

A STUDY ON THE PROBLEMS FACED BY THE TEXTILE EXPORTERS IN TIRUPPUR DISTRICT, TAMIL NADU IN AVAILING THE ECGC POLICIES.

*KALPANA C

M. Com (International Business)
Mount Carmel College, Autonomous
Bangalore

**LAHARI KV

M.Com (International Business)
Mount Carmel College, Autonomous
Bangalore

Abstract

Export considered as the “life blood of Nations Economic Development” is one of the significant ways of entering into International Business. There are various risks associated with exports. Export Credit Guarantee Corporation which is wholly owned and managed by the Government of India, plays a prominent role in covering the risks faced by the exporters by providing them with insurance and guarantee. However, the exporters face tremendous problems due to various factors which act as hinderance in availing the policies offered by the Export Credit Guarantee Corporation. The present empirical study utilizes a structured questionnaire with the objective of finding out the various problems faced by the textile exporters in Tiruppur district, Tamil Nadu in availing the ECGC Policies provided by the Government of India. The study is intending to benefit the exporters and also researchers who aspire to gain more knowledge in the field of exports.

Key words: Exports, Economic growth and development, ECGC, Policies and Schemes.

INTRODUCTION

Exports considered as the “Life blood of nations economic development” is one of the significant ways of entering into international business. Indian Garment sector is considered as one of the oldest industries dating back to several centuries. The future of the textile industry is strong bound by both the domestic consumption and the demand for exports. The Export Credit Guarantee Corporation, wholly owned and managed by the Government of India, plays a very prominent role in covering the risks of the exporters by proving insurance and Guarantees. However, the exporters face a major problem in availing the policies issued by the ECGC.

Role of ECGC

- In-case of loss in export of goods and services, the ECGC provides a range of credit risk insurance covers to the exporters.
- In-order to enable the exporters avail the best services from the financial institutions, the ECGC provided insurance covers to the banks and financial institutions.
- The ECGC also provides covers to the Indian companied investing in Joint ventures in the form of equity and load in the overseas market.

Benefits od ECGC

- ECGC plays an important role in providing guidance regarding the exports to the exporters.
- It ensures the availability of information on the credit rating of the buyers and their countries.
- The ECGC ensures easy availability of the export finance from the banks and financial institutions.
- Through ECGC the exports are assisted in recovering their bad-debts.

ECGC Policies

1. Shipment Comprehensive Risk Policy
2. Small Exporters Policy
3. Specific Shipment Policies- short term
4. Exporters (specific buyers) policy
5. Exporters Turnover Policy
6. Buyer Exposure Policy
7. Consignment Export Policy
8. Small and Medium Enterprise Policy
9. Specific Policy for Supply Contracts
10. Specific Shipment Policy
11. Specific Services Policy

REVIEW OF LITERATURE

Financial Daily (2001) has stated that the Export Credit Guarantee Corporation (ECGC), is keen on enlarging its share in export risk underwriting business and is planning to introduce a 'differential' premium policy cover for exporters.

Hideki Funatsu (July 17,1984) stated that the present study conducts positive analyses on various aspects of export credit insurance. He further stated that it showed that export credit insurance is a useful device to protect domestic exporting firms against various political risks and default risk in the foreign market. Under a certain type of the reimbursement method, export credit insurance can make the exporting firm's production decision independent of the risk and the attitude toward risk.

Sundaram K. Anant (2000) in his book "The International Business Environment" discussed the component of a national strategy is the policies designed to achieve its goals. He added that it is more appropriate to think of a policy mix, implying compromise, because many policies cost money to implement and thus compete with one another for funds.

Sanjay Jain (August 28, 2018) stated that the Textile and clothing industry are finally on the verge of a turnaround. Devaluation of rupee by 9% in the last few months has made the industry competitive globally and the maintenance of a competitive exchange rate is an essential prerequisite in labor intensive manufacturing industries like textiles. He also mentioned that the currency management by the government has benefited the exports.

M. Saraswathi (December 2012) in the book Creditworthiness of buyers stated that despite the government auditor insisting Export Credit Guarantee Corporation of India Ltd (ECGC) mandate banks to check the creditworthiness of foreign buyers of Indian goods, the latter says it is not in a position to do so due to the structure of the credit insurance product it sells.

