shows and participation in international fairs to make a dent in the international market for precious metal jewellery.

D. Kebschull\textsuperscript{36} is of the opinion that India does not play a significant role in Germany’s jewellery trade. There is hardly any demand for ‘typical Indian jewellery’ in Germany due to considerable perceived differences in taste. Indian products are also considered ‘not in fashion’ and do not have any major design improvements. Thus, he has concluded that the market for this segment does not hold much potential.

\textsuperscript{34}Maneet Kumar, Export Marketing of Non-Traditional Items: Problems and Prospects, Delhi: Ajanta Publications, 1987.


for expansion unless Indian companies aggressively approach the market with new designs and innovative market strategies. He suggested that the Indian companies should establish local companies in order to meet the changing market demands, due to competition mainly coming from European countries along with Thailand, Hong Kong and China.

Dilip Shah. in his article has expressed beautifully how gems and jewellery have been the pride of East for ages. According to him the uniqueness of Indian jewellery is that every region; every state in India has jewellery that reflects the taste of its own people and culture, retaining the aesthetic worth and flavour. Presently, 1.20 million goldsmith spread across the country are engaged in the trade passing on their skill and artistry down the generations. In addition to being a symbol of wealth and power, gold is regarded as 'pure' because of its untarnishability, even after years of use. Apart from ornamentation, precious metals continue to be associated with status and security. Though the bulk of gold consumed annually is used mainly in making of traditional jewellery with ethnic styles prevailing in different states of India, modern mass produced jewellery is also gaining momentum. The annual consumption of gold in India, which was estimated at 65 tonnes in 1982, has increased presently to over 900 tonnes. About 90 per cent of this is used for jewellery fabrication (mainly 22k purity) for domestic demand, recycled gold is around 200 tonnes and around 80-90 tonnes goes as investment.

M. P. Gupta, in his article explains the importance of platinum, as one of the precious metals. Internationally, the growing trend of consumer preference for platinum and white gold-studded jewellery shows a healthy sign in the rising imports of platinum in India. Apart from consumption by jewellers, platinum finds a variety of applications in industrial uses, such as, for crucibles for glass production, neurosurgical and dental apparatus, drugs for cancer treatment, computer and automotive equipment. Indeed, one of every five goods manufactured either contains or is produced using platinum. While new uses for platinum are being discovered almost daily, its supply is extremely restricted. Remarkable difficulties exist in its mining and production, with between 5 and 6 million ounces of new platinum reaching the world market each year; that figure is less than 5 per cent of gold production.

I. Satya Sundaram, in his article has highlighted the cause of demand for gold in the world market. According to him, it is mainly due to the poor performance of international corporate giants, the collapse of Enron in the USA and the bank bankruptcies in Japan. According to the World Gold Council, India imported 359.3 tonnes of gold in the first half of 2001 as against 267.2 tonnes in the same period of 2000 mainly due to the fact that gold jewellery is an essential component of a Hindu marriage and buying gold jewellery in Hindu families is not a casual operation but a compulsory one.

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This market survey conducted by the magazine showed that gold is a saviour for many nations. In August 1947 when India was partitioned, millions of families were uprooted and they took shelter in government camps. However, families that had invested in gold jewellery did not seek shelter in government camps. They sold their gold reserves and brought houses and shops to continue their business in India. Other examples quoted were South Korea, USSR (in 1989), Soviet Union, Iraq and Libya who sustained their credibility on the basis of gold reserves.

This market survey, threw light on how the decision of the government of India to allow import of gold in unlimited quantity through state-run agencies and banks not only eliminated smuggling activities but also gave a fillip to the activities of jewellers and goldsmiths. Millions of workers all over the country received a new lease of life and the import duty reduced from Rs.450 per ten grams to Rs.220 per ten grams.

T. R. Gurumoorthy, in his article has highlighted that gems and jewellery constitute an important segment of the Indian economy, contributing a steady increase in India's exports every year. The government is also providing all the support required to this sector as they belong to the group of value-added products. He suggests that Indian exporters should identify emerging world markets for their gems and jewellery in order to penetrate in the world market.

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I. Satya Sundaram, in his article has described the importance of silver. It is back in fashion and is being increasingly used in jewellery, industries (pharmacy and chemical units) and ayurvedic medicines. According to him, India accounts for over 17 per cent of world demand and is the largest industrial user of silver in the world after the Japan and US. Among the developing countries, China is the only country, which is close to Indian levels. He has also highlighted that fashion trends today are heavily tilted in favour of silver jewellery that is not only affordable but is also available in exclusive designs.

