



A STUDY ON EXPORT PROMOTION SCHEMES IN INDIA

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ABSTRACT

This research papers focuses on the various Export promotion schemes which are presently availing facilitation and services to the exporters, comprehensive details of the export promotion schemes of central and state governments have been discussed in descriptive form of research methods. Export incentives are not only motivate exporters who brings in foreign exchange but also to compensate them for costs incurred while exporting. These incentives are Products of government's Aatmanirbhar and Make in India initiatives to attain self-sufficiency and to achieve Net Exports. India's Foreign Trade Policy 2015-20 advocates various export incentives that are offered by the government through the Directorate General of Foreign trade. Export plays a significant role in the nation's economic development. The inward foreign remittance is beneficial for the nations as it helps in creating more jobs and keeps the nation in healthy financial Condition. India needs to improve its export capabilities through the introduction of various Export Promotion Schemes and ensuring its ground level implementation and effective utilization from exporting community.

KEY WORD: Export and Import, Export Promotion Schemes, Institutional Support

India's merchandise Exports a positive growth of 12.6% from April-October, 2021-22 to April-October, 2022-23 India's Services export registers a positive growth of 31.43% from April-October, 2021-22 to April-October, 2022-23 India's merchandise export stood at USD 263.3 billion during April-October, 2022-23 as compared to USD 234.0 billion during the period April-October, 2021-22, registering a positive growth of 12.6%.

India's Services export stood at USD 181.39 billion during April-October, 2022-23 as compared to USD 138.01 billion during the period April-October, 2021-22, registering a positive growth of 31.43%.

India's overall export increased to US\$ 444.74 billion during April-October, 2022-23 as compared to USD 371.98 billion during the period April-October, 2021-22, recorded positive growth of 19.56%.

Global Trade operating under the principles of comparative advantage plays a significant role in driving rapid economic growth of nations. India's merchandise exports are expected to cross the USD 400 billion mark coming fiscal. In the period Apr 2021 to Jan 2022, India has exported USD 335.5 billion worth of goods. Moreover, compared to the same period last year, India's overall exports of goods and services increased from USD 396.4 billion to USD 545.7 billion. When global headwinds have been primarily negative, a significant rise of 38% Y-o-Y export growth rate is commendable. Due to the supply chain shocks caused by the Covid pandemic, the war between Russia and Ukraine, and its negative externalities in the form of increased energy and commodity prices could at any time derail the global recovery process. Despite the global factors, it is also heartening to see the success of economic policy, Vision, Atmanirbhar bharat and make in India initiatives.

The increase in domestic manufacturing capacity and competitiveness is helping India's exports grow at a record pace. Organic Chemicals - 24.7%, Vehicles other than railway or tramway - 36.8%, Electrical machinery - 47.9% and Apparel & clothing (knitted or crocheted) - 34.7% and Iron & steel - 106.3% are some of the sectors with significant export growth rates this year. Most importantly, India's mobile phone exports, which were non-existent till a few years ago, have reached USD 4.14 billion this year.

REVIEW OF LITERATURE

Mallika das 1994 Successful and unsuccessful Exporters from Developing Countries the study emphasis on successful and unsuccessful exporters form developing countries. It also dwells upon the problems associated with the exports and the imbibed attributes in relation to government policies and interventions, market related problems like rising domestic demand which reduces the supply to oversee. Many guidelines and practical suggestions are given away in the study to make the unsuccessful export business of developing countries to improve and prosper.

Christopher wright 2011 Energy: Promoting National Exports in a changing World the focus of the study aims at the introduction of exports credit agencies which are highly influential in international trade and global energy development. The energy sector considered one of the most phenomenal sectors contributing for a nation development much needs such export credit agencies for the developing countries and their multinational corporations which can boost the strength of operation and also to spur the economy by export financing benefits which in turn makes the economy of any country to flourish and develop.

Xin li et al., 2016 Does foreign direct investment promote exports in China. This study asserts on the link between foreign direct investment and exports in China based on KK model .The study finds that the sample test is not reliable rather the rolling window casualty test is more optic and suitable to portray the significant effect of FDI on exports .There is positive impact of FDI on exports in China. It is more feasible Chinese economy to attract from Hong Kong , Taiwan and Macao never the less this does not give a permanent solution for boosting the economy and china has to look up to various other avenues from different countries and should strive to make it lucrative for those countries to invest in China.

Farhaduddin Ahmed 2019 An institution –based view of firm’s early internationalization effectiveness of national export promotion policies” the study examines the differential effects of national export promotion policies on internationalisation of firms using institution based views. The study reveals positive effects of national policy which are mainly focusing on the technical support and market development schemes. The two dimensions which makes the national policies more stronger is bank loans and cash subsidies which has influenced to the larger extent.