IIFT (2013) Export and Management Capabilities of Indian garment industry- for the textile committee office, gives a clear picture of the export of readymade garments from the country and its major share in India's export trade.

STATEMENT OF THE PROBLEM

Export is a vital source of earning foreign exchange and ECGC plays a very important role in promoting exports. On

the contrary there has been a decline in the subscribers to the ECGC. This research focuses on providing an analysis on the various ECGC Policies and also aims in studying the various problems faced by the textile exporters in Coimbatore district of Tamil Nadu in availing the ECGC Policies and provide suggestions in-order to make the process of availing the policies more user friendly.

OBJECTIVES OF THE STUDY

1. To study the various risks faced by the textile exporters.
2. To study the level of awareness on the various ECGC Policies.
3. To access the level of satisfaction in availing the ECGC Policies.
4. To study the utilization of export finance by the exporters.
5. To find out the various ways through which the ECGC policies could be made user friendly.

SCOPE OF THE STUDY

The study is intending to benefit the exporters and also the research scholars who aspire to promote and gain more knowledge in the field of exports.

RESEARCH METHODOLOGY

The study uses empirical research as it derives its conclusion using both quantitative and qualitative analysis.

1. A structured questionnaire has been prepared to help the researcher in obtaining answers to various questions regarding the awareness level, problems and the satisfaction level of the exporters in availing and utilization of the ECGC Policies.
2. The Review of Literature helped to gather further insight into the topic of research.

DATA COLLECTION

The research is conducted based on both the primary and secondary data. The primary data is collected through the preparation and circulation of a structured questionnaire. The secondary data was collected through the analysis of various journals, magazines, research papers and other online resources.

SAMPLE DESIGN

Sample Size: 50

Sample Population: The sample for the research study was chosen from the Textile Exporters of Tiruppur District, Tamil Nadu.

Sampling Technique: The researcher uses convenient sampling method to collect data from the textile exporters based on the district of Tiruppur.

METHOD AND TOOL FOR ANALYSIS OF DATA

- The data can be analyzed through the use of various tables, charts and diagrams.
- Tools such as MS. Excel has been used to interpret the data collected from the exporters.

LIMITATIONS OF THE STUDY

- The study is confined to the area of Tiruppur District only.
- The data collected was only from the exporters and the banker’s opinion was not considered and taken into account.
- The busy schedule of the exporters leads to a low response for the research and also some exporters were reluctant to disclose information.

DATA ANALYSIS AND INTERPRETATION

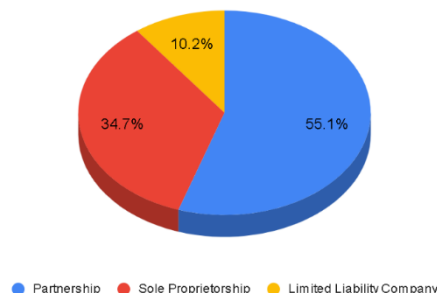
TABLE 1

NATURE OF FIRM

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
Partnership	27	55.1%
Sole Proprietorship	18	34.7%
Limited Liability Company	05	10.2%

CHART 1

Nature of the firm



INTERPRETATION 1

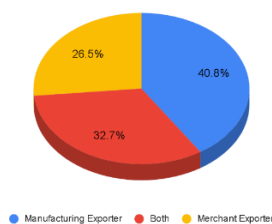
The above chart indicates that out of the 50 respondents, 55.1% of them were partnership firms, 34.7% of them were sole proprietorship firms and 10.2% of them were Limited Liability Companies.

TABLE 2
CATEGORY OF EXPORTS

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
Manufacturing Exporter	21	40.8%
Merchant Exporter	13	26.5%
Both	16	32.7%

CHART 2

Category of exporter



INTERPRETATION 2

From the above table it is understood that 40.8% of the textiles were manufacturing exporters, 32.7% of textiles were both manufacturing and merchant exporters and 26.5% of the textiles were merchant exporters.

