



## Exporters Opinion And Level of Satisfaction Towards Service Rendered By Export Credit Insurance Companies in Coimbatore and Tiruppur Towns

## KEYWORDS

INSURANCE, EXPORT CREDIT INSURANCE, RISK MANAGEMENT

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**ABSTRACT** *Export credit risk insurance is an insurance cover and a risk management product that is offered to the export firms which needs to protect their accounts receivable from loss due to credit risks by private insurance companies and governmental export credit agencies. It is a protection against unexpected huge losses which arise due to the unpaid accounts receivable against commercial and political risks beyond their control. Export credit insurance is easier to adopt and more secure and sometimes less expensive than Letter of Credit (L/C).*

**Introduction to the Study**

Export credit agencies provide government-backed loans, guarantees and insurance to corporations working internationally in some of the most volatile, controversial and damaging industries on the earth. ECAs provide financial supports for risky projects that cannot be done without it. They are a major source of national debt in developing countries.

Credit insurance transfers the risk of payment from the exporting company. To avail the insurance the holders of the policy should have a credit limit on each of the importers. This insurance concept was introduced in the nineteenth century. During the time of first and second World Wars Western European countries adopted this concept. Majority of the companies that were started during that time offered credit insurance to the individuals.

Trade credit insurance or export credit insurance covers the payment risk during the time of delivery of services and goods. Individuals are not provided with the facilities of this insurance product. Premium is charged every month against the issuance of the credit insurance. This insurance is driven by broker or an agent who helps in the creation of competition among the policy holders for better premium. Export credit insurance is the best way to manage credit risk in a cost effective way for any organization involved in international business. It provides financial guarantees during the time of any credit risks and overdue payments during exports. Before availing insurance covers various terms and conditions need to be fulfilled.

**Background of Export Credit Insurance**

Export credit insurance has been around for a long time. There is an evidence to prove that in 1820 an insurer called British Commercial issued a policy of credit insurance. Secondly two specialist credit insurers were established in 1852 and in 1885 and the first whole turnover policy was underwritten. By the end of the 19<sup>th</sup> century export credit insurance business was being written at Lloyd's and in 1918 Trade Indemnity was established. The British Government established the Export Credits Guarantee Department (ECGD) in 1919. Despite this long history credit insurance has always been something of a minority interest and has a special place in the insurance market

In the late 1980's, global export credit insurance premiums increased to over \$10 billion. The crucial importance of trade finance and credit insurance to support international trade flows became glaring during the mid 2008 when the global financial crisis began.

**OBJECTIVES**

To know about the export credit insurance companies in India.

To find out the exporters opinion and level of satisfaction towards service rendered by export credit insurance companies in Coimbatore and Tiruppur towns

**METHODOLOGY**

The present study is descriptive in nature. The present study is carried out with the exporters, whose firm sizes are Large, Small and Medium industry, Business units in Coimbatore and Tirupur District which comprises of merchant exporter, manufacturer exporter and both. A sample of 197 respondents was selected by adopting convenience sampling method. The present study uses primary and secondary data. The collected data have been evaluated using (i) Simple Percentage Analysis (ii) Average Mean Test and (iii) t- test.

**FINDINGS****The market players in India**

Banking, finance and insurance are strictly regulated in India. At present insurers do not have freedom to improve new products unless those products are approved by IRDA. There is only one trade credit insurance company in India which mostly writes export sales that is ECGC Ltd. Euler Hermes, Atradius & Coface provide risk insurance support to three local insurers and try to market their product through them but it is not hugely successful.

Currently, majority of the coverage are provided by ECGC Ltd which accounts for about 80% of the premium paid for credit insurance and the rest is covered by private insurance companies. ECGC Ltd formerly Export Credit Guarantee Corporation of India Ltd is a Government of India Enterprise which provides export credit insurance facilities to Indian exporters and banks. ECGC is an export promotion organization seeking to improve the capacity of Indian exporters to compete globally by providing them

credit insurance covers comparably better than those available to their competitors from other countries. It maintains a lowest level of premium rates.

#### Market Share of Insurance companies in India

S.No	Insurance Company	Premium underwritten
1	ECGC LTD	USD 200 Million
2	IFFCO Tokyo General Insurance Co. Ltd	USD 8.51 Million
3	ICICI Lombard General Insurance Co. Ltd	USD 4.21 Million
4	Bajaj Allianz General Insurance Co. Ltd	USD 2.92 Million
5	TATA AIG General Insurance Co. Ltd	USD 1.78 Million
6	Bharti Axa General Insurance Co. Ltd	USD 0.65 Million

#### Size of the market

In Indian GDP the ratio of trade covered by credit insurance is around 5% compared to about 10% for China and around 20% in European economies. So there is a lot of room for growth in India. The size of export credit insurance market is approximately of the order of USD 44,802 Million in terms of sum insured. Berne Union, an Association of Credit Insurers worldwide has insured about 10% of world exports. ECGC provides insurance cover to around 7.72% of India's exports. ECGC's provides insurance to 95% of short term business in the total insurance market. Thus the size of credit Insurance business in India is close to that of the global standard. While there is no tracking of export credit insurance or trade credit insurance premium at an industry level. Hence market estimates place it at being around USD 82 million. The domestic credit insurance market is estimated to be more than USD 17 million.

