

Chapter - 4

Evaluation Of Existing Schemes & Policies Of Export Financing

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4.1 Introduction:

Exports of Bangladesh have lagged considerably behind imports till to date. A major object of EXIM policy of Bangladesh Government was to increase foreign-exchange earnings through export expansion from the very beginning of its existence. For a newly independent country with a low level of entrepreneurship, however, the entry into the world trade market in a large way was difficult. Realizing this difficulty, many shames have been introduced for providing incentives to the exporters at different point of time by the successive government. Over the last few decades some entrepreneurs have engaged themselves to the business of export trade. Since the world economic situation has been changed gradually as well, the study on the performance and effectiveness of these schemes may be of great help to understand the problem of exports in general and more particularly, the problem of export financing in Bangladesh.

The study exclusively on the export financing schemes, their effectiveness and performance is so far not comprehensive. It lacks both theoretical exposition and empirical verification so far the effective implementation in a third world country is concerned. Any under-developed country is deprived of having access to latest technology which generally cost effective, production efficient but labour serving. On the other hand, it has a burden of an army of job-seeking huge population. The extent of disadvantage due to relatively less 'cost-effective and production effective' technology being in operation may be compensated by introducing promotional measures and incentives schemes in export provided these schemes are feasible and effective. The serious study on this aspect is all the more becoming important in a changed scenario of world-trade under globalisation since direct subsidies are, in many cases, limited to an extent resolved by the world-trade authority. A very few studies are available on export financing incentive schemes in general as well as in the context of Bangladesh economy.

Islam(1968) has investigated the effectiveness of export promotion measures in stimulating exports in Pakistan. In the analysis, by using effective exchange rate as the measurement of export incentives in a time series investigation, he found that manufactured exports responded strongly to the export subsidies introduced in the various incentive schemes. He argued that an increase in the effective exchange rate

by either devaluation or a system of indirect subsidies increased the receipts in local currency per unit of exports. However, this is just an empirical verification of century old practice of export promotion by devaluation of domestic currency.

Hunchangsith et al.(1977) has examined various aspects of Thailand exports. Such as the incentive structure and their effectiveness and the relation between export, economic growth and employment. They examined the export incentives and their effectiveness by cross -section data and regression analysis and found a favourable result. They also found a positive relation between effective rate of promotion and export growth and concluded that export is surely a growth-leading factor and therefore should be promoted.

Rab(1984) has made an evaluation of the effective assistance to export production in Bangladesh. He argued that export production of the country, in general is being very inadequately assisted relatively to the average level of assistance being received by the import substitution activities. Sakhawatullah(1984) has evaluated the Duty Drawback Scheme and Bonded Warehousing in Bangladesh. From his study it appears that the duty drawback system has not worked as a satisfactory incentives to the exporters due to lengthy verification procedure and uncertainty about the amount and timing of reimbursements. Bonded warehousing facilities are important aids to industrial development but the facilities are not easily available to all export oriented industries. In a study, Roy(1993) has showed that incentives played a significant role in promoting exports.

Anwaruzzaman(1998) has made an attempt to explore quantitatively the response of Bangladesh economy to export incentives within the framework of a general equilibrium model. On the basis of his study, he has expressed that a 'well-implemented subsidy scheme may take the economy a long way towards export-oriented growth'. [Anwaruzzaman(1998):74]

It, therefore, explicitly reveals that the only study specifically on export financing schemes in Bangladesh was done in 1984. It normally could not cover the schemes introduced in nineties and particularly during the period after 1991. Moreover findings of the study may not remain valid to day, as several changes have been made thereafter in the procedure for obtaining incentives under these two schemes covered by this study. In the present context, the extent of studies seems to appear inadequate and incomplete.

In compliance of the importance, the present chapter of the study is planned to evaluate the existing schemes and policies of export financing in Bangladesh. Since incentive schemes and promotional measure are largely dependent on government export policy, we like to start with a section on 'Review of Export Policy of Bangladesh', followed by a section introducing existing schemes and policies under three categories, namely, financial, fiscal and general. Subsequently, discussion on evaluation of schemes separately will be taken up. Of-course, major emphasis will be given on the evaluation of ECG schemes which are not yet studied by any scholar.

4.2 Review of Export Policy of Bangladesh:

Export policy of Bangladesh upto 1990 was basically characterised by adhoc measures adopted on one-year basis. In addition to that, the country experienced a very restrictive and complex set of industrial and trade policies, which discouraged the expansion of manufacturing sector including those having high export potentialities. Non-tariff measures, such as, quantitative restrictions on imports in general had been applied to a considerable range of importable raw materials, including primary inputs. The countries tariff regime continued to discriminate strongly against export production [Zaman et al(1999)]. In 1991, first time a two-year export policy (1991-1993) was announced by the Government of Bangladesh (GOB), which contained a lot of incentive provisions. But fruits of the many of those incentives could not be reaped by all the exporters [Zaman et al.(1999):76]. In 1993, GOB declared, adding some new incentives another tow-year export policy with some modifications of the earlier one. But again due to the weak and ineffective implementation of announced policies manufacturing sector in Bangladesh failed to stimulate competitive export oriented sector.

In this backdrop, GOB announced the first Five-year export policy for 1997 - 2002. The policy primarily aims at attracting entrepreneur to establish export oriented industries for the very purpose of fostering employment opportunities through increased production and trade, improving the balance of payment through narrowing down the trade gap with the diversification of export commodities. As a necessary condition of expanding the export base, establishment of backward linkage with export-oriented industries and development of export infrastructure in the country

were visualised. For achieving those objectives the following major strategies were declared:

- (1) Simplification of export procedure, strengthening supportive role of the Government and more integration of the private sector with the export related activities.
- (2) Up-gradation of technological, improvement of productivity and quality, reduction in costs of production of exports items.
- (3) Development of backward linkage industries for utilisation of local raw materials.
- (4) Providing bonded warehouse facilities to 100% export-oriented high value added leather industries in importing raw materials and chemicals.
- (5) Expansion of modern semi-intensive shrimp culture and improvement of quality to increase shrimp exports.
- (6) Development of adequate infrastructure within the country to facilitate computer software, data processing, electrical and electronic appliance industries.
- (7) Providing applied and technical training of personal to create skilled workforce in the export sectors.
- (8) Arranging international trade fair and commodity based exhibitions in the country and abroad on a regular basis.

The government also identified some items in export sector for the crash programme. At present toys, luggage, fashion items, electronics, leather goods, diamond cutting and polishing, jewelry, silk fabric, stationary goods, cut and artificial flowers, orchid, gift items, vegetables, engineering consultancy services etc. have been included in the list.

In order to boost production and promote export of these crash programme items along with other export commodities, various financial incentives and institutional support and promotional measures were in vogue in this policy. In the following section we will give a bird's eye view on existing incentives and export promotional measures.

