A STUDY ON EXPORT PROMOTION OF CAPITAL GOODS

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Abstract: Export Promotion Capital Goods Scheme (EPCG) was familiar in the year 1990 to engage the Indian exporters get capital items at concessional paces of customs commitment against a guarantee to exchange the product delivered using the imported capital items.

The Scheme propelled in 1990, allowed imports at 25% commitment against a guarantee to exchange on different occasions the CIF assessment of the imported items to be fulfilled in four years. As such, an elective window was opened in 1992 to the extent which, the imports could be made at 15% commitment, subject to exchange duty of different occasions of CIF assessment of imports to be fulfilled in five years. The 15% window was repealed in 1993. In any case, another zero commitment window was opened for Greenfield adventures imagining imports of Rs. 20 crores or more in 1995. Under this arrangement, the admission duty was on various occasions the CIF assessment of capital items imported, to be fulfilled in eight years. As the commitment rates on capital items descended, the 15% arrangement was replaced by a 10% EPCG plot. To give a level battleground for the neighborhood business, the imports under zero commitment plans were reliant upon 10% Additional Duty of Customs, that could be taken as Modvat/Cenvat Credit. In April 2000, both the EPCG plans joined into a lone 5% EPCG plot. In the yearly upgrade to the FTP during April, 2008, the commitment was diminished from 5% to 3%. The export commitment was specified regarding FOB estimation of fares as it were. Afterward, this specification was altered for explicit areas like programming, where diminished fare commitment (state multiple times rather than multiple times the estimation of capital merchandise) was specified in Net Foreign Exchange Earning (NFE) terms. Afterward, all divisions were given a choice to satisfy the fare commitment in higher FOB terms or diminished NFE terms. Later the fare commitment under the 5% EPCG plot was specified as multiple times the CIF estimation of capital merchandise imported on FOB standing or multiple times the CIF estimation of capital products on NFE footing to be satisfied over a time of eight years. At present the fare commitment is fixed based working spared. The fare commitment currently is multiple times the measure of obligation spared.

From the start, the exporters were drawn closer to equip half-yearly returns of fare commitment anyway as such, the terms were reconsidered to be obliged assessed fulfillment of fare commitment.

For example, under the 15% EPCG contrive, the base toll responsibility to be fulfilled was zero in the essential year, 10% in the subsequent year, 20% in the third year, 30% in the fourth year and half in the fifth year. So additionally, the fare advancement under the zero commitment plot was to be fulfilled at zero percent in the chief square of two years, 15% in the second square of two years, 35% in the third square of third year and half in the last square of fourth year. Right now, there is only the 5% plot, where the exchange duty must be fulfilled in four 2-year discourages at 0%, 15%, 35% and half.

The condition was that the exporters would keep up their previous three years' fare commitment. As such, what was sent out in abundance of the past three years' normal fares must be balanced towards trade commitment against EPCG permit.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF GRAPHS

CHAPTER-I

INTRODUCTION

1.1. INTRODUCTION:

India's economy is one of the quickest developing economies on the planet. As a piece of financial changes, the legislature has figured numerous monetary approaches which have prompted the nation's steady financial turn of events.. The essential goal of these advantages is to improve the entire fare cycle and make it more adaptable. On a more extensive scale, these changes have been a mix of both social majority rule and progression strategies.

Since the commencement of the progression plan during the 1990s, the financial changes have underlined the open market monetary approaches. Unfamiliar speculations have come in different divisions, and there has been acceptable development in the way of life, per capita pay and Gross Domestic Product. Additionally, there has been a more noteworthy accentuation on adaptable business and getting rid of unnecessary government guidelines. Accordingly Exports are viewed as a motor of financial development in the wake of progression and basic changes in the economy. Lately India is seeing lull in sends out with its customary accomplices. Under these conditions, we have to get under way methodologies and strategy estimates which catalyze development of fares in a few unique areas just as in more current business sectors. Unfamiliar Trade Policy 2015-20 and different plans give limited time measures to help India's fares with the target to balance infrastructural failures and related costs required to give exporters a level battleground. What's more, one of the significant fare impetus plans and advantage that the administration had started is Export Promotion capital products plot (EPCGS) .This plan has been begun to allow the exporters to import capital merchandise on concessional import obligations

1.2 EPCG SCHEME

Export Promotion Capital Goods (EPCG) conspire permits import of capital merchandise including saves for pre creation, creation and after creation at zero obligation subject to a commitment of multiple times of obligation saved money on capital products imported under EPCG plan to be satisfied in 6 years figured from Authorization issue date. EPCG plot covers producer exporters with or without supporting maker/seller, dealer exporters attached to supporting producer and specialist co-ops. The Scheme additionally covers a specialist organization who is assigned/affirmed as a Common Service Provider (CSP). EPCG approval holder can trade either legitimately or through outsider. Fare continues are to be acknowledged in unreservedly convertible money aside from regarded trades. Import of capital products imported under the EPCG conspire will be dependent upon Actual User condition till trade commitment is finished. Fare Obligation under EPCG plot is needed to be satisfied by fare of merchandise fabricated/administrations delivered by the candidate. There are two sorts of fare commitment that are compulsory. Initially, Annual Average in which send out commitment is far beyond, the normal degree of fares accomplished by the approval holder in the previous three authorizing a very long time for the equivalent and comparative items inside the general fare commitment period including expanded period, assuming any. Such normal would be the number-crunching mean of fare execution over the most recent three years for the equivalent and comparative items. Besides, Specific Average which is multiple times the obligation spared sum in which the Authorization holder will likewise satisfy at least half fare commitment in each square of years - the principal square being of 4 years and the subsequent square is of 2 years. Eminence installments got in unreservedly convertible cash and unfamiliar trade got for R&D administration will likewise be meant release under EPCG.

EPCG Authorization holder may likewise source capital merchandise from a household maker. Such household producer will be qualified for regarded trade advantage under FTP. EPCG Authorization holders can choose Technological Up degree of existing capital products imported under EPCG Authorization. Import of recycled capital merchandise isn't allowed under the EPCG conspire.

1.2 NEED FOR THE STUDY:

- To find out the capital goods allowed under export promotion capital goods scheme
- To know how and who would benefit from this scheme, how to obtain an EPCG license and understand procedures and formalities under EPCG.
- To find out what is the export obligation(EO) under the scheme.
- To know how can manufactured goods under EPCG scheme be sold to Domestic tariff area.

1.3 SCOPE OF THE STUDY:

- The research I will be doing is how this Idea/EPCG scheme by government initiated is helping the manufactures to enhance India’s export competitiveness, this study also involves how EPCG has become beneficial export promotion scheme through which capital goods required for export production is allowed Duty free.

1.4 OBJECTIVES OF THE STUDY:

- To assess the process of make in India to export through EPCG.
- To evaluate the technology up-gradation in indigenous industry.
- To study the impact of EPCG in Indian make.

- To analyze the export lead growth through EPCG.
- To observe the relative profitability in domestic market as compared to foreign market.

1.5 RESEARCH METHODOLOGY:

Secondary data:

The secondary data has been collected from the ministry of commerce website, other related websites, journals and magazines

Data collection: The data has been collected from the official websites

1.6 LIMITATIONS OF THE STUDY:

- Data collection and years considered are from 2015-2020
- There is no scope for primary data collection as all the data has been collecting from secondary data

CHAPTER-II

REVIEW OF LITERATURE

Survey of connected writing, a important and essential a part of any exploration, empowers the agent to grasp the previous examination interests, analysis styles, greatness of the examination yield, then forth. vital live of writing is distributed as articles, books, gathering volumes and electronic media. This section worries with previous examination work directed on channel advancement and unambiguously on institutions boosting the fares by and huge and Exim Bank of Asian country specifically. The commitment of various exploration works the globe over on the applicable region is crucial and has cleared approach to get the holes during this examination.

Deepak Nayyar (1975) has accomplished a spearheading alter Indian fares. In his paper named "Indian fares and arrangements in 1960" found that product creation impact channel intensity. If there ought to arise a happening of Asian country, it's been named that it could not in any means, form or kind increment loads of world fare because the ware creation of its fare was a 'deplorable one'. In any event, once Asian country began causation out non – typical things. Such fares were usually supported on sluggish things. He likewise counseled improvement within the fare strategy of Asian country.

H.C. Olson (1975) in his work named "concentrates in trade advancement" examined result of the fare advancement program on firm conduct. As indicated by Olson, Government trade advancement program approach as free issue and real or future fare volume of a company as a dependent variable. Fare advancement program manufactures the selection base within the organization, that makes organization able to pass judgment on the worth of kicking off on a connected course of fare activity, as consequence of that the firm chooses to act likewise, composes its vital exercises finally makes channel deals.

