

Export Promotion Councils, Commodity Boards, Special Authorities and Industry Associations. These are the key institutions servicing export-effort at individual corporate level, product-wise. The primary function of these institutions is to provide the exporter with export-marketing guidance and advice. They provide complete information and details covering almost all the critical elements involved in export marketing effort at the individual corporate unit-level on a continuous basis.

In addition, separate institutions have also been established for providing technical and specialised services to the export-sector in India. These institutions provide necessary guidance, help and assistance to individual corporate units, especially in the field of packaging, quality-control, risk coverage, long-term credit, trade fairs and exhibitions, settlement of disputes, package-service, and market-information.

In order to oversee the national effort in export promotion, Government have also established Indian Institute of Foreign Trade (IIFT) at the apex level. The IIFT, besides providing export-marketing intelligence at the national level, also provides foreign-trade management education to business-executives, policy-makers, and service institutions.

For supplementing the export-effort by the private sector, Government of India have also established a number of Corporations in the Government sector for directly undertaking export-import activity. Various State Government have also established Export Corporations for promoting exports from different States respectively.

### 15.10 KEY WORDS

**Counter Trade:** A trade arrangement that contains a requirement to purchase products as a condition of sale.

**Lines of Credit:** A scheme of RBI enables overseas financial institutions, foreign governments, their agencies to on-lend loans to finance import of eligible goods from India.

### 15.11 ANSWERS TO CHECK YOUR PROGRESS

A 2 i) False ii) True iii) False iv) False

B 2 i) False ii) True iii) False iv) False

3. i) 20, 7 ii) MMTC, STC iii) counter iv) FIEO

### 15.12 TERMINAL QUESTIONS

1. Analyze the role and functions of the institutions assisting export-marketing effort at product/industry level.
2. Discuss the institutions providing technical and specialised services to the export-sector in India.
3. Describe the institutions set-up for Government policy making and consultation for export promotion in India.
4. Discuss Government participation in foreign trade and enumerate the corporations established for the same.
5. Analyze the objectives of institutional set-up for export promotion in India.

## UNIT 16 EXPORT ASSISTANCE IN INDIA

### Structure

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Importance of Export Assistance
- 16.3 Expansion of Production Base for Exports
  - 16.3.1 Relaxation in Industrial Licensing Policy/MRTP/FERA/Foreign Collaborations
  - 16.3.2 Liberal Import of Capital Goods
  - 16.3.3 Export Processing Zones (EPZ), Export Oriented Units (EOU), Special Economic Zones (SEZs), Electronic Hardware Technology Parks (EHITP) and Software Technology Park Units (STP)
  - 16.3.4 Assured Supply of Raw-Material Imports
  - 16.3.5 Eligibility for Export/Trading/Super Star Trading Houses
  - 16.3.6 Export Houses Status for Export of Services
- 16.4 Rendering Exports Price-Competitive
  - 16.4.1 Fiscal Incentives
  - 16.4.2 Financial Incentives
- 16.5 Strengthening Export Marketing Effort
- 16.6 Let Us Sum Up
- 16.7 Answers to Check Your Progress
- 16.8 Key Words
- 16.9 Terminal Questions

### 16.0 OBJECTIVES

After studying this unit, you should be able to :

- explain the importance of export assistance in India
- describe various assistances provided for the expansion of production base for export
- explain the fiscal and financial assistances provided to the exporters
- describe the measures taken by the Government of India to strengthen the export marketing effort.

### 16.1 INTRODUCTION

You have learnt the role of several specialised institutions in export promotion in unit 15. Export business is instrumental in the economic development of the country. In order to boost the export business, Government of India have provided various export assistances and facilities both for production and marketing activities. In this unit, you will learn various assistances provided by the Government of India to Indian exporters to promote the export business.

