

ROLE OF ECGC AND EXIM BANK

Export Credit Guarantee Corporation (ECGC) of India Limited, set up by the Govt of India in 1957, strengthens the export promotion drive by covering the risk of exporting on credit.

Being essentially an export promotion organization, it functions under the administrative control of the Ministry of Commerce & Industry, Department of Commerce, Government of India. It is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking, insurance and exporting community.

ECGC is the fifth largest credit insurer of the world in terms of coverage of national exports. The present paid-up capital of the company is Rs.800 crores and authorized capital Rs.1000 crores.

The types of insurance protection provided by ECGC include:

- a range of credit risk insurance covers to exporters against loss in export of goods and services
- guarantees to banks and financial institutions to enable exporters to obtain better facilities from them
- Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

What does ECGC do?

- Offers insurance protection to exporters against payment risks
- Provides guidance in export-related activities
- Makes available information on different countries with its own credit ratings
- Makes it easy to obtain export finance from banks/financial institutions
- Assists exporters in recovering bad debts
- Provides information on credit-worthiness of overseas buyers
- Provides names and addresses of prospective buyers in the overseas markets

Need for Export Credit Insurance

Payments for exports are open to risks even at the best of times. The risks have assumed large proportions today due to the far-reaching political and economic changes that are sweeping the world. An outbreak of war or civil war may block or delay payment for goods exported. A coup or an insurrection may also bring about the same result. Economic difficulties or balance of payment problems may lead a country to impose restrictions on either import of certain goods or on transfer of payments for goods imported. In addition, the exporters have to face commercial risks of insolvency or protracted default of buyers. The commercial risks of a foreign buyer going bankrupt or losing his capacity to pay are aggravated due to the political and economic uncertainties. Export credit insurance is designed to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business without fear of loss.

Major Products and Services offered by ECGC include:

- Credit Insurance Policies
 - SCR or Standard Policy
 - Turnover Policy
 - Small Exporters Policy
 - Buyer-wise Policy
 - Specific Shipment Policy (Short Term)
 - Specific Policy for Supply Contract
 - Insurance Cover for Buyer's Credit and Line of Credit
 - Service Policy
 - Construction Works Policy
- Maturity Factoring
- Guarantees to Banks
 - Packing Credit Guarantee
 - Export Production Finance Guarantee
 - Post-Shipment Guarantee
 - Export Finance Guarantee
 - Export Performance Guarantee
 - Export Finance (Overseas Lending) Guarantee
- Special Schemes
 - Transfer Guarantee
 - Overseas Investment Insurance
 - Exchange Fluctuations Risk Cover

EXIM BANK OF INDIA

The Export Import (EXIM) Bank of India was set up 1982 for the purpose of financing, facilitating, and promoting foreign trade of India.

The main objective of Export-Import Bank (EXIM Bank) is to provide financial assistance to promote the export production in India. The financial assistance provided by the EXIM Bank widely includes the following:

- Foreign investment finance
- Direct Financial Assistance
- Term loaning options for export production and export development
- Pre-shipping credit
- Buyer's credit
- Lines of credit
- Reloaning facility
- Export bills rediscounting
- Refinance to commercial banks

The Export-Import Bank also provides non-funded facility in the form of guarantees to the Indian exporters.

Various Stages of Exports Covered by EXIM Bank

- Development of export makers
- Expansion of export production capacity
- Production for exports
- Financing post-shipment activities
- Export of manufactured goods
- Export of projects
- Export of technology and softwares

Forms of Financial Assistance Provided by EXIM Bank to Indian Companies

- **Delayed Payment Exports-** Term loans are provided to those exporters who deal with exporting of goods and services and this enables them to offer delayed credit to the foreign buyers. This system of deferred credit covers Indian consultancies, technology, and other services. Commercial banks take part in this program either directly or under risk syndication arrangements.
- **Pre-shipment credit-** Indian companies which are highly involved in the execution of export activities beyond the cycle time of six months are funded by EXIM Bank. The construction or turnkey project exporters enjoy the provision of rupee mobilization.
- **Term loans for export production-** EXIM Bank offers term loans to the 100 percent export oriented units, units involved in free trade zones, and exporters of various softwares in India. EXIM bank also works in association with International Finance Corporation, Washington, to provide financial assistance to the small scale and medium

Enablers India

industrial units in terms of ameliorating the export production capacity of these units in India. EXIM Bank also provides funded and non-funded facilities to deemed exports from India.

- **Foreign Investment Finance-** EXIM bank provides financial assistance for equity contribution to the Indian companies who form Joint Venture with the foreign companies.
- **Financing export marketing-**It helps the exporters carry out their export market development plan in Indian market.

Financial Assistance Provided by EXIM Bank to Overseas Companies

- **Foreign Buyer's Credit-** the foreign players are entitled to a sum of financial assistance in order to import goods and services on deferred payments.
- **Lines of Credit-** EXIM bank also offers financial assistance to the overseas financial institutions and various government agencies for import of goods and services from India.
- **Reloaning Options to Foreign Banks-** The foreign banks are entrusted with funding from EXIM bank in order to provide the same to their clients across the globe for importing of goods from India.

The major services extended by the EXIM Bank for promoting exports include:

1. Information and support services to Indian companies to help improve their prospects for securing business in multilateral-agencies funded projects including the following:
 - a) Dissemination of business opportunities in funded projects
 - Providing detailed information on projects of interest
 - Information on procurement guidelines, policies, practices of multilateral agencies
 - Assistance for registration with multilateral agencies advising Indian companies on the preparation of expression of interested intervention.
 - b) In order to promote Indian consultancy the bank has tied up with a number of international organizations, such as International Finance Corporation, Eastern and Southern African Trade and Development Bank, etc.
 - c) The bank also serves as a consultant to various developing countries in promoting exports and exports finance.
 - d) The bank helps in knowledge building by way of conducting seminars, workshops, and carrying out research studies on projects, sectors, countries, and macro-economic issues relevant to international trade and investment. The bank has conducted sector-specific studies for identifying market potential for computer software, electric components, chemicals, floriculture, machine tools, pharmaceuticals, medicinal plants, sports goods, financial services, etc.
 - e) The bank gathers and disseminates information on exporters/importers, industry/market reports, trade regulations and laws, country reports, international quality standards, etc. to assist exporters.

“WISH YOU A HAPPY DURGA PUJA, DUSSEHRA, AND DIPAWALI, AND ALL GOOD LUCK FOR EXAM”