4.3 A Brief Account of Existing Schemes and Facilities:

With a view to help the exporters in overcoming the difficulties arising out of relatively narrow export base and make their products competitive different schemes of incentives are usually provided to the exporters. Ministry of Commerce,

Government of Bangladesh in its publication 'Export Policy: 1997 - 2002', published in July 1998 provides an exhaustive list of export incentives. The document provides old schemes, modified version of the existing and newly introduced schemas. It categorised schemes and incentives under two main heads: Financial and Fiscal. Those, which cannot be included in either of these two, are categorised under the head 'general'. For the convenience of our discussion we, therefore, produce below a few schemes, following the same division of category as under

1. Financial Incentives:

The ultimate purpose of the financial incentives is to increase the profitability of export sectors. This can be achieved either by increasing sales volume without downward revision of price, or by reducing the cost. Thus, all the prescribed schemes under this category, either intends to raise sales revenue while others intend to reduce per unit cost of production. Following are the different forms of measure prescribed by the government in the said policy called 'financial incentives' available for the exporters:

- (i) Export Credit Guarantee Scheme (ECGS).
- (ii) Convertibility of Taka in Current Account.
- (iii) Retention of 40% of FOB value of export earning in exporters own account in dollars and pound (except 7.5% retention rate for those items where the import components are relatively high).
- (iv) Export Promotion Fund (EPF).
- (v) Export financing facilities: concessional rate of interest, expansion of export-credit limit from 180 days to 270 days with exemption of overdue interest and inland back to back letter of credit (L/C),
- (vi) Insurance premium rebate for non-traditional exporters.

2. Fiscal Incentives:

- (i) 50% tax rebate on export earnings.
- (ii) Bonded warehouse facilities to 100% export oriented firms, with payment facilities through commercial banks.
- (iii) Duty Drawback
- (iv) Duty free import of Capital goods for 100% export oriented firms.

(v) Tax holiday.

(vi) VAT refund facilities for use of jute cloth and bags in the packing of exports goods.

3. General Incentives:

(i) Special rebate in airfreight for perishable agricultural products and product under crush programme.

(ii) Training course on external trade.

(iii) Arrangement of international trade fairs, country - based exhibitions in the country and participation in foreign trade fairs.

(iv) National Export Trophy to successful exporters.

4.4 Evaluation of different Incentives Schemes:

In the last section we have mentioned that there are all together 16 incentive schemes for export promotion. Out of these fifteen provision, one under financial category, namely, ECGS and two under fiscal category, namely, BW and DDB are widely known to people involved in export business. While the benefits derived from the schemes other than these three are marginal, these three schemes can provide direct and substantial benefit to all sections of exporters.

For example, incentives schemes mentioned under the head 'general' - 3(ii), and 3(iv) are either motivational in nature, or can build up a business environment and culture which is conducive to export trade. Except 3(i), none of these schemes is supposed to provide any direct benefit to the exporters. Similarly, three schemes enlisted under the head 'fiscal i.e., 2(i), 2(v), and 2(vi), are related to tax benefit. These schemes obviously are designed to attract more and more entrepreneurs to export trade. Another scheme, mentioned under same category i.e., 2(iv), reduces the cost of production as well as makes the availability of raw materials easy. No doubt, if the exporters avail of the facility, it would most often help to make the export item competitive. Moreover, sometimes it also makes an item feasible to be exported. Scheme, under the head 'financial', which could have been a potential export promotion measure linked with export financing directly, is ECGS. Under this scheme there are provision of financing both pre and post shipment stage of export. Others are facilities not directly related with availability of credit but extend provision of foreign

exchange transaction, availability of rebate on insurance premium, extension of time limit for certain exportable commodities, additional benefits (other than credit) to non-traditional industrial product etc.

It, therefore, seems to imply that among all the schemes, ECGS, BW, DDB are deserved special attention as major and important incentive schemes. However, BW, DDB are fiscal facilities and several studies have already been made on the advantage and disadvantages of these two. The main contention of this, therefore, does not merit details analysis of these two facilities. But these two facilities provide a basic infrastructural requirement, which has a direct consequence on the overall export volume. Moreover, there is a provision of limited period interest free credit assistance under DDB scheme. Hence, we briefly discuss these two facilities.

Our main intention, of course, is to evaluate and analyse the performance of ECGS. Availability of export credit for the exporters and extending advances to the exporters by the financial institutions represent demand and supply side of export financing respectively. Both demand and supply may be influenced by the successful implementation of these schemes. We have also mentioned that the performance of export promotion under ECG schemes has not been evaluated so far, though it could have been an important instrument for export promotion. We, therefore, intend to evaluate and discuss the performance of ECGS exhaustively under a separate section 4.5 and brief critical notes on remaining two important incentives DDB and BW under the sub-sections 4.4.1 and 4.4.2 respectively.

4.4.1 Duty Drawback System:

The duty drawback system refers to a situation in which an exporters of manufactured goods entitled to get back in full (or in part) the duty and taxes paid on imported raw materials used as an ingredient solely for exported goods. As a result relevant export sectors get their necessary inputs at world prices. This helps to make their products competitive in the export market both in quality and price. This partial duty draw back system was first introduced in 1982 and the refund of full duty was introduced later. The Drawback is provided in three alternative ways:

- (a) Duty Drawback at Actual Rates,
- (b) Duty Drawback at Flat Rate and

(c) National Payment.

Flat rate and actual rate methods are operated on reimbursement basis. For exported products not covered by the flat rate, repayment is determined on the basis of actual duty and taxes paid on imported inputs.

The exporter can receive his duty back either from the custom office or from the bank on producing a certificate from the appropriate office of the collector of customs that shipment has actually been done. Details procedure is laid down by the Drawback for Manufactured Export Rules (DMER), 1970 [SRO. 202(1)/ 70 dated 19.8.70]. This procedure is sometimes, if not always, allegedly time consuming and therefore, actual reimbursement takes time. Introduction of a credit facility during this intermediary period of waiting after filing a claim recognises the fact.

To assist the exporters to bear the interest cost on blocked fund while waiting for reimbursement, the government has introduced this credit facility in which exporter can obtain interest free advanced from the bank equal to 100% of eligible drawback. If an exporter wishes to take advantage of 100% drawback credit facility against refundable drawback, he can apply to his bank for credit with relevant documents only after issuance of SRO by National Board of Revenue (NBR). The credit is free of interest for a period of 90 days. In this system the exporters has to apply to the Director of Inspection and Training for survey and fixation of the rate of drawback and also for the certification. On the strength of this certification and recommendation from the Directorate, the exporter's bank makes the advance to the extent of amount entitled to be drawn back.

This system is, however, not free from limitations. The complicated, bureaucratic and time-consuming procedure is alleged often be the cause of more of disincentives rather than incentives. A survey of the exporters' attitude, view and perception on different incentives schemes and credit facilities has been done as a part of this thesis and findings on this issue are presented and discuss in chapter-5.

4.4.2 Bonded Warehouse Facilities (BW):

Bonded warehousing system is a highly useful device for facilitating export-oriented industrial development. Export units, which can receive this facility, can import their input requirement tax-free. The National Board of Revenue (NBR) under

section 13 of the Custom Act of 1969 provides this facility. The Collector of Custom within his jurisdiction is the respective competent authority empowered to administer and operate the bonded warehousing system. The existing legal provisions are alleged to make the availability of warehouse facility restrictive. Moreover, exporters are believed to get victimised unjustifiably due to differential implementation of the discretionary power vested on the collector of customs who is the competent authority in a district. This differential use of discretionary power of collector of customs is alleged to vary from district to district and thus prevents uniform application of the facility.