### 16.2 IMPORTANCE OF EXPORT ASSISTANCE

Export promotion was accorded a very low priority during the initial programme of economic development in India. During the 1950s and almost up to mid 1960 export-promotion was not at all considered as an essential element in India's economic development process. Easy and adequate availability of external assistance from World Bank and other international agencies as well as developed countries has provided India with more than adequate amount of foreign exchange for financing development as well as essential imports. Hence, the urgency of earning foreign exchange through expanding exports was not there. In addition, because of the large size of the domestic market in India, 'import substitution' rather than the 'export

promotion' was considered as a more useful strategy for India's economic development process. Similarly during the period of the First Three Five year plans over 1950-51 to 1965-66, Indian economy was in a formative stage. Consequently India's capacity to export manufactures or industrial products was extremely limited. Hence, on this account as well, India could not look at international markets especially because of her extremely limited capacity to offer supplies of industrial products.

However, after 1965-66, the aid-flows to India were substantially reduced. Consequently, for the first time India was made to depend significantly on her exports for acquiring foreign exchange to meet her needs of essential imports. Moreover, by the second-half of 1960s, a number of industries especially in the engineering, chemicals, leather, marine and other sectors have reached a stage from where they were looking for an opening in international market.

Government of India had therefore, considered it as appropriate to lay emphasis on the need for export promotion so as to enable the country to meet the need of imports. Fortunately, it received an encouraging response from the industrial sector which was also looking for international markets. Over the last couple of decades export promotion has assumed critical importance in Indian economy. Export growth has become the main determinant of economic growth in India. The process of globalisation and liberalisation has further enhanced the need of strengthening the support of export-import trade business of the country. Moreover, with the increasing burden of debt-servicing on the one hand and the situation of aid-fatigue on the other, exports have now emerged as the only viable source of meeting the foreign exchange needs of Indian economy. Hence, the feasibility of financing almost entirely depends upon the growth in Indian export. It may, therefore, be stated that the future economic growth in India is inseparably linked with growth in Indian exports. Hence, export promotion is being an overriding consideration in policy formulation. Export promotion policy in India has three main segments. They are as follows:

- a) Policies for increasing investment and production in export sector.
- b) Price-support measures for rendering exports more competitive.
- c) Measures for strengthening marketing effort by the export sector.

## 16.3 EXPANSION OF PRODUCTION BASE FOR EXPORTS

The first pre-requisite of export promotion policy is to ensure larger exportable surpluses. In other words, if a country wants to exports more, it must have more to export. It will have more to export only if more and more is produced for export. Hence, it calls for increasing flow of production and investment resources into the export sector.

### 16.3.1 Relaxation in Industrial Licensing Policy/MRTP/FERA/Foreign Collaborations

With a view to facilitate relatively easier creation/expansion of production capacities for increasing export potential of Indian economic, necessary relaxations have been provided for in the policies for industrial licensing, MRTP (Monopolies and Restrictive Trade practices Act) and Foreign Exchange Regulations, etc. The Foreign Exchange Regulation Act has been liberalised and Foreign Exchange Management (FEMA) Act, 1999 has been operationalised. The rupee has been made fully convertible for all approved external transactions. As a result, exporters of goods and services and those who are in receipt of remittances are able to sell their foreign exchange at market determined rates. The importers and foreign travellers are also able to buy foreign exchange at market determined rates. Exporters have also been allowed to maintain foreign currency accounts. There is a general liberalisation of remittance of foreign exchange for visits abroad, agency commission, export claims, reduction in export value, reimbursement of expenses incurred on dishonoured export bills, consular fees, etc. Consequently, creation of additions of production capacities for export is liberally allowed, both in the large-scale as well as small-scale sectors. Foreign

collaboration and foreign capital investment is also liberally permitted for the export sector. 100% foreign equity has been permitted to the units in EPZ/EOU/EHTP/STP. All these policy measures are envisaged to go a long way in facilitating easy expansion as well as technological upgradation of export base in India through attracting larger flows of investment and other resources.

### 16.3.2 Liberal Import of Capital Goods

Import policy of India has made specially liberal provisions for easy import of capital goods of all types. Accordingly, imports of machinery and equipment are allowed without import licence. In addition, special provisions have been made for import of capital goods at a concessional rate of import duty. Export Promotion Capital Goods (EPCG) Scheme has been introduced for liberal import of capital goods.

