

**ESTIMATES COMMITTEE
(1963-64)**

FORTY-SEVENTH REPORT

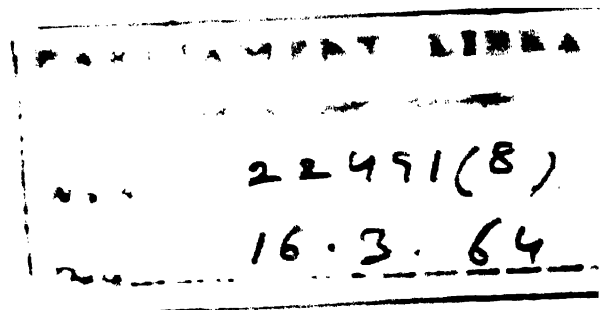
(THIRD LOK SABHA)

MINISTRY OF INTERNATIONAL TRADE

Export Risks Insurance Corporation Ltd., Bombay

(Now transformed into Export Credit and Guarantee
Corporation Ltd., Bombay)

(Reports and Accounts)



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1964/Phalgunā 1885 (Saka)

Price : Rs. 1.30 np.

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CORRIGENDA

FORTY-SEVENTH REPORT OF THE ESTIMATES COMMITTEE (THIRD LOK SABHA) ON THE MINISTRY OF INTERNATIONAL TRADE EXPORT RISKS INSURANCE CORPORATION LTD. BOMBAY (NOW TRANSFORMED INTO EXPORT CREDIT AND GUARANTEE CORPORATION LTD., BOMBAY)

Page 2, line 6 from bottom, for 'waranted' read 'warranted'

Page 5, line 11 in col. 3, for '6.9' read '6.96'

Page 5, line 11 in col. 4, insert '1.1'

Page 5, line 13, from bottom, for 'establishmed' read 'established'

Page 5, line 4 from bottom, for 'insurance' read 'insurable'

Page 5, line 2 from bottom, for '696' read '6.96'

Page 7, item 7, for 'Zabrados' read 'Labrador'

Page 14, line 9 from bottom, for 'exports' read 'exporters'

Page 18, line 8 from bottom, for 'polcies' read 'policies'

Page 25, line 12, for 'convassers count a great deal in increasing sales. The given to them and the persuasion and persistance of the' read 'given to them and the persuasion and persistance of the convassers count a great deal in increasing sales. The'

P.T.O.

Page 30, line 18 from bottom, *for* 'actuarial' *read*
'acturial'

Page 31, line 17 from bottom, after the word 'added'
insert 'that'

Page 31, marginal heading, *for* 'reveiwed' *read*
'reviewed'

Page 32, line 4, *for* 'rebates' *read* 'rebate'

Page 38, line 4, *for* 'and' *read* 'to'

Page 42, line 2 from bottom, *omit* 're'

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ESTIMATES COMMITTEE
(1963-64)

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30. Shri N. M. Wadiwa.

SECRETARIAT

Shri N. N. Mallya, Deputy Secretary.

*Elected w. e. f. 16th August, 1963 *vice* Dr. K. L. Rao ceased to be a member of the Committee on his appointment as a Minister.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Forty-Seventh Report on the Ministry of International Trade—Export Risks Insurance Corporation Ltd., Bombay.

2. A general examination of the published Annual Reports and Accounts of the Export Risks Insurance Corporation Ltd., for the year ending 31st December, 1962 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings which took the evidence of the representatives of the Ministry of International Trade and the Export Risks Insurance Corporation Ltd. on the 7th, 8th and 9th November, 1963.

3. The Report was considered and adopted by the Committee on the 4th March, 1964.

4. The Committee wish to express their thanks to the Officers of the Ministry of International Trade and the Export Risks Insurance Corporation Ltd. for placing before them material and information that they wanted in connection with the examination of the Annual Reports and Accounts of the Export Risks Insurance Corporation Ltd., Bombay.

5. A statement showing an analysis of the recommendations contained in this Report is also appended to the Report (Appendix VI).

NEW DELHI-1;
March, 11th 1964
Phalguna, 21st 1885 (Saka)

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

INTRODUCTORY

The need to earn foreign exchange is imperative for every country. It is greater in a country which is developing its economy and facing an unfavourable balance of trade, particularly due to the heavy imports of capital goods. To earn more foreign exchange, there has to be a search for new foreign markets as well as an effort to expand the existing ones. Trade in the international field is becoming difficult, competition severe, and the seller's market has gradually been converted into a buyer's one. Exporters have, therefore, not only to show initiative and enterprise in expanding or exploring foreign markets but also offer more attractive terms to woo and win their customers. In these circumstances it becomes necessary to cover the risks which an exporter generally runs and which are beyond his powers to guard against.

Need for
Export
Risk Insu-
rance.

2. The degree of risk involved when goods are exported on credit terms depends upon the nature of transactions, the terms of payment, and the status and integrity of the buyers. Private insurers are not willing to cover such risks. It is in this context that as many as 23 countries* have set up agencies, either owned or supported by Government, to insure all or some of the credit risks of their exporters as a measure of export promotion.

3. The question of introducing an export credit guarantee scheme in India on the lines of the schemes in operation in various foreign countries was first considered by the Export Promotion Committee (Gorwalla Committee) appointed by the Government in 1949. This Committee felt that the nature of India's exports, the traditional ties between the exporter and the foreign importer, and the absence of political interference with export trade in the countries to which India exported rendered such a scheme unnecessary. They, therefore, did not recommend such a

Beginning of
Export Risks
I n
India.

*USA, UK, France, Canada, Australia, Belgium, Denmark, Italy, Norway, The Netherlands, Sweden, Switzerland, Spain, Austria, Ireland, South Africa, Japan, Pakistan, Israel, Yugoslavia, Taiwan, West Germany and Finland

scheme. Notwithstanding the views of this Committee, the rapid changes in the pattern and mechanism of export trade and the gradual conversion of a seller's to a buyer's market with the consequent demands for payment terms more favourable to the buyers necessitated a re-examination of the position. The question was discussed, though inconclusively, by the Export Advisory Council in 1953 and again in 1955. In January 1956, the Government of India appointed an Expert Committee (Export Credit Guarantee Committee) to examine the question and make suitable recommendations. The Committee in its report submitted in June 1956, observed that export risks insurance was an important export promotion measure, and recommended the setting up of a statutory organisation for Export Risks Insurance which should be wholly owned by the State. It was also recommended that this organisation should have a capital of Rs. 5 crores and in the initial stages should prescribe a limit of Rs. 50 crores on the maximum risk it should carry at any one time.

4. The Government accepted the recommendation of the Committee, subject to the following modifications:—

- (a) that the organisation shall, in the first instance, be a Corporation registered under the Companies Act. The necessity or desirability of converting it into a statutory Corporation shall be examined in due course after adequate experience had been gained of the actual working of the Company;
- (b) that, considering the estimates of the business which the Corporation shall be able to underwrite in the initial stages, its authorised capital should be Rs. 5 crores, subscribed capital Rs. 2½ crores and paid-up capital Rs. 50 lakhs. The maximum risks which the Corporation should carry will be ten times its subscribed capital and the reserves built up by it. If the growth of business warranted, the subscribed capital shall be increased from time to time.

Establish-
ment
ERIC.

5. The Export Risks Insurance Corporation was accordingly registered on the 30th July, 1957 under the Companies Act as a private limited company wholly owned by Government.

II

FUNCTIONS AND OBJECTS

6. The main function of the Export Risks Insurance Corporation—popularly known as ERIC—is to provide insurance cover to Indian exporters against certain commercial and political risks arising out of default or insolvency of the overseas buyer, or from import restrictions or embargoes on exchange remittances so as to encourage, facilitate and develop the trade between India and other countries. Besides these, ERIC performs the following functions:—

- (i) It serves to improve the financial standing of the exporter, *vis-a-vis*, his banker. Its policies are a useful collateral security acceptable to most banks, on the basis of which the exporter can secure a line of credit by assigning his policy to the lending institution.
- (ii) It furnishes information to the exporter about the status, the probity and resources of his overseas buyer and charges nominal fee for supplying such information.
- (iii) It assists the policy-holders in the collection of their dues and debts.
- (iv) It gives advice on legal and procedural matters and resolves technical difficulties.

7. The objects for which the Corporation was established, as laid down in the Memorandum of Association, are enumerated at *Appendix I*. One of the objects of the Corporation was :—

“To act as agent of the Government or with the sanction of the Government on its own account, to give guarantees, undertake responsibilities and discharge such functions which are considered by the Government as necessary in national interest,.....”

**Acceptance
of proposals
in national
interest.**

8. The Corporation has not so far given effect to this intention. It has not given any guarantee nor has it issued any policy, as agent of Government or with their sanction hitherto. It has been stated that three proposals pertaining to exports to a certain country were referred to the Ministry for acceptance on Government account, as the Corporation felt it could not cover risks to that country due to the unstable conditions prevailing there.

9. The Secretary of the Ministry stated during evidence that on these proposals Government's view was that it was for the Corporation to take a commercial judgement rather than refer such proposals to them for a decision. If the parties concerned were prepared to pay a higher premium, and it was considered safe enough to take the risk, the Corporation could accept such proposals. It was added that for the time being, Government would like the service of credit insurance to develop as a commercial service on its own merits.

**Undertaking
of business
in national
interest
suggested.**

10. *The Committee do not wholly agree that insurance cover to exporters should be provided on commercial judgement alone. They feel that cases may arise when it would be desirable to give risk guarantee to exporters on grounds of national interest. In fact, such a guarantee is given by credit insurers in some other countries. The Export Credit Guarantee Department of U.K. and Export Credit Insurance Corporation of Canada give such guarantees and undertake business on Government account in the "national interest". The Committee suggest that Government should adopt a positive policy in this matter and encourage exports in selected cases on grounds of national interests. Apart from above advantages such a step is likely to open new avenues of exports also.*

III

GROWTH OF BUSINESS

A—Exports Insured

11. The total value of exports from the country, the value of exports insured with the Corporation together with its percentage are given below:—

(Rs. in crores)

Year	Total Exports	Value of Exports insured	Percentage of (3) to (2)
(1)	(2)	(3)	
1960	6 21·68	6·9	
1961	655·42	11·47	1·7
1962	665·88	18·11	2·7

12. It will be seen that the percentage of exports insured with the Corporation to the total exports has been very low and was only 2·7 in 1962. This lower percentage of insured exports is attributed to the fact that nearly 50 per cent of India's export trade is in traditional items like jute goods, tea and textiles in which Indian exporters have well established connections and, therefore, do not feel the need for export risk insurance so keenly. Apart from this, a great bulk of India's export trade is also done against letters of credit, or is between associates, that is, between foreign principals and Indian subsidiaries. All these account for nearly 70 per cent of total exports from the country leaving about 30 per cent exports which are normally insurable. It has been stated that in 1962, the Corporation has been able to secure 8 per cent of the normally insurance exports.

Reasons for low coverage.

13. The Committee appreciate that value of exports insured with the Corporation has risen from Rs. 696 crores in 1960 to Rs. 18·11 crores in 1962. Nevertheless, they

Increase of cover urged.

consider that there is room for considerable improvement in the business of the Corporation. The example of similar organisations in other countries, for example, Export Credit Guarantee Department (E.C.G.D.) in U.K. which provided insurance cover to 22 per cent of its export trade in 1962, should serve as a guide for the ERIC to step up its activities. The Committee have no doubt that with the increase in the country's exports and their diversification, the Corporation should be able to insure a very high percentage of the exports.

B—Exports Insured—Country-wise

**Exports
country-wise** 14. A statement showing the value of exports from India, country-wise, the value of exports insured with the Corporation and percentage thereof during the years 1960, 1961 and 1962 is at *Appendix M*.

15. The table below indicates percentage of exports insured to the total exports in respect of countries where exports have touched the figure of Rs. 3 crores during the years 1960, 1961 or 1962:—

Statement showing percentage of exports insured to the total exports in respect of countries where exports have touched the figure of Rs. 3 crores

Sl No.	Name of the country	India's Exports				Risk value				Percentage covered			
		1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
1	2	3	4	5	6	7	8	9	10	11			
		(Rs. in thousands)											
		(Rs. in thousands)											
1.	Aden (including protectorate)	50492	57301	47666	3205	5609	4669	6.3	9.8	9.8			
2.	Afghanistan	60491	53126	61738	252	357	86	0.4	0.7	0.1			
3.	Argentina (including the Atlantic coast of Patagonia)	61072	27536	93576	..	..	..	..	..	..
4.	Australia	214436	164047	188241	851	1439	6627	0.4	0.9	3.5			
5.	Belgium	49459	64967	45433	265	307	362	0.5	0.5	0.8			
6.	Burma	68108	57648	50099	96	28	1743	0.1	Negl.	3.4			
7.	Canada (including New foundland and coast of Zabrador)	170337	171977	228397	645	1507	2705	0.4	0.9	1.2			
7A.	Ceylon	193464	169533	149685	4348	6787	3390	2.2	4.0	2.3			
8.	China (including Manchuria but excluding Hongkong and Maco)	55897	1931	1880	1129	3	..	..	Negl.	..			

	1	2	3	4	5	6	7	8	9	10	11
9. Cuba			51874	71774	35288	59	..	..	0.1	..	..
10. Czechoslovakia			58459	90946	99847	708	1772	3270	1.2	1.9	3.3
11. Egypt			140021	121092	135125	321	1281	191	0.2	1.0	0.1
12. Federation of Malaya			47174	76487	59470	913	1759	2261	1.9	2.3	3.8
13. France (including Corsica and Monaco)			74371	81813	80526	72	252	1191	0.1	0.3	1.4
14. Germany East			39095	33338	8524	1567	2287	11902	4.0	6.9	14.0
15. Germany West (including Saar)			184392	211861	146392	1958	12612	8060	1.0	5.9	5.5
16. Hong Kong			24686	31164	39057	454	1638	10465	1.8	5.2	26.8
16(a) Hungary			11143	33056	65246	111	1531	14028	1.0	4.6	21.5
17. Iran			46282	49785	59785	1384	2031	2253	3.0	4.1	3.8
18. Iraq			32844	28224	35859	3244	1570	1360	9.9	5.6	3.8
19. Irish Republic			55982	41157	47109	3736	2796	4072	6.7	6.8	8.6
20. Indonesia			39520	60474	46945	..	..	..	..	..	..
21. Italy			82944	93489	89359	485	677	1201	0.6	0.7	1.3
22. Japan			336158	402616	317394	428	290	2343	0.1	0.1	0.7
23. Kenya			45900	55071	50153	2050	5337	5535	4.5	9.7	11.0
24. Kuwait			32914	39390	38826	838	1308	1494	2.5	3.3	3.8
25. Netherlands			71327	91065	83326	211	865	2239	0.3	0.9	2.1
26. New Zealand			78490	70137	69259	210	502	560	0.3	0.7	..