There are two types of BW in Bangladesh: (1) public and (2) private. Public warehousing is maintained and operated by the Custom Department. Private warehousing facilities are available to export oriented industries as well as to industries producing goods for home consumption. Any private importer/exporter can use the warehouse to store goods up to two years. The rate of duty payable is charged at the rate prevalent on the date of clearance. In case of export-oriented industries no taxes are required to be paid. Industries, which qualify for the following benefits, are eligible for bonded warehouses:

- i. Duty Drawback arrangement for export,
- ii. Back-to-Back letter of credit for import of raw materials,
- iii. Goods sold for international tender against foreign exchange.
- iv. Deferred payments of duty and taxes

Though the bonded warehousing facility is viewed as an important incentive to industrialisation, the facility is not available liberally to all export oriented industries uniformly as a matter of policy. In the actual operation of BW there are some problems faced by the bonders also. The most common complaint from the bonders is that the production of goods in time and delivery or export on schedule is hampered by the lack of prompt action of the custom officer. Custom department, on the other hand, says that the utmost vigilance which is necessary in preventing illegal leakage of the bonded commodity into the domestic market defers prompt action.

As we have already mentioned that these two facilities discussed in 4.4.1 and 4.4.2 are not directly involved in getting export finance except short-term advance DDB credit. But these two facilities help to expand the export operation and thereby, indirectly influence the need of export finance. For this a brief discussion on the state

of these facilities appears to be relevant, although ECG schemes are directly involved in export financing, which we are supposed to discuss in details in the next section.

4.5 Evaluation of Export Credit Guarantee Scheme (ECGS):

Commercial Banks are the main financier of export trade in Bangladesh. However, since substantial extent of risks are contingent upon the several unforeseen happenings or situations like, insolvency of the exporter, non-shipment or short-shipment of goods, non- repatriation due to insolvency of the buyer, the refusal of accepting the consignment by the buyer, the change in the economic and political condition in the buyer's country etc., banks are usually hesitant to become involved in export credit. This impedes the processing of export order and causes an adverse impact on the competitive ability of export firms. The need therefore, is felt for a scheme of export credit designed to insure exporters against the consequences of risk of default payment, and to enable them to expand their overseas business without fear of loss. ECGS is one of these long felt promotional measures declared by the Government of Bangladesh to mitigate the adverse effect on the very process of sharpening the competitive edge of the exporters in the world market. Sadharan Bima Corporation (SBC) introduced 'Export Credit Guarantee Scheme' (ECGS) with effect from 1st January 1978 through its Export Credit Guarantee Wing (ECGW) as per the order of the Government of the People Republic of Bangladesh (GOB). In the present period of new economic world order i.e. under the WTO regime, the openness of the economy through liberalising trade gave birth a complete new environment of competition which entrepreneurs of protective countries and so in Bangladesh, are not familiar with. The importance of ECGS is, therefore, now more than that actually thought of at the time of initiation. After a lapse of more than two decades, the performance of ECGS may deserve a proper evaluation as no systematic study of ECGS in Bangladesh has yet been done, except casual observations of professional economists, business leaders and the bankers. An econometric analysis is necessary to verify observations made by them and to evaluate effectiveness of Export Credit Guarantee Scheme as an export promotion measure.

4.5.1 A Brief Outline of the Existing Export Credit Guarantee Schemes (ECGS):

Policies introduced by the SBC are under the following schemes: (a) Export Finance Guarantee (b) Export Payment Risk (known as comprehensive) Guarantee

(c) **Whole Turn over Finance Guarantee.** Under Export Finance Guarantee there are actually two schemes namely (i) Pre-shipment Guarantee and (ii) Post-shipment Guarantee. For all practical purposes, therefore, there are four following independent schemes:

1. Pre-shipment Guarantee
2. Post-shipment Guarantee
3. Comprehensive Guarantee and
4. Whole Turn over Finance Guarantee.

Among these policies, Comprehensive scheme insures exporters who become policyholders and the rest of four insure risk of the bankers. The salient features of the ECGS's are given below:

(a) **Pre-shipment Guarantee:** Pre-shipment Export Finance Guarantee policy provides bankers, who become policyholders, with a guarantee against losses resulting at the pre-shipment stage. The intended objectives of the scheme are to induce the banks to channelize increased volume of credit to the export sector. Risk covered under such guarantee includes any loss incurred by the banks on account of (i) the insolvency of the exporter & (ii) the failure of the exporter to repay loan within four month of the due date of payment. The extent of guarantee coverage is 75% of the loan where the loss is established. The policy worked on the principle of no-profits-no-loss basis and, therefore, the premium rate is claimed to be kept as low as possible.¹

(b) **Post-shipment Guarantee:** Exporters often face problem to adjust the post – shipment account with the bank when payments for goods sold on credit are not made by the foreign buyers. Under such circumstances, banks in Bangladesh are generally hesitant to provide post-shipment finance to the exporters. The post-shipment Credit Guarantee has, therefore, designed to protect commercial banks from losses that may be sustained by them in respect of advances granted to exporters by

1. The premium is payable @ 0.01% on the highest outstanding during each month. If the collateral against the credit limit is less than 50% of the limit, the premium is payable @ 0.015% per month.

way of discount, purchase or negotiation of export bills. It, therefore, supplements the cover given to banks under the Pre-shipment Credit Guarantee².

(c) **Comprehensive Guarantee:** To remove the exporter's risk of buyers turning defaulter of payment against credit sale of exports and to overcome his post-shipment finance problem, the ECGW of SBC has introduced the Export Payment Risk Policy (Comprehensive Guarantee). Comprehensive Guarantee covers both commercial and political risk. It covers commercial risks (i.e. risk arising out of buyer's action) upto 85% and political risk (i.e. risk arising due to Government action) upto 95%. Premium rate for this policy is considered to be low³.

(d) **Whole Turn Over Finance Guarantee:** In order to make the ECG scheme more simple, more cheap and much convenient to the banking community, ECGW of SBC has introduced recently a new Scheme entitled 'Whole Turnover' Pre-shipment Guarantee. The concept has become very popular in many countries like India, Indonesia, and Sri Lanka etc. This guarantee, issued against a commercial bank designed to provide cover for all the pre-shipment finances those are extended to all of its customers under a single guarantee. In other words, it is a contract between the ECGW and the bank to whom the guarantee is issued and it protects the insured bank in respect of the losses that it may incur while giving pre-shipment credits to its exporter clients. In comparison to individual Pre-shipment Finance Guarantee, this guarantee is easy to handle, has less paper work and less premium cost. The bank has to submit the proposal for the guarantee in the prescribed form supplied by the ECGW. The guarantee is normally issued for a single financial year⁴.

4.5.2 Methodology and Sources of data: We assume that the perceived existence of risk and uncertainty associated with the export business both on the part of banks and exporters have been reduced substantially by the introduction of ECGS and therefore, these schemes have played a significant role in promoting export as

2. Premium is payable @ 0.05% per month on the highest amount of loan outstanding on any day during the month.

3. It varies from 0.125% to 2.00% of the invoice value depending on the terms of payment, credit information of the buyer, and the stability of political and economical condition of the buyers country. In case of L/C, the minimum premium rate is .125% and maximum 0.65%. In case of Confirmed Sale contract the minimum rate is 0.40% and maximum rate is 2.00%.