Henry Simon Ernest Bloch (1976) thinks despite the actual fact that exporters offer the proper item, value, advancement and dispersion, non – serious exchange finance will constrain them to lose the arrangement. At the purpose after they square measure competitive with unknown makes, serious exchange finance is Associate in Nursing astonishingly powerful device in advancing fares, particularly those of very little and medium calculable exporters. These exporters square measure usually hesitant to be advanced within the fare business, since they have exchange fund aptitudes. P.K. Jainist (1984)4 analysis take an attempt at 'Fare Marketing: downside, Procedure and Prospect" illuminates India's fare exchange, coming up with merchandise businesses, 4Ps of showcasing and applied mathematics measurement. the purpose of the exploration was to dissect and examine thoroughly, the problems of Indian coming up with merchandise ventures notably within the field of fares. The exploration uncovered the problems looked by coming up with fares viz., deficiency of fare advancement accessible to the businessperson, high rate of the freight rate and freight variations between districts, valuing limitations, helpless steel graciously for trades, lacking flexibly of framework offices, then forth. Examination work likewise counseled vital estimates like provincial improvement of building sends out, creating of additional limit, swish and skilful operating of economy, co-ordinated endeavors needed for special work and usefulness in trade commitment plans.

H.B. Desai's(1984) analysis think about 'Indian delivery points of view's assessed challenges and problems business companies have to be compelled to face and the way they have to bring forth further prices on support of extraordinary foundations at seaports, enterprise continuous excursion to port urban areas for winnow through procedural bottlenecks with customs and port specialists and investment energy and money on correspondence for information and prompts through wire, messages and calls. The examination study's attention was on operate of Old Delhi dry port, mechanical development, holder transportation framework (for faster and dependable conveyance of merchandise, to own higher assurance in payload taking care of cost), compartment freight rates and foundation of public delivery board. As indicated by the soul, there's would like of a quantum hop in upgradation and modernization of port foundation and techniques for activities. Report of Review Committee on Export advancement gathering headed by Shri Prabu V.Mehta (May 1965) came out with vital proposal with the elemental thought of invigorating the EPCs, particularly basic cognitive process the fare target and also the means should be taken each within the matter of delivering exportable surpluses and for meeting the developing scene contention.

Mathur.B.P (1985) within the paper named "Mechanical fares Associate in Nursingd making nations – Asian country's pursue countervailing power" expresses that an simple arrangement of development for India is to maneuver into the fields of contemporary things. the elemental spotlight was on legitimate division of worldwide market; utilization of joint endeavor methodology to travel into the unknown market; creating of 'institutional offices' wanting like 'guide and credit enterprise and company for advancing Joint endeavor' Studies directed by Joint warning gathering at the International Trade community UNTAD/GATT (1975) and manual for assess the fare at giant scale level, making advancement programs. ITC States the related to reasons as basic their assessment: to seem at exercises completed beneath a given program in supply to see the scale of the end result accomplished and also the adequacy of progamme, to reveal usage problems and acknowledge potential arrangements, to amass understanding from the execution of specific exercises and of program generally, to quantify the result of program and conclude whether or not the outcomes allow the usage of the progamme, to assist in characterizing exercises which will supply additional certain to the viability of comes. The examinations in addition focused round the matter of result of exchange advancement progamme. As per this examination study 2 wide objectives underlie government endeavors in giving fare advancement uphold; initial at macrolevel, manufacturing a decent exchange effort or decreasing Associate in Nursing import/export imbalance, and second, at the miniature level, up the worldwide serious ability of native businesses and organizations.

Garry Pursell (1987) in the article named "How to gauge and look at Export Incentive?" Found that in India, any individual made item which is traded will commonly profit by an assortment of fare motivations and henceforth it is of significant enthusiasm to have a proportion of joined effect all things considered. The scientist clarified the idea of successful security and how it very well may be utilized to measure and investigate the Indian fare impetuses. As indicated by his discernment, if the administration makes send out similarly gainful as import subsidation benefits, for similar items, it could set the motivators so the viable appropriation for trades is equivalent to viable security the homegrown market.

Rolf Seringhaus ontario (1988) in his examination paper named "A Methodological Approach to the Evaluation of Government Export – Promotion Programs" found that the effect of government send out advancement supposedly occurs at a few unique levels , running from the broadest conceivable impact on a nation's exchange position to the exceptionally explicit outcome an exporter may understand utilizing a specific fare program. Likewise gave outline work for assessment of government trade advancement research zeroing in on government help build involving worldwide measure. This examination remembered for all fare advertising help administrations or program offered by the legislature. Second were limited worldwide estimates which remembered for comparable reason administrations like giving data to send out arranging and market section and individual estimates like individual help gave by explicit organization viz. Canadian exchange commission Service. Explicit measure included explicit help gave by explicit progamme.

Subrata Banerjee's (1988) research paper on 'India's unfamiliar exchange and mechanical turn of events' put accentuation on the then practically speaking 'import advancement' as essential technique of fare advancement. The fundamental guideline of imports for mechanical turn of events and fares must be changed, to guarantee that import progression addresses need issues of industry, not indigenously accessible or prone to be created inside a brief timeframe. The paper discusses the need in the event of non-customary products, to shoulder as a main priority relative bit of leeway and develop push territories as liable to have a proceeding and extending market over a sensible time period.

Yung-Chul Kwon's(1988) research take a shot at 'Exchange Finance as a serious Tool: A diagram' obviously uncovers the part of exchange account as a significant determinant of global intensity. This paper manages part of exchange money, wellsprings of exchange financing, counter-exchange, exchange fund chances, exchange credit and assortment and exchange account the board and association. Along these lines, with regards to promoting, seriousness relies upon 4Ps. Anyway on global level, at any rate one other factor is engaged with making a serious offer, that is, exchange financing which frequently has the effect in getting a request especially when the item and cost offered are serious with those of other industrialized countries. The exploration paper says that to utilize exchange financing as a serious device, exchange financing projects of the Government and exchange financing methods of the individual exporters must be powerful and effective.

Dholkia(1992) has inspected the linkage impacts of fare development in various segments of Indian economy and import power of fares by utilizing input – yield table for 1983-84. The investigation uncovered that the essential part had more noteworthy impact on pay however lower impact on net yield and net circuitous assessment income when contrasted with assembling areas. A backwards relationship was found between level of fare direction of an area and the linkages of the part with the remainder of economy. The investigation demonstrates that import force of fare situated segment was higher than that of different areas.

Pitale (1992) has broke down the fare conduct of 125 huge firms distinguished elements influencing their fares. The investigation uncovers that enormous size of firms regarding their capital and deals didn't really make them more fare situated. Fare motivations affected their fares emphatically.

T.N. Sindhwani (1997) in his article a lot of world fares is not exactly fifth of what is 40 years inner self. Around the world, India is minor player on the worldwide financial scene. Its worldwide exchange totals to short of what one percent of the worldwide exchanges. Its monetary remaining in the comity of countries, up until now, doesn't be accommodated its size, populace or homegrown asset potential. As per him a great deal stays to be done if India is to assume a significant function on the world financial scene. The option before us are institutional structure for trade advancement.

Jeromi.P. D (1997) the paper title "Determinants of India's Agricultural Exports" that emphasis on the setting of the post-GATT worldwide exchanging conditions and progression of India's until now confined farming fares. It likewise analyzes the determinants of India's horticultural fares during 1970-71 to 1994-95. The investigation attempts observational assessment of fares request and flexibly works for the rural fares just as for the important products in a concurrent condition outline work.

Edger P. Hibbert (1997) contends that contact among fund and showcasing. Unmistakably the board is working under states of expanding vulnerability in abroad business sectors, political danger, business danger and rivalry for Newly Industrializing Countries (NICs). Added to this are money related vulnerabilities, especially in the developments of loan cost and monetary forms.

Charan D Wadhva (1998) in the article named "India's fare Performance and approaches:
An Appraisal" gives examination of the fare execution and arrangements of India during the period 1950-97 with center around two sub-times of 1950-90 and 1991 onwards. He presumes that the real record of development of India's fare through the period 1950-57 can be clarified by the qualities and shortcomings of India send out approaches recognized in this paper both at the administrative (miniature) and industry (miniature) levels. He additionally gives an illustrative rundown of major vital arrangements and measures

to empower India to satisfy public desires for re-converging as a worldwide player of more prominent outcome in accordance with India's potential in such manner.

Hadi Salehi Esfahani's (1999) of University of Illinois chip away at 'Institutional Requirements of effective Export Promotion in MENA Countries' illuminated institutional condition in MENA nations for global exchange. The primary goal of this examination work was to distinguish the institutional game plans that are helpful for improves trade arrangements and execution in MENA nations. This tasks center was around two viewpoints. The initial segment built up a hypothetical structure that connections trade advancement establishments with send out strategies and execution with regards to a nation's overall financial and institutional attributes. The subsequent part analyzed the pertinence of the system and philosophy by applying them to % nation contextual investigations and contrasting establishments and results after some time and across nations. These contextual investigations were relied upon to produce commonsense approach exercises for improving fare advancement courses of action in MENA nations. This investigation center was around the accompanying arrangement of variable – (I) markers of fare execution, (ii) level and differences of fare impetuses, (iii) proportions of institutional fare direction, (iv) proportions of organization capacity, and (v) pointers of macroeconomic shakiness.

