



A STUDY ON SME EXPORTER'S SATISFACTION TOWARDS EXPORT CREDIT GUARANTEE CORPORATION OF INDIA LIMITED IN COIMBATORE CORPORATION

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Abstract:

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. The main objective of the study is to find the exporter's satisfaction towards Export Credit Guarantee Corporation of India Limited at Coimbatore area and to discuss the performance of ECGC in Coimbatore branch. For this purpose a sample of 150 was collected and percentage analysis and chi square were used as tools to analyse the data and the conclusion is that the study brings out the satisfaction level of the exporters towards the corporations performance and indicates the lagging area and the chances of further improvement. Though the study concentrates on the exporters point of view, the bankers view is not considered. Thus the study provides ample space for further research work.

Key Words: Exporters, ECGC & Corporation

Introduction to the Study:

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 a war or a 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, one has to contend with the usual commercial risks of insolvency or protracted default of buyers. The commercial risks of the foreign buyer going bankrupt or losing his capacity to pay are heightened due to the political and economic uncertainties. Conducting export business in such condition of uncertainty is fraught with dangers.

The loss of a large payment may spell disaster for any exporter whatever his prudence and competence be. On the other hand, too cautious an attitude in evaluating risks and selecting buyers may result in loss of hard- to- get business opportunities. 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.

Export credit insurance also seeks to create a favourable climate in which exporters can hope to get timely and liberal credit facilities from banks at home. For this purpose, export credit insurer provides guarantees to banks to protect them from the risk of loss inherent in granting various types of finance facilities to exporters.

Statement of the Problem:

The serious efforts undertaken by Indian enterprises and industry on all fronts over the last few years are bearing fruit. The garment industry has the highest growth

rate among all the industries. Textiles are important in our export efforts and have tremendous potential. The exports of textiles have shown a steady growth from 958 crores in 1980-81 to 46,094 crores in 2001-02. Yet, the exporters face numerous risks. To overcome these risks and to promote exports further, the government of India has promoted Export Credit Guarantee Corporation of India, which assures the exporters financial support at times of crisis.

Scope of the Study:

The study is concerned with the role played by the ECGC in India's foreign trade. The factors influencing the exporter's satisfaction towards ECGC are the covers issued by the corporation, nature of risks covered under each scheme, the applicable premium rate, the amount and timely payment of claim. This has been taken as the main focus of the study.

Objectives of the Study:

- ✓ To find the exporter's satisfaction towards Export Credit Guarantee Corporation of India Limited at Coimbatore branch.
- ✓ To analyze the export potential of Coimbatore exporters.
- ✓ To identify the different kinds of risks faced by the exporters in Coimbatore.
- ✓ To analyze the various insurance covers available to the exporters.
- ✓ To discuss the performance of ECGC in Coimbatore branch.

Area of the Study:

The area chosen for the study is Coimbatore, which is recognized as a corporation.

Limitations of the Study:

- ✓ The study was conducted in a limited period of time.
- ✓ The data was gathered from exporters only and the banker's opinion was not considered.
- ✓ The data collection is primary in nature and suffers from the limitation of primary data.
- ✓ Due to the busy schedule of the exporters, there is low response for the survey.

Review of Literature:

Sugata Marjt & Ajitava Raycharathai "An analytical study on India's exports" views that promoting the developing nations particularly those severely affected by a balance of payment crisis, even inflating the size of the external debt, India is definitely a case in a point.

T.A.S. Balagopal, "Export Marketing", discusses the role of export trade in nation's welfare. The export trade not only helps in connecting the balance of payment positions but also helps in improving an individual business.

The IIFT in its project "Export and Management Capabilities of Indian garment industry" for the textile committee office gives a clear picture of the features of export of readymade garments from the country and its major share in India's export trade".

George young in his book "The New Export Order has to be processed and the marketing starting to be adopted for increasing the value of exports".

Research Methodology:

Type of Research Design:

For this research, the researcher has used both descriptive and analytical research.

Data Collection: The main aim of data collection was to acquire complete and relevant information from all the respondents to achieve the research solution or to study about their problem.

Primary Data:

The primary data was collected through a structured questionnaire that consists of both open and closed ended and multiple choice questions from the exporters.

Secondary Data:

The secondary data has been collected from the ECGC's annual reports, magazines, books and websites.