4. Premium is payable @0.075% per month on the total average products of all accounts (exporters). 80% of loss incurred by the bank are compensated under this guarantee.

expected by the Government. If it actually does play such a role then amount of insurance coverage will show positive relationship with the volume of export. But the amount of insurance coverage is also directly related with number of policies. Furthermore, another factor that should have a motivating and inspiring impact on financiers and the exporters in the amount of settlement of claims. Settlement of claims may supposed to be made financial risks of both the financiers and the exporters minimum and thus should encourages the financier to finance with minimum risk of under-recovery and exporters to extend scale of export operation with required financial support. Higher amount of claim settlement will thus attract more users to take advantage of the coverage under these schemes, if these schemes are at all beneficial to bankers and exporters. Thus with the increasing volume of export and settlement ratio the volume of insurance coverage should exhibit a statistically significant relationship. Thus we hold that, for each individual scheme and one for all schemes together (to be mentioned as ‘total’ hereinafter)

$$X_o = \beta_o + \sum_{i=1}^3 \beta_i x_i + u \quad (1)$$

Where x_o = Insurance coverage in different years under each scheme or for total,

x_1 = Volume of exports in different years (Export),

x_2 = Insurance settlement ratio (SR) under each scheme or for total,

x_3 = No. of policies in different year (NP), u = Random terms

and through OLS Regression, we obtain

$$\hat{X}_o = \hat{\beta}_o + \sum_{i=1}^3 \hat{\beta}_i x_i \dots\dots\dots(2)$$

Significance of β_i ($i = 0,1,..,3$) will be tested by S.E. test or 't' - test at 5% significance level for null hypothesis

$$H_o : \hat{\beta}_i = 0$$

against the alternative hypothesis

$$H_i : \hat{\beta}_i \neq 0$$

Three independent variables x_1, x_2, x_3 , may have a strong correlation among themselves and thus the possibility of presence of multicollinearity cannot be ruled out altogether.

The presence of multicollinearity may make the estimation of OLS parameters indeterminate though the exact effect of collinearity is yet to be established theoretically by econometrician, [Koutsoyiannis(1973), Klien(1974), Farrar & Glauber(1967), Theil(1961), Frisch(1934)]. If the existence of multi-collinearity is found in any OLS analysis, one has different options for taking care of that. Among those methods, suggested in literature, we could not adopt the method of increasing the size of the sample, which is fixed in our case. Distributed-lag Model as suggested by Koyck(1954), is not also found appropriate. Removal of factors from the process of formation of simultaneous equation is not also possible as the introduction of additional relationship is not meaningful. Therefore, we are left with no options but to apply Frisch's Confluence Analysis. We intend to take care of autocorrelation problem by Theil and Nagar methods. Though the value of R^2 decreases in the process, it guarantees efficiency and consistency of parameters estimation.

The study is based on secondary data, from the SBC and the Export Promotion Bureau (Dhaka). We have used the data of pre-shipment, Post-shipment and total export credit guarantee scheme for the last twenty-three years covering the period 1978 - 2000. In case of Post-shipment guarantee scheme we have used data for last seventeen years covering the period 1984 - 2000. Data for ECGS are available on the basis of calendar year i.e. January to December, and accordingly time period for available data on export volume are adjusted to make it compatible with ECG data. Time series Data available for the period related to payment of insurance claim are under the following heads: claim lodged, claim withdrawn, claim settled. But as the settlement of claim usually takes time, therefore, the claim lodged in a particular year may spill over to the next year (if not settled during that particular year). Hence we consider net claim lodge by subtracting amount of claim withdrawn from the claim lodged and calculate a ratio, settlement ratio (SR), which is obtained in dividing the amount of claim actually settled in a particular year by the total outstanding net claim lodged till that year. Unfortunately, year wise separate data for new claim lodge and outstanding claim of the year are not available. As a consequence of spill over of unsettled claim of previous year, the net claims settled in some years are found more than the claim lodged in these particular years. Only way left to us in making these data useable, as one of the explanatory variables is to transform the data in this form of ratio instead of absolute values.

Recently introduced scheme (d) is not studied in this thesis because of absence of time series data.

4.5.3 OLS Results and Interpretation:

The OLS results of the study are presented in Tables 4.1 to 4.10 Table - 4.1 represents the OLS results of Pre-shipment Guarantee Scheme, while Tables 4.2, & 4.3 represent the results of Post – shipment, and Total respectively. Tables 4.4 & 4.5 represent results of comprehensive scheme. We prefer to discuss and interpret the results for Comprehensive scheme separately as the result exhibits different trend than that of other two and Total. As, in the section of methodology, we have mentioned already the possibility of presence of multicollinearity, we introduce variables stepwise in the OLS model following Frisch Confluence Analysis starting with export as the most expected explanatory variable. We decide on the character of variables as ‘unacceptable’, ‘superfluous’ and ‘detrimental’ depending on the increasing / decreasing values of R^2 and the change of sign of parameter β as follows:

i). If the new variable improves R^2 without rendering the individual coefficients unacceptable on a priori considerations, the variable is considered useful and is retained as an explanatory variable.

ii). If the new variable neither improve R^2 and nor affects to any considerable extent the values of the individual coefficients, it is considered as superfluous and is rejected.

iii) If the new variable affects considerably the signs or the values of the coefficients, it is considered as detrimental.

We observe the following from the results of OLS analysis and interpret as under:

a) ‘Total’ and schemes other than Comprehensive: -

The OLS results presented in the following Table 4.1, 4.2, & 4.3 shows that individually NP appears to be the most important explanatory variable followed by SR. But export never appears significant individually. NP and SR jointly improve the values of R^2 in all three cases and the co-efficient β_3 and β_2 exhibit statistically significant values except in post-shipment scheme wherein, though SR improves the value of R^2 , the t-value of co-efficient β_2 proves the null hypothesis to be acceptable. When export is introduced with SR and NP, it proves itself ‘detrimental’ in cases of pre-shipment and post-shipment. In case of ‘total’ it becomes ‘superfluous’, as the value of R^2 remains unchanged at 0.62. Moreover it reduces the level of significance of β_2 from 5 percent level to 10 percent level.

Table: 4.1
Results of OLS analysis (Pre-shipment : 1978 – 2000)

Explanatory Variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
Export	81974.07* (3.88)	.00107 (.122)	–	–	.0007	0.51	.014	22
SR	46750.77* (2.23)	–	199813.30 (2.20)*	–	.19	0.83	4.82	22
NP	4976.90 (0.25)	–	–	396.43* (4.60)	.50	1.01	21.14	22
Export, NP	-566.69 (-0.024)	.0028 (0.44)	–	398.72* (4.53)	.51	1.04	10.26	21
SR, NP	-10782.28 (-.52)	–	125483.40 (1.79)*	358.31* (4.23)	.57	1.23	13.29	21
Export, SR	54215.16* (2.43)	.0086 (-.97)	244850.22 (2.39)*	–	.22	0.94	2.87	21
Export, SR, NP	-6801.00 (-.30)	-.00311 (.66)	143404.49 (1.75)*	350.30* (3.97)	.58	1.25	8.58	20

Note: Figures in the parenthesis indicate corresponding 't'– values. * & ** Indicate significance at 5% and 10% level respectively.

