

**For the Students of B. Com. Sem IV**

**Subject: Foreign Trade of India (Unit III)**

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## **STATE TRADING CORPORATION (STC)**

### **Background**

For the first time in India, with an objective of expansion and overall development of trading activities within and outside country, the Ministry of Commerce considered a proposal for setting up a corporation for international trade Again in 1949. It got a serious concern after the devaluation of rupee in September 1949. Keeping in mind the the deterioration of trading environment in nation, the government of India appointed a committee under the Chairmanship of Dr. P. S. Deshmukh for giving recommendation on establishing STC. This committee submitted its report in 1950

However, due to changes in internal economic environment, it was experienced to set up another and government again set up a three member committee under the chairmanship of Shri S. V. Krishna Murthi Rao in 1956. Then on the recommendation of this committee, the State Trading Corporation of India was set up in 1956.

### **Introduction**

State Trading Corporation of India Limited (STC) is a leading international trading company of the Government of India, mainly for export and import operations. It is registered as an autonomous company under the Companies Act, 1956 and operates under the administrative control of the Ministry of Commerce.

The corporation was set up primarily to do business with Eastern European countries and to supplement the efforts of private trade and industry in the development of exports from the country.

It launched a price support campaign to ensure remuneration prices to producers of crops such as raw jute, shellac, tobacco, rubber and vanilla, and called on the government to do so.

The Corporation canceled the export and import of various commodities ranging from large quantities of chemicals and medicines to edible oils, cement, sugar, news paper, wheat, urea, etc., leading to timely availability of goods of mass consumption and equitable distribution.

## **Organisational Structure of STC**

Corporate Office of STC is situated at New Delhi. It has 13 branch offices in India, the major of which are in Mumbai, Kolkata, Chennai, Ahmedabad, Bangalore and Hyderabad.

The corporation's corporate office is organized into several business and service groups. These groups are headed by the Chief Manager / General Manager, who in turn reports to their respective Chief General Managers / Directors.

The Board of Directors of STC consists of full-time Chairman-cum-Managing Director, five full-time Directors (three Marketing, one Finance and one Personnel), two ex-officio Directors of the Ministry of Commerce and independent Government-appointed Directors.

STC has a wholly owned subsidiary named STCL Limited, which is based in Bangalore and is engaged in the spice trade / auction. The corporation has its own tank farms, godowns for storage of liquid / dry cargo at various places in the country.

## **Vision and Mission**

STC has a vision to be a world-class leading organization, continuously diversifying and delivering excellence in all areas of its operations thereby increasing stakeholder value.

It has a concrete mission to have advantage of upcoming business opportunities and trends with the Proactive Entrepreneur Spirit, thereby achieving substantial year on year growth and contributing to India's share in world trade.

## **Objectives of STC**

State Trading Corporations was established to fulfill the following objectives:

1. To initiate a market intervention campaign as advised by the Government of India.
2. Emphasizing the quality of services to customers to develop long-term business relationships with buyers and suppliers within and outside the country.
3. To make best use of the financial power of the corporation in expanding its business.

4. To Organise and undertake trading activities in socialist countries as well as other countries in specific goods from time to time by the Government of India, undertaking the purchase, sale and transport of such commodities in India or elsewhere in the world.
5. To Implement special arrangements for imports, exports, international trade and or distribution of particular commodities as the Union Government may specify in the public interest.
6. Checking the declining trend in exports or to boost export by introducing new products in new markets.
7. To Assist export oriented organisations
8. To develop core competencies in selected areas and exploit market opportunities in these areas.
9. To act as a facility for small and medium exporters and importers such as ensuring an efficient and streamlined system of operations with minimal transaction costs.
10. Work on continuous training / re-training of existing manpower and engaging professionally qualified young talent to create a cadre of highly professional and motivated managers.
11. To fulfill the social responsibility of the corporation by following ethical business practices and strengthening commitment to customers, employees, partners and communities.
12. To try to give sufficient returns to the stakeholders.
13. To Create new infrastructure and making maximum use of the infrastructure available with the corporation.

### **Performance Appraisal of STC:**

State Trading Corporation has completed around 63 years of its existence. It has played a commendable role in achieving its objectives for which it was established. Its performance can be appraised on the basis of following grounds:

- The business of STC has grown significantly. Before 1971-72, turnover was quite insignificant but after this increase was significant. Exports reached the peak during 1980-85 and subsequently began to decline.