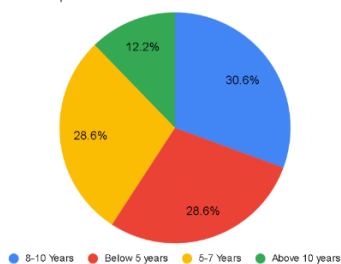
EXPERIENCE IN EXPORTS

TABLE 3

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
Below 5 years	14	28.6%
5-7 Years	15	28.6%
8-10 Years	15	30.6%
Above 10 Years	06	12.2%

CHART 3

Experience in exports



INTERPRETATION 3

From the above chart it is clear that 30.6% of the exporters have an experience of 8-10 years, 28.6% of the exporters had an experience of below 5 years or 5-7 years and 12.2% of the exporters had an experience above 10 years.

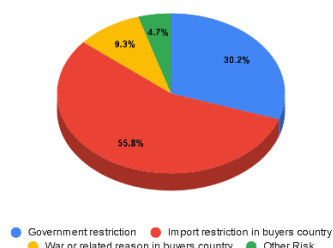
TYPE OF POLITICAL RISK FACED

TABLE 4

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
GOVERNMENT RESTRICTION	13	29.5%
WAR OR RELATED REASONS	4	9.1%
IMPORT RESTRICTIONS	25	56.8%
OTHER RISK	2	4.5%

CHART 4

Type of Political risk faced.



INTERPRETATION 4

From the above table it is understood that 56.8% of the exporters faced political risk in the form of import restrictions, 29.5% of them faced political risk in the form of government restriction and 9.1% faced political risk in the form of war or related reasons.

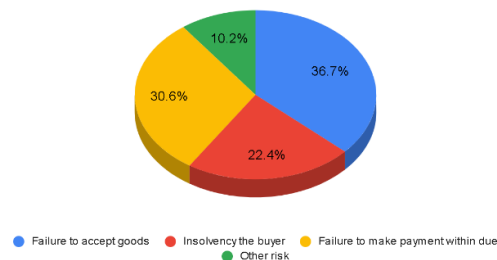
TYPE OF COMMERCIAL RISK FACED

TABLE 5

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
INSOLVENCY OF THE BUYER	11	22%
FAILURE TO MAKE PAYMENTS	16	32%
FAILURE TO ACCEPT GOODS	18	36%
OTHER RISK	05	10%

CHART 5

Type of Commercial risk faced.



INTERPRETATION 5

From the above chart it is clear that 36% of the people faced commercial risk due to the failure to accept the goods, 32% of them face commercial risk due to the failure to make payments and 22% of them face risk due to the insolvency of the buyer.

PREFERRED TRANSPORTATION MODE AND THE RISK ASSOCIATED WITH IT

TABLE 6

FREQUENCY	AIRWAYS		SEAWAYS	
	NUMBER OF RESPONDENTS	PERCENTAGE	NUMBER OF RESPONDENTS	PERCENTAGE
VERY HIGH	2	4%	7	15%

HIGH	13	27%	6	12%
NORMAL	20	41%	24	50%
LOW	11	22%	10	21%
VERY LOW	03	6%	01	2%

CHART 6.1

Risk associated with Airways

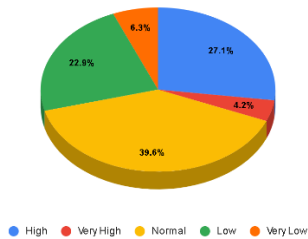


CHART 7.3

Level of awareness of Specific Shipment Policy- short term

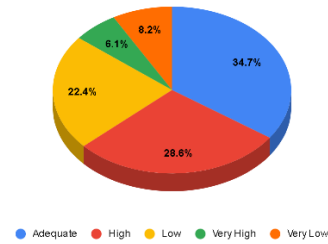


CHART 6.2

Risk associated with Seaways

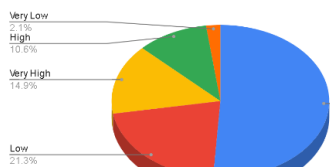
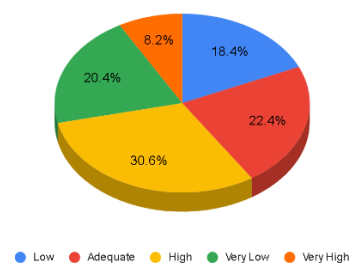


