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GARMENT EXPORTERS' SATISFACTION ON FUND AND NON-FUND BASED EXPORT SERVICES OF COMMERCIAL BANKS IN TIRUPUR

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PREAMBLE

Fashion is serious business, everywhere. Textile sector, being one of the largest industrial sectors of the country, inherent issues and challenges dominate the industry. With the changing dynamics of doing business in a rapidly-changing global economic scenario, the sector needs to identify scope for potential business ideas and overcome challenges by converting them into fresh opportunities. Tirupur Garment exporters' require lot of support from the commercial banks who can guide and establish the system to achieve the goal. The commercial banks are throwing multi dimensional opportunities to Tirupur Garment Exporters.

Exports are the vehicle of growth and development. It plays a crucial role in the economy of the country and contributes largely to foreign exchange pool. Export is more complicate than domestic marketing due to international restrictions, global competition, lengthy procedures and formalities and so on. Every country has to open up its markets to other countries and also try to enter in the markets of other countries in the best possible manner. In the absence of such participation in global marketing, the process of economic development of the country comes in danger.

International trade is an important component in order to achieve a higher standard of living. Financing is the nerve centre for business. The commercial banks play crucial role for manufacturing and marketing a product. Exporters engaged in export business should have the strong band with the commercial banks to increase the market share in the international market.

Commercial Banks provide timey and adequate export support in rendering essential customer services & guidance regarding the procedural formalities and export opportunities to Tirupur Garment Exporters. The services rendering by commercial banks to the exporters may be divided under two heads, viz., fund based service and non-fund based service.

Hence an attempt has been made to identify the commercial banks' export support in Tirupur Garment Export.

COMMERCIAL BANKS EXPORT SUPPORT

“Bank is in the Business of Maintaining Risk not avoiding it”

International trade exposes exporters and importers to substantial risks, especially when the trading partner is far away from a country where contracts are hard to enforce. Firms can mitigate these risks through specialized trade finance products offered by financial intermediaries. Success or failure of any export order mainly depends upon the finance available to execute the order.

Now-a-days export support provided by commercial banks play a significant role in the field of international trade. Many Nationalized as well as Private Banks help the exporter by providing them pre-shipment and post-shipment finance at subsidized rate of interest.

OBJECTIVES OF THE STUDY

- ▶ To discern the satisfaction **Fund and Non-fund based Banking Export Services** preferred by the **Garment exporters**

Fund Based Services - Export Finance

The Tirupur Garment exporters have the following options to avail of export finance

- ❖ Pre-Shipment Finance and
- ❖ Post Shipment Finance

Pre-shipment finance refers to finance extended by the commercial banks for manufacturing the goods before shipment. i.e. the funds required by the exporter before goods are sent to overseas.

Financial assistance extended after the shipment falls within the scope of post shipment finance.



Pre-shipment Finance

The main objective of the pre-shipment finance to enable the exporter to

- Procure raw materials
- Carry out manufacturing process
- Provide a secure warehouse for goods & raw materials
- Process & pack the goods
- Ship goods to buyers
- Meet other financial costs of the business

Quantum of finance

The pre-shipment finance is granted to an exporter against the L/C or an export order. The only guideline principle is the concept of need based finance. The commercial banks determine the percent of margin depending on factors such as:

- Nature of order
- Nature of commodity
- Capability of exporter to being in the requisite contribution
- Nature of importer
- Importers country profile

Post-shipment Finance

- Post-shipment Finance means any loan or advance granted or any

other credit provided by a bank to a garment exporter from the date of extending credit after shipment of goods to the date of realisation of export proceeds, normally 12 months from the date of shipment.

Non-Fund Based Services

Non-fund based facilities are such facilities extended by banks which do not involve outgo of funds from the bank when the garment exporter avails the facilities. These are called non-fund based financing (or quasi-credit facilities) because, at the time of opening of the letter of credit or bank guarantee, no amount becomes immediately payable. Banks charge commission for the services rendered. Some of the main non-fund based facilities availed by the garment exporters are

- Project consultancy
- Letter of credit
- Bank Guarantee
- Bills for collection
- Gold Card Scheme for the exporters
- Running Account Facility enjoyed by the garment exporters
- Foreign Currency Exchange & Hedging
- Building Export Capability

The Tirupur Garment Exporters, qualify for Export Credit (pre and post shipment) for consumables, wages, supplies etc. **the banks may ensure that**

- ▶ The proposal is a genuine case of export.

- ▶ The exporter is registered with the All India Export Promotion Council.
- ▶ There is an Export Contract for the export.
- ▶ There is a time lag between the outlay of working capital expense and actual receipt of payment from the consumer or his principal abroad.
- ▶ There is a valid Working Capital gap i.e. service is provided first while the payment is received some time after an invoice is raised.
- ▶ Banks should ensure that there is no double financing or excess financing.
- ▶ Exporter has to raise the invoice as per the contract.