Chris woodruff 2020 The importance of protecting export – oriented firms the reports deliberates the importance of protecting exports oriented firms especially during the covid crisis which have impacted several developing countries with focus to sub Saharan African countries. The lockdown imposed has become detrimental for export oriented units as majority of the labour force have either become self-employed or employed as a n informal wage worker. It is also noted during such times the lower income countries has largely suffered in terms of foreign direct investments which is a hindrance for the smooth working of exports oriented firms.

OBJECTIVES OF THE STUDY

1. To study Export Promotional Schemes in India
2. To analyze Institutional support for Exporters in India

RESEARCH METHODOLOGY

This research papers throws light on the various export promotion schemes in India the significance and importance of institutional support for promoting Indian exporters. The researcher collected the required data and information from official website of special economic zone, union government and annual reports from various government and semi government bodies. Export promotional Institutional publications as tool to analysis various schemes. Secondary survey methods were used in addition to books, journals, occasional papers, special edition publications, reports and articles have been reviewed thoroughly to meet the set objectives of the paper.

KEY EXPORT PROMOTION SCHEMES IN INDIA

The details shall cover all the major export promotion schemes in detail. The exporter can avail benefit under more than one scheme for a given consignment with some exceptions.

1. Merchandise Exports From India Scheme (MEIS)

The objective of this Export Promotion Scheme is to encourage the producer and export of notified products/goods from India under this scheme funds allocated 40,000 Cr. Annually (Approx), an incentive of 2 to 5 % of the FOB value of exports is provided to exporters and manufacturer cum exporters regardless of their yearly turnover. The export of items notified in Appendix 3B only have access to MEIS benefits. This scheme covers 8000 items/products, eligible items shipped to any nation can access the MEIS scheme. MEIS rate of incentives varies product-wise. Digital Application has to be filled in DGFT office, MEIS incentives are not provided in the form of bank transfers or cash. It is available in the form of duty credit scrip, also called MEIS licenses. These licenses can be used to make payment of import-related duties and can be sold in the open marketplace at a discounted rate.

2. Service Export From India Scheme (SEIS)

Service Exports from India Scheme aims to administer and strengthen export of notified services from India. Service exports facilitate the massive foreign exchange to the nation, under this scheme; an incentive of 3 to 7 % per cent of net foreign exchange earnings is facilitated to service exporters. This Export Promotion Scheme seeks service providers to have a valid IEC code with minimum net foreign exchange earnings amounting to 15,000 USD to be eligible under the scheme. Services mentioned in Appendix 3D are only eligible to access the rewards. Just like the MEIS scheme, rewards under this scheme are facilitated in the form of duty credit scrips and digital application has to be filled.

3. Advance Authorization Scheme (AAS)

Advance License scheme came into effect to ensure duty-free import of raw materials required for the production of exportable items. It indicates that no import shall be imposed on the import of raw material if it is used for the production of exportable items. An Advance license can be granted for deemed exports (For supply to any AA/EPCG holder or Ex. Supply to EOU units) and physical exports including supply to SEZ. Advance License comes with a requirement of maintaining at least 15 % per cent value addition and export the items within 18 months from the date of the issuance of the license. The materials imported under this scheme come with "Actual User condition"- meaning they cannot be sold or transferred to any third party.

4. Duty-Free Import Authorization (DFIA)

The aim of this scheme is to facilitate duty-free import of raw material. This scheme refers to a post-export scheme. It implies that duty-free import is permissible only after the export is made. DFIA scheme covers only those items which are listed under Standard Input-Output Norms (SION). Another key feature of this scheme is that it is transferable in nature.

5. Duty Drawback Scheme (DBK)

DBK scheme proposes refund of the duties encountered by the exporter during shipment. The scheme was launched and probed by the department of revenue customs department. Duties of central excise and customs authority that are chargeable on imported and domestic material utilized in the production of exportable items are refunded. The duty drawback rate differs product-wise. The amount under this scheme is directly credited into the exporter's bank account within two months from the date of shipment. If you are accessing the GST refund, then you should choose a lower rate of the Duty Drawback. DBK can be integrated with any other schemes as mentioned, but it cannot be integrated with the DFIA Scheme or Advance Authorization scheme.

6. RoSCTL Scheme

The new scheme was introduced by GOI as a replacement for its predecessor on 2019. Rebate on state and central taxes and levies RoSCTL scheme only covers Apparels & made-up Industries encompassing Chapters 61, 62 & 63 of ITC (HS). This export promotion scheme facilitated a refund of central and state taxes and levied like VAT on fuel, mandi tax, captive power, electricity duty.

7. EPCG Scheme

Export promotion capital goods scheme the aim of this export promotion scheme is to provide the import of capital goods/machinery for manufacturing goods and improves India's manufacturing competitiveness, manufacturer cum exporter or a merchant exporter connected with a supporting manufacturer can import capital goods/equipment required for Pre-production, production and post-production of exportable items at zero per cent. The service exporters earning in overseas currencies can also apply for an EPCG license. Various service exporters can leverage this scheme to minimize capital costs. Service exporters like tour and travel operators, hotels, logistics facilities, construction entities can use this scheme by importing capital goods/machinery at zero per cent duty. The import of capital goods under this scheme is subject to an export obligation which is equivalent to six times of duty saved, to be fulfilled within six years from the date of issuance of EPCG authorization.