CHART 7.4

Level of awareness of Exporters Specific Buyers Policy



LEVEL OF AWARENESS ON VARIOUS ECGC POLICIES

CHART 7.1

Level of awareness of Shipment Comprehensive Risk Policy

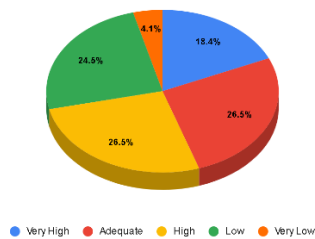


CHART 7.5

Level of awareness of Exporters turnover policy

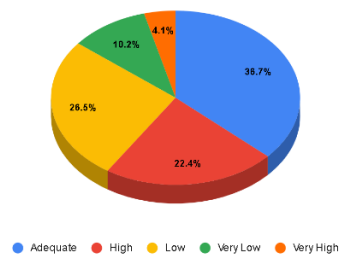


CHART 7.2

Level of awareness of the Small Exporters Policy

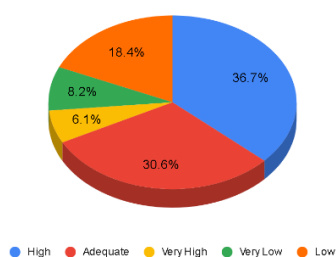


CHART 7.6

Level of awareness of Buyer Exposure Policy

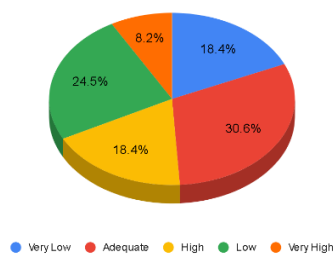


CHART 7.7

Level of awareness of Consignment Export Policy

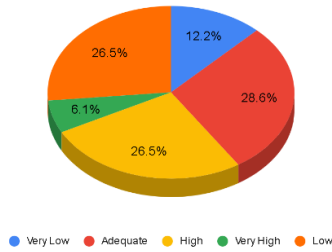


CHART 7.11

Level of awareness of Specific Services Policy

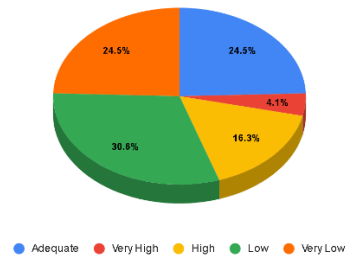
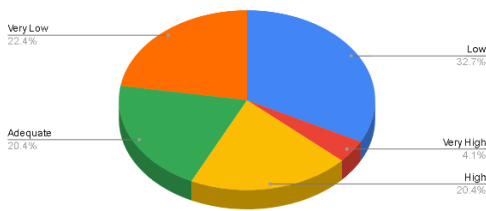


CHART 7.8

Level of awareness of Small and Medium Enterprise Policy



OPINION ON RECEIVING THE CLAIM AMOUNT

TABLE 8

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
VERY EASY	3	6%
EASY	5	10%
ADEQUATE	26	52%
DIFFICULT	16	32%
VERY DIFFICULT	0	0%

CHART 7.9

Level of awareness of Specific Policy for Supply Contracts

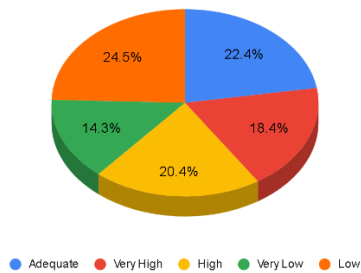


CHART 8

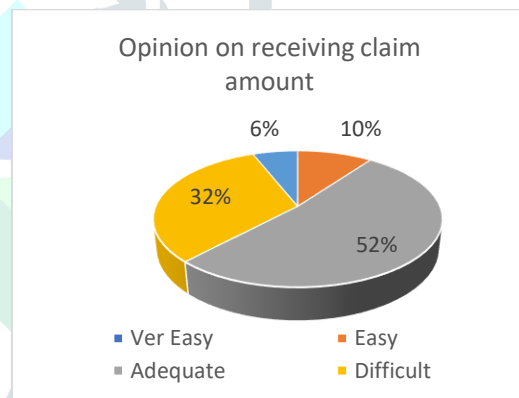
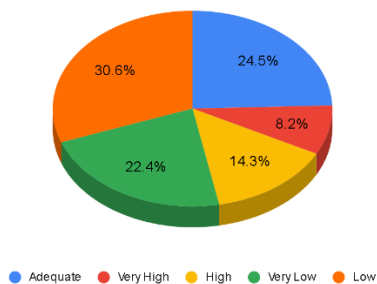