To test the difference in the exporters’ opinion on commercial banks export support with the personal factors such as nature of ownership, years of experience, annual turnover, percentage of export and export practice such as, Export credit finance limit fixed by the commercial banks’, percentage of credit on the collateral security etc., an ANOVA has been carried. It explained whether any significant difference has exists between the variables or not with the following null hypothesis.

Ho: There has been no significant difference between the exporters’ satisfaction on commercial banks’ fund based export services and exporters’ personal factors.

Opinion on exporters personal variables and fund based services (ANOVA)

Personal Variables		Mean	S.D	No.	F value	Table Value	Sig.
Ownership	Proprietorship	21.82	2.57	49	1.601	3.009	Ns

	Partnership	22.14	2.99	391			
	Private Limited company	21.70	3.15	228			
Years of Experience	Below 5 years	22.63	2.68	104	7.312	3.811	**
	5-10 years	22.58	2.73	152			
	11-15 years	21.32	3.15	211			
	Above 15 years	21.84	3.12	201			
Annual Turnover-2018-19	Below 5 crores	22.23	2.34	62	3.157	2.618	*
	5 to 10 crores	22.19	3.19	91			
	11-15 crores	22.26	2.94	268			
	Above 15 crores	21.50	3.15	247			
Share of export	100%	21.79	2.94	421	3.593	2.618	*
	25 - 50 %	22.94	2.96	65			
	51 - 75%	21.61	3.18	79			
	> 75%	22.32	3.14	103			
ECF limit	< 1 crore	22.75	2.87	75	4.109	3.811	**
	1-3 crores	22.21	3.22	258			
	3-5 crores	21.73	2.86	178			
	> 5 crores	21.46	2.83	157			
Percentage of credit on collateral	< 70	21.69	3.30	86	0.558	2.618	NS
	70-80	22.13	2.86	259			
	81-90	21.88	3.04	163			
	> 90	21.93	3.09	160			
Percentage of ECF drawn on Pre shipment	< 25%	20.73	3.00	26	7.227	3.811	**
	25-50%	22.69	2.89	137			

	51-75%	22.28	2.95	209			
	>75%	21.51	3.03	296			
Rate of interest on pre shipment finance	< 11 %	22.27	2.74	124	2.773	2.618	*
	11-12%	22.24	3.06	259			
	12-13%	21.59	3.09	158			
	>13%	21.56	3.05	127			
Agreeability on Pre-shipment	Large Extent	21.64	3.14	152	2.081	2.618	Ns
	Full Extent	21.97	3.01	337			
	Moderate Extent	22.07	2.93	151			
	Some extent	23.14	2.80	28			
	Least extent	21.64	3.14	152			
Agreeability on Post-shipment	Large Extent	21.82	2.77	94	0.125	2.385	Ns
	Full Extent	22.01	3.06	362			
	Moderate Extent	22.00	3.15	176			
	Some extent	21.79	2.64	24			
	Least extent	21.67	2.87	12			
TOTAL		21.96	3.02	668			

Source: Computed, ** 1% level of significance * 5% level of significance Ns- Not significant

In order to find whether the exporters are satisfied with the export support provided by the commercial banks with their nature of ownership as a personal variable has shown no significant difference with the lower F value of 1.601. Hence the hypothesis has been accepted.

Years of experience showed a significant difference with the satisfaction of exporters on export support. The exporters with the experience of less than

5 year have the higher mean score of 22.63 and the exporters with the experience of 5-10 years have the mean score of 22.58 on the satisfaction of commercial banks' export services. When the experiences in the field of export increase, the expectation and demand of the exporters has also increases which the banker can't fulfill due to the risk factors involved. Hence the hypothesis has been rejected at 1% level of significance.

In order to found the influence of turnover over the commercial banks export services, the higher F value 3.157 then the table value 2.618, the hypothesis has been rejected at 5% level of significance. Hence, there has been difference on the satisfaction of exporters on the basis of turnover. The exporters' who made higher turnover (more than 15 crores) has the lower mean value (21.50) than other category.

With regard to percentage of export on the satisfaction of export support of commercial banks', the higher F value 3.593, reject the hypothesis at 5% level of significance. The exporters who involved lower export level (25 % - 50 %) have the higher mean score of 22.94.

The exporter's satisfaction on commercial banks export support has difference of opinion on the export credit limit fixed by the commercial banks as the F-value has been higher than the table value at 1% level of significance.

The lower F value of 0.558 has confirmed that the exporters' satisfaction on commercial banks' export services have no varied opinion with the percentage of credit on the collateral by accepting the null hypothesis.

In case of percentage of export finance drawn on pre-shipment finance and the commercial banks' export services, there exist the difference between them, since the F-value (7.227) has been greater than the table value (3.811). Hence, the hypothesis has been rejected at 1% level of significance.

The higher F-value in case of rate of interest on pre-shipment finance with the satisfaction of exporters' on commercial banks' export support has shown the rejection of hypothesis at 5 % level of significance. The exporters who have availed post shipment export finance showed different level of satisfaction with meager difference among the mean values.

The exporters' satisfaction on commercial banks export support and the pre-shipment agreeability have showed no significant difference. The null hypothesis has been accepted since the F-value (2.081) is lower than the table value (2.618).

