UNIT-V

1. Explain the measures for export promotion or foreign trade promotion.

The major export promotion measures adopted by the government are:

(i)Duty-Free Replenishment Certificate (DFRC): DFRC is issued to a merchant exporter or manufacturer exporter for the duty-free import of inputs such as raw materials, components, intermediates, consumables, spare parts, including packing materials to be used for export production. Such a license is given subject to the fulfilment of time-bound export obligations.

(ii)Duty Entitlement Passbook Scheme (DEPB): Under the DEPB scheme, an exporter may apply for credit as a specified percentage of the FOB value of exports, made in freely convertible currency. The credit shall be available against such export products and at such rates as may be specified by the Director-General of Foreign Trade (DGFT) by way of public notice issued on this behalf, for import of raw materials, intermediates, components, parts, packaging materials, etc.

(iii) Export Promotion Capital Goods Scheme (EPCG): EPCG scheme was introduced by the EXIM policy of 1992-97 in order to enable manufacturer exporter to import machinery and other capital goods for export production at concessional or no customs duties at all. This facility is subject to an export obligation, i.e., the exporter is required to guarantee exports of a certain minimum value, which is in multiple of tit1e value of capital goods imported.

(iv) Duty Drawback (DBK): The Duty Drawback Scheme is administered by the Directorate of Drawback, Ministry of Finance. Under this scheme, an exporter is entitled to claim:
(a) Customs duty paid on the import of raw materials, components, and consumables.
(b)Central excise duty paid on indigenous raw materials, components.
(c) Consumables utilized in the manufacture of goods meant for export

(v)Excise Duty Refund: Excise duty is a tax imposed by the central government on goods manufactured in India. This duty is collected at the source, i.e., before removal of goods from the factory premises. Export goods are totally exempted from central excise duty. However, necessary clearance has to be obtained in one of the following ways:
(a)Export under rebate
(b)Export under bond

(vi) Octroi Exemption: Octroi is a duty paid on manufactured goods when they enter the municipal limits of a city or a town. However, export goods are exempted from Octroi.

(vii) Export Processing Zones (EPZ): These are industrial estates which firms enclaves from the Domestic Tariff Area. They aim at providing an internationally competitive duty free environment for export production at low cost. Recently these have been converted into Special Economic Zones.

(viii)EOU: 100% Export Oriented Units. This scheme was started in 1981. It is complementary to the scheme of EPZ. These have been set up with a view to generating additional production capacity for exports by providing an appropriate policy framework flexibility of operations and incentives.

2. What are Special Economic Zones? Explain their benefits and limitations.

Ans. An SEZ (Special Economic Zone) is an enclave within a country that is typically duty-free and has different business and commercial laws chiefly to encourage investment and create employment.

Apart from generating employment opportunities and promoting investment, SEZs are created also to better administer these areas, thereby increasing the ease of doing business.

SEZs Facilities & Incentives/Benefits: The government offers many incentives for companies and businesses established in SEZs. Some of the important ones are:

(i) Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.

(ii) 100% Income tax exemption on export income for SEZ units under the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. (Sunset Clause for Units will become effective from 2020).

(iii) Units are exempted from Minimum Alternate Tax (MAT).

(iv) They were exempted from Central Sales Tax, Service Tax and State sales tax. These have now subsumed into GST and supplies to SEZs are zero-rated under the IGST Act, 2017.

(v) Single window clearance for Central and State level approvals.

(vi) There is no need for a license for import.

(vii) In the manufacturing sector, barring a few segments, 100% FDI is allowed.

(viii) Profits earned are permitted to be repatriated freely with no need for any dividend balancing.

(ix) There is no need for separate documentation for customs and export-import policy.

(x) Many SEZs offer developed plots and ready-to-use space.

Challenges/Limitations

(i) Since SEZs offer a wide range of incentives and tax benefits, it is believed that many existing domestic firms may just shift base to SEZs.

(ii) There is a fear that the promotion of SEZs may be at the cost of fertile agricultural land affecting food security, loss of revenue to the exchequer and cause uneven growth with adverse effects.

(iii) Apart from food security, water security is also affected because of the diversion of water use for SEZs.

(iv) SEZs also cause pollution, especially with the release of untreated effluents. There has been a huge destruction of mangroves in Gujarat affecting fisheries and dairy sectors.

(v) SEZs have to be promoted but not at the cost of the agricultural sector of the country. It should also not affect the environment adversely.