27. Nigeria (excluding Cameroons under Br. Trusteeship) .	50230	78281	61103	613	1040	1029	12.2	1.3	1.7
28. Pakistan East .	49539	67862	66420	12	18	3	Negl.	Negl.	Negl.
29. Pakistan West .	44732	29954	26026						
30. Poland .	33244	41184	111871	540	451	1389	1.6	1.1	1.2
31. Rumania .	14227	19548	34406	..	..	..	..	..	..
32. Saudi Arabia .	42627	30652	29382	103	186	253	0.2	0.6	0.9
33. Singapore .	68500	84025	81783	3136	3212	2908	4.6	3.8	3.5
34. Sudan .	80522	107057	101439	4465	4336	16594	5.5	4.0	16.3
35. Thailand .	23043	31272	26042	258	292	367	1.1	0.9	1.4
36. Turkey .	30542	36023	44561	..	..	..	..	..	..
37. United Kingdom	1700779	1622826	1575054	11940	18721	20236	0.7	1.1	1.3
38. United States of America .	985251	1128827	1125329	6009	3027	4971	0.6	0.3	0.4
39. Union of Soviet Socialist Republic .	298679	310663	354588	..	2892	5750	..	0.9	1.6
40. Yugoslavia .	33828	44695	102830	2260	6278	7318	6.7	14.0	7.1

Reasons for low coverage.

16. It will be noticed that while exports to Bulgaria, Rumania, Argentina, Cuba, Indonesia and Turkey were not insured by the Corporation at all, the percentage of business covered in respect of certain other countries like Belgium, France, Italy, Japan, Netherlands, New Zealand, Poland and Switzerland has been very low. The Committee are informed that a bulk of the exports to some of these countries are being made against letters of credit. As regards East European countries, payments are generally made against letters of credit or bank guarantee out of the non-convertible rupee account maintained in India. There were certain cases where exports to countries like Poland, U.S.S.R., and East Germany were insured by the Corporation as these countries asked for 180 days credit period, but the letters of credit were not confirmed by banks in India.

Exports to countries to be reviewed.

17. *The Committee feel that the performance of the Corporation in insuring exports to the various countries has been uneven and much remains to be done to augment its insurance coverage. They hope that effective measures would be taken by the Corporation in this regard. In view of the fact that broadening of export market and diversification of exports are of vital necessity to get over the present foreign exchange difficulties, special efforts should be directed to the countries where the ERIC has not been able to make much impression. The Committee hope that the cases of such countries would be constantly reviewed and the possibility of providing cover considered from time to time.*

C—Exports Insured—Commodity-wise

Exports Commodity-wise.

18. A statement showing the value of exports from India commodity-wise, the value of exports insured with the Corporation and the percentage thereof during the years 1960, 1961 and 1962 is at *Appendix III*.

19. The table below indicates the percentage of exports insured to the total exports in respect of commodities where exports have touched the figure of Rs. 3 crores during the years 1960, 1961 or 1962:—

Statement showing the percentage of exports insured to the total exports in respect of commodities where exports have touched the figure of Rs. 3 crores.

Sl. No.	Particulars	India's Exports			Risk Value			Percentage covered		
		1960	1961	1962	1960	1961	1962	1960	1961	1962
1	2	3	4	5	6	7	8	9	10	11
1.	Fish & Fish Preparations'	44694	43394	34815	98	63	54	0.2	0.1	0.1
2.	Fruits and Vegetables	246013	262430	258995	190	697	2017	0.1	0.3	0.8
3.	Sugar and Sugar Preparations	16717	145952	156922	..	..	..	..	..	..
4.	Coffee, Tea, Cocoa & Spices	1445385	1499217	1479421	11898	16641	22337	0.8	1.1	1.5
5.	Feeding Stuff for Animals	165308	166414	289862	382	2127	15034	0.2	1.3	5.2
6.	Tobacco & Tobacco Manufactures'	157254	158918	193971	75	904	160	Negl.	0.1	0.1
7.	Hides and Skins	272758	345394	329884	60	7155	7783	Nelg.	2.0	2.3
8.	Oil seeds, Oil nuts & Oil Kernels	43666	42936	48095	122	1544	3207	0.3	3.6	6.7
9.	Wood, Lumber & Cork	24176	26754	30526	266	131	141	1.1	0.9	0.5
10.	Metallic Ores & Metal Scrap	504503	501730	436053	3478	2553	2383	0.7	0.5	0.5

I 2 3 4 5 6 7 8 9 10 11

11. Crude Materials (Animals & Vegetables)	235306	207629	19044	401	2712	279	Nelg.	1.3	0.1
12. Mineral Fuels & Lubricants	87262	57733	65451	..	..	..	..	..	..
13. Animal & Vege- table Oils & Fats	110671	57676	100870	101	4546	28775	0.1	7.9	28.5
14. Chemicals	69374	79157	74651	656	943	2291	0.9	1.2	3.1
15. Base Metals	82248	116944	23301	1116	2275	1049	1.3	1.9	4.5
16. Engineering Goods	94872	110508	130664	11207	11019	10920	11.8	2.05	8.3
17. Footwear	31298	23647	26623	257	78	17	0.8	0.3	0.1
18. Coir & Coir Pro- ducts	87800	106500	121700	2242	6452	10903	2.5	6.5	9.0
19. Raw wool & other animal hair	81700	84100	65200	10	34	8	Negl.	Negl.	Negl.
20. Woollen goods	48200	44600	41400	1524	1581	1985	3.2	3.5	4.8
21. Raw Cotton and Cotton Waste	107500	186600	127400	22	343	1086	Nelg.	0.2	0.3
22. Cotton Piece goods & other Cotton Mfrs.	650800	548000	547500	26139	36761	50130	4.0	6.7	9.2

23. Silk, Art Silk & other synthetic fabrics . . .	46834	62014	86494	2478	2441	3539	5.3	3.9	4.1
24. Jute goods . . .	1328800	1475700	1616800	754	4395	9545	Nelg.	0.3	0.6
25. Lac . . .	63100	51700	47200	102	116	115	0.2	0.2	0.2
26. Others . . .	76498	55495	50150	3403	4445	2510	4.4	8.0	5.0
	6215826	6554210	6658784	69589	114715	181055	1.1	1.7	2.7

20. It is noted that while some commodities like sugar and sugar preparations, mineral fuels and lubricants, and raw wool exported from the country have not been insured by the Corporation at all, the coverage in the case of a large number of other commodities has been very low. In respect of certain commodities like animal and vegetable oils and fats, non-metallic mineral manufactures, engineering goods, coir and coir products, cotton piece goods and other cotton manufactures, the coverage varies from 8 to 28 per cent.

21. In this connection the Managing Director stated during evidence that the Corporation secured good business in respect of certain commodities like vegetable oils and fats, cotton piecegoods and other cotton manufactures, because it had been able to maintain good contacts with the important exporters of these commodities. Regarding coir goods he said that a good part of exports was without letters of credit and hence a better insurance coverage was possible.

Better contacts with exporters suggested.

22. It thus appears that the low coverage of the Corporation in insuring certain export commodities is due to lack of contact with the concerned exporters. As admitted by Managing Director, the Corporation could secure good business where good contacts were maintained. It is well known that better results in insurance business can be achieved only through persistence and maintenance of constant touch with the parties concerned. *The Committee recommend that the Corporation should review its procedures and practices with a view to ensure that the closest liaison is maintained with the exports and the maximum of business is secured. At the same time, it should examine the reasons for the low insurance coverage in respect of a large number of commodities and take corrective measures. It is also imperative that an analytical study is made of the possibilities of export development in respect of each commodity and earnest efforts made to effect good contacts with the exporters of each such commodity as also the various Export Promotion Councils and Commodity Boards.*

IV
TYPES OF RISKS

A—Risks Covered

23. The Export Risks Insurance Corporation offers cover for the following risks:—

COMMERCIAL RISKS:

- (i) **Insolvency Risk**—The insolvency of the buyer.
- (ii) **Default Risk**—Protracted default of the buyer to pay for the goods accepted by him.
- (iii) **Repudiation Risk**—Failure of the buyer to accept the goods where it is proved that non-acceptance is not caused by the exporter's actions.

POLITICAL RISKS:

- (i) **Transfer Risk**—Government action which blocks or delays transfer of payment in rupees to the exporter.
- (ii) **War Risk**—War between the buyer's country and India.
- (iii) **Civil War Risk**—War, revolution or civil commotion in the buyer's country.
- (iv) **Import Control Risk**—Imposition of new import licensing restrictions in the buyer's country or cancellation of a valid import licence.
- (v) **Export Control Risk**—Cancellation of export licence or imposition of new export licensing restrictions.
- (vi) **Diversion Risk**—Additional handling, transport or insurance charges arising from interruption or diversion of voyage which cannot be recovered from the buyer.
- (vii) **Omnibus Risks**—Any other cause of loss occurring outside India and not within the control of the exporter or the buyer.

B—Risks not Covered

24. The Corporation does not cover the following risks:—

- (a) Losses due to disputes about quality;
- (b) Losses due to causes inherent in the nature of goods;
- (c) Losses due to the buyer's failure to obtain the import or exchange authorisation required in the buyer's country;
- (d) Losses arising from the act of default of the exporter or his agent;
- (e) Losses due to fluctuations in exchange rates; and
- (f) Risks covered by General Insurers.

C—Non-Acceptance Risk

Risks arising due to quality disputes.

25. Ordinarily the Corporation as stated above does not indemnify the exporter in respect of losses incurred on account of "quality" disputes. However, in view of the difficulties experienced by Indian exporters—specially the small exporters—ERIC has undertaken to cover "non-acceptance" risks, provided the goods have been subject to pre-shipment inspection.

26. Recently the Export (Quality Control and Inspection) Act, 1963 has been enacted by Parliament. Under the Act, the Government are empowered to notify commodities which shall be subject to quality control or inspection prior to export, and to specify the type of quality control and inspection for such commodities. They can also prohibit the export of a notified commodity unless it is accompanied by a certificate issued by any agency, established or recognised by the Government for this purpose, that the commodity satisfies the conditions relating to quality control and inspection.

27. During evidence it has been stated that the machinery for pre-shipment inspection envisaged under this Export (Quality Control and Inspection) Act, 1963 has not yet started functioning and that ERIC would be covering the 'non-acceptance risk' as soon as the pre-shipment inspection machinery comes into existence. Pending such a machinery for inspection the Corporation has so far not issued any policy covering 'non-acceptance risk'.

28. *The Committee feel that there is great scope for increasing the business of the Corporation through 'non-acceptance risks' policy. They cannot over-emphasise the need to give this policy wide publicity to make it popular among exporters. It is realised that the success of this scheme depends to a large extent on the moral probity of the exporter and his anxiety for the fair name of the country rather than earning his profits only. The Committee have no doubt that the provision of such a cover by the Corporation would open greater possibilities of increasing the exports. They hope that the machinery for pre-shipment inspection would be brought into operation without delay and the Corporation would start underwriting such policies.*

Coverage for non-acceptance risk to be undertaken.

D—Risk on Intermediary

29. The Corporation at present does not cover risk if the exporter passes on his shipment documents to an intermediary against cash payment.

Risk when shipment documents are passed on to an intermediary.

30. It has been represented to the Committee that in such cases, if the original exporter desires to cover such risk on behalf of his intermediary, he may be allowed to do so under a new type of policy. The intermediary should be treated as an agent of the exporter so that the exporter as principal can cover the credit risk under his policy, making a declaration to that effect. During evidence the Managing Director stated that it would be possible to cover risk on an intermediary subject to certain conditions after verification of the bonafides of the intermediary.

31. *The Committee urge that the question of covering the risk on an intermediary be examined in all its implications and a new type of policy evolved by the Corporation to cover such cases, where possible.*

Risks on Intermediary to be covered where possible.

E—Spread of Risks

32. To secure a spread of risks, every exporter who insures is, as a rule, required to insure all his shipments to all countries made in a period of 12 months from the date of commencement of the policy. Shipments against confirmed irrevocable letters of credit or those paid for in advance, or those made to 'associates' are, however, excluded. Where the exporter deals in different types of goods, he may exclude from the cover goods which are not of allied nature, if he so wishes. This insistence on "whole-turn-over" is

designed to secure a proper spread of risks and to keep the premium rates at as low a level as possible. Notwithstanding this general rule, the Corporation, as an export promotion measure, considers proposals to exclude from insurance, exports to certain markets, provided the proposals for insurance enable it to have a proper spread of risks and makes the benefit of law of averages available. The Corporation particularly looks into the following aspects while considering cases of relaxation of the principle of "whole turnover":—

- (i) Total amount of exports and the countries to which he is exporting;
- (ii) The percentage of the exporter's turnover proposed to be excluded; and
- (iii) The nature of the markets to be excluded and to be covered.

If what is offered for insurance includes what is known as good as well as bad markets and represents a fair percentage of the exporter's whole-turnover, no extra is charged on the premium rates. If, on the contrary, good markets are excluded and only the "doubtful cases" of the trade are offered for insurance a suitable extra is charged on the rates. Depending on the merits of each case, the extra charge ranges from 5 per cent to 25 per cent of the standard premium rates.

33. The Committee have been informed that the number of cases in which exclusion from insurance of exports to certain markets was allowed was 54 in 1960, 62 in 1961 and 51 in 1962, while the total number of policies issued during these three years was 321,400 and 502 respectively (excluding Packing Credit Policies). The experience of the Corporation does not indicate any significant addition in the incidence of claims in the case of policies where exclusions were allowed as compared to other policies.

**Exclusion
from insu-
rance of ex-
ports to
certain
markets.**

34. *The Committee feel that since the experience of the Corporation in the case of policies where exclusions were allowed has not shown any adverse effect on the incidence of claims, it would be worthwhile to undertake the issue of such policies increasingly. They hope that with good publicity such policies would become popular among the exporters.*

V
TYPES OF POLICIES

A—Policies Issued

35. To suit the varying requirements of exporters and Types of Policies issued. to provide for different patterns of trade, ERIC issues the following types of policies:—

- (i) Shipments Policy
 - (a) Shipments (Comprehensive Risks) Policy.
 - (b) Shipments (Political Risks) Policy.
- (ii) Contracts Policy
 - (a) Contracts (Comprehensive Risks) Policy.
 - (b) Contracts (Political Risks) Policy.
- (iii) Specific Shipments Policy.
- (iv) Manufacturer's Credit Insurance Policy.
- (v) Exporter's Credit Insurance Policy.
- (vi) Market Development Policy.
- (vii) Consignment for Sale Policy.
- (viii) Packing Credit Policy.

B—Shipment and Contract Policies

36. The shipments policies referred to above cover the risks of the insured from the date of shipment, whereas the contract policies mentioned above protect his interests from the date of the contract. In either case, the exporter may seek a cover for 'commercial' as well as 'political' risks. But he has also the option to secure himself only against 'Political' risks if he so chooses.

C—Specific Shipments Policy

37. Specific Shipments Policy is issued to cover shipments under a single specified contract, may be for capital or consumer goods. This is a deviation from the principle of whole-turnover to which the standard policies normally

conform. This policy is issued where the contract is for a sizeable amount of business or in the national interest, and where the exporter does not require a policy for his whole-turnover. Normally, to issue a specific policy for consumer goods the premium rate is loaded by 50 per cent of the standard rate.