K. Jayachanderan (2003) in the exploration proposal title "Use of Export motivators by Exporter in Tamil Nadu" has zeroed in on the inspiration estimation of Export impetuses by the exporters. It likewise manages the procedural parts of the use of fare motivating forces. The approach received is optional and essential information, factual apparatuses to be utilized in the examination are rate investigation, mean, standard deviations, co-effective of variety, Chi – square test, Z – test, and t – test. The usage of the fare motivating forces by the exporters in Tamil Nadu has improved the fare specifically.

Sethurajan (2003) in the examination postulation named "A Study on Export Marketing of Cotton Yarn in Coimbatore District" explored the bearing and example of fare of cotton yarn by cotton material plants in Coimbatore area. It additionally shows the material factories identifying with fare of cotton yarn. It has additionally inspected the method identified with the fare to the fare of cotton yarn. The procedure received is auxiliary and essential information, time of the investigation is ten years. Separated irregular testing strategy has been received. This examination has encouraged to improve the promoting of cotton yarn in Coimbatore locale.

Asherf Illiyan (2004) in his exploration article mirrors the expanded agreeableness of Indian building item in global market, forceful showcasing system, section into new market, special part of Engineering Export Promotional Council and more liberal arrangements of the administration particularly after 1991, and so on. In addition, it is seen that designing fares have enlisted as much as higher yearly normal development rate than all out all India trades in all most all decades. The significance of capital merchandise and the executives and consultancy administrations has gone up.

Rajiv Jha (2006) in the paper named "A Model of Export and Investment in an open Developing Economy" builds up a model that benefits sends out as the key component of interest: in addition to the fact that export permit the misuse of scale economies by augmenting the size of the market served by homegrown makers yet additionally lead to the powerful utilization of the moderately bountiful factor, for example work. The improvement writing has additionally stressed the way that fares are instrumental in instigating venture in view of motivator they give to acquaint new procedures through options with the capital stock. The model presents to some degree diverse fare and venture condition in a generally conventional Keynesian model. Fare lead to venture, which animates development. Anyway the product structure of a building up economy's fares infers that fares are an element of the genuine conversion scale. An expansion in the genuine swapping scale (deterioration) while animating fares and accordingly development, be that as it may, prompts a disintegration of the genuine pay share in view of a value ascend through imports. The consistent state can be deciphered as an equalization of these two power - a conversion scale devaluation prompts development through an expansion in sends out yet all the while makes a reduction in government use keep up a story wage share, blocking the development cycle.

Jomo Kwame Sundram (2009) in the article named "Fare – Oriented Industrialization, Female Employment and Gender WAGE Equity in East Asia" examined if trade development in assembling in East Asia prompted an evacuation of work market rigidities and institutional inclinations of gender – based segregation as regularly contended. It challenges the conventional point of view by looking all the more carefully at modern work in the area by sexual orientation. Sexual orientation segregation in the district's work market appears to have endure monetary progression, with the huge gender wage holes normal for the area not shutting regardless of quick development and full business, at times in any event, increasing in a portion of the more evolved economies in the locale.

CHAPTER III
ASSESSMENT OF MAKE IN INDIA THROUGH EPCG

GLOBAL TRADE SLOWDOWN

- As per World Trade Organization (WTO), World trade will continue to face strong headwinds in 2019 and 2020 after growing more slowly than expected in 2018 due to rising trade tensions and increased economic uncertainty. WTO economists expect merchandise trade volume growth to fall to 2.6% in 2019-down from 3.0% in 2018. Trade growth could then rebound to 3.0% in 2020; however, this is dependent on easing of trade tensions.
- As per the current rankings for the year 2018, India is the 19th largest exporter (with a share of 1.7%) and 10th largest importer (with a share of 2.6%) of merchandise trade in the world. China is the top ranked exporter and United States of America (USA) is the first largest importer of merchandise trade in the world. In Commercial Services, India is the 8th largest exporter (with a share of 3.5%) and 10th largest importer (with a share of 3.2%). USA is the top exporter as well as the top importer of commercial services trade in the world.

3.2 INDIA'S TRADE

- Through secular growth over the last three financial years, following the major downturn in the face of the global slowdown, merchandise exports for the year 2018-19(P) reached USD 330.07 Billion, the highest ever, surpassing the earlier peak of USD 314.4 Billion achieved in 2013-14. This has been achieved in a challenging global environment.
- The following growth drivers have shaped merchandise exports growth:

i. Engineering Goods rose from USD 78,695.69 million in 2017-18 to USD 83,704.54 million in 2018-19, a growth of 6.36%.
ii. Petroleum Products rose from USD 37,465.10 million in 2017-18 to USD 47,954.54 million in 2018-19, a growth of 28%.
iii. Organic & Inorganic Chemicals rose from USD 18,508.48 million in 2017-18 to USD 22,573.87 million in 2018-19, a growth of 21.97%.
iv. Drugs & Pharmaceuticals rose from USD 17,282.81 million in 2017-18 to USD 19,188.46 million in 2018-19, a growth of 11.03%.
v. Cotton Yarn/Fabs./made-ups, Handloom Products etc., rose from USD 10,260.38 million to USD 11,206.44 million in 2018-19, a growth of 9.22%.
vi. Electronic Goods rose from USD 6,393.12 million in 2017-18 to USD 8,880.96 million in 2018-19, a growth of 38.91%.
vii. Plastic & Linoleum rose from USD 6,851.12 million in 2017-18 to USD 8,609.08 million in 2018-19, a growth of 25.66%

FIGURE 3.1 Performance of merchandise exports

Interpretation: Exports during 2017-18 are at US $ 302.84 Billion registering a growth of 9.78 per cent in dollar terms vis-à-vis 2016-17. Exports during March 2018 were valued at US $ 29.11 Billion as compared to US $ 29.30 Billion during March 2017 exhibited negative growth of 0.66 per cent. In Rupee terms, exports were valued at Rs. 189271.16 crore as compared to Rs. 193028.91 crore during March 2017, registering a fall of 1.95 per cent. During March 2018, major commodity groups of export showing positive growth over the corresponding last year.

3.3 GLOBAL TRADE SITUATION

According to World Trade Organization (WTO), "World exchange will keep on confronting solid headwinds in 2019 and 2020 subsequent to developing more gradually than anticipated in 2018 due to rising exchange strains and expanded monetary vulnerability. WTO market analysts anticipate stock exchange volume development to tumble to 2.6% in 2019-down from 3.0% in 2018. Exchange development could then bounce back to 3.0% in 2020; be that as it may, this is reliant on a facilitating of exchange tensions". Feeble import request in Europe and Asia hosed worldwide exchange volume development 2018 because of the enormous portion of these districts in world exchange. The estimation of merchandise trade was up 10% to US$ 19.48 trillion in 2018, partly due to higher energy prices. The value of commercial services trade rose 8.0% to US$5.8 trillion in 2018, driven by strong import growth in Asia.
As per the current rankings for the year 2018, India is the 19th largest exporter (with a share of 1.7%) and 10th largest importer (with a share of 2.6%) of merchandise trade in the world. China is the top ranked exporter and United States of America (USA) is the first largest importer of merchandise trade in the world. In Commercial Services, India is the 8th largest exporter (with a share of 3.5%) and 10th largest importer (with a share of 3.2%). USA is the top exporter as well as the top importer of commercial services trade in the world.

Table 3.1 Leading Merchandise Exporters and Importers in World, 2018

Rank	Exporters	Value	Share (%)	Annual Change (%)	Rank	Importers	Value	Share (%)	Annual Change (%)
1	China	2487	12.8	10	1	United States of America	2614	13.2	9
2	United States of America	1664	8.5	8	2	China	2136	10.8	16
3	Germany	1561	8	8	3	Germany	1286	6.5	11
4	Japan	738	3.8	6	4	Japan	749	3.8	11
5	Netherlands	723	3.7	11	5	United Kingdom	674	3.4	5
6	Korea, Republic	605	3.1	5	6	France	673	3.4	9
7	France	582	3	9	7	Netherlands	646	3.3	12
8	Hong Kong, China	569	2.9	3	8	Hong Kong, China	628	3.2	6
9	Italy	547	2.8	8	9	Korea, Republic of	535	2.7	12
10	United Kingdom	486	2.5	10					
19	**India**	**326**	**1.7**	**9**	**10**	**India**	**511**	**2.6**	**14**
	World	**19475**	**100**	**10**		**World**	**19867**	**100**	**10**

3.4 India's Trade Performance

Exports: India's merchandise exports recorded a Compound Annual Growth Rate (CAGR) of 7.09 percent from April- March 2009-10 to April-March 2018-19 (QE). Merchandise exports reached a new peak of US$ 331.02 billion during April-March 2018-19 (QE) surpassing the earlier high of US$ 314 achieved in 2013- 14 registering a positive growth of 9.06 percent over previous year.

Imports: Cumulative value of import during Apr-Mar 2018-19 (QE) was US$ 507.44 billion as against US$ 465.58 billion during the corresponding period of the previous year registering a positive growth of 8.99 per cent in US$ terms. Oil imports were valued at US$ 140.47 billion during Apr-Mar 2018-19 (QE) which was 29.27 per cent higher than oil import valued at US$ 108.66 billion in the corresponding period of previous year. Non-oil imports were valued at US$ 366.97 billion during Apr-Mar 2018- 19 (QE) which was 2.82 per cent higher than non-oil import of US$ 356.92 billion in previous year.