**Export Promotion Capital Goods Scheme:** New Capital goods including computer software systems may be imported under the Export Promotion Capital Goods (EPCG) scheme. Under this provision, capital goods including jigs, fixtures, dies, moulds and spares upto 20% of the CIF value of the capital goods may be imported at 5% customs duty. This import is subject to an export obligation equivalent to 5 times CIF value of capital goods on FOB basis or 4 times the CIF value of capital goods on NFE basis to be fulfilled over a period of 8 years. This period is reckoned from the date of issuance of licence. Import of capital goods shall be subject to Actual User condition till the export obligation is completed.

### 16.3.3 Export Processing Zones (EPZ), Export-Oriented Units (EOU), Special Economic Zones (SEZs), Electronic Hardware Technology Parks (EHTP) and Software Technology Park Units (STP)

Units undertaking to export their production of goods may be set up under Export Processing Zones (EPZ) scheme, Export Oriented Units (EOU) scheme, Special Economic Zones (SEZs) scheme, Electronic Hardware Technology park (EHTP) scheme or Software Technology Park (STP) scheme. Such units may be engaged in manufacture, services, trading, development of software, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture, and granites may export all products except prohibited items of exports.

These units import all types of goods without payment of duty including capital goods for manufacture, production or processing provided they are not prohibited items. Second hand capital goods may also be imported in accordance with the provisions of the policy. Supplies from DTA to these units will be regarded as deemed exports. Foreign equity upto 100% is permissible to these units. These units shall be exempted from payment of corporate income-tax for 10 years.

### 16.3.4 Assured Supply of Raw Material Imports

As regards making available the supplies of imported raw materials to the export sector, the import policy provides the scheme of Duty exemption and Duty Remission. The duty exemption scheme enables import of inputs required for export production. The duty remission scheme enables post export replenishment/remission of duty on inputs used in the export product.

Under duty exemption scheme, an advance licence is issued to allow import of inputs which are physically incorporated in the export product. Advance licence is issued for duty free import of inputs as defined in the policy subject to actual user condition. Such licences are exempted from payment of basic customs duty, surcharge, additional customs duty, anti-dumping duty and safeguard duty, if any. Advance licence can be issued for (i) physical

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These units import all types of goods without payment of duty including capital goods for manufacture, production or processing provided they are not prohibited items. Second hand capital goods may also be imported in accordance with the provisions of the policy. Supplies from DTA to these units will be regarded as deemed exports. Foreign equity upto 100% is permissible to these units. These units shall be exempted from payment of corporate income-tax for 10 years.

### 16.3.4 Assured Supply of Raw Material Imports

As regards making available the supplies of imported raw materials to the export sector, the import policy provides the scheme of Duty exemption and Duty Remission. The duty exemption scheme enables import of inputs required for export production. The duty remission scheme enables post export replenishment/remission of duty on inputs used in the export product.

Under duty exemption scheme, an advance licence is issued to allow import of inputs which are physically incorporated in the export product. Advance licence is issued for duty free import of inputs as defined in the policy subject to actual user condition. Such licences are exempted from payment of basic customs duty, surcharge, additional customs duty, anti-dumping duty and safeguard duty, if any. Advance licence can be issued for (i) physical

exports (ii) intermediate supplies and (iii) deemed exports. Duty Remission Scheme consists of Duty Free Replenishment Certificate and Duty Entitlement Passbook Scheme.

### 16.3.5 Eligibility for Export/Trading/Star Trading/Super Star Trading Houses

Export/Trading/Star Trading/Super Star Trading Houses have been accorded special status. When exporters achieve the specified level of exports over a period, they may be recognised as EH/TH/STH/SSTH. Exports made both in free foreign exchange and in Indian rupees shall be taken into account for recognition. The objective of this scheme is to recognise them as the respective houses with a view to building marketing infrastructure and expertise required for export promotion. The exporters, registered with FIEO or EPC are eligible for this purpose. The export performance criteria may be based on either f.o.b. value of exports or net foreign exchange earnings. Let us discuss them in detail.

- i) **F.O.B. Criteria:** The manufacturing or merchandising units, who have achieved the following targets can be accorded the status of above mentioned Export Houses. Deemed exports are not counted for this purpose. Look at Table 16.1 for this criteria.