38. During evidence the Managing Director stated that specific shipments policies are issued after arriving at a commercial judgment of the nature of transaction. This policy it has been stated is a common feature in the developed countries, where medium term credits are involved.

39. The table below shows the yearly analysis of this policy:—

Year	No.	Maximum Liability (in Rs. lakhs)	Risk value (in Rs. lakhs)
1960	1	30	59
1961	4	48	76
1962	12	140	165
1963 (Upto 31-10-1963)	5	23	28

More business on Specific Shipments Policy suggested.

40. The Managing Director further stated that there has been no claim so far on these policies. *It will, however, be seen from the table above that there is a declining trend in the number of policies issued as also in the maximum liability undertaken and the risk value covered during the year 1963. The Committee trust that every effort will be made by the Corporation to secure more business on this policy.*

D—Manufacturer's Credit Insurance Policy

41. Some of the manufacturers do not export their goods themselves, but sell them to shippers (i.e. merchant exporters) who export them. When the buyers in foreign countries ask for credit terms, shippers in their turn ask for credit facilities from manufacturers. Manufacturer's Credit Insurance Policy of the Corporation covers the risks involved in the manufacturers' supplying goods to shippers on credit terms. The risk covered in such cases is the failure of the shipper to pay on due dates for the goods that have been

delivered to him by the manufacturer on credit terms, due either to the shippers' insolvency or the protracted default in making payment.

42. It has been stated that only one Manufacturer's Credit Insurance Policy with a maximum liability of Rs. 1,25,000 was issued in the year 1961. Excepting this, no such policy has been issued upto the 31st December, 1962.

E—Exporter's Credit Insurance Policy

43. Manufacturers of small means take advances from shippers (i.e. merchant exporters) for the purpose of manufacturing goods which they supply to the latter. The Exporter's Credit Insurance Policy is designed to cover the risks of non-delivery of goods, for which the manufacturers have taken advances from the shippers, due to insolvency or protracted default. This policy was introduced towards the end of 1962. No such policy has been issued so far.

44. *The small coverage of the Corporation in issuing the Manufacturer's and Exporter's Credit Insurance Policies indicates that the benefits of these policies have not been adequately publicised by the Corporation or appreciated by the parties concerned. These policies offer considerable scope for increasing the business of the Corporation. It is necessary that close contacts are maintained by the Corporation with Export Promotion Councils, Commodity Boards, Chambers of Commerce etc. and the advantages of these policies are explained to the exporters so as to enable them to avail of these policies in a larger measure.*

Exporter's/
Manufacturer's
Credit
Insurance
Policies to be
popularised.

F—Market Development Policy

45. Market Development Policy has been introduced by the Corporation to assist Indian exporters to survey new markets and to conduct advertising and sales promotion campaigns. If the expenses of the survey etc. are not recouped by the exporter, in accordance with the findings of the survey, within a given period, ERIC would share the loss with the exporter on a 50:50 basis.

46. This Policy was introduced in 1961 but no such policy has actually been issued so far. The Managing Director observed during evidence that the experience of ERIC's counterpart organisations in U.K. and Japan on this policy

was not encouraging because market surveys did not always yield the results in proportion to the cost involved. ERIC had, therefore, to go slow in the matter. He also added that there has not been much demand from exporters for this type of cover.

47. It is noticed that originally the Corporation was to issue this policy as agent of Government of India which would pay the Corporation 25 per cent of the premium received in consideration of the services rendered by it. Since 23rd April, 1962 the Corporation has been empowered to issue these policies either on the Government account or on its own account with the approval of Government.

Concerted efforts to popularise the policy suggested.

48. It is stated that although enquiries were received from several exporters, no Market Development Policy has been issued by the Corporation so far. *The Committee regret that the Corporation has not been able to canvass any business under this policy which was introduced in 1961. It is significant that the risk involved on the issue of this policy was on Government account. They consider that the Corporation waited for the business to come rather than canvassing it by explaining benefits to the prospective parties. The Committee recommend that the Corporation should make concerted efforts to popularise this policy.*

49. It has been stated that the Corporation has proposed to the Government to allocate a part of the Market Development Fund to the Corporation to enable it to undertake issue of these policies in a larger measure.

50. During evidence, the Secretary to the Ministry of International Trade stated that the objects of the market development fund were much wider though market research and other work connected with development of markets would fall within the purview of the Fund. The question whether some of the resources of the Fund could be tied up with the machinery of ERIC had not been fully considered by Government. The Secretary agreed to consider the proposal on its merits.

Allocation of part of Market Development Fund to ERIC.

51. *The Committee feel that market development plays an important role in the promotion of exports and there is an imperative need to develop new markets and expand the existing ones. A number of other bodies, like Export*

Promotion Councils, are doing this work. The Committee consider that the role of the Corporation in offering market development policies may be examined to ensure that there is no duplication and overlapping of functions. If the need for such a policy is felt to supplement the efforts made by other bodies in this direction, the scope of the same may be clearly defined. Thereafter the feasibility of allocating a portion of the Market Development Fund to the Corporation may be examined.

G—Packing Credit Policy

52. Packing Credit Policy is designed to help the exporter to secure a line of credit from banks for the purpose of buying, processing and packing of goods destined for the export market. Often, exporters have firm orders in hand for the finance of which they need credit which is in excess of the bank's normal rating of their capacity. In such an event, ERIC offers to issue this policy and shares the risk equally, i.e. on 50:50 basis with the lending banks.

53. The following figures indicate the number, amount etc. of Packing Credit Policy issued by the Corporation since 1960:—

	1960	1961	1962	1963 (Jan-May)
No. of policies issued	3	26	52	90
Maximum liability (Rs. in lakhs)	0.55	45.00	142.32	46.00
Bank finance availed of (Rs. in lakhs)	0.55	54.42	258.41	219.00
Premium Income (in Rs.)	123	10,606	35,830	34,125

54. It has been stated that the claims experience of the Corporation in regard to Packing Credit Policies has been satisfactory. No claim had arisen upto 31st December, 1962. However, during the year 1963, one claim amounting to Rs. 12,500 had been paid. A second claim is likely to be filed with the Corporation by another party. The Committee have been informed that in both the cases the Corporation hopes to recover the amount from the parties concerned as the banks hold in mortgage title deeds and the immovable properties of the loanees as additional security.

55. As regards the recommendation of the Mathrani Study Group on Export Finance that ERIC could enhance the share of its risk from the present 50 per cent to 66-2/3 per cent on such policies, it has been stated that the approval of Government of India to the above recommendation had been received and would be implemented shortly.

Packing Credit Policies to be made more popular.

56. *The popularity of the Packing Credit Policy as evidenced by the increase in the number of policies from year to year is a pointer to the desirability of taking further steps to make the policy still more attractive. The Committee trust that the Corporation would not only sustain the rate of increase but improve upon it from year to year. They have no doubt that the decision to enhance the Corporation's share of risk from 50 per cent to 66-2/3 per cent would be implemented without any delay.*

H—Analysis of types of policies issued.

57. A table showing an analysis of the policies issued by the Corporation during the years 1960, 1961 and 1962 is given below:—

Types of Policy	Number of policies issued			Percentage to total for 1962
	1960	1961	1962	
(i) Specific Shipments Policies	1	4	12	2.1
(ii) Contracts (Comprehensive Risks) Policies	2	8	15	2.7
(iii) Contracts (Pol. Risks) Policies	..	..	1	0.2
(iv) Shipments (Pol. Risks) Policies	4	5	15	2.7
(v) Shipments (Comprehensive Risks) Policies	314	383	459	82.9
(vi) Packing Credit Policies	3	26	52	9.4
(vii) Manufacturer's Credit Insurance Policies	..	..	..	..
(viii) Exporter's Credit Insurance Policies	..	..	..	..
(ix) Market Development Policies	..	..	..	..
TOTAL	324	427	554	100.00

58. It will be seen from the above that Shipments (Comprehensive Risks) Policies are most popular among the exporters and account for about 83 per cent of the total policies issued by the Corporation during the year 1962. Next in popularity are the Packing Credit Policies which account for over 9 per cent of the total policies issued during that year.

59. *The Committee appreciate that some types of policies are more popular among exporters than others. They, however, feel that, apart from the intrinsic merits of the policies themselves, the art of selling the policies, publicity canvassers count a great deal in increasing sales. The given to them and the persuasion and persistence of the Committee would urge that special steps should be taken by the Corporation to increase the sale of all types of policies. The Corporation should also undertake a review of the policies which are not popular so that the draw-backs in them are remedied. It should also keep in touch with the latest types of policies issued by similar organisations in foreign countries with a view to introducing them here.*

Increased coverage for different types of policies suggested.

I—Small Exporter's Policy

60. In U.K. the Export Credit Guarantee Department has introduced a policy for small exporters which covers 90 per cent of loss at flat rate on short term sale to buyers selected by the exporter. After two years or when business declared reaches £20,000 this simplified cover ceases. Unlike the normal policies which are on whole turnover basis, this new policy permits an exporter to choose the transactions he will insure.

61. During evidence it has been stated that in spite of the anticipated heavy losses on this policy, it had been introduced in U.K. expecting that this would lead to promotion of exports. These policies are issued on Government account. When asked whether there was any proposal to introduce a similar policy in India, the Secretary of the Ministry stated that the Government had not examined this matter.

Feasibility of introducing Small Exporter's Policy to be considered.

62. The Committee would suggest that the working of the Small Exporter's Policy as in the U.K. may be studied and the feasibility of introducing a similar policy in India be examined.

J—Classification of Policies by export volume

63. The classification of the policies issued according to export volume during the years 1960, 1961 and 1962 is given below:—

		1960		1961		1962	
		No. of Policies	Maximum Liability (Rs. in lakhs)	No. of Policies	Maximum Liability (Rs. in lakhs)	No. of Policies with %age to total	Maximum Liability (Rs. in lakhs)
Policies for and under	Rs. 50,000	130	49.45	126	48.00	196 (39)	62.22 (5)
Policies for above Rs. 50,000 but not exceeding Rs. 1 lakh		82	79.25	106	102.85	112 (22)	108.85 (7)
Policies for above Rs. 1 lakh but not exceeding Rs. 5 lakhs		81	242.25	121	341.25	141 (28)	401.39 (25)
Policies for above Rs. 5 lakhs			25400.00	47	764.94	53 (11)	994.68 (63)
		318*	770.95	400*	1,257.04	502*	1,574.14

*Excludes packing credit policies. Figures in brackets are percentage to total.

Increase in coverage to small exporters (crs.)

64. The Committee note that 89 per cent of the policies issued in 1962 are for sums below Rs. 5 lakhs. This would indicate that the small exporters are in greater need of the insurance facilities provided by the Corporation. The Committee trust that the Corporation will continue its efforts to provide coverage to small exporters in an increasing measure.

K—Business transacted by the Corporation

65. The following table summarises the growth of busi-

ness of the Corporation since October 1957 when it commenced operations:—

	1957-58 (Oct.-Sept.)	1958-59 (Oct.-Dec.)	1960	1961	1962
I. Policies Issued :					
(a) Standard Policies	146	302	321	400	502
(b) Packing Credit Policies	..	..	3	26	52
II. Maximum Liability (Rs. in Lakhs)					
(a) Standard Policies	751·55	787·00	813·40	1257·04	1574·14
(b) Packing Credit Policies	..	..	0·55	45·00	142·32
III. (a) Policies in force as at end of period					
	146	243	318	418	599
(b) Maximum Liability (Rs. in lakhs)					
	751·55	787·32	770·95	1291·00	1925·81
IV. Risk value covered during the period (Rs. in lakhs)					
	130·50	735·00	696·55	1201·42	2069·41
V. Bank finance availed of (Rs. in lakhs)					
(a) Packing Credit Policies (pre-shipment)	..	..	0·55	54·42	258·41
(b) Assignments (postshipment)	..	243·00	237·00	320·00	251·28
VI. Premium income (Rs.)					
	43,109	2,65,427	2,36,448	3,48,338	5,63,076

66. It is seen that there has been an increase in the number of policies from 146 in 1957-58 to 554 in 1962. The value of risks covered has also increased from Rs. 130·50 lakhs in 1957-58 to Rs. 2,069·41 lakhs in 1962.

67. *The Committee appreciate that the field of export risks insurance is a comparatively new one in this country. It is, therefore, likely to take some time for the exporters* Increase of coverage suggested

to realise the benefits of the insurance facilities provided by the Corporation. Viewed from these aspects, the performance of the Corporation may not appear to be quite discouraging. However, the low percentage of risks covered by the Corporation to total exports from the country clearly indicates that there is a vast scope for increasing its field of operations with a view to boosting the country's exports. The Committee trust that the Corporation will make sustained efforts to increase its coverage in the coming years.

L—Bank Finance

68. It is observed from the table at Para 65 that the bank finance availed of by exporters in respect of post-shipment assignments in 1960, 1961 and 1962 was Rs. 237 lakhs, Rs. 320 lakhs and Rs. 251.28 lakhs respectively, whereas the value of risks covered increased from Rs. 6.97 crores to Rs. 20.69 crores during this period. There is thus very little increase in the post-shipment bank finance availed of by the exporters on the basis of the Corporation's policies in spite of the increase in its business.

Contacts with banks to be increased.

69. *The Committee feel that the slow progress in the value of post-shipment bank finance availed of by exporters needs to be reviewed carefully. This is especially important in view of the representations that have been made to the Committee that the banks are not fully co-operating in giving credit facilities to exporters on the basis of ERIC's policies. The Committee urge that the Government should take suitable steps to see that its policies are accepted by banks for giving credits to the exporters. The possibility of giving some negotiability to these policies may also be examined by the Government. In this context it would be necessary that effective contacts and liaison is maintained by the Corporation with the Banks.*

VI

PREMIUM RATES

A—Criteria adopted for fixing Premium Rates

70. The intention of Government while setting up this Corporation was that it should be run on a 'no-profit, no-loss' basis. As such, the guiding principle in fixing the premium rates has been the securing of such an income as would be just sufficient to pay for the management expenses after paying claims and building enough reserves to meet any unforeseen heavy losses. At the same time, the rates have to be such as the trade can bear.

71. The premium rates actually charged by the Corporation are fixed taking into consideration a number of factors such as:

- (i) Countries involved;
- (ii) Terms of payment;
- (iii) Commodities;
- (iv) Spread of risks; and
- (v) Claims experience.

72. The principle is that a higher rate of premium is charged if the market is riskier and the period of credit is greater.

B—Average Premium Rates

73. The average premium rates charged by the Corporation since its inception are as follows:—

Year	Average rate of premium per Rs. 100/-.
1957-58	33 nP.
1958-59	36 nP.
1960	34 nP.
1961	29 nP.
1962	27 nP.