3.5 Trade Balance:

The Trade deficit in Apr-Mar 2018-19 (QE) was estimated at US$ 176.42 billion which was higher than the deficit of US$ 162.05 billion during the corresponding period of the previous year. Performance of Exports, Import and Balance of Trade both in Rupee and Dollar terms during 2009-10 to 2018- 19 (Apr-Mar) (QE) is given at table 3.2

Table 3.2: Trade Data of period 2009-10 to 2018-19 (QE)

(Values in Rs Crore)

S.No	Year	Exports	%Growth	Imports	%Growth	Trade Balance
1	2009-2010	8,45,534	0.57	13,63,736	-0.78	-5,18,202
2	2010-2011	11,36,964	34.47	16,83,467	23.45	-5,46,503
3	2011-2012	14,65,959	28.94	23,45,463	39.32	-8,79,504
4	2012-2013	16,34,318	11.48	26,69,162	13.8	-10,34,844
5	2013-2014	19,05,011	16.56	27,15,434	1.73	-8,10,423
6	2014-2015	18,96,348	-0.45	27,37,087	0.8	-8,40,738
7	2015-2016	17,16,384	-9.49	24,90,306	-9.02	-7,73,921
8	2016-2017	18,49,434	7.75	25,77,675	3 .51	-7,28,242
9	2017-2018	19,56,515	5.79	30,01,033	16.42	0,44,519
10	2018-2019	23,14,429	18.29	35,48,004	18.23	-12,33,575

3.6 EVALUATION&ASSESSEMNET OF CAPITAL GOODS INDUSTRY:

1. The Capital Goods industry is one of the key contributors to value added manufacturing and is significant for overall economic development of India. The Prime Minister's Group constituted under the Chairman of the National Manufacturing Competitiveness Council (NMCC) identified Capital Goods as one of the strategic sectors for strengthening national capabilities in the long term.
2. Capital goods consist of plant machinery, equipment and accessories required, either directly or indirectly, for manufacture or production of goods or for rendering services, including those required for replacement, modernization, technological upgradation and expansion of manufacturing facilities.
3. Capital goods sector is a key contributor to manufacturing; currently contributing ~12% which translates to ~2% of GDP. Importantly, the sector has a significant multiplier effect on overall economic growth as it provides the foundational building blocks for a large number of user industries by providing critical inputs, that is, machinery and equipment, necessary for manufacturing. Further, the development of domestic capabilities in capital goods sector is essential to ensure national self reliance, as the sector directly or indirectly influences core infrastructure development within India. Moreover, a globally competitive and dynamic capital goods sector will induce the same characteristics into Indian manufacturing.
4. Capital Goods sector is also a major employment driver, with ~15,00,000 people employed across various sub-sectors. It also indirectly creates employment for a large number of people in a variety of user industries. A strong capital goods sector has the potential to generate significant employment opportunities across a variety of sub-sectors and user industries.
5. The sector can also play an important role in improving India's trade balance. India currently has an overall trade deficit of US$ 138 Bn (2014-15)2 and has large negative trade balance with countries including China, Saudi Arabia, Switzerland, Iraq and Iran. The Capital Goods sector imports are substantial at ~US$20 Bn. An increase in high value capital goods exports and reduction of imports can play a pivotal role in improving India's trade balance with such countries and reducing the country's current account deficit.
6. However, in recent years, production of capital goods sector has not grown fast enough. The Planning Commission targeted a growth rate of 16.8% p.a. for production of capital goods during the 12th Five Year Plan period, but the actual growth rate in the sector over the last 3 years is only 0.3% p.a. Coupled with increased imports, this presents a threat to India's self-reliance. Further, in a globalised world, where manufacturers are increasingly multinational, not all Indian capital goods manufacturers have been able to effectively tap the global opportunity. India's share of global capital goods exports remains much lower than several other leading countries, despite a well developed domestic capital goods sector. The sector still faces a variety of issues and challenges (detailed in subsequent sections) which are inhibiting growth. Achieving high growth would need focused collective efforts by all concerned stakeholders – government, industry, end user segments alike; supported by an enabling policy for the capital goods industry.
7. The growth and development of capital goods is critical for India to achieve the vision of "Make in India" by increasing share of manufacturing to 25% of Gross Value Added. This in turn will help generate additional jobs, improve India's trade balance and increase domestic self-reliance. The National Policy on Capital Goods is envisaged to unlock the potential of this promising sector and establish India as a global manufacturing powerhouse.

3.7 CAPITAL GOODS IS A LARGE SECTOR BUT GROWTH IS LAGGING:

Capital goods is a huge segment with a market size of INR 283,000 Cr and absolute creation of INR 220,000 Cr in 2018–19. Nonetheless, the development of the area has been lagging, with local market size de-growing at 4.1% per annum and total creation expanding by just 0.3% per annum in the course of the most recent 3 years separately. Capital goods can be partitioned into ten wide sub-divisions as appeared in Table 3.1 and Table 3.2 beneath. Substantial electrical and force plant gear is the biggest sub-segment followed by process plant hardware and earthmoving and mining machinery

Table 3.3: Capital Goods Market Size (Rs. Cr)

Sub-sector	Market size (2018-19)	5 yr CAGR (%)	3 yr CAGR (%)
Machine Tools	13,429	7.2%	-5.8%
Textile Machinery	16,488	9.9%	5.9%
Earthmoving & Mining Machinery	21,671	0.4%	-7.1%
Heavy Electrical Equipment	150,350	7.6%	-7.3%
Plastic Machinery	2,658	5.5%	-5.9%
Process Plant equipment	24,149	12.3%	-0.2%
Dies, Moulds & Press Tools	15,100	5.2%	-0.3%
Printing Machinery	18,057	51.8%	15.1%
Metallurgical Machinery	2,749	-6.3%	-12.4%
Food Processing machinery	15,600	5.0%	4.4%
Total	**280,251**	**8.0%**	**-4.1%**

3.8 GROWING EXPORTS, BUT SIGNIFICANTLY SUB-SCALE GLOBAL SHARE:

The capital goods sector contributed Rs. 62500 Cr to exports in FY 2017-19. The growth rate of exports has been ~20% per annum over the past 5 years, which has decelerated to 14.7% per annum in the last 3 years. However, India's share in global exports of capital goods is still significantly sub-scale at 0.8%5 only.

TABLE 3.4 CAPITAL GOODS GROWTH BY SECTOR(RS.CR)

Sub-sector	Total production (2018-19)	5 yr CAGR (%)	3 yr CAGR (%)
Machine Tools	4,230	5.4%	-0.5%
Textile Machinery	6,960	10.4%	9.6%
Earthmoving & Mining Machinery	17,000	0.6%	-1.9%
Heavy Electrical Equipment	129,782	6.8%	-1.5%
Plastic Machinery	1,976	5.4%	-1.4%
Process Plant equipment	18,900	3.4%	-1.6%
Dies, Moulds & Press Tools	14,647	5.7%	3.0%
Printing Machinery	13,740	18.5%	17.6%
Metallurgical Machinery	1,260	5.0%	-1.0%
Food Processing machinery	12,180	6.2%	5.4%
Total	**220,675**	**7.2%**	**0.3%**

3.9 HIGH IMPORTS, NET IMPORTER ACROSS SUB-SECTORS:

India is a net importer of capital goods across sub-sectors. Around Rs. 122,000 Cr worth of capital goods were imported in to India in 2017-18. Imports have grown at 15% per annum over 5 years, signifying consistent demand in the market but from sources outside India.

TABLE 3.5 SOURCES OUTSIDE INDIA

Sub-sector	Imports (2018-19)	5 yr CAGR (%)
Machine Tools	10,961	8.4%
Textile Machinery	12,350	12.9%
Earthmoving & Mining Machinery	12,056	16.4%
Heavy Electrical Equipment	55,987	17.0%
Plastic Machinery	1,583	11.6%
Process Plant equipment	12,933	120.9%
Dies, Moulds & Press Tools	3,322	-2.4%
Printing Machinery	4,812	13.8%
Metallurgical Machinery	2,593	-4.4%
Food Processing machinery	5,500	5.5%
Total	**122,097**	**15.2%**

FACTORS PROFITABILE IN DOMESTIC MARKET AS COMPARED TO FOREIGN MARKET.

In spite of every one of these guidelines set up sends out in India kept on confronting heaps of challenges. High Domestic expenses – Production, Managerial failure, Lower level of Productivity, Higher Port charges, less serious cargo charges, gracefully bottlenecks, innovative elements bringing about low efficiency – significant expense of creation. Government strategy doesn't uphold modernization in Technology and mechanical advancements. Low quality/deficiency of sources of info, innovation and offices brought about Poor quality picture, lacking quality control and Inspection laws influencing the development of fares. Recklessness or absence of duty, Adulteration and tricking and absence of appropriate fare culture among Indian exporters additionally add to this issue. Postponement in conveyance plan. Upward amendment of costs because of inward factors, acknowledgment of responsibilities a long ways past the ability to actualize has made Indian fares as problematic. Disappointment of India to stay up with the market elements, infrastructural deficiencies, for example, vitality, deficiencies, deficient and temperamental vehicle and correspondence offices has likewise added to the propagation of this circumstance. Force deficiencies and breakdowns disturb creation plans, increment cost and antagonistically influence opportune shipments. Fares languish over need of proficient and monetary correspondence offices.