Table 16.1: FOB Criteria

Category of Houses	Average FOB value of exports during the preceding three Licensing years, in Rupees	FOB value of eligible exports during preceding Licensing year, in Rupees
Export Houses	Rs. 15 crores	Rs. 22 crores
Trading Houses	Rs. 75 crores	Rs. 112 crores
Star Trading Houses	Rs. 375 crores	Rs. 560 crores
Super Star Trading Houses	Rs. 1125 crores	Rs. 1680 crores

Exporters have option to get recognition for one year. In this case relaxation in above turnover has been permitted to the exporters.

- ii) **Net Foreign Exchange Earnings:** Exporters have an option for obtaining the status of Export and other Houses based on the following Net Foreign Exchange Earnings. Look at Table 16.2 for this criteria.

Table 16.2: Net Foreign Exchange Criteria

Category of Houses	Average Net Foreign Exchange Value of eligible exports during the preceding three licensing years	Net Foreign Exchange Value of exports made during the preceding licensing years
Export Houses	Rs. 12 crores	Rs. 18 crores
Trading Houses	Rs. 62 crores	Rs. 90 crores
Star Trading Houses	Rs. 312 crores	Rs. 450 crores
Super Star Trading Houses	Rs. 937 crores	Rs. 1350 crores

Exporters have also an option to get recognition for one year. In this case relaxation in above earnings has been permitted.

EH/TH/STH/SSTH are entitled to the following special benefits:

- i) Import Facilities
- ii) Marketing Development Assistance
- iii) Foreign Currency Accounts
- iv) Foreign Exchange Facilities
- v) Golden Status Certificate
- vi) Other facilities as specified in the policy

### 16.3.6 Export Houses Status for Export of Services

Service providers shall be eligible for recognition as service Export House, International Service Export House, International Star Service Export House, International Super Star Service Export House on achieving the performance level as below:

Table 16.3: Export of Services for recognition of Export Houses

Category	Average Free Foreign Exchange earning during the preceding three licensing years in rupees	Free Foreign exchange earning during the preceding licensing year, in rupees	Average NFE earned made during the preceding three licensing years, in rupees	NFE earned during the preceding licensing year in rupees
Service Export Houses	4 Crores	6 crores	3 crores	5 crores
International Service Export Houses	20 crores	30 crores	15 crores	25 crores
International Star Service Export House	100 crores	150 crores	75 crores	125 crores
International Super Star Service Export House	300 crores	450 crores	225 crores	375 crores

The service status holders shall be entitled to all the facilities provided in the policy.

#### Check Your Progress A

- 1. Distinguish between Trading House and Star Trading House.

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- 2. What do you mean by Advance Licence?

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- 3. State whether the following statements are True or False:

- i) In the beginning India followed a policy of import substitution.
- ii) Import policy has made provisions for easy import of capital goods of all types.
- iii) There is completely licence free and duty free import facility for all production inputs for Export processing Zones and Export-Oriented-Units.
- iv) An advance licence is granted only to the manufacturer-exporter.
- v) Foreign equity upto 75% is permissible to EPZ and EOUs.

## 16.4 RENDERING EXPORTS PRICE-COMPETITIVE

The second pre-requisite of export promotion policy is to render the exports increasingly price competitive in international market. A number of Price support measures in the form of fiscal as well as financial incentives have therefore been provided for the export sector in India.

The need for price-support measures in the form of export incentives, arises on two accounts. First, price levels in international markets are invariably the lowest, because of the high degree of competition therein. On the otherhand, Indian economy, has over the years emerged as a high economy with low productivity. Hence, for successful and viable export effort there is the need for incentives to provide the price support for rendering India's exports competitive and viable.

Secondly, incentives for exports also become necessary to neutralise the domestic market-pull on Indian exporters. Hence, export incentives also aim at encouraging trade and industry in India to increasingly undertake export effort on a sustained basis.

Under the export promotion policy of India, various types of incentives have been provided for as price-support measures. These include (a) Fiscal Incentives and (b) Financial Incentives.

### 16.4.1 Fiscal Incentives

Fiscal incentives for export promotion include (i) duty drawback, (ii) central excise rebate and (iii) income tax exemption on export profits.

