



Enhancing India's MSME Export Competitiveness:

**Insights from NEXI and K-SURE on Credit
Risk and Digital Solutions**

**RESEARCH BRIEF
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EXECUTIVE SUMMARY




The Export Credit Guarantee Corporation of India (ECGC), created in 1957, has the responsibility of protecting the exporter from non-payment and credit risks. By offering export credit insurance and covers to banks as well as special schemes like the National Export Insurance Account (NEIA), ECGC has tried to de-risk Indian exporters. MSMEs are responsible for more than 30% of India's GDP and almost 45% of its export activities and are therefore vital engines of inclusive growth and job creation. Despite their significance, MSMEs are subject to structural impediments accessing global value chains, such as restricted access to cheap trade financing, high compliance fees, changes of tariffs in major markets like the United States, and reliance on intermediaries accessing markets. These bottlenecks are further exacerbated in high-risk markets, where political risks, poor law enforcement, and exchange rate risks heighten financing exposure.

ECGC has a critical function of reducing export risks through the provision of credit insurance, guarantee and special products under the NEIA. Despite this, rejection of claims through lack of documentation, settlement delays and failure to offer special schemes to small exporters such as farmers and artisans has restrained its impact. The economic cost to the MSMEs thus comes not only through the payment of unpaid export earnings but also through the cost of compliance and the opportunity cost of dealing with complicated regulatory procedures.

Comparative experiences provide insightful lessons. Japan's NEXI has effectively used reinsurance facilities and state support to access high-risk markets, and South Korea's Korea Trade Insurance Corporation (K-Sure) incorporates digital credit assessment software to lighten compliance burdens and hasten payment of claims.



The recent ECGC-NEXI reinsurance accord presents a strategic chance of developing capacity for Indian MSMEs to grow business in Africa and Latin America, and further aligns with India's general geopolitics and trade diversification agenda.



Digital transformation, fintech integration, and such exchanges as the Trade Receivables Discounting System (TReDS), and those established at GIFT City, are transforming export financing and risk assessment in India. What has happened with Turkey's digitalisation of SMEs offers an example of how combined e-commerce and export-financing exchanges can spectacularly improve access to markets. For India, use of such instruments concurrently with export credit insurance could drastically reduce costs of transactions and democratize access to international trade.

This thesis evaluates the economic costs to MSMEs of ineffective export safeguards and calls for a reform architecture underpinned by five pillars: (1) strengthening risk mitigation frameworks in high-risk markets through international cooperative partnerships, (2) reducing compliance hurdles

through simplified documentation procedures and graduated requirements, (3) embedding digital and fintech-enabled tools in risk evaluation, (4) enhancing skill formation and knowledge transfer programmes for export sectors, and (5) achieving beneficiary tariff reduction and direct market access initiatives as a means of removing intermediaries. These prospective reforms, drawing on benchmarking from Japan and South Korea, are vital to safeguarding Indian MSMEs against uncertain trade environments while guaranteeing their continued contributions towards export competitiveness gains of India and strengthening economic resilience.




INTRODUCTION




MSMEs serve as the foundation of India's economic structure as they contribute more than 30% of the national GDP and around 45% of the total export of the country. With over 63 million units spread all across India, MSMEs are not just engines of jobs creation but also the key to achieving India's vision of emerging as a global hub of manufacturing. However, export exposure makes these enterprises vulnerable to greater risks of payment delays, fluctuations of exchange rates and exchange rate volatility, political conditions abroad, and trade disputes. Small enterprises with no buffers and low bargaining power convert trivial disruptions into existence threats. Nevertheless, the MSMEs are usually unable to gain access and complete Utilisation of such facilities because of complicated compliance procedures, difficulties with paperwork, and unavailability of specific schemes designed for micro-scale exporters like weavers and artisans. The international trading environment further highlights these challenges. Protectionist activities like American tariffs

against Indian textiles, disruption from international supply chain realignments, and African and Latin American geopolitics exert disproportionate pressures on small exporters. Moreover, middlemen still control export value chains, inhibiting export value chain access for farmers and craftsmen and consequently undermining the efficiency of credit protection mechanisms. Comparative lessons from international credit insurance institutions offer promising solutions. Japan's Nippon Export and Investment Insurance (NEXI) has developed a robust framework for supporting exporters in high-risk markets through reinsurance and government-backed guarantees. Similarly, Korea's K-Sure emphasizes digital credit assessments, streamlined compliance, and tailored schemes for SMEs. The recent ECGC-NEXI reinsurance agreement marks a significant step towards global collaboration and enhanced risk coverage for Indian exporters.