74. The following table shows the average premium per 100 charged by some of the export credit insurance organisations in foreign countries in 1960:—

Name of Organisation & country	Average premium per 100
1. EPIC—Australia	0·57
2. NCM—Netherlands	1·73
3. IFTRIC—Israel	1·10
4. GIEK—Norway	0·87
5. CGIC—South Africa	0·41
6. HKN—Sweden	0·88
7. ECGD—U.K.	
(Section—1)	1·23
(Section—2)	1·99
8. ECIC—Canada	0·71
9. OND—Belgium	1·05
10. ERIC—India	0·34

75. The Committee have been informed that, due to the nature of risks involved, there is no actuarial data available which could help in arriving at what may be called reasonable rates. Therefore, the rates fixed by the Corporation are only *ad hoc*.

76. A number of Chambers of Commerce have represented that the premium rates are rather high. They have urged that in view of the uncompetitive prices of Indian goods due to increased costs of production, it is imperative that the cost of export risks insurance be kept to the absolute minimum possible.

77. During evidence, the Managing Director observed that at present the premium rates in respect of some countries may appear to be more, but if the volume of business increases, there would be justification for their reduction. He added that the rates were being reviewed with a view to rationalising them.

Premium rates to be reviewed.

78. The Committee are glad to note from the table in para 74 that the average premium rates of the Corporation are not only comparable but lower than those in many

other countries. They welcome the assurance given by the Managing Director that the rates would be rationalised soon. The Committee hope that the revised premium structure would provide additional encouragement to the exporters, particularly to those venturing into new markets.

C—Grouping of Commodities

79. The Corporation has classified commodities into three groups on the basis of their nature and saleability for premium purposes. Raw materials and traditional commodities like jute, cotton textiles, tea, coir goods etc. have been placed in group 'a', and the standard rates of premium are charged. Semi-manufactured and manufactured goods have been classified in groups 'b' and 'c' and an extra of 10% and 20% respectively is charged on the standard rate.

80. Asked about the basis for this grouping, the Managing Director stated during evidence that standard commodities are those which are readily saleable while the non-standard commodities are those which do not have a ready market. In the event of non-acceptance of non-standard commodities the likelihood of losses are greater. Therefore, the premium rate is somewhat high on such commodities. The Managing Director added the system of grouping of commodities was based on the pattern of E.C.G.D. in the U.K., which, however, had recently done away with this grouping. ERIC was also contemplating whether it should continue the grouping system.

81. *The Committee hope that the matter would be reviewed and an early decision will be taken in this regard.* System of grouping to be received.

D—Rebate on Premium

82. The Corporation allows rebate on premiums to the exporters on the following basis:

- (i) Rebate of 5% when an exporter takes a policy for a three year term;
- (ii) A rebate of 5% when an exporter pays, in a period of 12 months, premium of Rs. 5,000 but less than Rs. 20,000 and a rebate of 10% when the premium paid exceeds Rs. 20,000; provided the policy is renewed.

83. The Committee have been informed that the rebate system has shown encouraging results. Explaining this during evidence, the Managing Director observed that the number of three-year policies on which rebates of 5% is allowed has increased from 66 in 1961 to 94 in 1962.

**Rebate
system
desirable.**

84. *The Committee are glad to learn that a system of rebate has been introduced by the Corporation. The provision of such incentives to the insured is obviously desirable as they encourage exporters to give more business and on a long term basis. Moreover the insured also feels that the Corporation is genuinely interested in the policy holders. The Committee trust that the encouraging results already shown by the rebate system would be reflected in further increase of business.*

E—No-claim Bonus

**Introduction
of no-claim
bonus.**

85. It has been stated that the Corporation proposes to introduce a system of giving no-claim bonus in cases where no claim has been preferred against the Corporation on any policy.

86. *The Committee welcome this proposal which would serve as a further incentive to the exporters to insure their goods.*

VII

CREDIT INFORMATION

87. The Corporation has made arrangements for obtaining information about the financial position and credit-worthiness of foreign buyers and the general economic and financial position of the countries to which goods have to be exported. It is stated that they have a complete library of information on 15,000 buyers abroad.

88. Credit information is obtained through the following sources:—

- (i) All Scheduled Banks in India;
- (ii) Foreign Banks;
- (iii) Specialised Credit Information Agencies approved by the Berne Union;
- (iv) Credit Insurance Organisations Overseas transacting internal business; and
- (v) India's Trade representatives abroad.

89. The Committee have been informed that quite often the reports regarding the financial standing and the credit-worthiness of the buyers, as collected by officials of ERIC who went abroad from time to time, were at variance with the reports kept in the records of ERIC. During evidence, it has been stated that the system of sending officials abroad to maintain personal contacts could only be occasional and has its limitations. Therefore, reports obtained from other sources viz., banks, embassies, etc. have to be depended upon.

90. In this connection the Committee note that out of 1752 policies issued by the Corporation till the end of 1962 as many as 114 policies i.e., 6.5% of the policies issued resulted in payment of claims to the exporters. Therefore, it could be said that in such cases, the assessment made by ERIC about the credit-worthiness of the foreign buyers was not very correct.

Credit
Reports to
be reviewed.

91. Credit reports about buyers in foreign countries form the bed rock of the whole system of Export Risks Insurance. Utmost care should therefore be taken to collect this information and to build the library of records which should be periodically reviewed and kept up-to-date in the light of current information available from various sources. It will not always be possible or practicable for the Corporation to send its own representatives overseas to make personal contacts to collect this information. It is, therefore, imperative that reports should be received from reliable channels and sifted and analysed carefully. Cases where incorrect information has been received should be brought to the notice of the supplying agency so that they are more careful in future.

VIII

CLAIMS AND RECOVERIES

92. Subject to the verification of the cause and the ascertainment of the amount of loss, the Corporation pays to the policy-holder claims as under:

- (a) Where the loss is due to the buyer's insolvency, immediately after the occurrence of such insolvency.
- (b) Where the loss is due to the buyer's failure to pay within six months of the due date of payment of the gross invoice value of goods delivered to and accepted by the buyer, immediately after the expiry of the said period of six months.
- (c) Where the loss is due to the failure or refusal on the part of the buyer to accept the goods, one month after the date on which with the Corporation's approval, the goods have been resold or otherwise disposed of by the exporter.
- (d) Where the loss is due to the prevention of, or delay in the transfer of payments from the buyer's country to India in circumstances outside the control of both the exporter and the buyer, six months after the due date of payment by the buyer, or, if the buyer has made an irrevocable deposit for the transfer to the exporter, six months after making of such deposit, whichever of the two is earlier.
- (e) Where the loss is due to diversion risk, as soon as the proof of loss to the satisfaction of the Corporation is furnished.
- (f) In all other cases, six months after the occurrence of the event which is the cause of the loss.

93. It has been represented to the Committee that the period of six months for payment of claims is rather long and results in the locking up of the financial resources of

the exporters causing hardship particularly to small and medium sized export firms.

94. During evidence the Managing Director stated that the Export Credit Guarantee Department in the U.K. has recently reduced the period from 6 to 4 months in the case of political risks. He added that political risks are beyond the control of the exporter and hence it may be possible for ERIC to reduce this period from 6 to 4 months in such cases. Regarding commercial risks, he felt that the waiting period of six months was reasonable as it enabled the exporters to make every effort during this period to obtain the payments due. *The Committee suggest that the question of reducing this period in the case of political risks as has been done in U.K. may be examined at an early date.*

Reduction in waiting period for payment of claims suggested.

Claims and Recoveries.

95. The payment of claim is not a total loss to the Corporation. The loss can arise only to the extent to which a debt cannot be recovered. The following table shows the claims experience of the Corporation during the years 1957 to 1962:—

Year	Risk-value covered	Claims paid	Recoveries made	Net claims paid (2-3)	Ratio of Col. (5) to (2)
	(Rs. in crores)	Rs.	Rs.	Rs.	
1957-58 (Oct.-Sept.)	1.30	..	..	..	..
1958-59 (Oct.-Dec.)	7.35	75,167	5,793	69,374	0.09
1960	6.97	3,67,395	1,65,382	2,11,013	0.3
1961	12.01	4,31,788	2,75,065	1,56,723	0.1
1962	20.69	1,54,851	1,44,429	10,422	0.005
	48.32	10,38,201	5,90,669	4,47,532	0.092

96. It will be seen from the above table that the total claims paid by the Corporation to the exporters during the period 1957 to 1962 amounted to Rs. 10.38 lakhs, out of which over Rs. 5.90 lakhs have been recovered. Thus the

net loss to the Corporation during this period was Rs. 4·47 lakhs, that is 0·092 per cent of the risk value covered. During evidence it has been stated that claims amounting to about Rs. 5 lakhs have been paid in the year 1963.

97. *The Committee recommend that the Corporation should build up and analyse the case histories of the claims that have been paid so far with a view to drawing valuable lessons for future guidance. In the insurance business it is of paramount importance that the losses arising out of payment of claims are kept to the minimum so that the Corporation is not faced with a situation where its income from premium receipts may not be sufficient to meet them.*

Preparation
of Case His-
tories of
claims
recommen-
ded.

XI

FINANCE AND ACCOUNTS

Financial position and trend of operations.

98. The following table shows the financial position and the trend of operations of the Corporation during the years 1957 and 1962 :—

	1958 (30-7-57 to 30-9-58)	1959 (1-10-58 to 31-12-59)	1960	1961	1962	Total
1	2	3	4	5	6	7
(Rs. in lakhs).						
TOTAL—Capital	51·33	54·30	53·91	56·47	62·65	
Paid-up Capital	50·00	50·00	50·00	50·00	50·00	
Fixed Assets at cost	0·45	0·56	0·64	0·68	0·91	
Depreciation to date	0·06	0·15	0·22	0·31	0·39	
Current Assets	0·94	3·58	3·43	10·71	15·61	
Current Liabilities	1·15	1·82	2·12	1·77	3·10	
Ratio of current assets to current liabilities	0·3:1	2:1	1·6:1	6:1	5:1	
Investments	49·42	49·44	50·06	45·38	46·52	
Sundry Creditors	0·57	0·13	0·21	0·26	0·87	
Sundry Debtors . . . . .	..	0·69	0·64	0·55	1·04	
Cash & Bank Balances	0·68	1·97	2·21	9·05	14·60	
<i>Income :</i>						
(i) Premium	0·43	2·65	2·36	3·49	5·63	14·56
(ii) Interest	1·67	2·59	2·01	2·85	2·26	11·38
	2·10	5·24	4·37	6·34	7·89	25·94
<i>Expenses :</i>						
(i) Total administrative expenses	1·68	2·35	2·35	2·75	3·57	12·70
(ii) Salaries & allowances	0·80	1·41	1·33	1·41	1·83	
(iii) Travelling allowances	0·20	0·17	0·26	0·29	0·17	
(iv) Miscellaneous	0·09	0·35	0·32	0·43	0·59	
Ratio of total administrative expenses to total Income	0·8:1	0·4:1	0·5:1	0·4:1	0·5:1	(Average 0·5:1)

	1	2	3	4	5	6	7
Ratio of total administrative expenses to premium Income .		3·9:1	0·9:1	1:1	0·8:1	0·6:1 (Average 0·9:1)	
<i>Claims :</i>							
Paid .			0·75	3·76	4·32	1·55	10·38
Recoveries made .			0·74	1·26	2·62	2·07	6·69
Net claims paid .			0·01	2·50	1·70(—)	0·52	3·69
Ratio of recoveries to claims paid .		1:1	1:1	0·3:1	0·6:1	1·3:1 (Average 0·6:1)	
Total expenses (administrative expenses + net claims paid) .		1·69	2·36	4·85	4·45	3·05	16·40
Ratio of total expenses to premium Income		3·9:1	0·9:1	2:1	1·3:1	0·5:1 (Average 1·1:1)	
Transfer to Underwriting reserve and reserve for unexpired risks (total income—total expenses)		0·41	2·88(—)	0·48	1·88	4·84	
Total Reserves outstanding at the end of the year .		0·41	3·29	2·81	4·69	9·54	

99. It will be seen from the above table that the total premium income of the Corporation during the period 1957 to 1962 was Rs. 14·56 lakhs. The total administrative expenses during this period amounted to Rs. 12·70 lakhs. The ratio of administrative expenses to premium income thus comes to 0·9:1. *The Committee feel that the administrative expenses are on the high side in relation to the premium income. They trust that the Corporation would make vigorous efforts to increase its business to bring down the ratio of administrative expenses to the premium income.*

100. The Corporation works on 'No-profit, No-loss' basis which means that the premium rates are so fixed that the administrative expenses and claims which it has to pay will be adjusted from time to time so that it may neither suffer losses nor make profits. It will be seen from the above table that the total expenses (administrative expenses plus net claims paid) incurred by the Corporation during the period 1957 to 1962 amounted to Rs. 16·40

lakhs. The premium income during this period was Rs. 14.56 lakhs. Thus at the end of 1962, the total expenses of the Corporation (i.e., administrative expenses and net claims paid) were higher than the premium income by Rs. 1.84 lakhs.

Ratio of total expenses to premium income.

101. *The Committee consider that the present working of the Corporation where its expenses are more than its income is unsatisfactory. They, however, feel that with the experience gained during the past few years it should be possible for the Corporation to increase its business and present a better financial picture.*

Reserves.

102. In export insurance, an adverse situation in a single market can involve the Corporation in heavy losses. The Corporation should, therefore, be able to survive from its own reserves in any adverse contingencies. The Corporation's underwriting Reserve and Reserve for unexpired risks as at the end of the year 1962 stood at Rs. 9.54,409 and the maximum liability undertaken at Rs. 19.25 crores. The percentage of reserves to the maximum liability undertaken thus comes to 0.5.

Building of adequate Reserves suggested.

103. *The Committee urge that every effort should be made by the Corporation to build up adequate reserves in the coming years. This is possible only by a substantial increase in the business as also by regulating the premium rates suitably. The earnings of the Corporation should be such as would enable it not only to meet its current expenditure on administration and payment of claims etc. but to build up adequate reserve to meet unforeseen situations.*

X

ORGANISATION

A.—*Board of Directors*

104. The management of the affairs of the Corporation vests in a Board of Directors consisting of 11 members including a Chairman and a Managing Director. They are appointed by the President of India. The Board, as constituted in 1957, consisted of 7 members. Its strength was raised to 9 in 1961 and to 11 in 1963. The present Board consists of 10 members, out of which five are officials and five non-officials. The composition of the Board is at Appendix IV.

B.—*Chairman*

105. The Chairman is appointed by the President of India and holds office for a year. Besides presiding over the meetings of the Board, he has no specific functions or responsibilities assigned to him. Under Article 78 of the Articles of Association, however, he can reserve any proposals or decisions of the Board for the decision of the Government. Since the inception of the Corporation, the Chairman had, however, no occasion to exercise this power.

106. The first Chairman appointed at the inception of the Corporation in 1957 was a non-official. His appointment was renewed from year to year till 1962 when a new Chairman, also a non-official, was appointed. An amendment made to the Articles of Association of the Corporation provides that the President may appoint the Managing Director or any other Director to act as a Chairman. There is thus no bar to an official who is a Director of the Corporation being appointed as a Chairman.

C.—*Managing Director*

107. The Managing Director is appointed by the President of India. He works full time and is the principal executive officer of the Corporation. He holds office for such period as may be fixed by the President. The first Managing Director appointed in 1957 continued in office for five years. A new Managing Director was appointed in 1962.