Table : 4.2
Results of OLS analysis (Post-shipment : 1984 – 2000)

Explanatory Variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
Export	38247.24* (4.59)	-.004 (-1.33)	–	–	0.11	0.64	1.78	16
SR	24118.01* (4.22)	–	14090.62 (1.57)**	–	0.14	0.72	2.45	16
NP	5067.62 (0.69)	–	–	268.31* (3.77)	0.48	1.00	14.23	16
Export, NP	-56389.12 (0.1428)	0.0028 (-0.98)	–	325.43* (4.46)	0.52	1.21	7.47	15
Cov = f(SR, NP)	3903.93 (0.53)	–	8326.63 (1.18)	248.04* (3.43)	0.53	1.16	7.99	15
Export, SR	31785.86* (3.29)	-0.003 (0.003)	11674.00 (1.25)	–	0.20	0.74	1.71	15
Export, SR, NP	-10119.31 (-0.71)	.0034 (1.14)	9506.27 (1.35)**	314.27* (3.41)	0.58	1.52	5.87	14

Note: Figures in the parenthesis indicate corresponding 't'– values. * & ** Indicate significance at 5% and 10% level respectively.

Table : 4.3
Results of OLS Analysis (Total : 1978 – 2000)

Explanatory Variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
Export	94035.52* (3.36)	.006 (.522)	–	–	0.013	0.24	0.27	22
SR	53056.09 (2.01)*	–	246051.4 (2.49)*	–	0.23	0.64	6.21	22
NP	1987.20 (.08)	–	–	354.28 (5.01)*	0.54	0.43	25.14	22
Export, NP	-23372.27 (-.81)	.012 (1.49)**	–	368.21 (5.31)*	0.59	0.55	14.43	21
SR, NP	-17446.59 (-.71)	–	147050.60 (1.98)*	314.03* (4.53)	0.62	0.78	16.27	21
Export, SR,	59701.29* (2.08)	-.0075 (-.633)	279360.18 (2.47)*	–	0.24	0.72	3.22	21
Export, SR, NP	-25181.52 (-.89)	.0052 (.58)	119459.30 (1.34)**	327.83* (4.41)	0.62	0.76	10.60	20

Note: Figures in the parenthesis indicate corresponding 't'– values. * & ** Indicate significance at 5% and 10% level respectively.

Comprehensive Scheme :-

Results of OLS for this scheme presented in the following Table-4.4 are somewhat perplexing and deserve further probing. Export and SR, as a single explanatory variable, gives the values of R^2 as .047 and .037 respectively. It implies that Export and SR do not contribute anything as independent variables in explaining the change in increasing value of insurance coverage under this scheme. β_1 and β_2 do not appear significant either. The value of β_3 , co-efficient of NP, comes out as significant but the value of R^2 is only 0.133. The value of R^2 does not improve when we introduce other two variables stepwise with NP, but the significance level of β_3

Table : 4.4
Results of OLS analysis (Comprehensive : 1978 - 2000)

Explanatory variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R^2	DW	F	DF
SR	3566.67* (5.60)	-	-56.45 (-.90)	-	.037	0.82	0.82	22
Export	3886.43* (4.47)	-.0003 (-1.016)	-	-	.047	0.82	1.03	22
NP	1901.38* (2.1)	-	-	52.42* (1.79)	.133	0.76	3.21	22
Export, NP,	2027.09 (1.31)	-.00004 (-.10)	-	50.43** (1.41)	.133	0.77	1.54	21
SR ,NP	1970.21 (1.49)	-	-5.83 (-.08)	51.02** (1.49)	.133	0.76	1.54	21
Export, SR	3874.71* (4.624)	-2.51 (-.56)	-29.10 (.72)	-	.053	0.82	0.56	21
Export SR, NP	2039.70 (1.27)	-.00003 (-.07)	-3.30 (-.04)	50.05** (1.33)	.333	0.76	0.97	20

Note: Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

deteriorates from 5% level to 10% level. Thus the variables SR and Export appear to be 'detrimental' and the only explanatory variable left with significant co-efficient is NP which explains only 13.3 percent of the variation in insurance coverage.

According to this scheme, exporters can independently undertake the insurance for minimising their risk against any unforeseen financial loss. But we find that export volume does not contribute meaningfully and contribution of NP is also very negligible ($R^2 = .133$). It indicates that the coverage under this scheme must be determined by some factors other than those have so far been introduced. We thus decide to introduce a new variable, post-shipment coverage (PC), as an explanatory one (x_4) and OLS equation (i) is reformulated for this purpose as

$$X_0 = \beta_0 + \sum_1^4 \beta_i x_i + u_i \quad (3)$$

where, x_4 = Post-shipment coverage (PC); x_1, x_2, x_3 , are as defined already.

The results presented in Table-4.5 reveal that post-shipment coverage alone explains 35% ($R^2 = 0.35$) and jointly with NP it explains 68% ($R^2 = 0.68$). Variables export and SR, however, does not appear as promising in presence of PC and proved themselves 'unacceptable'. The indication of the result is that the coverage under the comprehensive scheme is, to a large extends, influenced by the post-shipment coverage. It implies, inter alia, that banks when agree to finance exporters do not feel fully secured under the coverage of the post-shipment scheme and impose additional burden of coverage under the comprehensive scheme on the exporters. Number of policy issued in case of Comprehensive Guarantee Scheme seems to be influenced by bank compulsion but not exporters own interest.

Table : 4.5
Results of OLS analysis(Comprehensive: 1984 - 2000)

Explanatory variables		DF
PC	$1714.56\beta_0^{**} + .076 (PC)^*$ (1.83) (2.87) $R^2 = .35, DW = 1.38, F = 8.23$	16
PC, NP	$-888.81 + .10(PC)^* + 75.81 (NP)^*$ (-.91) (4.84) (3.77) $R^2 = .68, DW = 2.06, F = 14.83$	15
PC, Export	$3657.82^* + .06 (PC)^* + -.0006^* (Export)$ (2.86) (2.32) (-2.04) $R^2 = .50, DW = 1.88, F = 7.06$	15
PC, SR	$2501.41^* + .07(PC)^* + -59.26^{**}(SR)$ (2.34) (2.54) (-1.39) $R^2 = .43, DW = 1.92, F = 5.34$	15
(PC, Export, SR, NP.	$-4285.18^{**} + .13^*(PC) + .0005 (Export) + 35.74 (SR) + 119.66^*(NP)$ (-1.39) (3.87) (1.03) (.83) (2.80) $R^2 = .71, DW = 2.00, F = 7.43$	14

Note:Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

Post economic liberalisation scenario: -

Though Bangladesh started to follow economic liberalisation policy since 1982, it got its momentum after introducing the new industrial policy in 1991. We estimated the same set of parameters for the period 1991 to 2000. Results are shown in Tables-4.6 to 4.10. Under post-shipment scheme individually NP causes R^2 equals to 0.42 with significant co-efficient but other two variables appear as 'detrimental' when introduced with NP (Table-4.6) and transforms the significant value of β_3 insignificant. In both the cases of 'Total' (Table-4.7) and pre-shipment (Table-4.8) the estimation indicates identical situation with the minor exception that co-efficient β_3 is not changed to insignificant level though introduction of other two variables do appear non-promising and 'detrimental'.