- It deals in about. The major imports of STC are edible oil, cement, explosives, natural rubber standards and glazed newsprint. Its trade is spread over 115 countries.
- The STC deals in a wide variety of goods numbering at around 3000 commodities which includes agricultural and consumer goods and building materials, software, miscellaneous engineering goods, fresh and processed food, leather and leather products, meat and marine products. However, other products include edible oil, cement, explosives, natural rubber, standard and glazed new prints. It has dealings with more than 84 countries.
- It has diversified its product range and kept adding new items in the list of its export basket such as orthopedic shoes, sports shoes; Upper compressors, HD Pipe etc. It has also developed non-canalized exports such as marine products, textiles, engineering goods and products and textiles.
- On the behalf of Government imports, the STC is arranged through the floating of global tender and the quantity imported is either designated by the government to the agency (eg FCI, Department of Fertilizers) or sold in the domestic market through tenders.
- The basic idea of its establishment was to develop foreign trade with socialist countries. Therefore it has improved relations with the countries of the socialist bloc but at the same time its operations are broader with non-communist countries.
- The STC has spearheaded the national efforts to cultivate new markets for Indian commodities and manufactured goods. The STC has established itself in the new markets on long term basis.
- The STC has supported 100 percent export oriented production units mainly with foreign collaboration and equity participation.
- The STC has developed a reliable supply base for the manufacture of quality goods in association with state undertakings, cooperative organizations and others in selected and identified sectors.
- STC also performs service functions, bringing buyers and sellers together and helping to fulfill business contracts. It supports government departments and industrial concerns in procuring plant and machinery supplies from abroad
- The STC brings together both the buyer and the seller and assist them in fulfilling business contracts. It helps government departments and industrial concerns in procuring supplies of plant and machinery abroad. It also settles disputes in trade that arise between Indian and foreign parties.
- Small scale industries have special advantage of STC marketing expertise as they are unable to participate in foreign trade without STC support.

The various parameters indicating the performance of STCs can also be presented in the following order:

1. The Exports of Merchandise by STC (Including re-exports) during Feb-April 2015-16 were Rs. 1562819.14 Crore which increased to Rs. 1648743.26 Crore during the same months in 2016-17.
2. The Imports of Merchandise by STC during Feb-April 2015-16 were 2307259.36.
3. The receipts from export of services were valued at Rs. 92385.10 Crores, while payment for imports of services were made by STC to the tune of Rs. **57248.81** crores. Thus trade balance for this period was positive at Rs. **35136.29 Crore**.
4. It stood at 14<sup>TH</sup> rank in terms of net sales among 206 PSUs as per Public Enterprises Survey 2009-10.
4. STC got first prize under the category of agencies supplying gold to export against replenishment during 2009-10 from Gems & Jewellery Export Promotion Council in October 2010.
5. It won Asia's Best Employer Brand Award 2010 for Talent Management at Singapore.

### **Main Items of Exports and Imports**

Major items of exports of STC include (i)Agriculture products like wheat, rice, cashew, coffee, tea, sugar, spices, groundnut, etc. (ii)Chemical and pharmaceutical products (iii)Leather products. (iv) Readymade governments and textiles (v) Engineering products and consumer durables (vi) Leather products (vii) Meat and fish preparations (viii) Tobacco and rubber (ix) Jute goods (x) Irons are and steel row materials.

Major items of imports are:

- (i)Edible oil
- (ii)Hydrocarbons
- (ii)Newsprint
- (iv)Gold and silver
- (v)Natural rubber
- (vi)Scientific instruments
- (vii) Chemicals
- (viii)Safety /security equipments
- (ix)Sugar
- (x)Avionics like helicopter planes and their spares
- (xi)Fertilizers
- (xii)I.T goods
- (xiii)FMCG
- (xiv)Pulses
- (xv)Fatty acids

## **Limitations of STC:**

In a study conducted by the Indian Institute of Management, Ahmedabad, some of the inherent weaknesses of STC are:

1. Although the objectives of STC were quite clear and well defined, it has not yet made any major entrepreneurial decisions.
2. There seems to be no guidelines for the choice of new products to be exported and new markets to sell their products.
3. Not much expertise has been developed for locating and developing sources of supply for exporting products and for procuring imports from sources of supply abroad.
4. Most of the expertise is operating as an agent, not in indents and tenders of processing, and transportation and distribution of goods, purchasing and marketing.
5. The set back in the export of non-canalized goods can be attributed to the failure of STC to develop a suitable supply base and to take adequate promotional steps among the importers.
6. Periodic changes in staff of STC seem to have affected the efficiency and continuity of its functions.
7. Despite technological developments on the part of STC, there are certain technical problems involved in foreign trade with its buyers and sellers or producers, not solved by it.