**D—Central Advisory Council and
Advisory Boards**

108. In pursuance of Article 65 of the Articles of Association of the Corporation, a Central Advisory Council was constituted in February, 1958. The Chairman and the Managing Director of the Corporation were appointed as Chairman and Member-Secretary respectively of the Council. In addition, it had nine members who represented the Indian Banks Association, Exchange Banks Association, Export Promotion Councils and Commodity Boards. The Council held two meetings in 1958 and one meeting in 1959 and made several suggestions which were accepted by the Corporation.

109. It has been stated during evidence that the Council does not exist now. After its term expired it was dissolved and was not reconstituted. The present view is that the Advisory Council was constituted at a time when ERIC's Board was not well represented by non-officials. Now there are five non-officials on the Board and hence it is not considered advantageous to reconstitute the Council.

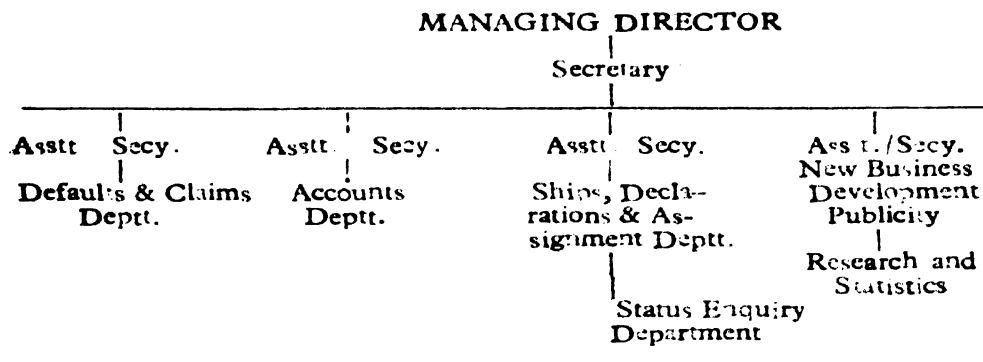
110. Article 65 of the Articles of Association also provides for the setting up of Advisory Boards. Asked as to why no such Boards have been set up by the Corporation, the Secretary of the Ministry stated that at present there are Export Promotion Advisory Committees at the four important port towns, viz., Calcutta, Bombay, Madras and Cochin whose function is to advise on export promotion. These Committees generally meet every two months and matters concerning ERIC are brought before them. In view of the above, the setting up of Advisory Boards of the Corporation was not considered necessary.

**Need for
setting up
of Regional
Boards.**

111. *Whether there should be a Central Advisory Council or Regional Boards is a matter which should be decided in the light of the practical advantages of such a system. The Committee are not sure whether the Export Promotion Advisory Committees in the port towns with their numerous functions are able to look into ERIC's problems in sufficient details and are able to give necessary guidance and advice from time to time. They would, however, suggest that the question of setting up of Regional Advisory Boards of the Corporation at the port towns may be re-examined.*

E—Staff

112. The Head Office of the Corporation is at Bombay. It has Branch Offices at Calcutta and Madras. The Office establishment of the Head Office is as follows:

**F—Functions of Branch Offices**

113. The main functions of the Branch Offices are to procure business, recommend suitable persons to the Head Office, to act as agent for securing business, to carry on liaison with the exporters, policy holders, Export Promotion Councils, Commodity Boards, etc., situated in the respective areas.

G—Calcutta Office

114. The Calcutta Office of the Corporation consists of one Branch Secretary, one Inspector, one U.D.C., one L.D.C. and one peon. The Secretary is paid a salary of Rs. 400 p.m. plus a conveyance allowance of Rs. 100 per month. In addition, he is paid 10% of the premium income of the business secured by him. This Office was opened in March 1959. Prior to that the Corporation had six brokers at Calcutta and an Organiser was appointed to guide and coordinate the efforts of brokers.

115. The following table shows the business secured by the Calcutta Office during the years 1960 to 1962:—

	1960	1961	1962
Number of policies issued	96	103	103
Maximum liab. lit. under these policies (Rs. lakhs)	304	487	412
Risks value (Rs. lakhs)	184	228	373

116. It is noticed that the total exports from Calcutta in 1962 were estimated at Rs. 300 crores out of which the exports insured with the Corporation amounted to Rs. 3.78 crores, i.e. 1.26% only. This percentage was lower than that of the Corporation which was maintained at about 2.7 per cent of India's total exports.

117. During evidence, the Managing Director stated that the business covered by the Calcutta office was nearly one-fifth of the total business of the Corporation whereas the exports from the Calcutta Port represented about 43% of India's total exports. He added that the lower coverage was due to the fact that the main items of exports from Calcutta were Jute and Tea which were traditional items for which the exporters did not feel the necessity of credit insurance keenly. Part of the export trade was also between associates. If these factors were taken into consideration, the performance of the Calcutta office was stated to be somewhat correlated with the total exports.

Strengthening
of Calcutta
Office sug-
gested.

118. *The Committee consider that the poor performance of the Calcutta Branch is mainly due to the organisational weaknesses of the Corporation. It is regrettable that to solicit business from a centre like Calcutta which accounts for 43% of the total exports from the country, there is only one Branch Secretary, one Inspector and four brokers. The Committee would like to emphasise that there is an urgent need to re-organise the activities of the Corporation in this region. As regards exports of traditional items from Calcutta port, they have no doubt that with the growing competition in world markets to offer goods on credit terms and the development of new markets for the country's exports, the exporters of these items also will eventually recognise the utility of export risks insurance. The Committee suggest that steps may be taken to strengthen the field organisation of the Corporation, intensify its publicity programmes and establish greater contacts with the Export Promotion Councils, Commodity Boards etc. in this region.*

H—Madras Office

119. The Madras Office has been put in charge of an Organiser who looks after the insurance needs of exporters in Madras and Kerala. It is a sort of one-man office and not a full-fledged office like the Calcutta Branch Office. The

total exports from the Madras Port and the business secured by the Madras Office during the years 1960 to 1962 is given below:—

	1960	1961	1962
1. Total exports from Madras (Rs. in lakhs)	47.97	43.35	54.85
2. No. of policies secured by Madras Office.	24	27	24
3. Maximum Liability under the policies (Rs. in lakhs)	60	42	50

120. It is noticed that while the total number of policies issued and the maximum liability undertaken by the Corporation showed a steady rise during the years 1960 to 1962 (vide para 65), the performance of the Madras Office in these respects has been very poor. During evidence, the Managing Director admitted that there was scope for improvement in this matter.

121. The Committee feel that the slow progress is mainly due to a lack of a strong field organisation and the inadequate publicity about the activities of the Corporation. The Committee trust that effective measures would be taken to put the Madras Office on a more sound and systematic footing.

Slow progress of business at Madras Office.

I—Opening of an Office at Cochin

122. The value of exports from the port of Cochin during the years 1960, 1961 and 1962 was Rs. 63.55 crores, Rs. 62.67 crores and Rs. 71.10 crores respectively. The Committee have been informed during evidence that the insurance needs of exporters in Cochin and other ports on the West Coast are looked after by the brokers who work directly under the head office. During evidence, the Managing Director stated that Cochin was an important export centre and it might be possible to have a small office there.

123. The Committee consider that it would not be desirable to totally depend on the brokers for securing business in an important growing port like Cochin. They suggest

Opening of Office at Cochin suggested.

that an Office on the lines of the present Madras Office may be set up at Cochin to guide and supervise the work of the brokers in this region as also to establish greater contacts with the exporters.

J—Field Workers

124. To popularise and secure business, the Corporation employs three categories of Field workers, *viz.*, Inspectors, Organisers and Brokers.

Inspector.

125. The Corporation has appointed two Inspectors at Bombay and one at Calcutta. They canvass business for the Corporation and also guide the policy-holders in complying with the various terms and conditions that are to be fulfilled by them. They are whole-time employees of the Corporation. In addition to their salary, they are paid a conveyance allowance of Rs. 50 per month. From 1st September, 1963, they are also paid commission at the rate of $2\frac{1}{2}\%$ of the premium earned on the fresh business secured by them. An Inspector is required to secure at least 50 fresh policies in a year with a total maximum liability of a crore of rupees.

Organisers.

126. The Corporation has two Organisers, one at Madras and the other at Madurai. They are paid a commission at the rate of 10% of the premium earned on the business directly secured by them, and an over-riding commission @ $2\frac{1}{2}\%$ of the premium earned on the business secured by the brokers appointed on their recommendations. In addition to the commission, the Organiser at Madras receives an allowance of Rs. 100 per month for looking after the Madras Office of the Corporation.

127. An Organiser was appointed at Delhi, but his services were terminated as he did not secure much business. In his place there are at present two brokers working in this area.

128. The Organisers are appointed for a period of one year, but the appointment can be terminated by giving one week's notice. The Committee learn that there was a proposal to bring the Organisers on regular pay rolls, but that the opinion of the Board on this matter was not unanimous. The Managing Director is of the view that

the performance of Organisers would be better if their lot could be improved.

129. *The Committee would like it to be realised that Organisers of the Corporation would give their best if suitable incentives are given to them. They urge that efforts should be made to improve their conditions of service so that the best persons are attracted to the export credit insurance business and are able to contribute their utmost to the Corporation.*

Improvement in conditions of service of Organisers.

130. The Corporation appoints brokers at various places to secure business for the Corporation. They are appointed in the following manner:—

Brokers.

- (i) By advertisement.
- (ii) On the recommendation of Banks, Export Promotion Councils, Chambers of Commerce, etc.
- (iii) On the recommendations of Inspectors and/or Organisers.
- (iv) Direct applications.

131. The appointment is for a period of one year and can be terminated by giving one week's notice. They are paid a commission at the rate of 10 per cent of the premium income on the business secured by them personally. Every broker is required to secure at least 3 policies from different exporters during the course of a year. If a broker fails to fulfil this condition, he is not entitled to any commission. His work is watched for one more year and if he does not show any progress, his appointment is terminated.

132. The table below indicates the number of active brokers on the rolls of the Corporation during the years 1960 to 1962:—

Year	Eastern Region	Western Region	Northern Region	Southern Region
1960	7	12	2	9
1961	3	6	3	14
1962	4	12	3	13

133. The percentage of business secured by brokers region-wise during the years 1960 to 1962 is given below:—

Region	1960			1961			1962		
	No. of policies	Maximum Liability in Rs. lakhs	Percentage	No. of policies	Maximum Liability Rs. in lakhs	Percentage	No. of policies	Maximum Liability Rs. in lakhs	Percentage
Eastern	94	332	40.8	102	419	33.3	65	352	22.4
Western	40	126	15.5	45	154	12.3	49	240	15.2
Northern	6	5	0.62	18	23	1.8	10	20	1.3
Southern	55	141	17.3	73	164	13.11	86	179	11.4

134. It will be seen from the table above that there is a disproportionate distribution of brokers in various regions.

135. The Committee have been informed that the reason for this is that great difficulty is experienced in securing the services of brokers in Calcutta region whereas in the South many people offer to work as brokers.

136. The Committee have been informed during evidence that the total remuneration that a broker receives by way of commission on the business that he is able to secure is generally insufficient to enable him to work whole time. The Corporation gives them a commission of 10% which is based on the commission given on Marine insurance. As the quantum of marine insurance is much more than that of credit insurance, the brokers appear to be more interested in that field of work. The Managing Director further informed the Committee that a proposal to increase the rate of commission as an inducement to the brokers to be more energetic, was discussed in the Business Committee of the Board of Directors of the Corporation. It was felt that any such increase might lead to some difficulties because the Corporation had based their Commission on the marine insurance where it was 10%.

Fixing rates of Commission on Slab basis to be examined.

137. The Committee suggest that the feasibility of introducing Commission rates for the brokers on a slab basis so as to encourage larger volume of business may be examined by the Corporation. They would also recommend

that efforts should be made to induce the clearing agents at the ports to work as agents of the Corporation.

K—Training

138. For the benefit of the staff, ERIC proposes to have a short training course which would give them general idea of India's foreign trade, the functions and purpose of ERIC, its role in export finance, etc. During evidence the Managing Director stated that the Export Credit Guarantee Department of U.K. has a regular system of training of their staff. The duration of the course is one year. He added that he had made a proposal to the Government for sending the Secretary and one of the Assistant Secretaries of the Corporation to study the working of the Export Credit Guarantee Department, in U.K. and Hermes in Germany for a period of 3 months under the grants-in-aid scheme of the Ministry whereby half the money would be given by ERIC and half by the Government.

139. *The Committee hope that the export risks insurance business being new in the country, proper care and attention would be given to training. They recommend that a scheme of training of the staff at various levels should be drawn up and implemented early. While it may not always be possible to depute officers of the Corporation for training abroad, the maximum advantage of the experience of similar organisations in foreign countries could be derived by collecting information about their working through Indian embassies as well as by contacts with the officers of these organisations during the meeting of the Berne Union.*

**Adequate
Training
suggested.**

XI

MISCELLANEOUS

A—Annual Reports

140. The following table shows the dates on which the Annual Reports of the Corporation were laid on the Table of the House:—

Period covered by the Report	Date on which laid	Time taken in laying after close of the year
First Report (30-7-57 to 30-9-58)	27-4-59	7 months
Second Report (1-10-58 to 31-12-59)	8-4-60	3 months 7 days
Third Report (1-1-60 to 31-12-60)	8-9-61	8 „ 7 „
Fourth Report (1-1-61 to 31-12-61)	19-6-62	5 „ 18 „
Fifth Report (1-1-62 to 31-12-62)	6-9-63	8 „ 5 „

141. It will be seen that the Corporation's Annual Reports for the years 1960 and 1962 were laid on the Table of the House as late as in September of the following year. Explaining the reasons for this delay, the Managing Director stated that the annual accounts were usually passed by the Board in January, and audited by the Comptroller & Auditor General in March. These were then approved at the share holders meeting and sent to the press which took about two months time. The Managing Director felt that the earliest the reports could be submitted was round about the month of June. He promised that efforts would be made to lay the annual reports without delay.

142. *Since the Annual Reports of State enterprises are the only authoritative media for informing the Parliament and public about their operations and their financial conditions, it is essential that Parliament should be seized of these reports within the least possible time after the expiry*

Annual Report to be presented expeditiously.

of the accounting year. The Committee hope that the Annual Reports of the Corporation would in future be presented to Parliament expeditiously.

B—Pattern of Annual Reports

143. It is noted that no standard pattern for the inclusion of the material in the Annual Reports is being followed by the Corporation as would be evident from the following instances:—

- (i) In the First Annual Report information was given regarding the number of proposals for insurance received and those which resulted in policies. This information was not given in the subsequent reports.
- (ii) In the second Annual Report, a Statement showing the classification of policies by volume was given. This information was not available in the subsequent reports.
- (iii) In the second Annual Report a table had been given showing the coverage of the Corporation in respect of major export commodities. This table had not been given in the subsequent reports.
- (iv) In the Third and Fourth Annual Reports an analysis of types of policies issued had been given. This analysis did not find a place in the earlier and subsequent reports.
- (v) In the Fifth Annual Report a comparative statement of business done by the Corporation during the years 1960, 1961 and 1962 had been given. Such statements were not included in the earlier reports.