The Research Bureau, in this article has emphasized on the various reasons for the rise of gold prices. The main reason being the US that has exhibited its military power in Iraq by annihilating Suddam Hussein – the despotic ruler of that country, resulting in increase in the price of gold all over the world. The hunger for gold in India too is insatiable. The yield from the domestic mines is only a fraction of the total annual demand. But the rising price of gold had made even some low-yield mines as lucrative. According to World Gold Council India is not only the largest market for gold but it has the largest repository of gold within its national boundaries.

P. N. Shali, has examined that about 15 per cent to 20 per cent of the gold consumption is in the industrial application, and the demand from the industrial sector is constantly increasing with the development of more sophisticated technologies for

\[ \text{\footnotesize I. Satya Sundaram, "Silver back in Fashion", Business and Economic Facts For You, Vol. 24, No.1, October 2003, pp. 6and7.} \]

\[ \text{\footnotesize FFY Research Bureau, "Spurt in Gold Prices", Facts For You, June 2003, pp.7-9.} \]

\[ \text{\footnotesize P. N. Shali, "Gold Industry in India", Yojana, Vol. 40, No.4, April 1996, p. 31.} \]
industrial production. He further examined that the demand supply gap will continue to remain quite large in order to keep gold prices steadily climbing. This expectation coupled with uncertainty of paper money will continue motivating people to investment in gold in the years to come. He further studied that the major constraint in the growth of gold production in India is our ores which are of very low grade, located at great depth and the gold deposits of rich grade ore are not longer and wider which could have made it possible to mine and produce gold at competitive prices. Therefore, imports will continue to the main source of gold supply in India for quite some time.

I. Satya Sundaram, 46 in his article has examined that the gems and jewellery sector has been facing some problems like cheap labour is available in plenty, but their field experience is not up to the mark. There is need for reducing the processing time for each rough diamond to enhance net value addition. There are also problems like rising labour and power cost, interest burden and fluctuations in the exchange rates. He suggests that the industry has to concentrate on monitoring the changing fashions in gems and jewellery. In order to maintain the high growth in exports, the industry not only needs to diversify but also go in for large-scale production. The functioning of the jewellery-manufacturing units in Domestic Tariff Area (DTA) should be brought on par with the units in the Free Trade Zones (FTZs) for speedy growth.

I. Satya Sundaram, in this article has examined that in spite of many advantages enjoyed by India, export of gems and jewellery continues to be unimpressive. The reason being, most merchants are not in touch with global trends. Our export trade had remained low profile in buyer seller interaction worldwide. He suggests that our share in the world market can rise only if we confer specific and special advantages at no extra cost. It is not enough if we keep prices at a reasonable level. Winning the buyer's confidence and keeping them happy with services is of utmost importance. He says new markets can be explored only by radical methods like branding and image creation. There is need of setting up an international center for excellence in the gems and jewellery sector for imparting training of high standards. India's gems and jewellery industry has to reorient itself to the western market in order to maximize the net foreign exchange earnings.

I. Satya Sundaram, in his article has described that the Indian gems and jewellery industry is gearing up to achieve the export target of US $ 10 billion set for 2003-04. The GJEPC organized a four-day international jewellery show to reveal the capability of Indian jewellery manufacturers and exporters in meeting the diverse and quality requirements of overseas buyers. The Finance Ministry has agreed to allow gems and jewellery units in Export Oriented Units to undertake sub-contracting. He has suggested that India needs to carefully tap the vast export potential by building an image in the market through consistent supply and quality.

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Satish Singh, in his article has described about Ravissant, India’s very first designer label, introduced in 1980. Ravissant is a fascinating showcase of talent and taste, where all designs are decorative but not ornamental. In 1993, Ravissant set up a workshop for making handmade objects of ‘Sterling Silver’, with a strict control on quality. In 1997 Ravissant titled its collection ‘Treasures of the Sea’ depicting aquatic forms of barnacles, sea waves, seashells and corals.

Jatin Bhatt, in this article has thrown light on the jewellery artisan’s problems. He says it is difficult to find a person above forty years continuing to work in a jewellery-manufacturing unit, since in most cases the dimly lit conditions and poor working environment affect the eyes adversely. Amazingly in a country where gold purchase is a major preoccupation, little is thought about these artisans, who by the sheer size and scale of business in gold deserve a lot more. He has raised a question as to who has to invest for better working environment, tools, lighting, risks involved, health, technology and other issues, which could improve the quality of life for the artisans?