3. How many special economic zones are in India? Give examples of SEZs in India. Which is the first SEZ in India?

Ans. There are 265 operational SEZs in India.

Examples of SEZs in India:
(i)SEEPZ Special Economic Zone (Mumbai) founded in 1974 is a single product zone.
(ii) Kandla SEZ (Gujrat) established in 1965 is Multi Product Zone.
(iii) Cochin SEZ established in 1984 is Multi Product Zone.
(iv)Madras SEZ established in 1986 is Multi Product Zone.
(v) Visakhapatnam SEZ established in 1989vis Multi Product Zone.
(vi) Falta SEZ (West Bengal) established in 1984 is Multi Product Zone etc.

The first Export Processing Zone was set up in Kandla in 1965.

State which has the highest number of SEZs in India: Tamil Nadu

4. Name and explain in brief the organisation which works for export promotion in India.

(i)Indian Institute of Foreign Trade (IIFT): Established in 1963 under the Societies Registration Act the IIFT is an autonomous body responsible for the management of the country's foreign trade. It is also a deemed university that provides training in international trade conducts research in areas of international business and disseminates data related to international trade.

(ii) Export Inspection Council (EIC): The EIC was established by the Government of India under Section 3 of the Export Quality Control and Inspection Act 1963 with the objective of promoting exports through quality control and pre-shipment inspections. According to this act all goods that are meant for exports except some commodities must pass through the EIC for quality inspection.

(iii) Indian Institute of Packaging (IIP): The IIP is a training and research institute established in 1966 by the joint efforts of the Ministry of Commerce of the Government of India Indian Packaging Industry and Allied Industries. The institute caters to the packaging needs of domestic manufacturers and exporters.

(iv)Indian Trade Promotion Organisation (ITPO): The ITPO was formed on January 1 1992 under the Companies Act 1956. Its main objective is to maintain close interactions among traders industry and the Government. In order to fulfil this objective the ITPO organizes trade fairs and exhibitions within and outside the country thereby helping export firms to interact with international trade bodies.

(v)Department of Commerce: The Department of Commerce is the apex body in the Ministry of Commerce of the Government of India and is responsible for formulating policies related to foreign trade as well as evolving import and export policies for the country. It is responsible for all matters related to the country's external trade.

(vi) Export Promotion Councils (EPCs): Registered under the Companies Act or the Societies Registration Act EPCs are non-profit organizations that are responsible for promoting the exports of particular products. However the product promoted by a particular EPC must fall under its jurisdiction.

(vii) Federation of Indian Export Organisations (FIEO): The FIEO was established in 1965 at New Delhi. It is an apex body and serves as a common coordinating forum for export promotion councils, commodity boards, service institutions, etc. It also acts as the primary servicing agency for providing integrated assistance to recognised export houses.

(viii) Indian Council of Arbitration (ICA): The ICA was set up under the Societies Registration Act to promote arbitration as a means of settling commercial disputes and to popularise arbitration among importers and exporters.

4. Write a note on Exports-Oriented Units (EOUs).

Ans. Meaning: Export-oriented units are units undertaking to export their entire production of goods. EOUs can engage in manufacturing, services, development of software, repair, remaking, reconditioning, re-engineering including making of gold/silver/platinum jewellery and articles. Further, units involved in agriculture, agro-processing, aquaculture, animal husbandry, biotechnology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites can also obtain the status of EOU.

Export Oriented Units Scheme: The Export Oriented Units (EOU) scheme was introduced in 1981 to boost exports, increase foreign exchange and create employment in India. The EOU scheme is complementary to the scheme for Free Trade Zone, Export Processing Zone.

Benefits of Export Oriented Units

(i)The Export Oriented Units enjoys the below following benefits

(ii) EOUs has a permit to procure raw material or capital goods duty-free, either through import or through domestic sources;

(iii) EOUs are eligible for reimbursement of GST;

(iv) EOUs are eligible for reimbursement of duty paid on fuels procured from domestic oil companies;

(v) EOUs are eligible for claiming input tax credit on the goods and services and refund thereof;

(vi) Fast track clearance facilities;

(vii) Exemption from industrial licensing for the manufacture of items reserved for SSI sector.

Eligibility Criteria for EOU

For the status of EOU, the project must have a minimum investment of Rs.1 crore in plant and machinery. This condition does not apply for software technology parts, electronics hardware technology parks and biotechnology parks. Further, EOU involved in handicrafts, agriculture, animal husbandry, information technology, services, brass hardware and handmade jewellery does not have any minimum investment criteria.