144. During evidence the Managing Director stated that the report for the year 1962 was prepared on the pattern of the Canadian, Australian, South African and U.K. Reports of similar organisations. He however, agreed to submit the reports in future in accordance with directives and the pattern prescribed by the Government in this regard. Asked whether details of exports countrywise insured by the Corporation could be included in the Annual Report, the Managing Director stated that it would be possible to give brief analysis showing general directions and trends.

Presentation of more detailed and exhaustive reports suggested.

145. The Committee consider it desirable that the Annual Reports and Accounts of Public undertakings placed before Parliament should be made more detailed and exhaustive than at present. In this connection the Committee would like to draw attention to a similar recommendation contained in their 16th Report (First Lok Sabha). The recommendation was also reiterated in the 19th Report (Second Lok Sabha). The Committee would, therefore, recommend that besides the points mentioned at (i) to (v) in para 143 above, the following data might also be suitably included in the Annual Reports:—

- (i) Details showing Country-wise, the value of risks covered by the Corporation.
- (ii) Details showing commodity-wise, the value of risks covered by the Corporation.
- (iii) A short account of the business transacted by the Branch Office
- (iv) Illustrative character of progress of business of the

C—Accounts

146. Export Risks Insurance Corporation. The following is the calendar year for the presentation of its accounts. The Estimates Committee in their Twentieth Report (Second Lok Sabha) recommended that, to facilitate the activities of the public undertakings, it would be desirable that they should have the same financial year, namely the same as that of the Government. In their reply, the Government had stated that the Corporation was a member of the Insurance Corporation to whom the regulations, accorded for a calendar year and it would not, therefore, be possible to change its financial year, as then it would have to finalise the accounts twice. During the evidence also, the Managing Director stated the present arrangement had worked satisfactorily.

147. In this connection the Committee note that recently the Life Insurance Corporation of India has changed its accounting period from calendar year to financial year.

148. *If the requirements of the Berne Union could be met by supplying accounts according to the financial year or in any other way, the Committee feel that it would be advantageous for the Corporation to change its accounting period from calendar year to financial year.* **Change of Accounting year suggested.**

D—Publicity

149. The Corporation publicises its activities through press advertisements, press conferences, press releases, by publishing articles in magazines and journals, and by issuing informative hand-outs periodically. The expenditure incurred by the Corporation on publicity during the years 1960, 1961, and 1962 was Rs. 7,965, Rs. 10,117 and Rs. 12,558 respectively. A total sum of Rs. 25,000 was proposed to be spent on this account during the year 1963.

150. The Corporation has recently drawn a plan for issuing press insertions about ERIC in a number of newspapers and journals. In this connection, the Managing Director stated during evidence that in selecting newspapers for advertisements, the Corporation took into account the main centres of export trade and the circulation of newspapers. On a suggestion made to him, the Secretary to the Ministry agreed to examine the question as to whether advertisements of all the public undertakings could be channelled through the Director of Advertising and Visual Publicity, Ministry of Information and Broadcasting. It was added that the Managing Director of ERIC and the Director of Commercial Publicity might work out the publicity details. It was further stated that some of the Export Promotion Councils had agreed to publish ERIC's advertisements *gratis*, but there were others which desired payment for the same.

151. *The Committee feel that as publicity is essential for any insurance business, greater stress should be laid on increased publicity. They suggest that the Corporation and the Directorate of Commercial Publicity should work out plans by which its activities or articles and advertisements on ERIC can find place in journals of trade and industry. In this connection they would also like to draw attention to a recommendation made by them in their 158th Report (Second Lok Sabha) on the Ministry of Information and Broadcasting, Directorate of Advertising* **Increased publicity essential.**

and Visual Publicity, etc. and would suggest that the advertisements of all the public undertakings should be channelled through the Directorate of Advertising and Visual Publicity.

E—Liaison with Banks

152. The Corporation has stated that its policies, though not a gilt-edged security, are a useful collateral acceptable to most banks on the basis of which the exporter can secure a line of credit by assigning his policy to the lending institution. It has, however, been represented by various chambers of commerce that banks are not giving full co-operation in giving advances with the result that the export trade of the country is hampered.

153. It has been stated during evidence that in U.K. and Germany the banks always encourage the exporters to take policies with their respective export credit insurance organisations. In U.K. a kind of preferential treatment is given by the banks to exporters who insure their goods. In this connection the Secretary of the Ministry felt that the U.K. pattern could be followed in India as that would be advantageous. He said that he would call a meeting with the banks and look into the possibilities of following this practice.

154. As regards liaison with the banks, the Managing Director stated that ERIC maintains contacts with the Head Offices of the principal banks in India. However, there have not been any formal discussions with the Reserve Bank or Banks Association, but such a discussion, he felt, would be helpful. The Corporation proposes to establish greater contacts with banks by holding seminars at Bombay, Calcutta and Madras.

**Need for
Greater
liaison with
banks.**

155. *The Committee recommend that ERIC should have formal discussions with the banks as also with the associations of banks and persuade them to render suitable financial assistance to the exporters holding ERIC's policies. They also suggest that Government should in consultation with the Reserve Bank of India and other principal banks examine the possibility of giving preferential credit facilities to insured exporters on the pattern of the*

procedure followed in U.K. In this connection the Committee would also invite attention to their recommendation made in para 69 of this report.

F—Liaison with Export Promotion Councils|Commodity Boards

156. For the promotion and development of export trade, Export Promotion Councils and Commodity Boards have been set up for a number of commodities. During evidence the Managing Director stated that he holds meetings periodically with these councils boards to see what steps could be taken to secure more business for the Corporation. The Ministry also holds quarterly meetings with the Chairman, Secretaries of the Export Promotion Councils. Commodity Boards in which ERIC is also represented.

157. During evidence, the Managing Director stated that one Export Promotion Council has agreed to give to the Corporation its whole business amounting to about six crores of rupees. The Corporation is now thinking in terms of bulk insurance business with the help of these Councils.

158. *The Export Promotion Councils, Commodity Boards and Export Risks Insurance Corporation—all function with the common objective of fostering the country's export trade and should work in close liaison with each other. It is noticed that, although some efforts have been made in this direction recently, there has not been effective co-ordination between ERIC and these Councils/Boards. The Committee consider that the Corporation would have achieved a greater measure of success if this effort had been initiated much earlier. They would suggest that close contacts with the Export Promotion Councils and Commodity Boards should be maintained and their co-operation solicited in publicising the activities of the Corporation as also in securing larger amount of insurance business.*

Need for greater co-ordination with Export Promotion Councils/Commodity Boards.

G—Berne Union

159. Export Risks Insurance Corporation is a member of the International Association of Export Credit Insurers—Union D' Assurers Des Credits Internationaux—popularly known as 'Berne Union'. It has at present 24 members representing the more important industrial and exporting

countries. It is a useful forum for exchange of ideas and information on the experience of the credit insurers of the world. By common concord, it has evolved some salutary principles of credit insurance and codes of discipline. It also furnishes valuable technical information.

160. The Committee have been informed that the Berne Conventions are held twice a year but due to the foreign exchange difficulties the Managing Director of ERIC attends the Convention only once a year. It has been pointed out that India is the only absentee in those Conventions.

**Need for
regular
participation
at the Berne
Convention.**

161. *The Committee appreciate that the risks involved in offering goods on credit terms are by no means small. It is therefore necessary for the Corporation to keep abreast of the knowledge and experience of organisations abroad. They would, therefore, suggest that the feasibility of ERIC being represented at these Conventions regularly may be examined by the Government.*

XII

ESTABLISHMENT OF EXPORT CREDIT AND GUARANTEE CORPORATION

162. In May 1962, a Study Group was appointed by the Government to review the credit facilities available in the country for developing India's export trade and to consider, among other things, whether it was necessary to set up an "Export Finance Corporation" or an "Export Credit and Guarantee Corporation." The Study Group had, in its report submitted in April 1963, recommended the setting up of a new institution to be called the "Export Credit and Guarantee Corporation". As ERIC is performing certain functions which are in the nature of credit guarantees (e.g., its packing credit policies), the Study Group had recommended that in order to avoid any overlapping or duplication of effort, it should be merged in the new institution. The Study Group had proposed that the new institution should have the following functions:—

- (a) To administer the schemes of export risk insurance at present handled by Export Risk Insurance Corporation;
- (b) to administer schemes of guarantees which may be approved from time to time with a view to remedying the various gaps in the system of export credit in the country;
- (c) to provide such supplementary credit facilities as are essential for promotion and development of exports; and
- (d) to perform such other functions as Government may assign to it from time to time in regard to export credit and guarantees.

Establish-
ment of
E.C.G.C.

163. Government accepted in principle the above recommendation *vide* Ministry of International Trade Resolution No. 29(1)EXP/63, dated the 3rd January, 1964. The Union Government have since transformed the Corporation into an 'Export Credit and Guarantee Corporation'.

NEW DELHI;

The 11th March, 1964.

The 21st Phalguna, 1885 (Saka).

ARUN CHANDRA GUHA,

Chairman,

Estimates Committee.

APPENDIX I

(Vide Para. 7)

The objects for which the Corporation was established are:—

- (1) to encourage, facilitate and develop trade between India and other countries;
- (2) to give guarantees to or for the benefit of persons carrying on business in India being guarantees in connection with exports, manufacture, treatment, or distribution of goods, the rendering of services or any other matter which is conducive to the objects of the company;
- (3) for the purpose referred to above, to give guarantees to or for the benefit of persons residing in or belonging to a foreign country, being guarantees in connection with goods exported or services rendered from India;
- (4) to give facilities for financing exports;
- (5) to act as agent of the Government or with the sanction of the Government on its own account, to
 - (a) give guarantees, undertake responsibilities and discharge such functions which are considered by the Government as necessary in national interest,
 - (b) provide financial help for the purchase of Indian exports on extended payment terms,
 - (c) give guarantees to, and share expenses incurred on market surveys, publicity, stock-holding, and other promotional measures for the development of a market if such expenses are not fully recouped by sales made in that country,
 - (d) to provide in the case of approved parties financial guarantees to Banks and others with

no risk to them but with recourse to the exporter, wherever necessary in connection with the export of goods;

- (6) to act as a debt collecting agency;
- (7) to cede to or accept reinsurances from other organisations who carry on the business of credit risks insurance;
- (8) to collaborate and associate with other credit risks insurers for furthering its objects;
- (9) to pay all costs, charges and expenses incurred in or about the promotion and establishment of the company or which the company shall consider to be in the nature of preliminary expenses including therein the cost of advertising, printing and stationery and expenses attendant upon the obtaining of information necessary for its business and the formation of agencies and opening of branches;
- (10) to carry on any other business which may seem to the company capable of being conveniently carried on in connection with other objects of the company;
- (11) to invest the moneys of the company not immediately required in such manner as from time to time may be determined;
- (12) to do whether in India or elsewhere all or any of the above things and all such other things as are necessary or convenient to be done for or in connection with or as incidental to the carrying on of its business and, in particular, to
 - (a) employ officers and employees and to provide for their welfare and the welfare of the wives, widows and families of such persons by establishing provident or other funds, by grant of money, pensions or other payments,
 - (b) purchase, take on lease, hire or otherwise acquire, hold and dispose of land, buildings, goods or other properties,

- (c) construct, maintain, alter any buildings necessary or convenient for the purpose of the company,
- (d) appoint agents, advisers and attorneys,
- (e) institute and defend legal proceedings,
- (f) advertise its services,
- (g) obtain and pay for information necessary for its business,
- (h) open branch and other offices,
- (i) appoint advisory boards and councils,
- (j) draw, make, accept, discount, execute, issue and negotiate bills of exchange and promissory notes, debentures and other negotiable or transferable instruments,
- (k) borrow or raise or secure payment of money in such manner as the company shall think fit and, in particular, by the issue of debentures or debenture stock, perpetual or otherwise charged upon all or any of the company's property both present and future including its uncalled capital and to purchase, redeem or pay for any such security,
- (l) receive grants, loans, advances, or other moneys on deposit or otherwise from Central Government, banks, companies, trusts, or individuals with or without allowance of interest thereon.

APPENDIX II

(Vide para. 14)

Statement showing India's exports Country-wise and the value of exports covered by the Corporation during the years 1960, 1961 and 1962

Sl. No.	Name of the country	India's Exports			Risk value			Percentage covered		
		1960	1961	1962	1960	1961	1962	1960	1961	1962
1	2	3	4	5	6	7	8	9	10	11
		(Rs. in thousands)			(Rs. in thousands)					
1.	Aden (including protectorate)	50492	57301	47666	3205	5609	4669	6.3	9.8	9.8
2.	Afghanistan	60491	53126	61738	252	397	86	0.4	0.7	0.1
3.	Albania	..	..	..	..	..	..	..	..	..
4.	Algeria	2106	2393	1497	2	..	..	Negl.	..	..
5.	American Samoa (Including Swains Island)	55	8	26	..	..	..	..	..	..
6.	Andorra	..	..	..	..	..	..	..	..	..
7.	Angola	816	629	249	1	..	8	Negl.	..	3.2

I	2	3	4	5	6	7	8	9	10	11
			(Rs. in thousands)		(Rs. in thousands)					
22.	Brazil	3483	1562	2292	34	..	..	1.0	..	..
23.	Brunei	2	3	Negl.	..	..	..	..	..	..
24.	Bulgaria	1457	3584	17443	..	..	..	..	..	..
25.	Burma	68108	57648	50099	96	28	1743	0.1	Negl.	3.4
26.	Cambodia	8567	11832	9258	..	..	..	..	..	..
27.	Canada (including Newfoundland and coast of Labrador)	170337	171977	228397	645	1507	2705	0.4	0.9	1.2
28.	Canary Islands	96	257	256	..	..	..	..	..	..
29.	Cape Verde Islands	Negl.	5	..	..	..	..	..	..	..
30.	Ceylon	193464	169533	149685	4348	6787	3390	2.2	4.0	2.3
31.	Channel Islands	16	50	26	..	..	..	..	..	..
32.	Chile (including the Pacific coast of Pata- gonia)	13048	18472	14223	197	234	2018	1.5	1.3	14.2
33.	China (including Man- churia but excluding Hongkong and Maco).	55897	1931	1880	1129	3	..	..	Negl.	..
34.	Colombia	796	809	409	..	..	..	..	..	..