Table : 4.6
Results of OLS analysis(Post-shipment : 1991 – 2000)

Explanatory variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
Export	42032.44* (5.44)	-0.0049* (-2.25)			0.39	2.70	5.07	9
SR	24656.30* (4.00)		-12056.22 (-0.29)		0.0105	1.31	0.08	9
NP	10512.96 (1.48)			243.15* (2.41)	0.42	2.49	5.80	9
Export, NP	23107.68 (0.98)	-0.002 (-0.56)		157.60 (0.86)	0.4452	2.60	2.81	8
SR, NP	4946.44 (0.55)		-33386.38 (-1.02)	269.86* (2.59)	0.4952	3.07	3.43	8
Export, SR	40055.17* (5.00)	-0.0054* (2.42)	-33.37.18 (-0.987)		0.46	3.11	2.99	8
Export, SR, NP	19282.31 (0.81)	-0.0026 (-0.66)	-35411.64 (-1.037)	171.81 (0.93)	0.53	3.20	2.25	7

Note: Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

Table: 4.7
Results of OLS analysis(Total: 1991 – 2000)

Explanatory variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
Export	214770.92* (7.60)	-0.02* (3.09)			0.54	2.00	9.53	9
SR	145846.11* (10.44)		-10421.85 (-2.20)*		0.38	1.31	4.84	9
NP	11044.84 (-0.66)			530.58* (9.06)	0.911	2.18	82.13	9
Export, NP	5997.28 (0.15)	-0.0026 (-0.47)		499.93* (5.49)	0.913	2.12	37.18	8
SR, NP	-139.5 (-0.006)		-1756.64 (-0.79)	497.78* (6.82)	0.92	2.28	39.43	8
Export, SR	203495.69* (5.73)	-0.02 (-1.73)	3356.51 (-0.57)		0.56	1.99	4.53	8
Export, SR, NP,	3470.40 (0.08)	-0.006 (-0.10)	-1617.26 (-0.59)	492.11* (5.11)	0.92	2.26	22.58	7

Note: Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

Table : 4.8
Results of OLS analysis(Pre-shipment : 1991 – 2000)

Explanatory variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
Export	178397.03* (6.50)	-0.02* (-3.00)			0.53	1.77	9.05	9
SR	103266* (7.26)		-10365.71 (-1.36)		0.19	0.77	1.86	9
NP	-42743.19* (-2.17)			736.15* (7.66)	0.88	1.93	58.74	9
Export, NP	8364.73 (0.27)	-0.0083* (-1.98)		617.14* (5.98)	0.92	2.22	42.09	8
SR, NP	-66059.76* (2.95)		5692.94 (1.70)	852.05* (7.74)	0.91	1.46	37.76	8
Export, SR	171506.99* (6.00)	-0.021* (-2.59)	-5804.11 (0.96)		0.58	1.71	4.93	8
Export, SR, NP	-17132.87 (-0.56)	-0.0075* (-2.02)	4961.69 (1.76)	727.51* (6.57)	0.95	1.82	37.53	7

Note: Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

Table: 4.9
Results of OLS analysis
(Comprehensive: 1991 - 2000)

Explanatory variables	β_0	Export (β_1)	SR (β_2)	NP (β_3)	R ²	DW	F	DF
SR	2674.51* (3.98)		-1.56 (0.03)		0.0007	1.22	0.01	9
Export	4025.99* (2.59)	-0.0004 (-0.96)			0.1026	1.48	0.91	9
NP	2510.36 (1.25)			11.27 (0.08)	0.0008	1.23	0.01	9
Export, NP,	8695.20 (1.81)	-0.00096 (-1.40)		-218.27 (-1.10)	0.2203	1.42	0.99	8
SR, NP	2553.19 (1.11)		-1.20 (-0.05)	8.87 (0.06)	0.0012	1.23	0.004	8
Export, SR	4460.50* (2.46)	-0.00059 (-1.06)	13.36 (0.54)		0.1382	1.69	0.56	8
Export, SR, NP	10645.44** (1.99)	-0.0014 (-1.64)	22.21 (0.886)	-275.71 (-1.22)	0.3105	1.71	0.90	7

Note: Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

The study of Comprehensive scheme during this period of liberalised economy does not show any statistically meaningful relationship due to negative coefficients and insignificant value of R² except in case of singly introduced NP, which though shows positive coefficient but exhibits untenable value of R² (Table – 4.9). However, when PC is introduced as an explanatory variable, NP becomes unacceptable (Table – 4.10). We find that alternative hypothesis is acceptable at 5% level only for the variable PC and it improves the value of R² to 0.43. All other variables appear either 'detrimental' or 'unacceptable'. The results, therefore, clearly indicates that the situation does not improve due to change in attitude towards export after the initiation of new liberal economic policy.

Table: 4.10
Results of OLS analysis
(Comprehensive: 1991 - 2000)

Explanatory variables		DF.
PC	-180.77 + 0.11(PC)*, (-0.14) (2.46) R ² = 0.43, DW = 1.65, F = 6.06	9
PC, NP	993.74 + 0.13 (PC)* -139.25(NP), (0.63) (2.77) (-1.17) R ² = 0.52, DW = 1.80, F = 3.85	8
PC, Export	-1186.33 + 0.12 (PC)* + 0.0002(Export) (-0.42) (2.07) (0.40) R ² = 0.44 DW = 1.78, F = 2.79	8
PC, SR	-202.38 + 0.11 (PC)* + 1.44 (SR) (-0.15) (2.30) (0.09) R ² = 0.43, DW = 1.70, F = 2.66	8
PC, Export, SR, NP.	3775.96 + 0.12(PC)** + 0.0004 (Export) + 3.54 (SR) -211.18 (NP) (0.59) (1.61) (-.43) (0.14) (-1.03)	6

Note: Figures in the parenthesis indicate corresponding 't'- values. * & ** Indicate significance at 5% and 10% level respectively.

However, we could conceive the possibility that the parameters are not being estimated correctly due to presence of auto-regression. The presence of auto-correlation is highly prominent as shown by the values of DW. We follow Theil and Nagar method to eliminate the influence of auto-regression but it does neither give any new insight in explaining the relationship nor it changes the interpretation. (Results are not shown separately for this reason). We then finally conclude that our parameter estimation remains valid and is not influenced by the presence of auto-correlation.

4.6 Findings of Sample Survey:

4.6.1 Awareness and Availability of Incentives to Exporters:

The success of all such schemes of export financing and incentives in the final analysis should be judged by the extent of utilisation or degree of enjoyment of the benefits derived by the exporters. More the number of exporters accessed the facilities offered more is the success. Primary condition of extensive utilisation is that the legitimate users are well conversant with provisions of facilities and advantages of export financing and promotional schemes. It is very much imperative to know that what ways those schemes could be beneficial for their export business in general and financing problem in particular. In a word, it is the extent of awareness regarding schemes and provisions of incentives that could make the exporters really beneficial. Being aware of the benefit that could be derived out of the declared policies of the government and the formal procedures in accessing the entrusted agencies, more demand for those facilities is expected. For this, a part of our survey among exporters targeted to evaluate the rate of awareness and rate of availability of benefits from different types of incentives and facilities.