Obtaining EOU Status

To obtain EOU status, application for setting up of unit under EOU scheme must be made to the Board of Approval. In the case of approving, they provide validity of Letter of Permission for setting up EOU. The Letter of Permission will have an initial validity of 2 years to enable the unit to construct the plant and install the machinery. Further, a person can obtain an extension for a period of upto one year. On starting operation, in a period of 5 years, the EOU will have to achieve positive net foreign exchange earning cumulatively.

Exit from EOU Scheme

With the approval of DC, an EOU may opt-out of the scheme. These exits shall subject to a penalty of Excise and Customs duties and industrial policy in force. In case the unit has not achieved obligations, it shall be taxable to a penalty at the time of exit.
In case of gems and jewellery unit ceasing its operation, the gold and other precious metals, gems, alloys and other materials available for the manufacture of jewellery, is given to an agency specified by DoC, at a price to be determined by that agency.

5. What is Joint Venture? What are its advantages and disadvantages?

Ans. A joint venture is a firm jointly owned by two or more otherwise independent firms. Each participating firm shares ownership, control, profits and risk of the new venture. The contribution to the equity of the new venture may be in the form of cash or machinery or technology

Joint venture is a long term arrangement and it is established in accordance with the host country's laws. The partners in a joint venture may be from the same country or from different countries. When the participating firms are from different countries, it is called an international or foreign joint venture. For example, Maruti Suzuki was a joint venture between Suzuki of Japan and Maruti Udyog of India. Similarly, Hero Honda Motors was a joint venture between Hero Motors of India and Honda Motors of Japan.

Advantages of Joint Ventures: As a mode of doing international business, joint ventures offer several benefits:

(i) Pooling of Resources: A joint venture facilitates combination of local partners knowledge of the host country's political system, culture, market conditions, etc. and the technical know-how, manufacturing expertise and capital of the foreign partner. Pooling of resources provides strength to the joint venture.

(ii) Risk Sharing: A joint venture enables the participating firms to share the risks involved in setting up business in a foreign country. It also allows sharing of costs. In case the local partner has more influence on the host government's policies, the risk of government interference or nationalisation is reduced.

(iii) Good Entry Strategy: When the host country's government does not permit complete ownership of a firm by foreign investors, joint venture is only feasible alternative.

(iv) Foreign Support: Where the local partner is the Government or a political influencial business house, the joint venture may obtain tax concessions, grants and other types of government support.

Disadvantages of Joint Ventures: Joint ventures suffer from some drawbacks:

(i)Potential Competition: After gaining experience of political system, market conditions and culture of the host country, the foreign partner may divorce the local partner and start its independent competing firm. Similarly, the local partner after getting foreign technology and manufacturing know-how may divorce the foreign partner and emerge as a competitor.

(ii) Problem in Policy Execution: The foreign firm may not be able to implement its global marketing and manufacturing policies in the joint venture due to opposition from the local firm or other reasons.

(iii) Conflicts: In a joint venture, conflicts among the participating firms may arise on issues of objectives, strategies and control. Prolonged conflicts ultimately lead to dissolution of the joint venture.

(iv) Decline: The participating firms may not sustain the initial interest and enthusiasm shown in the joint venture. For example, the foreign partner may depute incompetent managers to the joint venture leading to its ultimate decay.

6. Explain the different methods of payment in International Trade.

Ans. Various methods of payment used in international trade are described below.

(i) Payment in Advance: Exporters generally prefer advance payment before shipment of goods because it involves no risk for them. But advance payment is most risky for importers. Advance payment may be in cash or by draft, cheque or telegraphic transfer. The exporter may insist on advance payment when the importer is unknown or when goods are as per the importer's specifications and the exporter enjoys monopoly in the industry.

(ii) Cash on Delivery (COD): In case of small products sent through post or courier, the importer may be asked to make payment on delivery of the item. This is not a popular method of payment in foreign trade.

(iii) Open Account: Under this method, the importer makes payment after receiving the goods. Therefore, importers prefer this method. But this method is most risky and undesirable for exporters. Open account method is suitable when the importer has well established long-term business relations with the exporter or when an authorised agency has certified the importer's creditworthiness. Indian exporters require the Reserve Bank of India's permission to export on open account. Normally foreign companies operating in India are given such permission.