	1	2	3	4	5	6	7	8	9	10	11
--	---	---	---	---	---	---	---	---	---	----	----

(Rs. in thousands) (Rs. in thousands)

51. Fisheries . . . . .	..	..	..	..	..	..	..	..	..	..	..
52. Formosa	297	556	985	..	..	..	..	..	..	..	..
53. France (including Corsica and Monaco)	74371	81813	80526	72	252	1191	0.1	0.3	1.4	..	..
54. French Equatorial Africa	1033	1238	259	..	..	..	..	..	..	..	..
55. French Oceania Including Interatala Tahiti)	208	130	109	..	26	..	..	20.0	..	..	..
56. French West Indies (Gurradalope and Martinique)	64	73	3	..	..	..	..	..	..	..	..
57. Gambia	1591	4000	1777	6	63	8	0.4	16	0.4	..	..
58. Germany East	39095	33338	85024	1567	2287	11902	4.0	6.9	14.0	..	..
59. Germany West (including Saar)	184392	211861	146392	1958	12612	8060	1.0	5.9	5.5	..	..
60. Ghaba (Gold Coast)	17027	24588	18511	412	282	181	2.4	1.1	1.0	..	..
61. Gibraltar	353	207	183	4	3	..	1.1	1.4	..	..	..

	8	1	Negl.						
62. Gilbert and Ellice Islands									
63. Greece (including Crete and Dodecanese)	2847	3246	6788	14	85	341	0.5	2.0	3.3
64. Greenland	6	..	23	..	..	..	..	..	..
65. Guam	4	9	11	..	..	..	..	..	..
66. Guatemala	15	5	10	3	..	..	..	..	..
67. Guiana British	4065	2582	3078	296	218	424	7.3	8.4	13.8
68. Guiana French	..	24	435	..	..	..	..	..	..
69. Haiti	1470	677	1188	234	23	45	15.9	3.4	3.8
70. Honduras British	509	504	1171	76	113	130	14.9	22.4	11.1
71. Honduras (not British)	383	431	575	..	..	..	..	..	..
72. Hong Kong	24686	31164	39057	454	1638	10496	1.8	5.2	26.8
73. Hungary	11143	33056	65246	111	1531	14028	1.0	4.6	21.5
74. Iceland	349	665	787	..	..	..	..	..	..
75. Iran	46282	49785	59785	1384	2031	2253	3.0	4.1	3.8
76. Iraq	32844	28224	35859	3241	1570	1360	9.9	5.6	3.8
77. Irish Republic	55982	41157	47109	3736	2796	4072	6.7	6.8	8.6
78. Israel	87	176	141	..	..	..	..	..	..

94. Luxembourg	..	6	665	..	2	..	..	40.0	..
95. Macao	..	..	..	..	..	..	..	..	..
96. Madagascar Kerguelon	1885	..	4369	..	..	2	..	..	Negl.
97. Maldives	297	..	593	..	..	..	..	..	..
98. Malta and Gozo	733	..	825	..	86	113	I	10.3	13.7
99. Mauritius and dependencies	..	10381	11236	124	278	490	1.2	2.2	0.4
100. Mexico	..	617	921	128	8	..	20.7	1.1	..
101. Mongolian People's Republic	..	..	8	..	..	..	..	..	..
102. Morocco	..	4609	10096	22	321	388	0.5	2.5	3.3
103. Mozambique	..	8810	10305	3	4	..	Negl.	Negl.	..
104. Muscat and Oman	..	3865	5213	26	232	268	0.7	3.7	5.1
105. Nauru	..	..	..	..	..	..	..	..	..
106. Nepal	..	989	803	..	..	..	..	..	..
107. Netherlands	..	71327	83326	211	865	2239	0.3	0.9	2.1
108. Netherlands Antilles	..	88	147	..	3	4	..	2.4	2.7
109. Netherlands New Guinea	..	29	21	..	..	..	..	..	..

	1	2	3	4	5	6	7	8	9	10	11
				(Rs. in thousands)							
				(Rs. in thousands)							
110	New Galendonia (French)	26	14	3	—	—	—	—	—	—	—
111	New Guinea	2109	1707	1548	8	6	..	0.4	0.3	—	—
112	New Hebrides (Br. & Fr. Condominium)	2	5	35	..	..	..	..	..	..	..
113	New Zealand'	78490	70137	69299	210	502	960	0.3	0.7	1.4	1.4
114	Nicaragua	718	2757	3594	..	168	2	..	6.1	Negl.	Negl.
115	Nigeria (including Cameroons under Br. Trusteeship)	50230	78281	61103	613	1040	1029	12.2	1.3	1.7	1.7
116	Niue Islands (N.Z.)	..	14	..	..	..	..	..	..	..	..
117	Norfolk Island (Australian Dependency)	..	..	13	..	..	..	..	..	..	..
118	North Borneo & Labuan	103	343	284	..	..	..	..	..	..	..
119	Norway	11070	12577	9282	23	37	176	0.2	0.3	1.9	1.9
120	Nysaland	1983	4025	5420	170	724	819	8.6	18.0	15.1	15.1
121	Other Pacific Islands	8	2	21	..	..	..	..	..	..	..

	1	2	3	4	5	6	7	8	9	10	11
136 Reunion	.		460	..	Negl.	..	..	..	..	..	..
137 Rhodesia Northern			1919	2496	3246	123	681	793	1.0	3.5	3.6
138 Rhodesia Southern			10369	17211	19016	..	..	..	..	..	..
139 Romania	.		14227	19548	34406	..	..	..	..	..	..
140 Salvador	.		28	24	51	..	..	..	..	..	..
141 Sao Thome et Principe			33	42	4	..	..	..	..	..	..
142 Sarawak	.		1501	1055	200	..	..	..	..	..	..
143 Saudi Arabia	.		42627	30652	29382	103	183	253	0.2	0.6	0.9
144 Seychelles	.		821	1112	1226	3	4	..	0.4	0.3	..
145 Sierra Leone	.		5186	7855	5295	33	115	540	0.6	1.5	10.2
146 Singapore	.		68500	84025	81783	3136	3212	2908	4.6	3.8	3.5
147 Solomon Islands, British	.		63	163	180	..	..	..	..	..	..
148 Somalia	.		5550	5294	5269	278	660	1530	5.0	31.3	29.0
149 South West Africa	.		1	99	3	..	..	..	..	..	..
150 Spain	.		9877	6518	21265	32	7	30	0.3	0.1	0.1

I	2	3	4	5	6	7	8	9	10	11
166	Tonga	93	75	155	..	..	3	..	..	1.9
167	Trinidad and Tobago	3772	2892	4531	162	172	269	4.3	5.9	5.9
168	Tuniss	3147	3325	745	..	235	..	..	7.1	..
169	Turkey	30542	36023	44561	..	..	..	..	..	..
170	Uganda	6347	7398	4881	359	370	222	5.6	5.0	4.5
171	Union of South Africa	858	956	769	..	..	..	..	..	..
172	United Kingdom . .	1700779	1622826	1575054	11940	18721	20236	0.7	1.1	1.3
173	United States of America	985251	1128827	1125329	6009	3027	4971	0.6	0.3	0.4
174	Uruguay	3829	4340	6715	..	..	..	..	..	..
175	Union of Soviet So- cialist republic . .	298679	310663	354588	..	2892	5750	..	0.9	1.6
176	Venezuela	123	159	179	..	18	..	12.2	11.3	..
177	Viet Nam, Democratic Republic of	66	1767	466	..	..	..	..	..	..
178	Viet Nam South . .	7755	3032	6135	..	..	70	..	..	1.1
179	Virgin Islands of the United States	44	40	122	..	..	..	..	..	..

180 West Africa, French
(including the Cameroons and Togoland under French Trusteeship)

181 West Africa, Spanish	12	1161	100	4	14	..	0.1	0.1	..
182 Western Samoa (N.Z.)	70	75	163	..	7	8	..	9.3	4.9
183 Windward Islands	429	346	989	32	..	65	7.4	..	6.6
184 Yemen	10	187	..	..	..	..	..	..	..
185 Yugoslavia	33828	44695	102830	2260	6278	7318	6.7	14.0	7.1
186 Zanzibar and Pemba	3607	3378	2838	42	169	143	1.2	5.0	5.0

TOTAL . 6215890 6554160 6658771 69589 114760 181067

Error . (-)64 (+)50 (+)13 .. (-)45 (-)12

GRAND TOTAL . 6215826 6554210 6658784 69589 114715 181055 1.1 1.7 2.7

APPENDIX III

(Vide para 18)

Statement showing India's exports commodity-wise and the value of exports covered by the Corporation, during the years 1960, 1961 and 1962.

Serial No.	Particulars	India's Exports		Risk Value		Percentage covered				
		1960	1961	1962	1960	1961	1962	1960	1961	1962
1	Live Animals	9,886	9,328	7,560	115	534	102	1.2	5.7	1.3
2	Meat and Meat Preparations	8,978	10,901	15,608	13	9	2	0.1	0.1	Negl.
3	Fish and Fish Preparations	44,694	43,394	34,815	98	63	54	0.2	0.1	0.1
4	Cereal & Cereal Preparations	775	1,032	12,00	194	92	156	25.0	8.9	13.0

5	Fruits & Vegetables	2,46,013	2,62,430	2,58,995	190	697	2,017	0.1	0.3	0.8
6	Sugar and Sugar Preparations	16,717	1,45,952	1,56,922	..	..	..	..	..	..
7	Coffee, Tea, Cocoa & Spices	14,45,385	14,99,217	14,79,421	11,898	16,641	22,537	0.8	1.1	1.5
8	Feeding Stuff for Animals	1,65,308	1,66,414	2,89,862	382	2,127	15,034	0.2	1.3	5.2
9	Other Food Products	5,346	3,828	1,894	681	310	457	12.7	8.1	24.1
10	Beverages	17	55	10	..	..	..	..	..	..
11	Tobacco & Tobacco Manufactures	1,57,254	1,58,918	1,93,971	75	904	160	Negl.	0.1	0.1
12	Hides & Skins	27,27,58	3,45,394	3,29,884	60	7,155	7,783	Negl.	2.0	2.3
13	Oil seeds, oil nuts & oil Kernels	43,666	42,936	48,095	122	1,544	3,207	0.3	3.6	6.7
14	Raw Rubber	34	22	52	..	6	11	..	27.2	21.1
15	Wood, Lumber & Cork	24,176	26,754	30,526	266	131	141	1.1	0.9	0.5
16	Pulp & Paper waste	1	875	366	..	..	..	..	..	..
17	Fertilizers	2,740	2,241	1,316	..	1	..	..	Negl.	..
18	Metallic Ores and Metal Scrap	5,04,503	5,01,730	4,36,053	3,478	2,553	2,383	0.7	0.5	0.5

	1	2	3	4	5	6	7	8	9	10	11
19 Crude Materials (Animals & Vegetables)		2,35,306	2,07,629	1,90,444	401	2,712	279	Negl.	1.3	0.1	
20 Mineral Fuels & Lubricants		87,262	57,733	65,451	..	..	..	..	..	..	..
21 Animal and Vegetable oils & Fats		1,01,671	57,676	1,00,870	101	4,546	28,775	0.1	7.9	28.5	
22 Chemicals		69,374	79,157	74,651	656	943	2,291	0.9	1.2	3.1	
23 Leather Mfrs. (excluding footwear)		1,330	1,191	1,534	135	722	415	10.1	60.6	27.0	70
24 Rubber Mfrs.		3,837	4,074	6,705	106	94	63	2.8	2.3	0.9	
25 Wood & Cork Mfrs..		1,121	650	841	8	1	16	0.7	0.2	1.9	
26 Paper and Paper-board.		5,313	7,098	7,105	615	..	..	..	8.7	..	..
27 Articles made of paper and Paper Board		693	1,051	1,092	9	..	5	..	..	..	..
28 Non-metallic mineral Mfrs.		26,758	27,219	16,056	1,195	2,244	3,224	4.5	8.2	20.1	
29 Silver, Palatinum Gems & Jewellery		17,229	13,312	13,102	144	107	132	0.5	0.8	1.0	

30	Base Metals	82,248	1,16,944	23,301	1,116	2,275	1,049	1.3	1.9	4.5
31	Engineering Goods	94,872	1,10,508	1,30,664	11,207	11,019	10,920	11.8	2.05	8.3
32	Footwear	31,298	23,647	26,623	257	78	17	0.8	0.3	0.1
33	Printed Matter	9,031	10,182	9,951	8	24	4	0.1	0.2	Negl.
34	Coir and Coir Products	87,800	1,06,500	1,21,700	2,242	6,452	10,903	2.5	6.5	9.0
35	Raw wool and other animal hair	81,700	84,100	65,200	10	34	8	Negl.	Negl.	Negl.
36	Woollen goods	48,200	44,600	41,400	1,524	1,581	1,985	3.2	3.5	4.8
37	Raw Cotton and Cotton Waste	1,07,500	1,86,600	1,27,400	22	343	1,086	Negl.	0.2	0.8
38	Cotton Piece goods & other Cotton Mfrs.	6,50,800	5,48,000	5,47,500	26,139	36,761	50,130	4.0	6.7	9.1
39	Silk, Art Silk & other synthetic fabrics	46,834	62,014	86,494	2,478	2,441	3,539	5.3	3.9	4.1
40	Jute Goods	13,28,800	14,75,700	16,16,800	754	4,395	9,545	Negl.	0.3	0.6
41	Lac	63,100	51,700	47,200	102	116	115	0.2	0.2	0.2
42	Others	76,498	55,495	50,150	3,403	4,445	2,510	4.4	8.0	5.0
Total		62,15,826	65,54,210	66,58,784	69,589	1,14,715	1,81,055	1.1	1.7	2.7

APPENDIX IV

(Vide Para. 104)

Composition of the Board of Directors of Export Risks Insurance Corporation, Ltd.

1. *Chairman*—Shri Ram Nath Podar (non-official).

Directors

1. Shri S. D. Srinivasan, Managing Director, L.I.C., Bombay.
 2. Shri V. G. Pendharkar, Economic Adviser in Reserve Bank of India, Bombay.
 3. Shri R. G. Saraiya—non-official.
 4. Shri V. Ramakrishna—non-official.
 5. Shri C. P. Karunkara Menon—non-official.
 6. Shri D. P. Goenka—non-official.
 7. Shri K. L. Dalal, Deputy Secretary, Ministry of International Trade.
 8. Shri C. K. Srinivasan, Assistant Financial Adviser, Textile Commissioner's Office, Bombay.
 9. Dr. S. P. Chablani, Managing Director.
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APPENDIX V

Statement showing the Summary of Conclusions/Recommendations of the Estimates Committee in the Report.