Progressions in correspondence and innovation have changed the composition of worldwide exchange. Improving the transportation framework, including the extension and modernization of the port offices, justification of charges, improving the procedural framework, and so forth are a lot of basic for the advancement of the scheme part.

Some of the factors responsible for slow growth to analyze the export lead growth through EPCG are as under:

1. India's export has suffered due to shortage of supplies and inadequate exportable surpluses.
2. Technology intensive exports (TIE's) have not registered phenomenal growth. It is 3% against Singapore's growth of 40%.
3. Intimately linked with problem of exportable surplus is the problem of quality control.
4. India has not been able to create an image as a supplier of quality goods.
5. The trade is generally opposed to compulsory quality and/or pre shipment inspection. Sometimes, even after the quality control and pre shipment inspection, there have been complaints. Nothing harms the export market more than a bad reputation for quality.
6. Phenomenal technological advances, coupled with the structural diversification of industries, have strengthened the competitive ability of rival producers in the international market. This is because of the fact that the domestic cost of production is high in India. Some of the factors responsible for slow growth in exports are as under:
7. India's export has suffered due to shortage of supplies and inadequate exportable surpluses.
8. Technology intensive exports (TIE's) have not registered phenomenal growth. It is 3% against Singapore's growth of 40%.
9. Intimately linked with problem of exportable surplus is the problem of quality control.
10. India has not been able to create an image as a supplier of quality goods.
11. The trade is generally opposed to compulsory quality and/or pre shipment inspection. Sometimes, even after the quality control and pre shipment inspection, there have been complaints. Nothing harms the export market more than a bad reputation for quality.
12. Phenomenal technological advances, coupled with the structural diversification of industries, have strengthened the competitive ability of rival producers in the international market. This is because of the fact that the domestic cost of production is high in India.

CHAPTER-IV
TECHNOLOGY UPGRADATION AND EVALUATION THROUGH EPCG

4.1 EPCG SCHEME

The objective of the EPCG Scheme is to energize import of capital product for conveying quality items and dares to improve India's fare seriousness'. The EPCG Scheme grants import of capital product at Zero conventions commitment subject to a fare commitment corresponding to numerous seasons of commitments, charges and cess got a good deal on capital product, to be fulfilled in 6 years figured from date of issue of Authorization.
Nuances of EPCG plot are according to the accompanying (an) EPCG Scheme licenses import of capital product for pre-creation, creation and after creation at Zero custom obligation. Capital product imported under EPCG plot for physical fares are furthermore prohibited from whole of the Integrated Tax and Compensation cess reasonable therefore under the subsection (7) and subsection (9) exclusively, of region 3 of the Customs Tariff Act, 1975 (51of 1975), as may be given in the notice gave under Department of Revenue. On the other hand, the approval holder may in like manner obtain Capital Goods from indigenous sources according to plans of entry 5.07 of FTP. Capital merchandise with the end goal of the EPCG conspire will include:

I Capital Goods as characterized in ;
(a) Computer programming frameworks;
(b) Spares, molds, passes on, dances, apparatuses, instruments and coolers for beginning covering and additional refractories; and introductory coating and extra fridges
(c) Catalysts for beginning charge notwithstanding one following charge.

II. Import of capital product for Project Imports educated by Central Leading gathering of Excise and Customs is also permitted under EPCG Plan.

III. Authorization is authentic for import for eighteen months from the date of issue of Authorization. Revalidation of EPCG Authorization won't be permitted.

IV. Second hand capital product are not permitted to be imported under EPCG Scheme.

V. Authorization under EPCG Scheme isn't given for import of any Capital Goods for age/transmission of force (tallying Hostage plants and Power Generator Sets of any kind) for a
(a) Export of electrical essentialness (power)
(b) Supply of electrical essentialness (power) under regarded charges
(c) Supply/Use of power (essentialness) in their own unit, and
(d) Supply/charge of intensity transmission organizations
(e) The arrangement similarly needs help of typical level of fares achieved by the exporter in the previous three allowing an exceptionally significant time-frame for the proportional and tantamount things inside the overall charge responsibility period including extended period, beside certain foreordained parts/things as recorded under para 5.13 of Handbook of Procedures.
(f) The extent of the EPCG plot is likewise reached out to a specialist co-op who is assigned/guaranteed as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State.

VI. Mechanical Infrastructural Corporation in a Town of Export Excellence subject to arrangements of Foreign Trade Policy/Handbook of Procedures with the accompanying conditions:-
(a) Export by clients of the regular help, to be tallied towards satisfaction of EO of the CSP will contain the EPCG approval subtleties of the CSP in the individual Shipping bills and concerned RA must be educated about the subtleties of the Users before such fare;
(b) Such fare won't tally towards satisfaction of explicit fare commitments in regard of other EPCG approvals (of the CSP/User); and
(c) Authorization holder will be needed to submit Bank Guarantee (BG) which will be proportional to the obligation spared. BG can be given by CSP or by any of the clients or a blend thereof, at the alternative of the CSP.
(d) Guidelines for assigning/confirming a Common Service Provider (CSP) by DGFT, Department of trade or State Industrial Infrastructure Corporation in a town of Fare Excellence
(e) An individual holding an EPCG approval may source capital items from a family maker. Such nearby producer will be equipped for respected convey advantage under entry 7.03 of FTP and as may be given under GST Rules under the arrangement of Deemed Exports. Such family unit sourcing will similarly be permitted from EOUs and these provisions will be implied explanation behind fulfillment of positive NFE by said EOU as gave in Para 6.09 (an) of FTP.
(f) Authorization holder will make, inside a half year from date of completing of import, to the concerned RA, a presentation from the jurisdictional Central Excise Authority or then again a free Chartered Engineer, at the decision of the approval holder, insisting foundation of capital product at assembling plant/premises of endorsement holder or then again his supporting manufacturer(s). The RA may expand the period for conveying the affirmation by a most extraordinary season of an extra a year. Where a unit enrolled with Central Excise chooses self-governing Chartered Architect's confirmation, the approval holder will send a copy of the support to the jurisdictional Central Excise Authority as proposal/record.
(g) For the circumstance of import of additional items, the foundation confirmation will be assembled by the Authorization holder inside a period of three quite a while from the date of import.
(h) EPCG Authorization is given with a singular port of selection as indicated by entry 4.37 of HBP, for imports. Nevertheless, tolls can be delivered utilizing any port decided in entry 4.37 of HBP.
(i) Specific EO in respect of toll of Green Technology Products is 75% of the standard EO as referred to in the Para 5.10 of FTP. The once-over of Green Technology things is given in Para 5.29 of HBP 2015-20.

(j) For units arranged in J&K, North Eastern Region including Sikkim, express EO will be 25% of the EO as indicated in Para 5.01 of FTP.

VII) Export Obligation (EO) conditions under EPCG Scheme:
(a) EO is to be fulfilled by fare of product made/service(s) delivered by applicant.
(b) Exports will be physical fares. Certain considered fares are also counted towards fulfillment of EO.
(c) The fare responsibility under the Scheme will be done and over, the typical level of fares achieved by the EPCG endorsement holder in the initial three allowing years for the proportional and equivalent things inside the overall fare responsibility period including widened period, other than the orders exculpated thus.
(d) There is no essential of keeping up ordinary EO for specific divisions like craftsmanship, handlooms, lodge, little division, agribusiness, water culture (checking fisheries),animal cultivating, planting, farming, pisciculture, viticulture, poultry, sericulture, Carpets, coir and Jute.
(e) Extension in EO period may be yielded for a period of 2 quite a while subject to explicit conditions decided in Para 5.17 of HBP.
(f) Import of Capital Goods is needy upon Actual User Condition till EO is done.

