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## **4. Export incentive strategies and economic development**

**\*Dr. Sanjay K. Radadiya**

### **Abstract**

As we know that the economic development of the country is generally, depends upon the production and of course the exports of the same. Because by exporting the goods to the various countries, country can gain sufficient amount of foreign currency. Obviously, in the present era, no economy of the world is independent. Therefore, every country has to depend upon other countries satisfy their requirements. In this paper author mainly focused on export incentive strategies for the economic development of the country.

### **Introduction**

India is the best example of mixed economy; it means there is co existence of public sectors well as private sectors. Government adopted the concept of economy planning after independence, according to that, governments frames various policies to encourage private sectors. More over these kinds of policies are also used to control the economic activities of the private organization.

Let us first discuss the various objective of export policy of framed by the governments type of policy is dynamic in nature, means it changes with the circumstances and the state (situation) of the country.

### **Objectives Of Export Policy:**

#### **1. To Decrease Deficit In Balance Of Payment:**

As we know that comparison of export and import is quite disappointing. Because we can see increase in the balance of payment every year. Of course import is quite demanding in engineering goods and heavy machineries. It increases the responsibility of the government. In addition, as a developing nation it is necessary to decrease this much high amount of deficit in balance of payment. Reliable way to decrease this deficit by exporting traditional and non-traditional goods to other countries.

#### **2. Price Stability**

Sometimes government encourages the exports of particular goods to earn more foreign currency. It induces the export-oriented unit to earn more and to export more to other countries. In some cases, it generates the scarcity of particular goods in the domestic market. It again leads to price rise in that type of goods. So, government here frames such policies which do not disturbs the price stability in the domestic market.

#### **3. Economic Development**

Main aim of export policy is to realize the ultimate aim of economic development. Establishments of new ventures in the nation should be given

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more priority. More over they also required to use the latest machineries and technologies. Not only that but they should also adopt the up gradation of technology. Thus, export policy of the country should facilitate import of all these things.

#### **4. To Earn Foreign Currency**

Another objective of export policy is to earn more and more foreign currency for the progress. India as a developing nation required to import hi tech machineries and technologies from other countries. In addition, for that it requires to pay foreign currency to pay off the foreign debt towards other countries. So, it is necessary to earn foreign currency by exporting the goods to earn foreign currency.

#### **5. In Search Of New Market**

One purpose of export policy is to search new market for the expansion of the industries as well as for the full utilization of the resources. If the Indian industries can satisfy the requirements of Indian population and having idle or passive capacity then they can utilize it by exporting the goods to international market. By searching various new market we can export more, but mind well for that Indian industries requires multiple products and of improved quality.

#### **6. Economic Independence**

From one viewpoint, the objective of export policy is to get economic independence because in the past years we were depend upon other countries for even pin. Our export should be so high that can satisfy the requirements of foreign currency for the various imports and facilitate the payments to other countries. Above that to produce such things which were imported in the past from the other countries.

#### **Export Incentive Strategies**

Still today, we are exporting most of the traditional goods, so but natural we have to face the competition in the international market. Interestingly enough we are facing the inflationary situation means galloping price rise in our country. Therefore, the goods produced by domestic companies incur higher production cost. Which leads to higher prices in the market. In addition, this can not compete with other countries, so export is comparatively less. Not only that the living standard of the people is improved so they demand more goods. Some sections of the society receive the higher income and the same section demand more. That leads to reduce in the exportable surplus. So the exports are comparatively low.

As we discussed that export is necessary one for the development of the industries. Thus the strategies regarding export are three types...

- A. Organizational Steps**
- B. Fiscal Steps**
- C. Other Steps**

## **A. Organizational Steps**

### **1. Board Of Trade**

Board of trade was established in the year 1972 that includes government official, finance experts, captains of business and industries. Board of trade is performing the functions like....

1. Studies the various aspects of trade and commerce.
2. It gives suggestions for the potential foreign market.
3. It studies the problems pertaining to quality, finance, transportation, facilities of ports.
4. It tries to remove the hurdles that lead to increase in exports.

### **2. Export Incentive Committee**

We are exporting many commodities to various countries. With a view to give, encouragement to export to individual product, 19 committees has been established. Main functions of committees are....