(iv) Documentary Collection: Under this method the exporter draws a bill or exchange on the importer. Documents of title to the goods such as bill of lading, etc. are attached with the bill. Therefore, it is known as documentary bill of exchange. It is of two types:

(a) Documents Against Acceptance (D/A): Documents of title to the goods are handed over to the importer when he accepts or signs the bill of exchange which may be for 30, 60 or 90 days. Thus, the exporter extends credit to the importer and assumes risk. Therefore, D/A method is used in case of importers having proven integrity and creditworthiness. The exporter may obtain finances from banks by selling the D/A bills with recourse. D/A bill is also known as time bill of exchange.

(b) Documents Against Payment (D/P): The documents of title to the goods are given to the importer after he makes payment of the bill of exchange. Therefore, such a bill is called sight bill of exchange. This method is safe and risk free for the exporter.

(v) Documentary Letter of Credit: A letter of credit (L/C) is a document issued by the importer's bank. In this document the bank gives a guarantee to pay the exporter up to the specified amount upon completion of all the necessary formalities. A letter of credit eliminates risk for both exporter and the importer. It also serves as a proof of export and enables the exporter to avail packing credit from his bank. Therefore, this is the most widely used method of payment. But the importer has to pay some fee and security to his bank for obtaining a letter of credit.

(vi) Credit Cards: Retailers and customers use credit cards for small international transactions. Visa, MasterCard, American Express, etc. are various types of credit cards.

(vii) Countertrade: Payment for imports with something other than cash is known as countertrade. In other words, imports are paid for by exports instead of money payments. Several companies use countertrade as an entry strategy. For instance, Pepsico gained entry into the USSR through countertrade. Developing countries use countertrade as a strategy to increase exports.

The method of payment used in a particular transaction depends on several factors such as the nature of the product, the profit margin, customs of trade, firm's organisation, cost and availability of credit, legal requirements, etc.

7. Explain the sources of foreign trade finance.

Ans. Exporters need finance both before and after the shipment of goods:

(i) Pre-Shipment Finance: An exporter requires finance before shipment to meet his working capital needs for raw materials, labour, packing, warehousing, transportation, etc. Pre-shipment finance or packing credit is short-term finance. It is meant for financing the purchase, processing, manufacturing and packing of goods for export. Commercial banks provide pre-shipment finance on receipt of an export order or letter of credit and against export incentives. Such loans must be repaid from export proceeds. Reserve Bank of India has created the Packing Credit Scheme to govern the pre-shipment credit advanced by commercial banks. Packing credit is normally extended in the form of a loan account, a separate account being maintained for each export order. But banks may also extend in the form of a running account provided the following conditions are satisfied:

(a) The exporter has established the need for 'running account' facility to the bank's satisfaction;

(b) The exporter has a good track record.

(c) The exporter produces the letter of credit or firm order within a reasonable time.

(d) The packing credit account is not mixed with the current account or cash credit account of the exporter.

The period of packing credit depends on the time needed for processing, manufacturing or processing, packing and shipping of goods. The maximum period of packing credit is normally 180 days.

(ii) Post-Shipment Finance: In order to boost exports, it is necessary to extend credit to foreign buyers. But most exporters are not in a position to provide such credit. Therefore, financial institutions, directly or indirectly, provide credit to exporters. Post-shipment finance is provided in several forms such as the following:

(a) Buyer's Credit: Financial institutions located in the exporter's country extend credit to overseas buyers to enable them to import. Such credit is generally provided for imports of capital goods. The loan does not involve transfer of funds to the importer's country. Rather the exporter obtains the payment directly from the financial institution by presenting the relevant export documents.

(b) Line of Credit: The financial institution in the exporter's country extends a line of credit to a financial institution in the importer's country which in turn disburses the funds to the importer. This method avoids the problem of dealing with several individuals. Moreover, the responsibility for assessing the importer's creditworthiness is shifted to financial institution in the importer's country,

(c) Other Forms: Commercial banks provide short-term credit by purchasing D/A and D/P bills, lending against export bills, advances against export incentives, etc. In case of a bill drawn under a letter of credit, the process is called negotiation of export bill. When a bill is negotiated or purchased the bank pays the bill's amount less charges. If the exporter does not need the money immediately, he may ask the bank to collect the bill on the due date.

Post-shipment credit is also given in foreign currency.

(d) Advance against Duty Drawback: Under the duty drawback scheme, the import duty or excise duty paid by the exporter is repaid on completion of the export. There may be delay in the scrutiny of the applications and disbursal of drawback. Therefore, advance against duty drawback is granted to exporters either at the pre-shipment stage or at the post-shipment stage. Such advance is available for a maximum period of 90 days. The advance is credited to the exporter's bank account and is adjusted out of the duty drawback amount.