- i) **Duty Drawback:** In the manufacturing of many export products imported or indigenous raw materials and components are used on which customs or central excise duty has been paid. When the finished products are exported in which duty paid inputs are used, a part or whole of the amount of such duty is allowed to be drawn back by the exporter or it is refunded to him. This results in substantial reduction in the cost of material inputs for export-production. In other words, import duties and central excise duties, on material inputs for export activity are allowed to be drawn back by the exporters under the incentives policy for duty drawback. The scheme of Duty Drawback has been formulated by the Drawback Director under the Central Board of Revenue and Customs from the Ministry of Finance. Details regarding Drawback Scheme can be had from 'Drawback Rules' as notified by the office of Drawback Director. Refund of Duty Drawback is granted on post-export basis. The benefit of duty drawback has been provided on the basis of (a) all industry rates or (b) brand rates separately fixed for individual manufacturers of the export products. The incentive of duty drawback helps reduce significantly the material cost of export products. It is very important for countries like India, which have simple manufactures to offer for exports which are very much influenced by the material cost. You will learn detail procedure of Duty Drawback in Unit 17.
- ii) **Central Excise Rebate:** Under this scheme, the Central Excise Duties on the inputs and final product or on the output proposed for export, are refunded to the exporter. It helps in further reduction in the overall cost of production for exports. The scheme also provides for a Bond System under which outright exemption from Central Excise Duties can be claimed by the exporter. The scheme is operated as per Central Excise Rules notified by the Central Excise department. You will learn in detail about the Central Excise Rebate in Unit 17.
- iii) **Income-Tax Exemption:** In order to promote exports, income tax exemption has been granted under Income Tax Act. This exemption scheme is to be phased out over a five year period i.e. by 2004-2005 for all exporters other than EPZ/EQU/EHTP/STP units. The major exemptions are as follows:
  1. Part of the profits derived from export of specified goods or merchandise is deducted for the computation of income tax.

2. Specified amount of profits of companies engage in the business of hotel or of a tour operator or a travel agent is deducted.
  3. There is a partial tax relief on export of computer software and for import of system. The benefit can also be claimed by a supporting software developer from 1-4-1999.
  4. The profits from export or transfer of film/VT software, TV news software, telecast rights are partially deducted.
  5. 50% of the profits from project exports is deducted in computing taxable income of the Indian company or resident tax payer.
  6. 10 years tax holidays is granted to units in FTZ/EPZ and 100% EOU ending with 2010-2011.
  7. There is a tax rebate on remuneration received on services rendered outside India and other rebate as specified in the policy.
- iv) **Sales tax Exemption:** There is no tax on sales made for export purpose. The exporter need not pay sales tax either on the goods purchased from manufacturers or traders.

### 16.4.2 Financial Incentives

The major scheme of financial incentives include interest subsidy, financial assistance scheme for agricultural, horticultural and meat exports.

- i) **Interest Subsidy:** Export sector in India has also been given interest subsidy under which the working capital is made available by the banks to the export sector at a concessional or subsidised rates of interest. Under this scheme, working capital required for pre-shipment credit as well as post-shipment credit is provided to the export sector at concessional rates of interest. This measure helps Indian exporters to reduce the working capital cost of export operation.
- ii) **Financial Assistance Scheme for Agricultural, Horticultural and Meat Exports:** In order to promote the exports of agricultural, horticultural and meat products, agricultural and processed food products Export Development Authority (APEDA) Provides financial assistance for the following purposes :
  - i) Feasibility studies, surveys, consultancy and data base upgradation
  - ii) Development of infrastructure
  - iii) Export promotion and market development
  - iv) Packaging development
  - v) Quality control
  - vi) Upgradation of meat plants
  - vii) Organisation building and Human Resource Development
  - viii) Air freight assistance for export of horticultural products export by air
  - ix) Generation of relevant research and development through research institutions.

Thus, export incentives in the form of tax-concessions or fiscal incentives, as well as financial incentives, play a major role in rendering Indian exports, competitive in the international market. However, in view of the highly competitive nature of international market, every country in the world makes an all-out effort to increase her exports, for which various types of different fiscal and financial incentives are provided. Thus, the practice of incentives has almost become universal, covering both developed as well as developing countries.