- 1) To send business leaders for the foreign dealings and survey.
- 2) To held international trade fair and exhibition.
- 3) Collection of export related matters and to provide the same to export concerned.

### **3. Regional Exports Advisor Committee**

Considering Mumbai, Calcutta, Chennai, and Cochin as the main centers of foreign trade various Regional Export Advisor Committees have been established. Their main functions are...

1. To give suggestions in framing such policies which are in the interest of the producers and traders.
2. To integrate between exporters or traders and government.
3. Evaluate the export potentials in the various countries.

### **4. Export House**

To give more encouragement to exports and to make free the exports from the various export responsibilities, export houses are established on private and cooperative bases. Roughly, 300 export houses have been granted. Government provides them the facilities like...

1. They have been permitted to incur more expenditure for the promotion and development the export product in the market.
2. They will be provided more financial resources from the marketing Development Fund search the potentials for the sales in international market.



## **5. Export Credit Guarantee Corporation**

There is comparatively more risk in the export transaction, it prevents the export. Consider this fact Export Credit Guarantee Corporation was established in 1964. Main functions are...

1. To insure the risk against the export transaction.
2. To financial resources in form of loans for the export transactions.
3. To provide the financial resources for the survey of international market.
4. To provide the guarantee to the banks for the financial facilities.

## **6. State Trading Corporation**

To make the smooth and efficient foreign trade and to remove the hurdles, State Trading Corporation was established in 1956

1. Undertake the export activities.
2. To remove the complications in the export transactions.
3. To help in the production of some important goods.
4. More help to small units to export more.

## **7. Exim Bank**

The working of EXIM Bank has been started from January, 1982.

1. EXIM banks are providing financial resources more than the common banking facilities.
2. To provide and control financial resources for joint ventures in foreign countries.
3. To provide the financial resources for the import of heavy machineries.
4. To provide the foreign currency reserves to import oriented units.
5. Purchase and underwriting of shares of export oriented units.
6. To provide the financial knowledge, managerial skill, and technical know how.
7. Refinance facilities other banks.
8. "Export Development Fund" for EXIM Bank for survey, research and Market Development.
9. To increase the export of non-traditional goods.

### **8. Separate Board For Different Products.**

To concentrate and encourage the export of the particular goods, government has established the board for the products like, tobacco, rubber, coffee, tea and saffron.

### **9. Other Organizations**

Moreover, government has established many other organizations to perform the same important activities for export incentives like Indian Institute of Foreign Trade (IIFT), Export Inspection Council (EIC), Indian Council for Trade fairs and Exhibition (ICTE), etc. are performing important function solve the problems regarding export.

## **B. Fiscal Steps**

Government has also taken fiscal steps above organizational steps that owes more important can be discussed as given below

### **1. Import Rights**

Import rights are also given for the export encouragement. Export oriented units gain the currency by exporting the goods to other countries. They are permitted to use some proportion foreign currency to use this foreign currency to import raw material, spare parts and machineries. That helps the export-oriented units for the development and up gradation of latest technology. Import Policy has also been liberalized for the export incentive.

### **2. Less Export Duties**

Governments sometimes also charge the less export duties or decrease the export duties. Sometimes export duties are also removed for high priority goods. At present, there are restrictions on the 80 types of goods.

### **3. Export Financial Help**

Government also provides cash help for the export encouragement of high priority goods. Exports were stable during the First Five Year Plan. Therefore, government adopted the policy to provide cash help to export oriented units, government also succeeded to increase the export of 23 types of goods during third five year Plan. Government contracted this policy in 1966 but again restarted in the year 1, October 1982.

### **4. Tax Exemptions**

Sometimes governments also give tax exemption to encourage the exports. Sales tax has also been given as rebut (Deny) for the high priority export goods. So the export oriented units incur less expenditures for the export that induces them to get the benefit of tax exemptions.

### **5. Foreign Currency For Import**

To facilitate the production process or production schedule government



provides the foreign currencies for import of raw material and hi tech machineries. 200 industries are given license for that. Export oriented are given more preference for the allocation of prohibited goods, it leads to the development of export oriented units.

#### **6. Financial Help**

Government is providing facilities of financial resources through the establishments and performance of various financial institutions like State Bank, State Trading Corporation, Refinance Corporation, Industrial Development Bank and so on. Refinance Corporation is providing the financial resources for 6 months to 5 years for export purpose.

