

EXPORT MARKETING GROUPS

Their Feasibility and Constitutions

INDIAN INSTITUTE OF FOREIGN TRADE



**REPORT
ON
EXPORT MARKETING GROUPS**

Their Feasibility and Constitutions

**By
The Sub-Committee appointed by the
Standing Committee on Export Promotion
of
Small Scale Industries**

**ISSUED BY
INDIAN INSTITUTE OF FOREIGN TRADE
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NEW DELHI-16**

F O R E

Export business is a specialised and complex activity. Success in foreign markets calls for proper understanding of market and marketing conditions abroad, special marketing skills and organisational set-up in order to meet world wide competition. There are various procedural formalities and problems in regard to documentation, transportation, shipping, pricing etc which all exporters - large or small - have to reckon with. Small manufacturers in particular find it more difficult to deal with all these procedures and formalities because of their inadequate resources.

The handicaps of small industries in relation to exports can be overcome to a large extent by promoting the concept of collective functioning among them. The collective functioning can be in the form of export marketing groups in which a number of small enterprises operate together either in the form of a formalised enterprise or a loose combination for a variety of pre-determined purposes. Because of their larger turn-over and wider product range the combined groups would be able to function in a more effective manner.

Export marketing groups or export consortia have reportedly been operating successfully in countries like France, Netherlands, Sweden, Singapore, U.S.A. etc. Sporadic efforts have been made in India for the establishment of export marketing groups and export consortia. Besides the organisation of export consortia of manufacturers in the large-scale sector, some efforts have been made to organise export marketing groups by the small manufacturers. The small manufacturers are, however, handicapped in their

efforts on account of lack of knowledge about the form which these groups could adopt. In order to overcome this handicap, the Standing Committee on Export Promotion of Small Scale Industries constituted by the Ministry of Industrial Development, Company Affairs and Internal Supply, of which I have the privilege of being Chairman, set up a Sub-Committee to study and prepare the model constitutions of export marketing groups. The Sub-Committee consisted of the following:

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|----|--|----------|
| 1) | Dr. Nau Nihal Singh
Director (IMT)
Office of the Development
Commissioner
Small Scale Industries
New Delhi. | Convener |
| 2) | Shri M.W.K. Yusufzai
Director of Industries
Delhi. | Member |
| 3) | Shri M.S. Parthasarathi
Standard Pencil Factory
Guindy Industrial Estate
Madras. | Member |
| 4) | Shri G.P. Bhutani
Empire Trading Company
3778, Netaji Subhas Marg
Delhi. | Member |
| 5) | Shri Paras Ram
Research Officer
Indian Institute of Foreign Trade
H-24, Green Park Extension
New Delhi. | Member |

The constitution of export marketing groups would depend upon the objectives for which they are formed. If the objectives are limited to the collection of export market information and its dissemination among

the member-firms, the appropriate form could be a Registered Society under the Societies Registration Act. In case the group is proposed to be established for dealing with the entire range of operations involved in export marketing, it might be advantageous to constitute the group as a Private Company or Public Company under the Companies Act. If the export marketing group is proposed to be constituted for an ad hoc purpose, it can be a loose combine as a partnership firm. The Sub-Committee has attempted to prepare three model constitutions which can be adopted by small manufacturers in accordance with their requirement.

The three model constitutions are for: (i) Registered Society, (ii) Public Company Limited by Shares and (iii) Private Company Limited by Shares. The model constitution of a Registered Society consists of two parts: (i) Memorandum of Association and (ii) Rules and Regulations. Similarly, each constitution of a private company as well as public company consists of two parts, viz., (i) Memorandum of Association and (ii) Articles of Association. According to Section 26 of the Companies Act., 1956, there may in the case of "a public company limited by shares" and there shall in the case of "a private company limited by shares" be registered with the "Memorandum", "Articles of Association" signed by the subscribers of the "Memorandum", prescribing regulations of the Company. Although the views of the concerned Government departments, namely, the Registrar of Societies, Delhi, and the Company Law Board have been secured in preparing the three model constitutions, it would be essential to secure legal guidance while framing the constitution of an export marketing group.

Besides the preparation of three constitutions, the Sub-Committee has attempted to explain the scope and feasibility of collective functioning in the export field in the introductory chapter "Export Marketing Groups for Export Promotion of Small Industry Products". This information would help in generating thinking among the small manufacturers to examine the feasibility of setting up export marketing groups. A beginning in the formation of such groups could be advantageously made in the industries indicated in the Report.

I convey my grateful thanks to the convener and members of the Sub-Committee for their contribution in promoting the concept of collective functioning among the small manufacturers in the field of export marketing. We are deeply grateful to Shri J.K. Lal, Registrar of Companies, Delhi, Shri C.R. Mehta, Under Secretary, Company Law Board, Shri K.D. Dutta, Registrar of Societies, Delhi, the Registrar of Cooperative Societies, Delhi, and the officers of the Central Small Industries Organisation, State Directors of Industries, Export Promotion Councils, Commodity Boards etc. for the help and cooperation which they extended to the Sub-Committee.

The model constitutions of export marketing groups were drafted by Shri Paras Ram, Research Officer of the Indian Institute of Foreign Trade. I record my appreciation of the work done by the members of the Sub-Committee in preparing the constitutions.

New Delhi
May, 1969

H.D. SHOURIE
DIRECTOR GENERAL
Indian Institute of Foreign Trade
and
Chairman
Standing Committee on Export Pro-
motion of Small Scale Industries.

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