CHART 7.10

Level of awareness of Specific Shipment Policy



INTERPRETATION 8

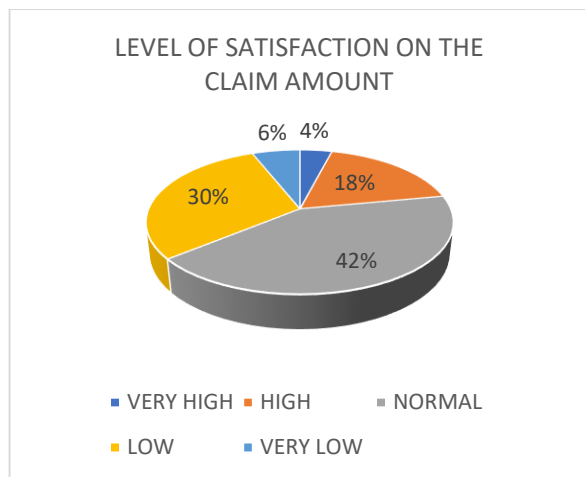
From the above chart it is clear that 52% of the exporters find it adequate in receiving the claim amount, 32% of them find it difficult in receiving the claim amount and 10% of them find it easy in receiving the claim amount.

LEVEL OF SATISFACTION ON THE CLAIM AMOUNT

TABLE 9

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
VERY HIGH	2	4%
HIGH	9	18%
NORMAL	21	42%
LOW	15	30%
VERY LOW	3	6%

CHART 9



INTERPRETATION 9

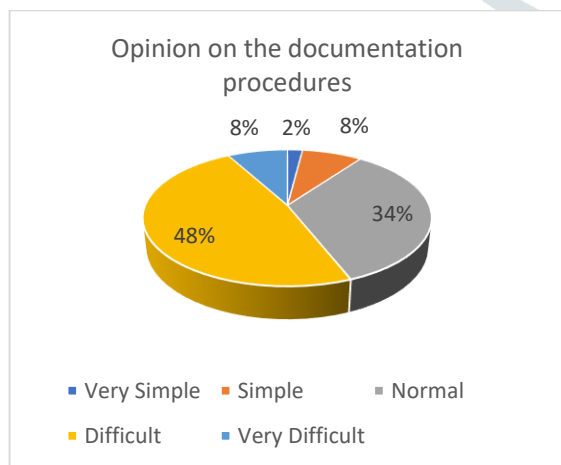
From the above chart it is clear that 42% of the exporters had normal level of satisfaction on the claim amount received, 30% of them had low level of satisfaction on the claim amount received and 18% of them had high level of satisfaction on the claim amount received.

OPINION ON THE DOCUMENTATION PROCEDURES

TABLE 10

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
VERY SIMPLE	1	2%
SIMPLE	4	8%
NORMAL	17	34%
DIFFICULT	24	48%
VERY DIFFICULT	4	8%

CHART 10



INTERPRETATION 10

From the above chart it is clear that, 48% of the exporters stated that the documentation procedure of ECGC was difficult, 34% of the exporters stated that the procedure was normal, 8% of the people stated that the procedure was very

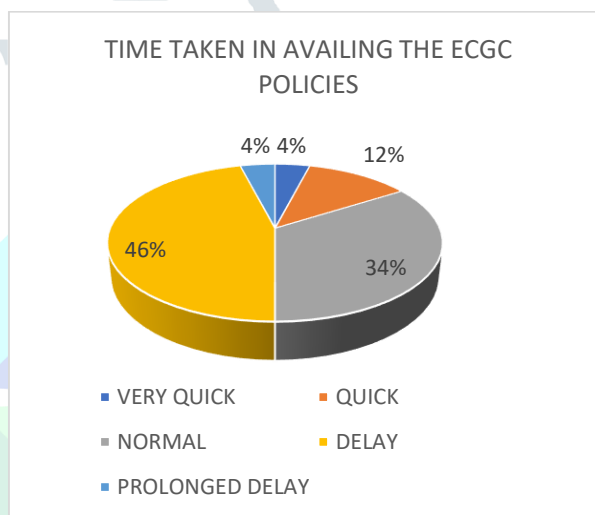
difficult and 8% of the exporters felt stated the procedures was easy.