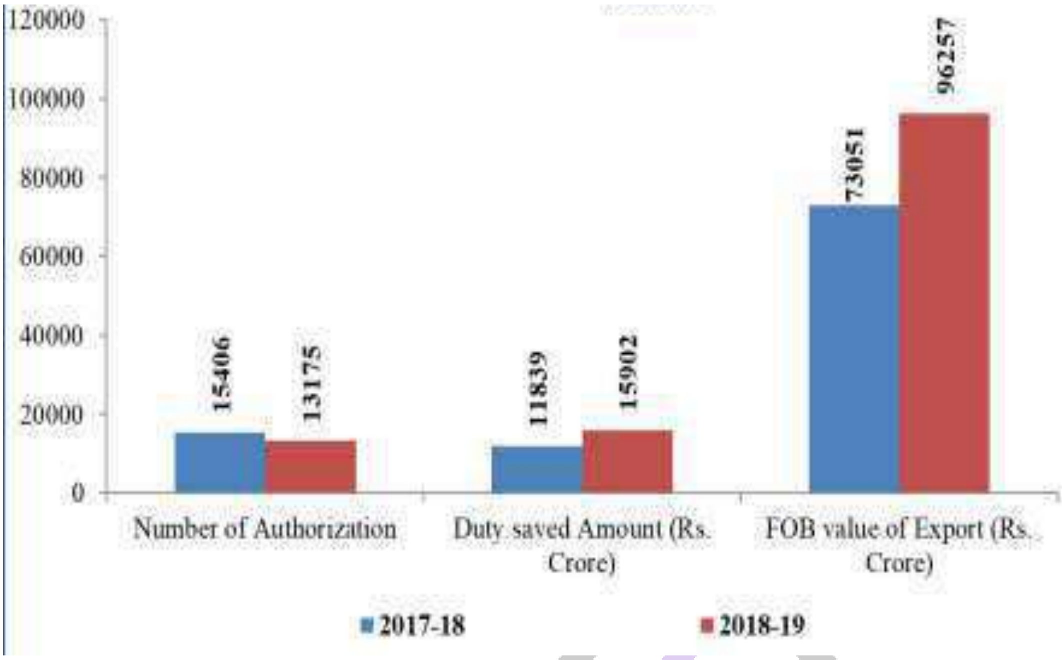
4.2 POST EXPORT EPCG DUTY CREDIT SCRIP(S):

Post export EPCG Duty Credit Scrip(s) is accessible to exporters who expect to import capital products on full installment of material obligations and decide to choose this plan. Essential Customs obligation paid on capital merchandise is transmitted as uninhibitedly transferable obligation credit scrip(s), like those gave under Chapter 3 of FTP. Explicit EO is 85% of the relevant explicit EO under the EPCG Scheme. Be that as it may, normal EO will stay unaltered.
Obligation abatement is in relation to the EO satisfied. All arrangements for use of scrips gave under Chapter 3 of FTP are material to Post Export EPCG Duty Credit Scrip(s). All arrangements of the current EPCG plot will apply to the extent that they are most certainly not conflicting with this plan.

Details of EPCG authorizations are given in the table as follows:
Table 4.1:

ISSUANCE UNDER EXPORT PROMOTION CAPITAL GOODS SCHEME		
EPCG Scheme	**2016-17**	**2017-18**
Number of Authorizations	**15460**	**13175**
Duty Foregone Amount (Rs. Crore)	**11,839.18**	**15,901.60**
FOB value of Export (Rs.Crore)	**73,051.20**	**96,257.29**

Figure.4.1 Issuance of Authorization under Export Promotion Capital Goods Scheme



4.3 ZERO DUTY:

Unfamiliar Trade Policy, 2009-2014 has orchestrated the two variants (Zero Duty and 3% Concessional Duty) of EPCG Schemes (w.e.f. eighteenth April, 2013) Zero obligation EPCG conspire permits import of capital merchandise (counting CKD/SKD thereof just as PC programming frameworks) for pre-creation, creation and postproduction at zero Customs obligation, subject to a fare commitment equal to multiple times of obligation saved money on capital products imported under EPCG plot, to be satisfied in 6 years figured from Authorization issue-date. Zero obligation EPCG plot will not be accessible to exporters, who profit in that year, the advantage of Status Holder Incentive Scheme. In the event that they have just profited SHIS advantage they would be qualified for Zero Duty Scheme on the off chance that they give up or discount SHIS, with relevant enthusiasm for case SHIS has been used. On the off chance that countervailing obligation (CVD) is paid in real money on imports under EPCG, rate of CVD would not be taken for calculation of net obligation spared, gave the equivalent isn't CENVA Ted. Capital Goods will incorporate extras (counting renovated/reconditioned saves), devices, dances, installations, passes on and molds. Extras in regard of CG imported under EPCG or imported in any case can be imported without a constraint (of % of the estimation of CG) yet will draw in trade commitment of 100% of the ordinary EO. Recycled capital products will not be allowed to be imported under EPCG Scheme. Import of Restricted things of imports referenced under ITC (HS) will just be permitted under EPCG Scheme after endorsement from EFC at Headquarters. Extras (counting renovated/reconditioned saves), molds, kicks the bucket, dances, installations, apparatuses, and headstrong for introductory covering; for existing plant and hardware (imported prior, under EPCG or something else), will be permitted to be imported under the EPCG conspire subject to a fare commitment proportional to half of the fare commitment above (for import of capital products), to be satisfied in 6 years, figured from Authorization issue date. This would anyway be dependent upon the condition that the c.i.f. estimation of import of the above extras and so forth will be restricted to 10% of the estimation of plant and apparatus imported under the EPCG conspire. If there should arise an occurrence of plant and hardware not imported under the EPCG conspire,c.i.f. estimation of import of the extras and so forth will be restricted to 10% of the book estimation of the plant and hardware. It won't be material for import of extras in regard of capital products sourced indigenously.

4.4 EPCG FOR PROJECTS:

Import of capital goods under EPCG authorizations can also be availed which are covered under Scheme for Project Imports notified by the Central Board of Excise and Customs. Export obligation for such EPCG Authorizations would be 6 times of duty saved. Duty saved would be difference between the effective duty under aforesaid Customs Notification and concessional duty under the EPCG Scheme.

4.5 EPCG FOR RETAIL SECTOR:

EPCG scheme shall also be available for import of capital goods required by retailers having minimum area of 1000 sq. meters to create modern infrastructure in retail sector.

4.6 EPCG AUTHORISATION FOR ANNUAL REQUIREMENT

Status Holders, exporters having past export performance (in preceding two years) can also avail EPCG Authorization for Annual Requirement. The annual entitlement in terms of duty saved amount shall be upto 50% of FOB value of Physical Export, Service Exports and / or FOR value of Deemed Export, in preceding licensing year.

4.7 ELIGIBILITY

EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s)\ vendor(s), merchant exporters tied to supporting manufacturer(s) and service providers.

1. Export Promotion Capital Goods (EPCG) Scheme also covers a service provider who is designated / certified as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to provisions of Foreign Trade Policy/Handbook of Procedures with the following conditions:- (i) Exports by users of the common service, to be counted towards fulfillment of EO of the CSP shall (i) contain the EPCG Authorization details of the CSP in the respective Shipping bills and (ii) concerned RA must be informed about the details of the Users prior to such export
2. Such exports will not count towards fulfillment of other specific export obligations; and
3. Bank Guarantee (BG) shall be equivalent to the duty saved. BG can be given by CSP or by any one of the users or a combination thereof, at the option of the CSP

4.8 COVERAGE

(a) EPCG conspire covers producer exporters with or without supporting manufacturer(s), dealer exporters attached to supporting manufacturer(s) and specialist co-ops. Name of supporting manufacturer(s) will be embraced on the EPCG Authorization previously establishment of the capital products in the plant/ premises of the supporting maker (s). In the event of any change in supporting producer (s) the RA will cozy such change to jurisdictional Customs Authority of existing just as changed supporting manufacturer(s) and the Customs at port of enlistment of Authorization.

(b) Export Promotion Capital Goods (EPCG) Scheme additionally covers an assistance supplier who is assigned/guaranteed as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to arrangements of Foreign Trade Policy/Handbook of Procedures with the following conditions:

(i) Export by users of the common service, to be counted towards fulfillment of EO of the CSP shall contain the EPCG Authorization details of the CSP in the respective Shipping bills and concerned RA must be informed about the details of the Users prior to such export;

(ii) Such export will not count towards fulfillment of specific export obligations in respect of other EPCG Authorizations (of the CSP/User); and

(iii) Authorization holder shall be required to submit Bank Guarantee (BG) which shall be equivalent to the duty saved. BG can be given by CSP or by any one of the users or a combination thereof, at the option of the CSP.

4.9 ACTUAL USER CONDITION

Imported capital goods shall be subject to Actual User condition till export obligation is completed and EODC is granted

4.10 INDIGENOUS SOURCING OF CAPITAL GOODS AND BENEFITS TO DOMESTIC SUPPLIER

A person holding an EPCG Authorization may source capital goods from a domestic manufacturer. Such domestic manufacturer shall be eligible for deemed export benefit. Such domestic sourcing shall also be permitted from EOUs and these supplies shall be counted for purpose of fulfillment of positive NFE by said EOU. The domestic manufacturer supplying capital goods to EPCG license holder shall be eligible for deemed export benefit as under:

i) Advance license for intermediate supply/deemed export / DFRC
ii) Deemed Export Drawback
iii) Refund of Terminal Excise Duty

4.11 EXPORT OBLIGATION

1. EO will be satisfied by the authorization holder through export of merchandise which are fabricated by him or his supporting producer/administrations rendered by him, for which the EPCG authorization has been conceded.
2. EO under the plan will be, well beyond, the normal degree of sends out accomplished by the candidate in the former three permitting a long time for the equivalent and comparable items inside the general EO period counting expanded period, assuming any; with the exception of classifications referenced in section 5.13(a) of HBP. Such normal would be the number-crunching mean of fare execution in the first three permitting years for same and comparative items.
3. If there should arise an occurrence of indigenous sourcing of Capital Goods, explicit EO will be 25% not exactly the EO
4 Shipments under Advance Authorization, DFIA, Drawback conspire or reward conspires under Chapter 3 of FTP; would likewise mean satisfaction of EO under EPCG Scheme.
5 Export shall be physical export. However, supplies as specified in paragraph 7.02 (a), (b), (e), (f) & (h) of FTP shall also be counted towards fulfillment of export obligation, along with usual benefits available under paragraph 7.03 of FTP.
6 EO can also be fulfilled by the supply of ITA-I items to DTA, provided realization is in free foreign exchange.
7 (g) Royalty payments received by the Authorization holder in freely convertible currency and foreign exchange received for R&D services shall also be counted for discharge under EPCG.
8 Payment received in rupee terms for such Services as notified in Appendix 5D shall also be counted towards discharge of export obligation under the EPCG scheme.