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1.3 Rationale of the present study

MMTC as a public sector undertaking had monopoly business in international trade till 1991 and thereafter they had to face severe competition from the private and foreign banks. The present study is an attempt to evaluate the performance of MMTC in the light of its objectives including physical and financial performance and how it has helped in promoting the export trade of our country inspite of the competition. An attempt is made to study the financial performance of this corporation from 1997-98 to 2001-02. Further, an evaluation of the performance of MMTC is also done with special reference to Precious Metals Division. In the review of literature few studies have been carried out relating to precious metals, MMTC, and the foreign trade of the country in general, indicating their contribution in earning foreign exchange and development of the economy. There has not been much study on the performance of MMTC and thus, it was found pertinent to review the physical and financial performance of MMTC.

In the present economic crisis which the country is facing there is an immense need to improve on our international business which will help us to face the overburdened deficits for the past so many years. As it had been coined by Pt. Jawaharlal Nehru, “Export or Perish”, our country needs to seriously consider this slogan and work on it or else the day is not far that we will be nowhere in the international map.

MMTC plays an important role to bring more and more foreign exchange to the country. The present study is an endeavor to review the functions and activities
performed by MMTC in order to promote the export trade of our country. The study deals with the activities undertaken by MMTC in the light of its progress over a period of time. Thus, the study has relevance with the present-day problem of maintaining the balance of payment position for the country.

1.3.1 Significance of the study

MMTC occupies an important place as an export marketing organization that helps in promoting the country's foreign trade. However, there is no research work done on the performance of the corporation as a public sector undertaking. It is an acknowledged fact that the working of this government agency plays an important role in the foreign trade of our country. Although MMTC has been functioning for more than four decades, yet its performance evaluation has been ignored. Public sector undertakings in general have attracted much less attention than they actually deserve at the hands of research fellows. It was this lacuna, which prompted me to undertake research of this important government agency.

The researcher has attempted to evaluate the overall performance of the corporation with special reference to Precious Metals Division. This division has been selected mainly because gems and jewellery is one of the thrust sectors in the economy to earn foreign exchange through export. The present study would help the policy makers and government agencies to undertake excellent measures for promoting foreign trade of gems and jewellery.
1.3.2 Objectives of the study

It is an accepted fact that in research, although the aim is to achieve the maximum there are always constraints of time, efforts and resources. Hence, it is a practice to limit and define the objectives of study so as to achieve the meaningful results to the best possible extent with the available resources.

In this context, considering the fact that amongst the categories of gems and jewellery precious metals constitutes a major share in MMTC, the research study is confined to precious metals. At certain places it is considered synonymous to gems and jewellery.

The study begins with a probe into the reasons that prompted the government to set up the corporation. The research is mainly based on secondary data and to have a practical approach to the study a survey of 50 samples that were directly associated with MMTC were considered. The objectives of the study are given below:

1) To examine the role of MMTC in India's foreign trade, and specifically to assess whether or not it has contributed to an increase in the Indian exports. The subject matter therefore is the trade of the Corporation itself and the methods it has adopted in the execution of its business. To set these matters in perspective, the long-term trend of India's foreign trade (pre-liberalisation and post-liberalisation), and the EXIM Policy 2002-07, with reference to gems and jewellery industry, has to be examined, for it is only in relation to this background that the merits and shortcomings of MMTC can be properly understood.
2) To study the history of MMTC since its inception, its credentials thereon, its objectives and the human resource policies followed by them. To examine the contribution of MMTC in diversification of markets and products in India's foreign trade.

3) To evaluate the performance of MMTC in the light of its financial performance and review the growth of the company through growth analysis. To present the performance appraisal of MMTC taking into account the financial data and using statistical analysis. To analyse the profitability and efficiency of MMTC with the help of ratio analysis.

4) To study the infrastructure facilities provided by MMTC for the international trade of gems and jewellery. To study various schemes of MMTC providing services to jewellery exporters and study the procedure followed by Precious Metals Division and thereby evaluate the role of MMTC with reference to exports of precious metals.