## 16.5 STRENGTHENING EXPORT MARKETING EFFORT

The third pre-requisite of export promotion is the marketing effort. It may be noted that 'export' is primarily a 'sale' transaction. Production can be converted into 'sale' only through the marketing effort. In other words 'marketing effort' provides the necessary link or channel between production and sales. Hence, success on the export front is dependent upon the marketing effort. Export promotion policy in India therefore, pays special attention to the need for improving and strengthening export marketing effort. With this objective, the Government of India have established a very comprehensive network of institutions for servicing the export sector. In other words, an effort has been made to provide the necessary infrastructure for servicing the export sector, particularly to improve the export marketing effort. With this object in view, Government of India have established a number of specialised institutions for providing necessary services and assistance to individual corporate units from the export sector.

Institutions established for strengthening export marketing effort include Export Promotion Council, Commodity Boards, Special Authorities and Industry Associations. These are the key institutions servicing export effort at individual corporate level product-wise. The primary function of these institutions is to provide the exporter with export marketing guidance and advice as well as complete information and details covering almost all the critical elements involved in export marketing effort at the individual corporate unit level on a continuous basis.

In addition, separate institutions have also been established for providing technical and specialised services to the export-sector in India. These institutions provide necessary guidance, help and assistance to individual corporate units, especially in the field of packaging, quality control, risk coverage, long-term credit, trade fairs and exhibitions, settlement of disputes, package service and market information.

For supplementing the export-effort by the private sector, Govt. of India have also established a number of Corporations in the Government sector for directly undertaking export-import activity. Various state Governments have also established Export Corporations for promoting exports from different states respectively.

**Market Development Assistance:** This assistance is provided for overall development of overseas markets. It is provided for sponsoring, inviting trade delegations within and outside the country, market studies, publicity, setting up of warehouses/showrooms, research and development, quality control, etc. MDA is largely available to Approved Organisations, Export Houses/Consortia of Small Scale Industries, Individual exporters or other sponsored persons. The assistance is given for air fare, daily allowance, participation in fairs and exhibitions, etc. The assistance is disbursed by the FIEO and Ministry of Commerce.

**External Marketing Assistance Scheme for Jute:** The External Marketing Assistance Scheme provides grant of market assistance at the rate of 5% and 10% of FOB value realisation on export of specified diversified products. The benefit is available to both manufacturer-exporters and merchant exporters.

### Check Your Progress B

1. What do you mean by Duty Drawback ?

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2. What is Market Development Assistance ?

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3. State whether the following statements are True or False:

- i) Indian economy has emerged as a high cost economy with low productivity.
- ii) The provisions for central excise rebate provide for a bond system under which outright exemption from central excise duties cannot be claimed by the exporters.
- iii) Export profits are exempted from income-tax.
- iv) Working capital is made available by the banks to the export sector at a subsidised rate of interest.
- v) The External Marketing Assistance scheme provides grant of market assistance at the rate of 5% and 10% of FOB value realisation on export of specified diversified products.

4. Fill in the blanks:

- i) If the export firm has achieved a target of the average annual net foreign exchange earnings of Rs. 90 crores in the proscribed base period of three years the firm is known as .....
- ii) Export/Trading/Star Trading/Super Star Trading Houses will be granted ..... licence against exports made during preceding year.
- iii) The scheme of refunding back of import duties and central excise duty on raw materials and components is known as .....
- iv) Market Development Fund provides necessary .....for market promotion.

## 16.6 LET US SUM UP

Of late export promotion has assumed critical importance in Indian economy. Export growth has become main determinant of economic growth. With the increasing requirements of imports, exports have now emerged as the only viable source of meeting the foreign exchange needs. Government of India have provided various incentives for export promotion. Export promotion policy include (i) policies for increasing investment and production in export sector (ii) price support measures for rendering exports more competitive, and (iii) measures for strengthening marketing effort by the export sector.