Serial No.	Reference to Para. No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	10	<p>The Committee do not wholly agree that insurance cover to exporters should be provided on commercial judgment alone. They feel that cases may arise when it would be desirable to give risk guarantee to exporters on ground of national interest. In fact, such a guarantee is given by credit insurers in some other countries. The Export Credit Guarantee Department of U. K. and Export Credit Insurance Corporation of Canada give such guarantees and undertake business on Government account in the 'national interest'. The Committee suggest that Government should adopt a positive policy in this matter and encourage exports in selected cases on grounds of national interest. Apart from above advantages such a step is likely to open new avenues of exports also.</p>
2	13	<p>The Committee appreciate that value of exports insured with the Corporation has risen from Rs. 6.96 crores in 1960 to Rs. 18.11 crores in 1962. Nevertheless, they consider that there is room for considerable improvement in the business of the Corporation. The example of similar organizations in other countries, for example, Export Credit Guarantee Department (E.C.G.D.) in U.K. which provided insurance cover to 22 per cent of its export trade in 1962, should serve as a guide for the ERIC to step up its activities. The Committee have no doubt that with the increase in the country's exports and their diversification, the Corporation should be able to insure a very high percentage of the exports.</p>

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- 3** **17** The Committee feel that the performance of the Corporation in insuring exports to the various countries has been uneven and much remains to be done to augment its insurance coverage. They hope that effective measures would be taken by the Corporation in this regard. In view of the fact that broadening of export market and diversification of exports are of vital necessity to get over the present foreign exchange difficulties, special efforts should be directed to the countries where the ERIC has not been able to make much impression. The Committee hope that the cases of such countries would be constantly reviewed and the possibility of providing cover considered from time to time.
- 4** **22** The Committee recommend that the Corporation should review its procedures and practices with a view to ensure that the closest liaison is maintained with the exporters and the maximum of business is secured. At the same time, it should examine the reasons for the low insurance coverage in respect of a large number of commodities and take corrective measures. It is also imperative that an analytical study is made of the possibilities of export development in respect of each commodity and earnest efforts made to effect good contacts with the exporters of each such commodity as also the various Export Promotion Councils and Commodity Boards.
- 5** **28** The Committee feel that there is great scope for increasing the business of the Corporation through 'non-acceptance 'risks' policy. They cannot over-emphasise the need to give this policy wide publicity to make it popular among the exporters. It is realised that the success of this scheme depends to a large extent on the moral probity of the exporters and his anxiety for the fair name of the country rather than earning his profits only. The Committee have no doubt that the provision of such a cover by the Corporation would open greater possibilities of increasing the exports. They hope that the machinery for pre-shipment inspection would be brought into operation without delay and the Corporation would start underwriting such policies.

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- 6 31 The Committee urge that the question of covering the risk on an intermediary be examined in all its implications and a new type of policy evolved by the Corporation to cover such cases, where possible.
- 7 34 The Committee feel that since the experience of the Corporation in the case of policies where exclusion were allowed has not shown any adverse effect on the incidence of claims, it would be worthwhile to undertake the issue of such policies increasingly. They hope that with good publicity such policies would become popular among the exporters.
- 8 40 It will be seen from the table that there is a declining trend in the number of specific shipment policies issued as also in the maximum liability undertaken and the risk value covered during the year 1963. The Committee trust that every effort will be made by the Corporation to secure more business on this policy.
- 9 44 The small coverage of the Corporation in issuing the Manufacturer's and Exporter's Credit Insurance Policies indicates that the benefits of these policies have not been adequately publicised by the Corporation or appreciated by the parties concerned. These policies offer considerable scope of increasing the business of the Corporation. It is necessary that close contacts are maintained by the Corporation with Export Promotion Councils, Commodity Boards, Chambers of Commerce, etc., and the advantages of these policies are explained to the exporters so as to enable them to avail of these policies in a larger measure.
- 10 48 It is stated that although enquiries were received from several exporters, no market development policy has been issued by the Corporation so far. The Committee regret that the Corporation has not been able to canvass any business under this policy which was introduced in 1961. It is significant that the risk involved on the issue of this policy was on Government account. They consider that the Corporation waited for the business to come rather than canvassing it by explaining benefits to the prospective parties.

The Committee recommend that the Corporation should make concerted efforts to popularise this policy.

- II 51 The Committee feel that market development plays an important role in the promotion of exports and there is an imperative need to develop new markets and expand the existing ones. A number of other bodies like Export Promotion Councils are doing this work. The Committee consider that the role of the Corporation in offering market development policies may be examined to ensure that there is no duplication and overlapping of functions. If the need for such a policy is felt to supplement the efforts made by other bodies in this direction the scope of the same may be clearly defined. Thereafter the feasibility of allocating a portion of the Market Development Fund to the Corporation may be examined.
- 12 56 The popularity of the Packing Credit Policy as evidenced by the increase in the number of policies from year to year is a pointer to the desirability of taking further steps to make the policy still more attractive. The Committee trust that the Corporation would not only sustain the rate of increase but improve upon it from year to year. They have no doubt that the decision to enhance the Corporation's share of risk from 50% to 66- $\frac{2}{3}$ % would be implemented without any delay.
- 13 59 The Committee appreciate that some types of policies are more popular among exporters than others. They, however, feel that apart from the intrinsic merits of the policies themselves, the art of selling the policies, publicity given to them and the persuasion and persistence of the canvassers count a great deal in increasing their sales. The Committee would urge that special steps should be taken by the Corporation to increase the sale of all types of policies. The Corporation should also undertake a review of the policies which are not popular so that the drawbacks in them are remedied. It should also keep in touch with the latest types of policies issued by similar organisations in foreign countries with a view to introducing them here

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14	62	The Committee would suggest that the working of the Small Exporter's Policy as in the U.K. may be studied and the feasibility of introducing a similar policy in India be examined.
15	64	The Committee note that 89% of the policies issued in 1962 are for sums below Rs. 5 lakhs. This would indicate that the small exporters are in greater need of the insurance facilities provided by the Corporation. The Committee trust that the Corporation will continue its efforts to provide coverage to small exporters in an increasing measure.
16	67	The Committee appreciate that the field of export risk insurance is a comparatively new one in this country. It is, therefore, likely to take some time for the exporters to realise the benefits of the insurance facilities provided by the Corporation. Viewed from these aspects, the performance of the corporation may not appear to be quite discouraging. However, the low percentage of risks covered by the Corporation to total exports from the country clearly indicates that there is a vast scope for increasing its field of operations with a view to boosting the country's exports. The Committee trust that the Corporation will make sustained efforts to increase its coverage in the coming years.
17	69	The Committee feel that the slow progress in the value of post-shipment bank finance availed of by exporters needs to be reviewed carefully. This is especially important in view of the representations that have been made to the Committee that the banks are not fully co-operating in giving credit facilities to exporters on the basis of ERIC's policies. The Committee urge that the Government should take suitable steps to see that its policies are accepted by banks for giving credits to the exporters. The possibility of giving some negotiability to these policies may also be examined by the Government in this context. It would be necessary that effective contacts and liaison is maintained by the Corporation with the Banks.

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18	78	The Committee are glad to note from the table in para 74 that the average premium rates of the Corporation are not only comparable but lower than those in many other countries. They welcome the assurance given by the Managing Director that the rates would be rationalised soon. The Committee hope that the revised premium structure would provide additional encouragement to the exporters, particularly to those venturing into new markets.
19	81	The Committee hope that the question regarding the continuance of the grouping system would be reviewed and an early decision will be taken in this regard.
20	84	The Committee are glad to learn that a system of rebate has been introduced by the Corporation. The provision of such incentives to the insured is obviously desirable as they encourage exporters to give more business and on a long term basis. Moreover, the insured also feel that the Corporation is genuinely interested in the policyholders. The Committee trust that the encouraging results already shown by the rebate system would be reflected in further increase of business.
21	86	The Committee welcome the proposal to introduce a system of giving no claim bonus which would serve as a further incentive to the exporters to insure their goods.
22	91	Credit reports about buyers in foreign countries form the bedrock of the whole system of Export Risks Insurance. Utmost care should, therefore, be taken to collect this information and to build the library of records which should be periodically reviewed and kept up-to-date in the light of current information available from various sources. It will not always be possible or practicable for the Corporation to send its own representatives overseas to make personal contacts to collect this information. It is, therefore, imperative that reports should be received from reliable channels and sifted and analysed carefully. Cases where incorrect information has been received, should be brought to the notice of the supplying agency so that they are more careful in future.

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23	94	The Committee suggest that the question of reducing the period for payment of claims in the case of political risks from 6 to 4 months as has been done in U.K. may be examined at an early date.
24	97	The Committee recommend that the Corporation should build up and analyse the case histories of the claims that have been paid so far with a view to drawing valuable lessons for future guidance. In the insurance business it is of paramount importance that the losses arising out of payment of claims are kept to the minimum so that the Corporation is not faced with a situation where its income from premium receipts may not be sufficeint to meet them.
25	99	The Committee feel that the administrative expenses are on the high side in relation to the premium income. They trust that the Corporation would make vigorous efforts to increase its business to bring down the ratio of administrative expenses to the premium income.
26	101	The Committee consider that the present working of the Corporation where its expenses are more than its income is unsatisfactory. They, however, feel that with the experience gained during the past few years it should be possible for the Corporation to increase its business and to present a better financial picture.
27	103	The Committee urge that every effort should be made by the Corporation to build up adequate reserves in the coming years. This is possible only by a substantial increase in the business as also by regulating the premium rates suitably. The earnings of the Corporation should be such as would enable it not only to meet its current expenditure on administration and payment of claims etc. but to build up adequate reserve to meet unforeseen situations.
28	111	Whether there should be a Central Advisory Council or Regional Boards is a matter which should be decided in the light of the practical advantages of such a system. The Committee are not sure whether the Export Promotion Advisory Committees in the port towns with their numerous functions are able to look into ERIC's

problems in sufficient details and be able to give necessary guidance and advice from time to time. They would, however, suggest that the question of setting up of Regional Advisory Boards of the Corporation at the port towns may be re-examined.

- 29 118 The Committee consider that the poor performance of the Calcutta Branch is mainly due to the organisational weaknesses of the Corporation. It is regrettable that to solicit business from a centre like Calcutta which accounts for 43% of the total exports from the country, there is only one Branch Secretary, one Inspector and four brokers. The Committee would like to emphasise that there is an urgent need to reorganise the activities of the Corporation in this region. As regards exports of traditional items from Calcutta port, they have no doubt that with the growing competition in world markets to offer goods on credit terms and the development of new markets for the country's exports, the exporters of these items also will eventually recognise the utility of export risks insurance. The Committee suggest that steps may be taken to strengthen the field organisation of the Corporation, intensify its publicity programmes and establish greater contacts with the Export Promotion Councils, Commodity Boards etc. in this region.
- 30 120 & 121 It is noticed that while the total number of policies issued and the maximum liability undertaken by the Corporation showed a steady rise during the years 1960 to 1962 (*see* para 65), the performance of the Madras Office in these respects has been very poor. The Committee feel that the slow progress is mainly due to a lack of a strong field organisation and the inadequate publicity about the activities of the Corporation. The Committee trust that effective measures would be taken to put the Madras Office on a more sound and systematic footing.
- 31 123 The Committee consider that it would not be desirable to totally depend on the brokers for securing business in an important growing port like Cochin. They suggest that an office on the lines of

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the present Madras Office may be set up at Cochin to guide and supervise the work of the brokers in this region as also to establish greater contacts with the exporters.

- 32 129 The Committee would like it to be realised that Organisers of the Corporation would give their best if suitable incentives are given to them. They urge that efforts should be made to improve their conditions of service so that the best persons are attracted to the export credit insurance business and are able to contribute their utmost to the Corporation.
- 33 137 The Committee suggest that the feasibility of introducing Commission rates for the brokers on a slab basis so as to encourage larger volume of business, may be examined by the Corporation. They would also recommend that efforts should be made to induce the clearing agents at the ports to work as agents of the Corporation.
- 34 139 The Committee hope that the export risks insurance business being new in the country, proper care and attention would be given to training. They recommend that a scheme of training of the staff at various levels should be drawn up and implemented early. While it may not always be possible to depute officers of the Corporation for training abroad, the maximum advantage of the experience of similar organisations in foreign countries could be derived by collecting information about their working through Indian embassies as well as by contacts with the officers of these organisations during the meetings of Berne Union.
- 35 142 Since the Annual Reports of State enterprises are the only authoritative media for informing the Parliament and public about their operations and their financial conditions, it is essential that Parliament should be seized of these reports within the least possible time after the expiry of the accounting year. The Committee hope that the Annual Reports of the Corporation would in future be presented to Parliament expeditiously.

- 36 145 The Committee consider it desirable that the Annual Reports and Accounts of Public Undertakings placed before Parliament should be made more detailed and exhaustive than at present. In this connection, the Committee would like to draw attention to a similar recommendation contained in their 16th Report (First Lok Sabha). The recommendation was also reiterated in the 19th Report (Second Lok Sabha). The Committee would, therefore, recommend that besides the points mentioned at (i) to (v) in para 143, the following data might also be suitably included in the Annual Reports :—
- (i) Details showing country-wise, the value of risks covered by the Corporation.
 - (ii) Details showing commodity-wise, the value of risks covered by the Corporation.
 - (iii) A short account of the business transacted by the Branch Offices during the year.
 - (iv) Illustrative charts showing the progress of business of the Corporation.
- 37 148 If the requirements of the Berne Union could be met by supplying accounts according to the financial year or in any other way, the Committee feel that it would be advantageous for the Corporation to change its accounting period from calendar year to financial year.
- 38 151 The Committee feel that as publicity is essential for an insurance business greater stress should be laid on increased publicity. They suggest that the Corporation and the Directorate of Commercial Publicity should work out plans by which its activities or articles and advertisements on ERIC can find place in journals of trade and industry. In this connection, they would also like to draw attention to a recommendation made by them in their 158th Report (Second Lok Sabha) on the Ministry of Information and Broadcasting—Directorate of Advertising and Visual Publicity, etc. that the advertisements of all the public undertakings should be channelled through the Directorate of Advertising and Visual Publicity.

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- 39 155 The Committee recommend that ERIC should have formal discussions with the banks as also with the associations of banks and persuade them to render suitable financial assistance to the exporters holding ERIC's policies. They also suggest that Government should, in consultation with the Reserve Bank of India and other principal banks, examine the possibility of giving preferential credit facilities to insured exporters on the pattern of the procedure followed in U.K. In this connection, the Committee would also invite attention to their recommendation made in para 69 of this Report.
- 40 158 The Export Promotion Councils, Commodity Boards and Export Risks Insurance Corporation—all function with the common objective of fostering the country's export trade and should work in close liaison with each other. It is noticed that, although some efforts have been made in this direction recently, there has not been effective co-ordination between ERIC and these Councils/Boards. The Committee consider that the Corporation would have achieved a greater measure of success if this effort had been initiated much earlier. They would suggest that close contacts with the Export Promotion Councils and Commodity Boards should be maintained and their co-operation solicited in publicising the activities of the Corporation as also in securing larger amount of insurance business.
- 41 161 The Committee appreciate that the risks involved in offering goods on credit terms are by no means small. It is, therefore, necessary for the Corporation to keep abreast of the knowledge and experience of organisations abroad. They would, therefore, suggest that the feasibility of ERIC being represented at these Conventions regularly may be examined by the Government.
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APPENDIX VI

Analysis of the recommendations contained in the Report

I.—Classification of recommendations :

A. Recommendations for improving the Organisation and working :

S. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30, 31, 32, 33 and 34.

B. Recommendations for effecting economy :

S. Nos. 25, 26 and 27.

C. Miscellaneous :

S. Nos. 35, 36, 37, 38, 39, 40 and 41.

II.—Analysis of more important recommendations directed towards economy :

S. No. as per summary of recommendations (Appendix V)	Particulars
25	Reduction in the administrative expenses of the Corporation.