Statistical Tools:

The data was edited and tabulated using simple percentage analysis. The pilot study was carried out before starting of with the main study with the objective of assessing the clarity of questions asked and to find whether the questionnaire needs any modification. The pilot study was conducted in Tirupur city with the sample size of 15 exporters. It was decided to proceed further because the respondents were able to understand the questionnaire and need only minor modifications, which was corrected.

Analysis of Tools:

The analysis is carried out in the following ways: 1. Simple Percentage Analysis, 2. Chi-Square Test

Analysis and Interpretation:

		No. of Respondents	Percentage of Respondents (%)
Nature of the Firm	Sole proprietorship	62	41
	Partnership	80	53
	Private limited company	8	6
	Total	150	100
Experience in Exports	Below 4 years	23	15
	4- 8 years	26	17
	8-12 years	31	21
	More than 12 years	70	47
	Total	150	100
Category of Exporters	Merchant exporter	25	17
	Manufacturing exporter	84	56
	Both	41	27
	Total	150	100

Interpretation:

53% of the companies were partnership firms, where as 41% of the firms were sole proprietorship concerns and the remaining 6% were private limited companies. 47% of the exporters were exporting for more than 12 years, while 21% of the respondents were exporting for 8-12 years, 17% of the respondents were exporting in the range of 4-8 years and the remaining 15% were exporting within 4 years. 56% of the respondents belong to the class of manufacturing exporter, 27% of the respondents belong to both merchant and manufacturing category and the remaining 17% of the respondents belong to merchant category.

Chi Square Test 1:

Ho: There is no relationship between experience in exporting and the frequency of risk faced.

H1: There is relationship between experience in exporting and the frequency of risk faced

The calculated value of χ^2 (34.86) is greater than the table value (16.919). So the null hypothesis is accepted.

Thus there is no relationship between experience in exporting and the frequency of risk faced.

Chi Square Test 2:

Ho: There is relationship between monthly turnover and the time of credit facility from bank

H1: There is no relationship between monthly turnover and the time of credit facility from bank

The calculated value of χ^2 (21.7) is higher than the table value (15.5). So the null hypothesis is rejected.

Thus there is no relationship between monthly turnover and the time of credit facility from bank

Findings:

- ✓ 53% of the respondents were partnership firms
- ✓ 47% of the respondents were having more than 12 years experience in exporting
- ✓ 56% of the respondents were manufacturing exporters
- ✓ 49% of the respondents hold the status of registered exporter
- ✓ 51% of the respondents are having monthly turnover of less than 5000 units
- ✓ 31% of the exporters are having monthly export value from 15- 20 lakhs of rupees
- ✓ 55% of the exporters are of the opinion that their importer prefers L/C as the mode of payment
- ✓ 71% of the exporters prefer L/C as the mode of payment.
- ✓ 46% of the respondents received credit facility from bank both during pre-shipment and post shipment period
- ✓ 87% of the respondents prefer ship as the mode of transportation for exporting their goods
- ✓ 57% of the respondents agree that an airway is the riskier transportation mode.
- ✓ 46% of the respondents face risk occasionally
- ✓ 71% of the respondents face commercial risk only.
- ✓ Of those respondents facing political risk, 51% of them are of the opinion that cancellation of valid import license is the major political risk faced by them.
- ✓ Among the commercial risk facers, 52% of them face the risk of failure to make payment by the buyer within due date
- ✓ 38% of the respondents have held policies with ECGC for a period of 2-4 years only.
- ✓ 45% of the respondents have held only one policy with ECGC
- ✓ 47% of the respondents have held Standard policy.
- ✓ 97% of the respondents regularly submit the declarations to ECGC every month
- ✓ 55% of the respondents have opined that the premium rates are normal
- ✓ 59% of the respondents find the performance of ECGC to be good.

Suggestions:

- ✓ Speed up the recovery
- ✓ Any problem from the buyer side must be intimated to the exporter also
- ✓ The procedure must be reduced and simplified
- ✓ The claims should be settled quickly
- ✓ Timely advice must be provided to the exporters
- ✓ Premium rates must be reduced further

- ✓ Credit limit must be increased
- ✓ Buyer assessment must be made in prompt time
- ✓ Full claim amount must be provided

Conclusion

This analytical study is based upon a sample of 150 respondents and conducted in Tiruppur city only. The study brings out the satisfaction level of the exporters towards the corporations performance and indicates the lagging area and the chances of further improvement. Though the study concentrates on the exporters point of view, the bankers view is not considered. Thus the study provides ample space for further research work.

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