(iii) Export-Import Bank (Exim Bank) of India: The Export-Import Bank (Exim Bank) of India provides refinance facilities to commercial banks against long term credit extended by them. It also operates a Buyer's Credit Scheme for promoting exports of capital goods from India. It extends lines of credit to overseas financial institutions enabling them to provide loans for imports from India. Exim Bank also provides supplier's credit, project export credit, pre-shipment credit, guarantees, underwriting, forfaiting, etc.

(iv) Forfaiting: Forfaiting means a financing mechanism that enables an exporter, to convert credit sale into cash sale on 'without recourse' basis. The forfaiter buys the exporter's claim for payment with no recourse to the exporter or his bank. The Reserve Bank of India has authorised the Exim Bank to facilitate export financing through forfaiting. The Exim Bank charges a service fee payable in Indian rupees.

8. What is Forfaiting? What are its advantages?

Ans. Forfaiting means a financing mechanism that enables an exporter, to convert credit sale into cash sale on 'without recourse' basis. The forfaiter buys the exporter's claim for payment with no recourse to the exporter or his bank. The Reserve Bank of India has authorised the Exim Bank to facilitate export financing through forfaiting. The Exim Bank charges a service fee payable in Indian rupees.

All exports of capital goods and other goods made on medium to long term credit are eligible for financing through forfaiting. Export receivables evidenced by bills of exchange or promissory notes can be forfaited. The time duration of receivables is normally one to five years. The export contract must be executed in any of the major convertible currencies like US dollar, Pound sterling, Deutsche Mark, or Japanese Yen. The minimum value of the contract should be equivalent to $1 lac.

The exporter surrenders, without recourse to him, his right to claim for payment of exports, in return for immediate payment from the forfaiter. Forfaiting enables an exporter to extend supplier's credit to the importer and recoup his financial position immediately.

Forfaiting offers several advantages:

(i) Forfaiting improves cash flow and liquidity by converting a deferred payment transaction into a cash transaction.

(ii) It saves the exporter from cross border commercial and political risks involved in export receivables.

(ii) Forfaiting offers finance upto the full value of exports where as conventional export credit schemes provide only 80-85 per cent financing.

(iv) Exporter's borrowing limits are not affected as forfaiting offers finance without recourse.

(v) Finance is available at fixed rate of interest thereby avoiding the interest and exchange risks involved in deferred export credit.

(vi) A forfaiting transaction does not require a long-term relationship with the bank.

(vii) There are no credit administration and collection problems for the exporter.

(vii) Forfaiting arrangement can be made quickly due to simple documentation.

(ix) Forfaiting avoids the need for export credit insurance, thus saving insurance cost for the exporter.

9. Name major two institutions which provide finance to exporters in India.

Ans. Two major institutions which provide finance to exporters are the Export-Import Bank of India, and the Export Credit Guarantee Corporation.

10. Explain the mission and objectives of the Export-Import Bank of India.

Ans. The Export-Import Bank of India was established on January 1, 1982 under an Act of Parliament for the purpose of financing, facilitating and promoting India's foreign trade. It is the principal financial institution for coordinating the working of institutions engaged in financing exports and imports.

Mission: The mission of Exim Bank is “to develop commercially viable relationships with externally oriented companies by offering them a comprehensive range of products and services to enhance their internationalisation efforts”.

Objectives: The main objectives of the Exim Bank are as follows:

(i) To translate India's foreign trade policies into concrete action plans.

(ii) To assist exporters to become internationally competitive by providing them alternate financing solutions.

(iii) To develop mutually beneficial relationships with international financial community.

(vi) To forge close working relationships with other export financing agencies, multilateral funding agencies and investment promotion agencies,

(v) To initiate and participate in debates on issues central to India's international trade.

(vi) To anticipate and absorb new developments in banking, export financing and information technology

(vii) To be responsive to export problems of Indian exporters and pursue policy resolutions.

Exim Bank concentrates on medium and long-term financing, leaving the short-term financing to commercial banks. The Bank has developed a global network through strategic linkages with World Bank, Asian Development Bank and other agencies.

11. Explain in the functions of the Export-Import Bank of India.

Ans. The Exim Bank provides a wide range of financial facilities and services. Some of these are summarised below:

(i) Pre-Shipment Credit: This credit is provided to buy raw materials and other inputs required to produce capital goods meant for exports. It meets temporary funding requirement of export contracts. Exim Bank offers pre-shipment credit for periods, exceeding 180 days. Exporters can also avail of pre-shipment credit in foreign currency for imports of inputs needed for manufacture of export products.