- Majority of the respondents are highly satisfied on insurance schemes offered by the company.
- Majority of the respondents are satisfied about the percentage of claim paid.
- Out of 197 respondents, 63 respondents are dissatisfied about experience at the time of overdue declaration
- Majority of the respondents are neutral about claiming procedure, documentation required, time taken to settle the claim amount, employees response and sanctioning of credit limit.
- Majority of the respondents (70.6%) recovered 90% of the claim
- Majority of the respondent (58.1%) opinion regarding the claiming procedure that the insurance company is little difficulty
- Majority of the respondents (56.9%) opinion about the documentation procedure during settlement time is satisfactory
- Majority of the respondents (65.5%) opinion about premium rate is normal
- Majority of the respondents are highly satisfied with the employees response while applying for policy, dissatisfied while making enquires and neutral at the time of claim settlement and at the time of closure.
- Majority of the respondents (98.5%) expressed that complaints and grievances are slowly handled by the employees /authorities of the company
- Majority of the respondent (65.5%) replied that that the customer forum was not very frequently conducted
- Majority of the respondents (90.9%) feels that quality of customer forums is neutral
- Majority of the respondent's opinion (73.5%) is good

for knowledge about the work and maintaining confidentiality.

- Out of 197 respondents 47% of the respondents opinion about willingness to answer the queries is normal.
- 23% respondent's opinion about attention towards the grievances is poor.
- 57.5% of respondent's opinion about follow up actions is good.
- Respondents did not give poor opinion about knowledge about the work and maintaining confidentiality.
- Majority of the respondent (57.4%) appraised the performance of the company as good.

#### Result of Average Mean Score

Average mean rank was applied to find out the opinion of exporters about the serious problems encountered with export credit insurance company. Out of ten factors considered 'Claim settlement time' is the foremost serious problem encountered by exporters with a mean rank of 2.74 followed by 'Lack of Research and Development Support' with a mean rank of 3.51, 'Fixing the premium rate' with a mean rank of 4.01, 'Lack of Competitors' with the mean rank of 4.12, 'Response from employee' with a mean rank of 4.39, 'High procedural formalities to claim the amount' with a mean rank of 6.07, 'Documentation procedure' with the mean rank of 6.24, 'Percentage of amount claimed' with the mean rank of 7.11 and remaining problems having less seriousness with mean rank of above 8.

Average mean rank was applied to find out the opinion of exporters about the strategies for better marketing and to improve the performance of credit insurance company. Among the nine strategies considered, 'Reduction in Premium' is the foremost strategy for better marketing and to improve the performance of credit insurance company with the mean rank of 2.12 followed by 'Reduction in time taken to pay claim' with the mean rank of 3.23, 'Increase in percentage of claim' with the mean rank of 3.80, 'Simplified procedures to claim' with the mean rank of 4.14, 'Advertisements' with the mean rank of 4.42, 'Branding' with the mean rank of 5.03, 'Value Added Schemes' with the mean rank of 5.8, 'Tailor Made Policies to suit the requirement' with the mean rank of 8.11 and 'Re-insurance' with the mean rank of 8.18.

#### Result of t-test

t-test was conducted to assesses whether the means of location of business unit and satisfaction towards insurance schemes offered by the insurance company are statistically different from each other. It is concluded that there is no significant difference between the locations of business and the satisfaction level on insurance schemes offered by the insurance company.

t-test was conducted to assesses whether the means of location of business unit and satisfaction towards claiming procedure followed in the insurance company are statistically different from each other. It is inferred that there is no significant difference between the locations of business unit in satisfaction towards claiming procedure followed in the insurance company.

#### Conclusion:

The study concludes that the ECGC India Ltd is the major player in India. Due to very low competition ECGC dominates Indian market. Exporters are highly satisfied on insurance schemes offered by the company and they are satisfied with over all service of ECGC. Step should be taken

to inform the exporters about the revisions in the policy and similarly in the percentage of claim amount. Customer mostly finding the problem while settlement of claims & filling the procedures. Hence emphasis should be given to assist them during that period. Company should be aggressive in adapting its policy and procedures and building effective organizational arrangements. It should assess the export sectors on priority basis. Certainly Indian exporters have good potential, intelligence and capability to tap the international market. Therefore ECGC should provide required insurance cover for the promotion of international trade for the economic development of India.

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