5) To review the emerging trends in the gems and jewellery industry with special reference to gold, silver and platinum. To analyse in depth the contribution of the Precious Metals Division vis-à-vis the company's overall turnover and to thereby highlight the problems faced by the clients of MMTC.
1.3.3 Hypothesis of the study

In the light of the above-cited objectives, the researcher for the present study has set the following hypothesis:

1) MMTC has a significant contribution in the foreign trade of our country.

2) Precious Metals Division of MMTC has been the major contributor to the yearly turnover of the corporation.

Based on the theoretical data, tables, diagrams and some statistical techniques like – Fisher's test for variation between two data sets and Correlation between the turnovers of Precious Metals Division and overall company, the hypothesis formulated by the researcher stands accepted.

1.3.4 Research Methodology

The available published data have been interpreted in conformity with the accepted norms to draw conclusions. In a study of this kind sampling is not much desirable so less importance is given to the same.

The performance evaluation approach towards MMTC has been shown in Chart 1.1:
1.3.5 Sources of data

In this research both primary and secondary data has been used. However, it is based more on the secondary data and information is collected from various sources as given below in Chart 1.2:
<table>
<thead>
<tr>
<th>Secondary Data</th>
<th>Primary Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Published Annual Accounts and Annual Reports of MMTC.</td>
<td>1) Personal interviews with officials, employees and clients of MMTC.</td>
</tr>
<tr>
<td>2) Published and unpublished office records of MMTC.</td>
<td>2) Personal interviews, correspondence and discussions with the exporters in jewellery who have obtained services from MMTC.</td>
</tr>
<tr>
<td>3) Office records of Gems and Jewellery Export Promotion Council.</td>
<td>3) Discussions with officials of Gems and Jewellery Export Promotion Council and government agencies.</td>
</tr>
<tr>
<td>4) Reports and surveys conducted by the Ministry of Commerce.</td>
<td>4) Discussions with academicians and experts in the field.</td>
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<tr>
<td>5) Articles from periodicals and newspapers.</td>
<td></td>
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<tr>
<td>6) Journals and publications of MMTC.</td>
<td></td>
</tr>
<tr>
<td>7) Various books written by different authors.</td>
<td></td>
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</tbody>
</table>
An inquisitive observation has been made regarding the functioning of the undertaking and analysing their significance and contribution. The accounting technique of growth analysis and financial ratio analysis has been adopted for presenting the finding. The data collected from various sources have been classified, tabulated and analysed to arrive at appropriate conclusions and interpretations. Statistical technique of bar graphs and pie diagrams has also been used wherever needed.

1.3.6 Utility of the study

MMTC deals with promotion of international trade, which is an important aspect of any economy. The present research is the result of an original study based on the systematic and careful scrutiny of published and unpublished data. The study gives a broad outlook of the working of MMTC. It deals with evaluation of different schemes undertaken by MMTC, careful analysis of the physical and financial aspects and evaluating the Precious Metals Division of the organization in particular with an objective to draw valid conclusions and give valuable suggestions. There are certain practical problems faced by the clients of MMTC, which was discovered during the course of research which can be considered by the company and improve upon to give the best possible services and face the competition from the private and foreign banks.

1.3.7 Limitations of the study

To study on the topic "Performance Evaluation of MMTC with reference to Precious Metals Division, the author relied on data collected from published sources
within MMTC, interviews with selected office bearers including the company secretary and senior executives of MMTC. The author went to Delhi the corporate office to gain a flavour of its activities there. Adequate facilities were not available to collect data from the vast number one public sector undertaking of India. Further, since it was a public sector undertaking the officials were fearful to part with complete and actual information required. Most of the information to be parted was confidential and moreover they were answerable to the Ministry of Commerce so they could not part with the complete information. The author has tried the best of her abilities to get the closest information to make the research as authentic as possible.

Government officials interviewed for the study were very well guarded in their reactions to queries and kept a low profile thus restricting the flow of information, vital for the research work.

1.3.8 Chapter scheme

The present work has been divided into eight chapters as under:

Chapter 1: Introduction

This chapter highlights the detailed design of the study commencing with the basic introduction on need for export trade, Indian economy and export trade, role of export promotion organizations and export marketing organisations in India, an overview of MMTC as an export marketing organization. It also includes review of literature which is been split into three categories viz., studies relating to Indian
foreign trade, studies relating to MMTC, studies relating to export of precious metals/gems and jewellery, followed by rationale of the present study, significance of the study, objectives of the study, hypothesis of the study, research methodology, sources of data, utility of the study, limitations of the study and finally the chapter scheme adopted for present research.