There has been relaxations in industrial licensing policy MRTP, foreign exchange regulation, foreign collaboration to increase the flow of production and investment resources into the export sector. Apart from the provisions made for liberal import of capital goods, Export Processing Zones, Export-Oriented Units have been given completely licence-free and duty-free import facilities for all production inputs. Duty free licence schemes have been granted to the registered exporters for supplies of adequate quantities of material inputs required for export. Export House, Trading House, Star Trading House and Super Star Trading House have been given special facilities to promote the export business. In order to make India's export competitive, price viable support incentives have been given to the exporters. Fiscal incentives include (i) duty drawback (ii) central excise rebate and (iii) income-tax exemption on export profits.

The scheme of financial incentives include interest subsidy on working capital and financial assistance scheme for Agricultural, Horticultural and Meat Exports.

The success on the export front is crucially dependent upon the marketing of the products. Hence, special efforts have been made for improving and strengthening export marketing effort. Government of India have established a number of specialised institutions for providing necessary services and assistance to the exporters. Marketing Development fund provides necessary financial assistance for market promotion.

### 16.7 ANSWERS TO CHECK YOUR PROGRESS

- A 3 i) True ii) True iii) False iv) False v) False  
B 3 i) True ii) False iii) True iv) True v) True  
4 i) Trading House ii) additional iii) duty drawback iv) financial assistance

### 16.8 KEY WORDS

**Advance Licence:** The Licence is granted to a merchant – exporter or manufacturer – exporter for the imports of inputs required for the manufacture of goods without payment of basic customs duty.

**Deemed Export:** The specified sales in India which are considered as exports.

**Duty Drawback:** The scheme under which import duty and central excise duties on raw materials, components, and packing materials used in export products are refunded back to the exporter.

### 16.9 TERMINAL QUESTIONS

1. Explain the facilities/concessions for increasing the production-base for exports from India.
2. Analyse the different price support measures introduced in India for rendering India's exports more competitive.
3. Why the role of marketing effort is crucial in export promotion? Describe the measures undertaken in India for strengthening export marketing effort.
4. Explain the rationale for price-support measures for export promotion in India.
5. "Export Incentives have become a universal practice". Discuss.
6. Explain the framework of export incentives in India and analyse as to how far it provides a total approach to export promotion.

## UNIT 17 PROCEDURES FOR CLAIMING EXPORT INCENTIVES

### Structure

- 17.0 Objectives
- 17.1 Introduction
- 17.2 Need for Procedural Formalities
- 17.3 Duty Drawback Scheme
  - 17.3.1 Drawback Rates
  - 17.3.2 Procedure for Claiming Duty Drawback
- 17.4 Refund of Central Excise
  - 17.4.1 Export Under Claim of Rebate Under Rule 12 (i) (A)
  - 17.4.2 Export Under Claim for Rebate of Duty on Excisable Materials used in the Manufacture of Export Goods (Rule 12 (i)(B))
  - 17.4.3 Export of Goods Under Bond Under Rule 13
- 17.5 Duty Exemption/Remission Scheme
  - 17.5.1 Duty Exemption Scheme
  - 17.5.2 Duty Remission Scheme
- 17.6 Tax Exemption
  - 17.6.1 Income Tax Exemption
  - 17.6.2 Sales Tax Exemption
- 17.7 Let Us Sum Up
- 17.8 Key Words
- 17.9 Answers to Check Your Progress
- 17.10 Terminal Questions

### 17.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the need for procedural formalities of export incentives
- describe the process of claiming duty drawback
- explain the methods of claiming excise incentives under various schemes of central excise rules
- describe various facilities of duty exemption scheme
- describe the procedure of exemption under income-tax, sales tax, etc.

### 17.1 INTRODUCTION

You have learnt about the infrastructure and various export incentives provided by Government of India in Unit 15 and 16. These incentives are instrumental for the export promotion in India. Moreover, exporters are required to comply various procedural formalities for fuller realisation of export incentives on a regular basis. In this Unit, you will learn the procedure of claiming incentives under duty drawback rules and central excise rules. You will also be acquainted with various facilities of duty exemption scheme and tax exemption scheme.

### 17.2 NEED FOR PROCEDURAL FORMALITIES

Procedural formalities prescribed for claiming various export-incentives need timely and proper compliance on the part of exporters. This alone will ensure fuller realisation of export incentives on a regular basis. Delays and cuts in the realisation of export incentives will upset the fund-flow position of the export firm on the one hand, and will render the export