The sample of our survey is randomly selected of size fifty six. Sampling, sampling procedure and other details of the methodology are discussed in the chapter- vi where we presented comprehensively the findings of the whole survey. In this section, we intend to present and analyse survey data relating only to the rate of awareness regarding schemes and rate of availability of benefits as an appraisal indicator of existing schemes of export promotion.

Analysis is based on two different aspects of exporters: (i). Nature of the export product and (ii). Size of the firm. In the first case, respondents are grouped either in primary or in manufacturing product. In the second case, scale of operation

of the export firm is categorised as small, medium and large. Out of several provisions of benefits of three different types - (i). Financial, (ii). Fiscal and (iii). General, as mentioned in government policy, we considered only fifteen relatively major provisions from all three types. We then calculated the probability [$p(x)$] that an export firm of a specific type (either in size or in product nature) selected randomly is aware of a particular scheme. Then we also calculated the probability that the firm has actually availed the benefits provided he is aware of the scheme [$p(y/x)$]. Finally, we calculated the joint probability of happening that the firm is aware as well as beneficiary for each scheme i.e.

$$p(x \cap y) = p(x) \cdot p(y/x)$$

Thus, the rate of success of each scheme will be indicated by $p(x \cap y)$ which express the probability or chance of getting benefits by any exporters. We can compare whether the more number of exporters, dealing with primary product, is deriving benefits than manufacturing. Similarly, we would be able to analyse whether benefits are biased towards any size of firms or scale of operation. Results are given in table 4.11. Results show that the single provision which every exporters are aware of and getting benefits from is insurance rebate for non-traditional exports. This is followed by the provision of holiday. However, the probability shows that manufacturing firm is more likely to avail the opportunity than primary firm. It also indicates that the most of the firms engaged in exporting primary product are tiny units. Besides these two schemes which are widely known and better accessed, there are five provisions which, though far less known and availed of than previous two, are fairly probable [$p(x \cap y)=0.5$] with respect to remaining eight. Out of these five, one of the schemes is applicable for only selected few i.e.; special rebate in air freights for export of perishable agricultural product under crash program. Remaining four are (i). Deposit of export earnings in the exporters own account, (ii). Bonded Warehouse facilities, (iii). Convertibility of Taka in current account (iv) 50% tax rebate on export earnings. The probability that any firm is aware of the scheme and have availed the benefits, from any of these five is lying between 0.39 to 0.59 i.e.; almost within the range of 40 percent to 60 percent. Surprisingly, it seems to reveal that the level of awareness among the exporters regarding ECGS and DDB system is not satisfactory. It is revealed that neither the primary exporters are interested to take advantage of it

nor they are getting chance of availing the facility. Units those are getting this facility is manufacturing unit and the probability of getting the benefit is very low.

Table 4.11
Probability of Awareness and Assistance Availed
of the existing exports incentives by the exporters.

Incentives		Product Nature		Total
		Primary	Manuf.	
Export Credit Guarantee Scheme	P(x)	.60	.28	.34
	P(y/x)	.3	.08	.13
	P(x∩y)	.30	.08	.13
Convertibility of Taka in current account	P(x)	.40	.89	.76
	P(y/x)	.25	.61	.57
	P(x∩y)	.10	.53	.43
Deposit of 7.5% / 40% of FOB value of export earnings in own account in Dollar and Pound	P(x)	.60	.94	.87
	P(y/x)	.33	.74	.68
	P(x∩y)	.20	.69	.59
Export Development Fund (34)	P(x)	.40	.58	.73
	P(y/x)	.50	.19	.24
	P(x∩y)	.20	.11	.18
50% of tax rebate on export earnings	P(x)	.60	.92	.85
	P(y/x)	.33	.48	.46
	P(x∩y)	.20	.44	.39
Duty Draw Back facilities (34)	P(x)	.60	.76	.88
	P(y/x)	0	.29	.27
	P(x∩y)	0	.22	.24
Insurance premium rebate for non traditional export (34)	P(x)	.60	.58	.96
	P(y/x)	1	1	1
	P(x∩y)	.60	.58	.96
Bonded Warehouse facilities (34)	P(x)	.30	.85	1
	P(y/x)	0	.52	.47
	P(x∩y)	0	.44	.47
Duty free import of capital goods	P(x)	.40	.72	.65
	P(y/x)	.25	.31	.30
	P(x∩y)	.10	.22	.20
Tax holiday (41)	P(x)	.50	1	1
	P(y/x)	.40	.86	.80
	P(x∩y)	.20	.86	.80
Special rebate in air freight for export of perishable agricultural product under crash program (2)	P(x)	1	0	1
	P(y/x)	.50	0	.50
	P(x∩y)	.50	0	.50
Training course on external trade	P(x)	.40	.42	.41
	P(y/x)	.50	.40	.42
	P(x∩y)	.20	.17	.17
Assistance in improvement of quality and packing	P(x)	.40	.28	.30
	P(y/x)	.25	.60	.50
	P(x∩y)	.10	.17	.15

In case of ECGS also it is the primary product firm which has the better chance of getting the benefit than manufacturing export unit. Overall probability of getting the benefits is very dismissal at around 0.13. Very important and critical revelation of this study of probability of awareness is that a large section of exporters

remain ignorant about the facility of duty-free import of capital goods. Besides, a very few of those aware are actually utilising this facility. For primary product firms this awareness is the least. It seems to imply that the extensive awareness campaign among exporters especially dealing with primary products is urgently needed.

4.6.2 Bankers' Perception on Performance of Export Promotional Measures:

Among the incentives, ECGS is the one, which is directly linked with the credit facility or advanced to be provided to the exporters by the financial institutions. In order to assess the bankers' perception regarding successful implementation and problems therein we incorporated two specific questions on ECGS in section - D. First question was address to know that how many of bankers perceived that the scheme is helpful. Second question was asked to identify the shortcomings, if exists in their perception, of the scheme. Summaries of the answer of the respondents against first and second questions are presented in Table 4.12 and 4.13 respectively.

Table 4.12 shows that only 16.67% of banks consider the scheme as a helpful one to the exporters. Interestingly all these banks are private commercial interest free banks. 41.66% of commercial banks do consider that scheme is not much helpful. While 33.33% of these commercial banks are nationalised, remaining 8.33% constitute private interest based commercial banks. However, 41.47% of respondent banks either remain non-committant or express inability to gauge the usefulness. On the whole, it seems to communicate a very clear indication that banks do not consider the scheme very much helpful to exporters.

Table – 4.12
Opinion of the Commercial Banks about the usefulness of ECGS

Opinion	NCB	Pvt ^{IB}	Pvt ^{IF}	Sample Average
So much helpful	-	-	16.67%	16.67%
It is not so much helpful	33.33%	8.33%		41.66%
No knowledge about it.		25%	16.67%	41.47%

In table 4.13 we enlisted the shortcomings as perceived by the banks regarding the scheme. Three distinct reason or facts are identified for the scheme not being very much successful: (i) Lack of proper publicity (ii) Delaying in settlement of claims and (iii) Nonobligatory nature of the scheme. Altogether 16.67% of banks feel that the scheme lacks proper publicity to be successful, of which nationalised commercial banks and private (interest based) commercial banks constitute equally. It may be noted that their feeling is in conformity with the findings of the previous section

where we obtained that level of awareness among the exporters regarding the scheme is unexpectedly poor.