Chapter 2: Foreign trade in India

In this chapter an attempt is made to study the long-term trends of India’s foreign trade for it is only in relation to this background that the merits and shortcomings of MMTC can be properly understood. Hence, this chapter focuses on India’s foreign trade and economic development, foreign trade since independence, globalisation and liberalization in India, India’s foreign trade (post liberalization), composition of India’s exports (1990-91 to 2001-02), composition of India’s imports (1990-91 to 2001-02), trends in balance of payments (post liberalization), direction of India’s exports, highlights on instability of Indian exports, role of multinationals on augmenting India’s exports, export promotion incentives, EXIM Policy 2002-2007 (with special reference to Diamond, Gems and Jewellery export promotion schemes), implications of EXIM Policy 2002-2007, export promotion measures in EXIM Policy 2002-2007, foreign trade related organisations in India and finally related conclusions and suggestions.
Chapter 3: Birth and development of MMTC

This chapter aims at giving details on the birth of State Trading Corporation, thereby birth of Minerals and Metals Trading Corporation of India, organizational history of MMTC, its objectives and credentials, an overview of MMTC Transnational Pte. Limited – An MMTC subsidiary, E-Commerce in MMTC, Corporate citizenship, new divisions created in MMTC, HRD mantra in MMTC, welfare measures taken by the company for the employees, career with MMTC, disinvestments of PSUs, disinvestments procedure, disinvestments of MMTC, cabinet committee on disinvestments, potential investor’s interest v/s handicaps and related conclusions.

Chapter 4: Physical performance of MMTC

This chapter focuses on the various physical activities undertaken by MMTC. It gives a broad overview of its trading on various diversified commodities helpful to an international businessman, which includes fertilizers, coal and hydrocarbon, minerals, agro products, metals, precious metals and general trading and also an overview of Neelachal Ispat Nigam Ltd. and Konark Met Coke Ltd. followed by conclusions.

Chapter 5: Financial performance of MMTC from 1997-98 to 2001-02

In this chapter the financial period from 1997-98 to 2001-02 is taken into consideration and an attempt has been made to show the financial results, growth analysis which include, growth of capital employed, fixed assets, sales, profit before
tax, dividends, retained profits contribution to exchequer and thereby the conclusion of growth analysis, followed by ratio analysis which includes measurement of liquidity, activity, profitability and leverage, thereby the limitations of ratio analysis. The foreign exchange earnings and employee productivity for the same study period is also taken into consideration.

Chapter 6: Operations of Precious Metals Division

This chapter gives details on MMTC’s import procedure for precious metals, criteria for bullion suppliers of MMTC, role of MMTC in supplying precious metals to 100 per cent EOU/EPZ, role of MMTC under the duty exemption scheme, procedure to supply gold/silver/platinum to exporters, procedure for export of gold on notional price under loan scheme, procedure for processing of application of exporters and regularization of exports, procedure for procuring gold/silver/platinum under OGL (loan scheme and outright purchase scheme), procedure for allotment of EOU to the exporters by MMTC, assaying and hallmarking, hallmarking of gold jewellery, MMTC’s medallion unit, MMTC’s SANCHI, MMTC’s countrywide network of gold vaults and sales outlets followed by conclusions.

Chapter 7: Evaluation of MMTC with reference to Precious Metals Division

This chapter aims to study the gems and jewellery industry profile, gems and jewellery industry: in the forefront of globalisation, socio-economic contributions of gems and jewellery industry, organisations for gems and jewellery industry and gems and jewellery export promotion measures by government. An attempt is made to
study the gold jewellery industry profile, status of the Indian gold market, role of Indian government in gold industry, Indian demand for gold, economics of gold in India, trends in gold prices and India as a gold trading hub. Similarly, a study is conducted on silver jewellery industry profile, MMTC's silver trade, platinum jewellery industry profile, future world demand for platinum, MMTC's platinum trade, company profile, trends in MMTC's gems and jewellery trade and finally the conclusions.

Chapter 8: Conclusions and findings

This chapter provides the conclusions and findings of the study. It is categorized into five parts viz, general conclusions, specific conclusions, general findings, specific findings and future direction of research.

Chapter 9: Suggestions and recommendations

This chapter gives the suggestions and recommendations by the researcher, which has been generated during the course of the study. This includes three groups viz, general suggestions and recommendations, specific suggestions and recommendations and specific suggestions and recommendations for Precious Metals Division.