4.12 CALCULATION OF EXPORT OBLIGATION

In case of direct imports, EO shall be reckoned with reference to actual duty saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional Customs duties saved on FOR value.

4.13 EPCG LICENCE

The applicant should apply for EPCG license to the competent authority on the basis of self declaration. The financial powers of EPCG committee are

CIF Rate	Competent Authority
Up to 50 crores	Regional Licensing Authority Above
50 crores	Headquarters of EPCG Committee

4.14 BANK GUARANTEE / LEGAL UNDERTAKING (LUT)

Wherever any duty free import is allowed or where otherwise specifically stated, the importer shall execute a Legal Undertaking (LUT) / Bank Guarantee (BG) with the customs Authority before clearance to goods through the Customs, in the manner as may be prescribed.

In case of indigenous sourcing, the license / certificate / permission holder shall furnish BG / LUT to the licensing authority before sourcing the material from the indigenous supplier/ nominated agency.

4.15 ADDITIONAL CONDITIONS

Supplies made to Oil and Gas sector also may be counted towards discharge of export obligation against an EPCG authorization provided it has been issued on or before 31.03.2000 and no benefit under deemed export as per policy has been claimed on such supplies.

Import of refurbished / reconditioned spares must have a residual life not less than 80% of life of original spare, which would be certified by EPCG authorization holder. The tools imported under EPCG Scheme may be transferred to any of units or group companies of applicant.

While calculating Average Export Obligation, following types of exports even if made in the preceding 3 years will not be taken into account:

(1) Exports to such country as may have been notified by DGFT for this purpose from time to time;

(2) Exports being counted for fulfilling specific EO in respect of EPCG Authorizations within valid EO Period (whether original or extended).

Export under EPCG scheme shall also be entitled for benefits of the following sectors:

(a) In case of export of goods relating to:

(i) Handicraft,
(ii) Handlooms,
(iii) Cottage & Tiny sector,
(iv) Agriculture,
(v) Aqua-culture (including Fisheries), Pisciculture,
(vi) Animal husbandry,
(vii) Floriculture & Horticulture,
(viii) Poultry,
(ix) Viticulture,
(x) Sericulture,
(xi) Carpets,
(xii) Coir, and
(xiii) Jute

The EPCG authorization holders shall not be required to maintain average level of exports.

(1) However, this exemption from maintenance of average level of exports shall not be allowed for import of fishing trawlers, boats, ships and other similar items.

(2) Goods, excepting tools imported under EPCG scheme by sectors specified in sub-para (a) above, shall not be allowed to be transferred for a period of five years from date of imports even in cases where export obligation has been fulfilled. However, transfer of capital goods to group companies, within five years from the date of import would be permitted after fulfillment of EO, under intimation to RA and jurisdictional Central Excise Authority.

4.16 EO FULFILLMENT BLOCKS

The Authorization holder under the EPCG scheme shall fulfill the export obligation over the specified period in the following proportions:

Period from the date of issue of Authorization fulfilled	Minimum export obligation to be
Block of 1st to 4th year	50%
Block of 5th and 6th year	50%

However, the EO of a particular block of year may be set off by the excess exports made in the preceding block year. The Authorization holder would intimate the regional authority on the fulfillment of the export obligation, as well as average exports, within three months of completion of the block, by secured electronic filing using digital signatures.

Where EO of the first block is not fulfilled in terms of the above proportions, (except in such cases where the EO prescribed for first block is extended by the Regional Authority subject to payment of composition fee of 2% on duty saved amount equal to unfulfilled portion of EO), such Authorization holder shall, within 3 months from the expiry of the block, pay duties of customs (along with applicable interest as notified by DOR) proportionate to duty saved amount on unfulfilled EO.

4.17 FIXATION OF EXPORT OBLIGATION (EO)

In case of direct imports, EO shall be reckoned with reference to actual duty saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional Customs duties saved on FOR value.

4.18 MONITORING OF EXPORT OBLIGATION

Authorization holder shall submit to RA concerned by 30th April of every year, report on fulfilment of export obligation. RA concerned may issue partial EO fulfilment certificate, provided export performance is proportionately adequate to fulfilment of export obligation.

Automatic Reduction/ Enhancement up to 10% of CIF value and prorata Reduction/ Enhancement in export obligation

(a) If authorization issued has actually been utilized for import of a value in excess, upto 10% of CIF value /duty saved amount of authorization, authorization shall be deemed to have been enhanced by that proportion. Customs shall automatically allow clearance of goods in excess, upto 10% of authorization value/duty saved amount, without endorsement by concerned RA.

(b) In such case, authorization holder shall furnish additional fee to cover excess imports effected, in terms of CIF value/duty saved amount, to RA concerned, within one month of excess imports taking place. Export obligation shall automatically stand enhanced proportionately.

(c) In case of utilization being more than 10%, concerned RA as per their financial powers, may endorse as per extant provisions. Authorization holder shall furnish additional BG/LUT to the customs authority.

(d) The firm /company, while applying for registration with BIFR/Rehabilitation Department of State Government, shall also intimate DGFT with regard to relief sought for EPCG authorization, if any within 30 days of receipt of application by agency concerned.

4.19 EXTENSION OF EXPORT OBLIGATION PERIOD

(a) DGFT, thereafter, shall take up the matter with agency concerned to safeguard government interest on account of default in fulfilment of export obligation imposed on EPCG authorization obtained by such firm/companies.

(b) DGFT may consider request for grant of extension in EOP up to 9 years, or as per rehabilitation package prepared by operating agency and approved by BIFR board/ state authority.

(c) To provide relief to exporters of those sectors where total exports in that sector/product group has declined by more than 5% as compared to the previous year, average export obligation for the year may be reduced proportionate to reduction in exports of that particular sector/product group during the relevant year as against the preceding year. However, in case export decline is continuous over consecutive years, the base year for calculation of eligibility and calculation of reduction in average export obligation will be taken as the year after which the exports have shown continuous decline.

(d) The sectors /product groups for which this relaxation is to be allowed shall be conveyed by the DGFT to all the RAs within seven months of the end of the previous financial year, and the RAs shall re-fix the annual average EO for previous year accordingly, for exporters in that sector/ product group.

(e) Whenever a ban/restriction is imposed on export of any product, export obligation period in respect of EPCG authorizations already issued prior to imposition of ban on such export products, would stand automatically extended for a period equivalent to duration of such ban, without any composition.

(f) Wherever the holder of any EPCG Authorization is granted relief under Corporate Debt Restructuring (CDR), then such Authorization holder may be allowed EO extension of 3 years (from the date of approval of the CDR mechanism/scheme). Such extension in EO will not attract any Composition fee and will be in addition to (and not in lieu of) the granting of EO extension

4.20 EXPORT OBLIGATION SHORTFALL

RA concerned may condone shortfall up to 5% in export obligation (specific EO) arising out of duty saved amount.

4.21 REGULARIZATION OF BONAFIDE DEFAULT

In case, EPCG authorization holder fails to fulfil prescribed export obligation, he shall pay Customs Duty along with applicable interest as prescribed by Customs authority. Such facilities can also be availed by EPCG authorization holder to exit at his option. The authorization holder will have the option to furnish valid duty credit scrips for payment of the customs duty component.

4.22 RE-EXPORT OF CAPITAL GOODS IMPORTED UNDER EPCG SCHEME

Capital Goods imported under EPCG scheme, which are found defective or unfit for use, may be re-exported back to foreign supplier within three years from the date of payment of duty on importation thereof, with permission of RA /Customs Authority. Consequently, EO would be re-fixed.

Replacement of Capital Goods Capital Goods imported and found defective or otherwise unfit for use may be exported, and Capital Goods in replacement thereof be imported under EPCG scheme. In such cases, while allowing export, the Customs shall credit the duty benefit availed which can be debited again at the time of import of such replaced Capital Goods.

Technological Up gradation of existing EPCG machinery EPCG Authorization holders can opt for 'Technological Up gradation' of existing capital goods imported under EPCG Authorization(s). Conditions governing are as under:

(a) Minimum time period for applying for 'Technological Up gradation' is 4 years from earlier EPCG Authorization issue-date.

(b) Minimum exports made must be 50% of total export obligation imposed on earlier EPCG Authorization(s).