8. EOU/EHTP/STP/BTP Scheme

Export oriented units is accessible to units that are only engaged with exporting activities. This scheme came to effect in 1981, and it aims at increasing export activities in the country. The EOU schemes intend to facilitate a viable framework to the companies involved with 100% per cent exports by rendering them certain waivers and concessions in compliance and tax-related matters, thereby making it seamless for them to operate a business. The primary benefits of this scheme include; Nil import duties for the procurement of raw materials or capital goods, swift custom clearance, etc. The minimum investment in production facility and machinery required is 1 Cr with exemptions to certain sectors.

9. GST Refund For Exporters

LUT Bond 0.1% GST benefit for merchant exporters. Exporters have facilitated an array of preferential facilities as per the GST Act. The LUT facility under GST enables exporters to skip GST payment in the pre-shipment phase. The exporters need to secure a letter of undertaking/bond. Exporters can prompt customs for reemitting claim refund on IGST paid for the shipment. Merchant exporters can procure exportable goods from domestic suppliers at a concessional GST rate of 0.1%. This minimizes the burden of GST and resolves problems relating to working capital to a great extent.

10. TMA Scheme

Transport and Marketing Assistance Scheme. This export promotion scheme was introduced in 2019 and it covers agricultural export products only. The GOI subsidizes the freight cost to make Indian agricultural items competitive in the international market. The TMA scheme covers export products covers under chapters 1 to 24 of the ITC HS code, including plantation and marine products. Some specific products enlisted under chapters 1 to 24 would not be encompassed and scheme shall be facilitated in cash via a bank transfer as a part of subsidization of freight cost addressed by the exporter.

11. Market Access Initiative (MAI)

This Export promotion scheme aims to play a proactive role in encouraging export from India by pinpointing new markets and supporting the export promotion undertakings in the new markets. The scope of the scheme is to facilitate financial aid to eligible departments for executing undertakings like market research, direct/indirect marketing, and promotion & branding in new markets, handling statutory compliance costs in the importing nation. The eligible department includes all the Commodity Boards, export promotion councils, certified trade promotion agencies, recognized associations, individual exporters, reputed institutions like IITs, IIM's, etc. however market access initiative scheme rolled out by the GOI in 2018.

12. Market Development Assistance (MDA)

This is an erstwhile export promotion scheme that was clubbed into new market access initiative, 2018 the new scheme encompasses the scope of both the previous MAI scheme and the market development assistance scheme.

13. Towns of Export Excellence (TEE)

The overall export valuation of town goods is more than Rs 750 cr. and owing to high export potential; these goods are tagged as towns of export excellence, fiscal support is facilitated to recognize facilities in those towns as per the norms cited under MAI scheme according to appendix 1b, there are 37 towns of export excellence pan India. Tee aims to indirectly benefit the individual exporters.

14. Interest Equalization Scheme (IES)

IES also known as Interest subvention scheme which is came to effect in April 2015. This scheme aims to facilitate pre and post-shipment export credit in domestic currency. The scheme facilitates 5 per cent interest support to MSME industries and 3 per cent support to all exporters in respect of the identified 416 tariff lines. This scheme is introduced and regulated by the reserve bank and other designated banks. Banks pass on the benefit of lower interest to the exporters and then claim a reimbursement from the Reserve bank.

15. NIRVIK Scheme

Niryat Rin Vikas Yojana scheme typically serves as an insurance cover guarantee scheme that renders coverage up to 90 per cent of principal and interest as against the prevailing credit guarantee of only up to 60 per cent loss. The Export Credit Guarantee Corporation of India rolled out the NIRVIK scheme to facilitate higher insurance cover, lower premiums for small exporters, and a user-friendly claim settlement process. The cover shall encompass the pre and post-shipment export credit. This scheme shall ensure that the overseas and rupee credit interest rate shall remain below 4 per cent and 8 per cent, respectively.

CONCLUSION

India exporters are finding it tough to sell their offerings at a competitive rate, which makes them uncompetitive in International markets resulting in loss of orders. One of the prominent reasons for India's sub-par export performance is its high cost of exportable commodities. Poor Infrastructure escalates the cost of operating business it is affordable and seamless to move a consignment via ship from one place to other and associated costs rail freight rates for the Export sector are on the higher side as compared to other nations, Industrial electricity rates, high cost of land for establishing production units leading to an increase in prices. Cost of credit owing to high inflation, the rate of interest all the aforesaid factors lead to a rise in the cost of export items as compared to other nations. Henceforth, the GOI strives to compensate for the

downsides that the exporters encounter by implementing various Export Promotion Schemes/Export Incentives in India. Therefore for better export pricing and to stay competitive in the international market, it is vitally important to have a complete understanding of such schemes. An availability of proper credit schemes will prevent Indian exports to touch its real potential for years.

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