Table – 4.13
The shortcomings of Export Credit Guarantee Scheme (ECG)

Shortcomings	NCB	Pvt. ^{IB}	Pvt. ^{IF}	Sample Average
Lacks of proper publicity	8.33%	8.33%		16.67%
Makes delay in settlements	25%		8.33	33.33%
Not obligatory for the exporters			8.33	8.33%
Not known		25%	16.67%	41.67%

An important point expressed by the banks is that delaying in settling the claim lodged under the scheme is one of the reasons of this facility being unattractive. About 33% of the banks shared this view. It may be referred that the OLS analysis of the performance of ECGS (section- 4.5.3) identified settlement ratio as an important explanatory variable influencing export operation. But the percentage share of claim settled to claim lodged is not satisfactory.

A good percentage of bankers opined that the ECG scheme should be made obligatory on the part of an exporter. It is because of this nonobligatory nature, exporters do prefer not to go for ECGS. However, other findings of this study and the nature of the scheme possibly do not substantiate this feeling. On the whole, however we find that adequate awareness programme seems to be necessary to make all the exporters well aware with feasible benefits of different schemes in general. Secondly, it seems that financing to exporters would be much wider if the ECGS procedure is made less cumbersome and less complicated.

4.6.3 Exporters' Perception On Performance Of Promotional Measures:

Effectiveness of ECGS:

It is already mentioned that a great majority of the export firms (87 pc) did not aware about the ECGS, which was introduced by the GOB to promote export trade of the country. In this section we, however, made an attempt to know whether the exporters who were aware about ECGS, considered the same as an effective incentive scheme. It is evident from Table 4.14 100 pc of the exporters did not consider ECGS as an effective incentive scheme. 62 pc of the respondents who were aware about ECGS reported that they did not availed advantage of ECGS. 38 pc of the sample firms reported that they availed advantage of the same and only 19 pc of them logged their claim for loss to ECG authority. Among them primary exporters and manufacturing

Table: 4.14
Effectiveness of E C G S (percentage of respondents)

Situation		Exporters		
		Primary	Manuf	Total
Considering ECGS as an effective incentives	Yes	0	0	0
	No	100.0	100.0	100.0
Availed advantage of ECGS	Yes	50.0	30.0	38.0
	No	50.0	70.0	62.0
Obtained ECGS easily from SBC	Yes	17.0	30.0	25.0
	No	83.0	70.0	75.0
Claim for loss to ECGS authority	Yes	33.0	10.0	19.0
	No	67.0	90.0	81.0

exporters constituted 50 pc and 30 pc of their respective groups. However, 75 pc of the exporters mentioned that they did not get ECGS easily from Sadharan Bima Corporation.

Export credit guarantee scheme as collateral:

In connection with our effort to ascertain the effectiveness of ECGS we also tried to know the exporters perception about ECGS as collateral. 100 pc of the exporters replied that banks did not consider ECGS as collateral and it never lessened problem of getting credit. 87 pc of exporters reported that ECGS never made their financing easy either. Moreover, 62 pc of exporters replied that bank never asked for ECGS from them. The problem of non-recognition of ECGS was more pronounced in case of primary product exporters than manufacturing exporters. On the whole, it could be said that exporters felt that ECGS failed to act as an instrument of promoting financing to export sector.

Table: 4.15
E C G S as Collateral (percentage of respondents)

Consideration		Exporters		
		Primary	Manuf	Total
Considering ECGS as collateral by Bank	Yes	0	0	0
	No	100	100	100
Lessened problem of getting credit	Yes	0	0	0
	No	100	100	100
Easy Finance from Commercial banks on the basis of ECGS	Yes	0	20	13
	No	100	80	87
Bank Demand for ECGS	Yes	50	30	38
	No	50	70	62

Claim settlement of ECGS:

We tried to know exporter's perception regarding time taken in claim settlement process. Exporters who availed the ECGS facilities were asked that whether they considered the time taken in processing the settlement as 'normal' or 'long delay'.

Table: 4.16
Time Taken In Claim Settlement Process
(Percentage of respondents)

Time	Exporters		
	Primary	Manuf	Total
Within reasonable time	0	0	0
Long delay	100	100	100

Cent percent of exporters replied in favour of 'long delay' (Table 4.16). It definitely shows that exporters in general do not have good impression on this.

Problems of export credit guarantee scheme:

The exporters who were aware about ECGS were also asked to mention the problems, if any, observed by them in the operation of ECGS. Mentioned problems and respective percentages are summarised below:

- (i) It creates delays in the approval (100 pc)
- (ii) Operational procedure is slow (100 pc)
- (iii) Total value of goods is not covered (100 pc)
- (iv) Delays settlement of claims (100 pc)
- (v) Non-obligatory Nature. (100 pc)
- (vi) Limited number of Policies (81pc)

Exporters suggestion for improvement of ECGS:

(i) Bangladesh Bank should negotiate between the commercial banks and Sadharan Bima Corporation (SBC) to accept the ECGS as full pledged collateral.

(ii) SBC should introduce various new policies such as guarantee scheme specially for small exporters and exchange fluctuations risk cover scheme.

(iii) ECG scheme should be made user friendly and the claim settlement procedure should be simplified.

4.7 Concluding Remarks:

Main objective of introduction of schemes under ECG is to promote export for the interest of national economy. The Government set up an independent department for this purpose in the year 1978. As the country opted export-led growth strategy by changing its import-substitution policy since 1982, the importance of export promotion became very crucial. Need of export finance, especially for small and

medium scale exporters, is supposed to be met by the advances made by the financial institutions, particularly commercial banks. However, banks are normally hesitant to provide funds to the exporters due to substantial unforeseen risks involved in the export business. As instructed by the government, SBC insures banks (or exporters for the comprehensive schemes).

It was expected that these schemes would play a pivotal role for the promotion of the national export. This study finds that all schemes as a whole or any individual scheme predominantly do not help export promotion. Relationship between increases in insurance coverage and volume of export over the period 1978 to 1999 appears statistically insignificant. It is, therefore, not very difficult to conclude that during the period of 1978 – 2000, the increment of insurance coverage under ECGS is not due to the increase of number of policies. It neither shows any dependence on export volume or the settlement of net claim lodged. Comprehensive scheme was introduced for the exporters. The study strongly established through econometric analysis that exporters did not normally seek the help of the schemes meant for them, but it was the insistence of and the compulsion imposed by the bankers that exporters insured themselves under this scheme in order to get the advantage of finance under Post-shipment guarantee schemes. Comprehensive scheme thus ceases to exist as an independent beneficial scheme to exporters.

Very important and critical revelation of this study is that exporters are by and large ignorant about the incentive schemes. It has also been found that exporters are least aware about the benefits that can be derived from these schemes. For example, it has been found that a large section of exporters remain ignorant about the facility of duty-free import of capital goods. Besides, a very few of those who are aware are actually utilising this facility. For primary product firms this awareness is the least. It seems to imply that the extensive awareness campaign among exporters especially dealing with primary products is urgently needed. However, according to bankers' opinion, it has been found that delaying in settling the claim lodged under the scheme is one of the reasons of this facility being unattractive.

The change of Government policy from import-substitution to export-led growth strategy has not changed the situation. An evaluation of econometric relationship between insurance coverage and export in the period of liberalised economy does not show any statistically significant difference in estimated parameters.