There has been no significant difference between the exporters' satisfaction on commercial banks' export support and the agreeability on post shipment export finance. The F-value has been lower than table value and hence the hypothesis has been accepted.

Relationship of Commercial Bank's Non-fund based Export Services and exporters personal Factors – ANOVA

Non-fund based facilities are such facilities extended by commercial banks which do not involve outgo of funds from the banks when the customer avails the facilities. But at later dates crystallize into financial liability, if the exporter fails to honour the commitment made by availing these facilities. Non-fund based facilities are generally extended in the form of Bank Guarantees, Acceptances and Letter of Credit.

The commercial bank's non-fund based services may vary from one exporter to another exporter according to the nature of ownership, years of experience in the export field, share of export, turnover and so on.

Mean scores were found out for each group of personal variables and the non fund based services practice variables given above are presented in the following tables.

Ho: There has been no significant difference between exporters' personal variables and the commercial bank's non-fund based export services. (ANOVA)

Non-fund based services and exporters' personal variables (ANOVA)

Personal Variables		Mean	S.D	No.	F value	Table Value	Sig.
Ownership	Proprietorship	23.56	2.81	49	0.665	2.665	Ns
	Partnership	23.23	2.86	391			
	Private Limited company	23.06	3.05	228			
Year of Experience	less than 5 years	23.04	3.44	104	2.084	2.618	Ns
	5-10 years	23.09	3.00	152			
	11-15 years	23.61	2.73	211			
	Above 15 years	22.94	2.73	201			
Share of export	100 % export	23.27	2.94	421	2.610	2.618	Ns
	25 - 50 %	23.67	2.59	65			
	51 - 75%	23.35	2.72	79			
	> 75% but less than 100	22.51	3.13	103			
Turnover (2018-19)	Less than 5 crore	22.60	3.02	62	1.534	2.618	Ns
	5 to 10 crore	23.59	2.97	91			
	11-15 crore	23.27	2.80	268			
	Above 15 crore	23.13	3.00	247			
TOTAL		23.20	2.92	668			

The F value of 0.665 has been confirmed the null hypothesis that the nature of organization as independent variable has not influenced the commercial banks 'Non-fund based services' as a dependent factor.

The F value of 2.084 has been confirmed the acceptance of the null hypothesis that the 'year of experience' as independent variable has been no influence on the commercial banks 'Non-fund based services' as a dependent factor.

Since there is a low F-value 2.610 than the Table value 2.618, the hypothesis is accepted. Hence there has been no relationship between the exporters' personal variable - % of export and the commercial banks Non-Fund based export services.

In case of relationship with turnover and non-fund based services, there has been the high table value (2.618) than the t-value (1.534). Hence there is no significant difference persist and the null hypothesis is accepted.

Suggestions to improve the Commercial Banks Export Services:

The globalization trend and intensified competition in the garment export sector, the number of countries whose share in world exports has been much lower than India, have increased their garment exports at a faster pace. Garment manufacturing is one of the sectors which can provide sizable employment. This sector being one of the largest export earning and having a large potential for decentralized employment generation needs special attention. The following suggestions have to be adopted by both the garment exporters and the commercial banks to make India – the crown of the global nations with the achievements through garment export.

Simplification of procedures

The commercial banks' for the convenience of the garment exporters' may simplify the application form and reduce data requirements for assessment of their credit needs, so that exporters do not have to seek outside professional (auditors, layers etc.) to fill it. Bankers, with technical assistance through branches can provide guidelines regarding correct filling up of various forms.

Time lag

Banks should raise all queries in one shot in order to avoid delays in sanctioning credit. The periodical renewals of customers' details and renewal are mandatory. Banks should delegate credit sanctioning powers to their branches for export credit and other services. Commercial banks' may set up a 'Credit Committee' at their branches for sanctioning shipment credit.

Unwind on collateral securities

Assessment of export credit limits should be 'need based' and not directly linked to the availability of collateral security. The requirement of credit may be justified on the basis of the exporters'

performance and track record. The credit should not be denied merely on the grounds of non-availability of collateral security.

Fast track clearance of export credit

Specialized branches with expert personnel's and the facilitation mechanism for assisting the exporters should be put under one roof for quick initial scrutiny of credit application and for discussions for seeking additional information or clarifications.

Competitive rate of interest

Encourage the exporters' to avail the export credit at internationally competitive rates to mitigate the possible exchange risk has to be made.

CONCLUSION

Commercial banks are important category of institutions operating in the international financial markets. They are the channels through which international indebtedness is settled and capital funds can come in and go out. Importance of banking services to garment exporters cannot be overemphasized. Since many countries have been pursuing policies geared to the promotion of exports through adequate export support at low rate of interest. India has also pursued the same policy in regard to export finance.

In order to strengthen the image as a potential exporter in the global market, significant changes have to be introduced by the exporters, which can be possible with the support of the commercial bank services. The success strategy is, to choose the bankers of convenience and be loyal in export. That will bring the exporters to an excellent place in the global trade.