(ii) Supplier's Credit: Exim Bank offers supplier's credit in rupees or foreign currency at post-shipment stage to finance exports of eligible goods and services on deferred payment terms. Supplier's credit's available both for supply contracts and project exports which includes construction, turnkey or consultancy contracts undertaken overseas.

(iii) Finance for Exports of Consultancy and Technology Services: A special credit facility is available to exporters of consultancy and technology services on deferred payment terms. The services include transfer of technology/know-how, preparation of project feasibility reports, providing personnel for rendering technical services, maintenance and management contracts, etc.

(iv) Finance for Project Export Contracts: This scheme is meant to finance rupee expenditure for execution of overseas project export contracts such as for acquisition of materials and equipment, mobilisation of personnel, payments to be made to staff, subcontractors, and to meet project related overheads. The amount involved is usually in excess of Rs. 50 lacs and the maximum period of loan is four years.

(v) Credit to Overseas Entities: Overseas buyers can avail of Buyer's Credit for importing eligible goods from India on deferred payment basis, Exim Bank also extends Lines of credit to overseas financial institutions, foreign governments and their agencies for enabling them to provide term loans for importing eligible goods from India.

(vi) Finance for Export-Oriented Units: Exim Bank offers several facilities to export oriented units (EOUs)'. Some of these are:

(a) Project Finance: Exim Bank offers term loans for setting up new units and for modernization/expansion of existing units. The Bank also extends 100 per cent refinance to commercial banks for term loans sanctioned to an EOU.

(b) Equipment Finance: Exim Bank offers a line of credit for Indian/foreign production equipment, including equipment for packaging, pollution control, etc. It also provides term loans to vendors of EOUs to enable them to acquire plant and machinery and other assets required for increasing export capability. Such finance is given for non-project related capital expenditure of EOUs.

(c) Working Capital Finance: Exim Bank provides term loans both in rupees and foreign currency to help EOUs meet their working capital requirements. Short-term working capital finance is provided for imports of eligible inputs.

(d) R & D Finance: Exim Bank offers term loans to EOUs for development of new technology as well as to develop and/or commercialise new product/process applications.

(e) Import Finance: Term loans in Indian rupees/foreign currency are available to Indian manufacturing companies for import of consumable inputs, canalised items, capital goods, plant and machinery, technology and knowhow.

(f)Export Facilitation: Exim Bank offers term finance and non-funded facilities to Indian companies to create infrastructure facilities for developing Indian's foreign trade and thereby enhance their export capability.

(g) Export Marketing Finance: Term loans are offered to assist the firms in export marketing and development efforts. Desk/field research, overseas travel, quality certification, product launch are the typical activities eligible for finance under this schemes. Finance is also given to support export product development plans with focus on industrialised market.

(h) Underwriting: Exim Bank extends underwriting facility, to help the firms raise finance from capital markets. It also issues guarantees to facilitate export contracts and import transactions.

(vii) Finance for Joint Ventures Abroad:

(a) Overseas Investment Finance: Any Indian promoter making equity investment abroad in an existing company or in a new project is eligible for finance under the scheme. Assistance is provided both in terms of loans and guarantees

(b) Asian Countries Investment Partners Programme: This programme seeks to promote joint ventures in India between Indian companies and companies from other Asian countries. Finance is provided at various stages of project cycle, viz., sector study, project identification, feasibility study, proto-type development, setting up project, and technical and managerial assistance.

Exim Bank also offers a wide range of information, advisory and support services which help exporters to evaluate international risks, exploit export opportunities and improve competitiveness.

12. State the objectives of Export Credit Guarantee Corporation (ECGC) of India.

Ans. The ECGC of India is a company wholly owned by the Government of India.

Objectives: The ECGC seeks to achieve the following objectives:

(i) To provide insurance cover to exporters against political and commercial risks.

(ii) To provide insurance cover to exporters against the risk of exchange rate fluctuations in respect of deferred payments.

(iii) To provide insurance cover to banks against export credit and guarantees extended by them.

(iv) To provide insurance cover to Indian investors abroad against political risks.

The ECGC plays a vital role in developing India's exports by providing a range of insurance policies to exporters, and by offering guarantees to banks and financial institutions who provide financial assistance to exporters.