(c) EO would be re-fixed such that

(i) Total EO shall be sum total of 6 times of duty saved of earlier EPCG and the new one,and

(ii) EOP is 6 years from EPCG authorization issue-date under this Para.

(d) Facility for technological up-gradation shall be available only once and the minimum imports to be made shall be at least 10% of the existing investment in plant and machinery by applicant.

(e) Capital Goods to be imported must be new and technologically superior to earlier CG (to be certified by Chartered Engineer).

4.23 INCENTIVE FOR EARLY EO FULFILLMENT

With a view to accelerate exports, in cases where Authorization holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorization redeemed by RA concerned.

31.19. EPCG for Green Technology Products -reduced EO For exporters of Green Technology Products, Specific EO shall be 75% of EO. There shall be no change in average EO.

The list of Green Technology Products is given below

1 Equipment for Solar Energy decentralized and grid connected products
5 Bio-Mass Gassifier
6 Bio-Mass/Waste Boiler
7 Vapour Absorption Chillers
8 Waste Heat Boiler
9 Waste Heat Recovery Units
10 Unfired Heat Recovery Steam Generators
11 Wind Turbine
12 Solar Collector and Parts thereof
13 Water Treatment Plants
14 Wind Mill, Wind Mill Turbine / Engine
15 Other Generating Sets - Wind powered
16 Electrically Operated Vehicles – Motor Cars
17 Electrically Operated Vehicles - Lorries and Trucks
18 Electrically Operated Vehicles – Motor Cycles/Mopeds, and
19 Solar Cells

4.24 POST EXPORT EPCG DUTY CREDIT SCRIP(S)

(a) Post Export EPCG Duty Credit Scrip (s) shall be available to exporters who intend to import capital goods on full payment of applicable duties in cash and choose to opt for this scheme.

(b) Basic Customs duty paid on Capital Goods shall be remitted in the form of freely transferable duty credit scrip(s), similar to those issued under Chapter 3 of FTP.

(c) Specific EO under this Scheme shall be 85% of the applicable specific EO, if the imports of such Capital Goods had taken benefit of duty exemption.Average EO continues to remain unchanged.

(d) Duty remission shall be in proportion to the EO fulfilled.

(e) These Duty Credit Scrip(s) can be used for payment of applicable custom duties for imports and applicable excise duties for domestic procurement.

(f) All provisions of the existing EPCG Scheme shall apply insofar as they are not inconsistent with this scheme

4.25 REDUCED EO FOR NORTH EAST REGION AND J&K

For units located in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Jammu & Kashmir, specific EO shall be 25% of the EO. There shall be no change in average EO as stipulated

4.26 MONITORING OF EXPORT OBLIGATION

The license holder shall produce to the concerned licensing authority a certificate by the jurisdictional central excise authorities or by an independent chartered Engineer, as the case may be, confirming installation of capital goods at the factory of the license holder or his supporting manufacturer (s) / vendor (s) within six months from the date of completion of imports. The license holder shall submit to the licensing authority, report on the progress made in fulfillment of export obligation against the license issued to him. The report shall be submitted in the form given in Appendix – 9A of the handbook. The periodicity of the report shall be year wise. The licensing authority may issue partial Export Obligation (EO) fulfillment certificate to the extent of EO fulfilled in a particular year.

4.27 REGULARIZATION OF BONAFIDE DEFAULT

In case EPCG license holder fails to fulfill the prescribed export obligation, he shall pay duties of Customs plus 15% interest per annum to the Customs authority.

CHAPTER V
FINDINGS, SUGGESTIONS & CONCLUSION

5.1 FINDINGS:

1. From this study we can see how different possibilities expected to be convincing in supporting admissions making it accessible to winding exporters and yielding family unit associations to pay lower obligations on imported product used in the formation of momentary information sources gave to unequivocal exporter and discarding any sort of commitment portion for exporters in India to export through EPCG.

2. The government should improve rule related to convey: up gradation in long organization techniques impact in a negative way especially the new exporters. All the while, governments should improve information variety and spread about new business areas and essentials for exchanging. Exercises in this arrangement should similarly be directed to the critical issue of making exchange things and organizations to change in accordance with the necessities and rules of made countries markets We can see India's passage has suffered on account of insufficiency of arrangements and lacking exportable surpluses in the industry.

3. Phenomenal mechanical advances, joined with the fundamental upgrade of adventures, have fortified the genuine limit of foe producers in the worldwide market.

4. For this, capital items, both new and second hand may be imported. The import of reused capital items under the arrangement will be reliant upon such conditions suggested. PC structures may in like manner be imported under the EPCG Scheme. Capital items (CG) may be imported at a concessional movement of customs commitment subject to a toll promise to be fulfilled over some vague time span.

5. It may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as for use in services sector to lead the growth through EPCG

5.2 SUGGESTIONS

Help improve India’s export competitiveness and deepen engagements with new markets:

1. Promote and grow Services Exports.

Exchange up hold establishments can advance public qualities in administrations. This helps firms in their own show casing and improves the nation's general picture. Making a public picture of value suppliers is one of the most significant exchange advancement activities to support fares of administrations. Exchange uphold establishments (TSIs), which speak to business networks, for example, public exchange advancement associations, proficient affiliations or offices of trade, can build up a couple of center messages about serious qualities that can be utilized in all special materials. They can likewise gather and promote "top tier" examples of overcoming adversity, set up an honors program, distribute public administrations exchange information which in corporate administrations at whatever point trades are referenced, and give data sets of specialist organizations on a public site. Most of administration exporters in many economies are exceptionally little firms with less than ten workers, as per ITC and Service-Growth Consultants research in more than 50 creating nations. It shows up from their discoveries that at any rate 40% of all dynamic exporters in creating economies are administration firms with less than five workers. To help these little business people, exchange activities ought to be proficient and require minimal starting speculation.

2. Improve Productivity through advancement improvement.

Expanding into new markets involves a great deal of market research in addition to target customers which improves productivity by using advanced technology and research.

3. Make undertakings to reduce the cost of charge credit.

Banks have to charge concessional rate of interest on the packing credit to make the export products, globally competitive. As per the directives of RBI, the rate of interest charged on packing credit has to bear relationship with the prime-lending rate. Each bank fixes its own prime-lending rate. Banks are gives the freedom to charge the rate of interest to make the interest rate competitive. Interest rate for the first 90 days will be cheaper, while the next 90 days will be still higher. Extended period of credit of 90 days carries more interest rate than the rate charged earlier. However, the interest rate of the bank has to be lower than the prime-lending rate of that bank. Banks are not allowed to charge any other service charges other than those stipulated by Foreign Exchange Dealers’ Association of India. However, premium payable to EPCG has to be borne by the exporter.

4. Rationalize charge rate through the Goods and Services Tax (GST).

The benefits currently available to the industry under the FTP be as is extended to them under the GST regime as well, else, it would create an unnecessary burden upon the exporters. In addition, where procurements are made through advance authorization, EPCG, etc, it is recommended that IGST also be made exempt apart from the BCD component. In respect of SEIS, MEIS or any other duty scrip, the provisions should be amended or relevant notifications be issued to provide for utilization of such scrips for payment of IGST and CGST as well. Refund of input tax credit pertaining to capital goods should therefore be permitted by amending the provisions of section 54 of CGST Act.

8. Deepen and expand the markets.

Product and market diversification along with currency devaluation works to expand markets. There is a need to improve trading relations with neighboring nations and more emphasis may be on import substitution strategy. Imports of capital products to improve productivity and competitiveness of export oriented local industry may promoted.

5.3 CONCLUSION:

The Government of India has perceived the significance of the area before and presented the Competitiveness for the Indian Capital Goods Sector.' This plan and other government activities and plans not explicit to, yet in addition serving the capital products have been contemplated and components to use the equivalent and further fortify them have been proposed.

EPCG is to advance fares and the Government through this plan gives motivations and other money related help to the Exporters. Weighty exporters can likewise exploit this arrangement however it is foolish for the individuals who don't hope to fabricate the without question or even plan to sell their produce predominantly in the household market so as to proceed for this plan, as that could prompt extraordinary weight and it would nearly get difficult to-satisfy the commitments later on. Every business should hence accept this call cautiously and furthermore not without a Gritty composed investigation of the normal fare sum.

EPCG is a plan which is principally identified with hardware, apparatus parts and furthermore comparative merchandise. Any organization which is included either in the assembling part or in hefty creation which plans to import apparatus for its manufacturing plants from an unfamiliar nation can be considered under this plan. It isn't, nonetheless, restricted distinctly to such organizations as the legislature even wishes to incorporate the specialist co-ops under this plan, "Then again, trade commitment may likewise be satisfied by the scheme of different good(s) which are made or the service(s) that are given by a similar firm/organization or the gathering organization/oversaw inn which has the EPCG permit. The gradual scheme are needed to be satisfied by the permit holder for satisfying the rest of the fare commitment which can incorporate any blend of the schemes of the first item/administration and the substitute item (s)/administration (s). The exporter of products can likewise select to get the commitment re fixed for the scheme of administrations and furthermore the other way around." For this situation, the bills that records the administrations that are charged to the organizations or the customers abroad are adequate for fulfilling the fare commitment.

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