### **C. Other Steps**

#### **1. Free Trade Zones**

Kandla Port and Santa Kruse Ports are performing as Free Trade Zone. The units which are undertaking the production activities in these areas are given duties exemption to import raw material, machineries, instruments and technologies. Above they are given relieves in license system also.

2. The goods of Rs. 237 crores were exported from Kandla Port and the Products of Rs. 102 crores were exported from Santa Kruse. Considering this experience government has established Kochin, Noida (U.P.) Vishakhapatnam as Free Trade Zones.

#### **3. Import Rights**

Import rights are also given for the export encouragement. Export oriented units gain the foreign currency by exporting the goods to other countries. They are permitted to use some proportion of foreign currency to use this foreign currency to import raw material, spare parts and machineries. That helps the export-oriented units for the development and up gradation of latest technology. Import Policy has also been liberalized for the export incentive.

#### **4. Training And Research**

Training and Research the important elements for the export of India. For that the government has established "Foreign Trade Organization". This Organization facilitates the export transactions by providing the various facilities. It generally undertake the research to study export potentials in the various markets.

#### **5. International Trade Fairs And Exhibition**

India participates in the various international trade fairs and exhibition. Due to this step domestic companies receive the opportunity to expose their products. Some suggestions are given to adopt liberalization in

foreign trade for the developing countries in trade fairs. Asia 72 was held in India, and it also got succeeded.

#### **6. Quality Control**

If the inferior quality goods are exported in the international Market, then it creates bad image in the international market, so again it prevents the export. Therefore, it is decided to check 10% quantity of the export goods to get assured about the quality. After evaluation export goods are given the quality certificates. For the export inspection Council has also been established. It is very important function of this committee.

#### **7. Merit Certificates**

To give the encouragement and to induce the export oriented units, export oriented units are given various awards and merit certificates according to their category and quantity exported.

### **The Effects Of Exim Policy On Business Environment**

#### **1. Favorable Change In Business Environment**

Exim policy helps the business environment to bring the favorable changes, some types imports are necessary for the development country like India, which require foreign currencies. Therefore export of the country increased up to that limit which can provide foreign currencies for essential imports. According to this view point EXIM policy is dynamic and it changes with the circumstances. These changes facilitate the favorable and healthy business environment,

#### **2. Development Of Export Oriented Units**

The main aspect always remain to increase the export. Government frames the EXIM policy, which encourages the export-oriented units to export more and more. Export oriented unites produce the commodities considering the demand and testes of international market, which increases the export of the country. The export of the India was 1.3 billion dollars in 1950-51 that increased to 43.8 billion dollars in the year 2001-02. And this increased export is thankful to EXIM policy

#### **3. Import Facilitates The Development**

EXIM policy is always framed in such a way that imports the commodities that again facilitate the industrial and economic development, import of the year 2001.02 was about 51.4 billion dollars, is, these types of imports are also helpful for the latest technological changes in the various industries.

#### **4. Decrease The Deficit Of Balance Of Payment**

EXIM Policy generally is framed in such a way that increases the export and which reduced the unnecessary imports, which reduces the deficit



in balance of payment. To reduce this deficit it is necessary to decrease the imports. For that government use the Import rights, Import License system, Import Duties, Import Quotas and so on. Some imports are fully restricted by the government. Therefore, by using the EXIM Policy government can get expected results.

## 5. Strengthen The Value Of Currency

To maintain the value of the currency and strengthen the value of currency government can use the EXIM Policy. The value of the currency depends upon the general price level. If the general price level increases then it reduces the internal value of the currency decreases. On the other hand, if the general price level decreases, it increases the value of the currency. Thus, by importing and exporting goods government can maintain the stability in the currency.

## Conclusion:

In the present scenario both India as well as world trade has shown a downfall due to rising inflationary pressures, global recession and the escalating Euro crisis. However, with an expected decelerating world trade volume growth of 3.8 percent, IMF is trying to moderate the growth projections with limited policy options, and is expecting a growth of 1.2 percent in 2012 of advanced economies and a rate of 5.4 percent of growth in 2012 of emerging and developing economies. India has been a 5 to 7 fold increase in exports since last decade recording Rs. 1465171 crore in 2014-15. The growth rate noted was 4.6 percent in 1980-81 and 5.0 percent in 2014-15.

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