Also, tech innovations bring with them prospects of integrating MSMEs with international markets. Trade Receivables Discounting System (TReDS), particularly at GIFT City, fintech lending through digital means, blockchain trade documentations, and risk assessment through AI tools are transforming the export financing landscape. However, penetration at the level of MSMEs remains low because of illiteracy and unawareness of digital modes.

Against this backdrop, this research aims at analysing the economic cost paid by MSMEs due to a failure of sufficient trade credit protection, comparing the performance of ECGC with NEXI and K-Sure, and providing export environment-specific reforms for India. Targeting high-risk destinations like Latin America and Africa and marrying digital and institutional innovations, the study aims at contributing towards the policymaking process of protecting MSMEs in the international trade arena.





RESEARCH QUESTIONS



WHAT ARE THE ECONOMIC COSTS INCURRED IN INDIA WITH REGARD TO MSMEs FROM THE LACK OF ADEQUATE TRADE CREDIT INSURANCE AND COMPLIANCE OBLIGATIONS?



HOW SUCCESSFUL HAS ECGC BEEN COMPARED WITH INSURING MSMEs VIS-A-VIS NEXI (JAPAN), AND K-SURE (SOUTH KOREA)



WHAT ARE THE STRUCTURAL AND REGULATORY HURDLES FACED BY MSMEs WHILE ACCESSING THE BENEFITS OF ECGC, ESPECIALLY IN HIGH-RISK MARKETS?



WHAT CAN INTERNATIONAL REFORM OF POLICIES AND COOPERATION DO TO REDUCE RISKS AND WIDEN EXPORT OPPORTUNITIES OF INDIAN MSMEs?



RESEARCH OBJECTIVES


-  Systematically evaluate the economic cost of utilising the credit insurance of ECGC used by MSMEs. These costs are of a direct type (i.e., paid premiums and fees), as well as of an indirect type (i.e., cost of compliance, delay cost and opportunity cost of rejected claims).
-  To examine the compliance and documentation challenges faced by small exporters, particularly artisans and weavers. This objective highlights how bureaucratic hurdles, ranging from customs clearances to GST 2.0 compliance, disproportionately affect small-scale producers compared to larger exporters.
-  To perform a comparative study of ECGC with NEXI (Japan), and K-Sure (South Korea). Special attention has been devoted towards learning from their innovative methods of digitalisation, reinsurance partnerships, simplified claims payment, and targeted coverage of MSMEs.
-  To analyse the role of digital tools as well as fintech credits through platforms and Trade Receivables Discounting Systems (TReDS), particularly those emerging at GIFT City, in facilitating access to credits and mitigation of risks for MSMEs.
-  To discuss ECGC's recent reinsurance agreement with NEXI and how it impacts high-risk zones like Africa and Latin America. It involves an examination of how international collaboration can assist while diversifying export destinations of India and insulating the MSMEs from risks of the global system.
-  A reform plan of ECGC designed to streamline compliance processes, introduce risk-sharing mechanisms, and improve policy support to MSMEs. Recommended initiatives will include greater use of digitalisation, changes in grievance redressal of claims denied, and measures to protect MSMEs from exploitation by intermediaries while exporting internationally.



LITERATURE REVIEW

The literature on export credits, trade risk management, and MSME engagement in global markets presents evidence of government involvement in trade facilitation as well as a continued plight of small exporters. A review of the literature associated with MSMEs indicates repetitive calls for diversification, digitalisation, and compliance changes alongside lessons learned from comparative perspectives on international best practice.

MSME Diversification and Market Dependence




MSMEs are responsible for almost 48% of India's overall export earnings, while their export destinations are still limited and remain focused in a small number of markets, subjecting them to demand shocks and increases in tariffs. Even small shifts in U.S. trade policies regarding textiles and handicrafts have indiscriminately affected weavers and artisans, with their very survival dependent upon export from a niche segment. Internationalization into non-traditional markets like Latin America and Africa has been hailed as a growth strategy per se, as it involves greater payment risks and operational challenges. NITI Aayog has highlighted in their report of 2024 that diversifying


MSME exports into non-traditional destinations implies greater institutional protection and risk mitigation mechanisms. MSME exports into non-traditional destinations implies greater institutional protection and risk mitigation mechanisms.