TIME TAKEN IN AVAILING THE ECGC POLICIES

TABLE 11

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
VERY QUICK	2	4%
QUICK	6	12%
NORMAL	17	34%
DELAY	23	46%
PROLONGED DELAY	2	%

CHART 11



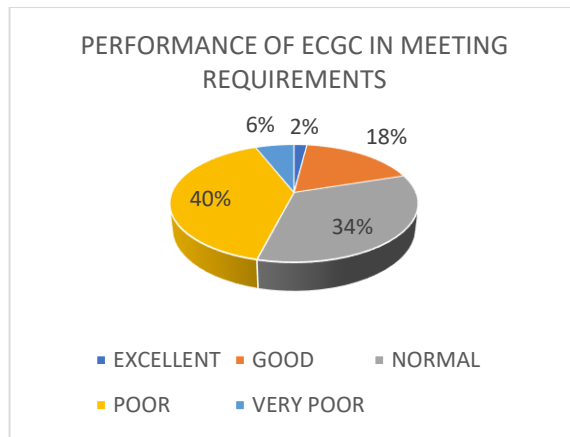
INTERPRETATION 11

From the above chart, it is clear that 46% of the exporters had an opinion that the time taken in availing the ECGC policies was delayed, 34% had an opinion that it was normal and 12% of the exporters had an opinion that the time taken was quick.

PERFORMANCE OF ECGC IN MEETING REQUIREMENTS

TABLE 12

PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
EXCELLENT	1	2%
GOOD	9	18%
NORMAL	17	34%
POOR	20	40%
VERY POOR	3	6%

CHART 12**INTERPRETATION 12**

From the above chart, it is understood that, 40% of the exporters stated that the performance of ECGC in meeting the requirements was poor, 34% of them stated that the performance of ECGC in meeting the requirements was normal and 18% of them stated that the performance of ECGC in meeting the requirements was good.

SUGGESTIONS

The drawbacks of ECGC in meeting the various problems faced by the exporters can be solved through the following recommendations

Simplified and reduced procedure

The procedures relating to application, documentation and acquisition of the ECGC schemes can be made simpler easily accessible, for the better understanding of the exporters. Also, the various schemes and policies should be intimated periodically to exporters using the apt mode of communication.

Quick settlement of claims

The ECGC has a major drawback that it delays the process of the settlement of claims to the exporters. Therefore, the process of the settlement of claims can be made quicker for the benefit of the exporters to help them cope up with their losses.

Increasing the credit limit

The credit limit is considerably low in ECGC as a result of which it, at certain times hinder the process of production and manufacturing. Increasing the credit limit will preferably reduce the burden of the exporters to a certain extent.

Payment of full claim amount

Most of the exporters face severe risks with regard to payment terms with the buyer and other related reasons. Such a situation can be overcome by paying the full claim amount to the exporters, which will certainly help them to compensate for the losses faced.

Reduction of premium rates

The premium rates provided by the ECGC should be reduced further. High premium rates are a great barrier to the exporters as it causes trouble to pay them due to insufficient funds. Therefore, the premium rates must be reduced.

Other recommendations

The other recommendations may include the following

- Speedy recovery of the claim amount.
- Problems faced by the buyers must be intimated to the exporter's also.
- Timely advice must be provided to the exporters.
- Buyers assessment must be made in prompt time.

CONCLUSION

This analytical study is based upon a sample of 50 respondents, conducted in Tirupur District. The study is about analysing the problems faced by the textile exporters in availing the ECGC Schemes. The study reveals the majority of the exporters face problems in availing the ECGC Schemes. The problems include delay in filing the application, prolonged process and delay in acquiring the schemes. The study also suggests various ways through which the ECGC Schemes can be made user friendly like decreasing the rate of premium, settlement of full claim amount, simplifying the procedure and proper assessment of the buyer.

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