Digital Transformation and Fintech Integration

Digitalisation is being increasingly heralded as a cater of trade facilitation for MSMEs. Examples from Turkey show how digitalized credit scoring, customs clearance, and export documentation have been proven to decrease transaction costs and reduce intermediary engagement. In India, we continue to see the introduction of similar strategies, with TReDS and GIFT City offering receivable discounting and improved liquidity for exporters. However, the awareness and subsequent uptake of these initiatives in India have been limited - particularly among rural artisans and small manufactures who lack skills for digital engagement. While integrating data from third-party analytics into fintech-based credit scoring systems and using AI to assess risk levels of MSME financing might revolutionise commercial finance for MSMEs, ECGC do not systematically embrace such developments.



ECGC, NEXI, and K-Sure: Comparative Perspectives



Risk-sharing is a central function of Export Credit Agencies (ECAs). India's major ECA, ECGC, has historically dealt with default risk coverage for the exporter. Comparative research, however, finds inefficiencies compared with NEXI and K-Sure. Credit and counterparty risk management plays a critical role in minimizing claim delays within payment ecosystems. For Nexi Group, such risks emerge from acquiring (chargeback risks where acquirers refund customers before recovering from merchants), issuing (receivables from cardholders), buy-now-pay-later services (default risks inherent in deferred payments), and processing activities (trade receivables from unpaid invoices). Robust monitoring systems, stringent counterparty assessments, and the use of financial mitigants such as reserves and guarantees reduce the probability of defaults and disputes. By lowering uncertainty and enabling quicker recovery of funds, these mechanisms not only prevent financial losses but also ensure faster, more efficient resolution of customer claims, thereby strengthening trust and operational resilience. NEXI has differentiated itself with streamlined claim procedures and adaptable credit risk models favourable for MSMEs, and K-Sure has combined digital systems with coverage facilitation in high-risk areas. International reinsurance partnerships have been used

increasingly both by the agencies, enabling risk exposure diversification, a segment where ECGC has recently just made a step towards with its reinsurance partnership with NEXI.


Compliance Burden and Claim Rejections

The ECGC-IIFT report of 2023 indicates that the high level of compliance cost has been one of the major challenges faced by Indian MSMEs and results often in rejection of claims. Micro-exporters like weavers and craftsmen are often unable to afford extensive documentation requirements from customs clearance documents to GST 2.0 returns. Exporters are often discouraged from making claims for ECGC cover because of expected procedural hassles and low rates of acceptance of claims. All this compliance-intensive approach does is push up economic cost and also discourage MSMEs from formalising their export risk coverage.

Policy Initiatives and Safeguards


Policy initiatives have sought to respond. NEIA Scheme covers project exports into hazardous markets and the Ministry of MSME has announced credit support initiatives under its vision of 2025.

These underlying structural problems continue unremittingly. Traders still control export routes of handicrafts and farm produce and restrict the revenues and



negotiating capacity of small-scale manufacturers. UNCTAD's research of 2022 reaffirms that skill training and knowledge transfer are crucial in facilitating direct access to markets for craftsmen of developing nations, of which India is a part.

Tariff Pressures and External Shocks



Tariff policies of developed nations, and especially the United States, continue to define the export performance of MSMEs. Last-minute increases in tariffs on textiles and handicrafts have spelled disaster for Indian MSMEs lacking the cushion of funds to buffer against such external shocks. Institutional mechanisms like ECGC remain ineffective and haven't quite fixed the issues of vulnerability either, and therefore the exporter remains vulnerable and at risk of irrecoverable losses that could otherwise be cushioned with specific insurance products.

Synthesis of Literature

Overall, the literature expresses a twin reality: ECGC offers a vital safety net for MSMEs, yet high compliance cost, rejection of claims, and absence of digital integration dilute effectiveness. Comparative evidence from NEXI and K-Sure shows that simplified, digitally integrated, and MSME-friendly credit insurance models could improve risk coverage and lower economic cost. For India, the challenge is infusing international lessons into its socio-economic realities with special reference to artisans and weavers and rural entrepreneurs who encounter peculiar impediments to global commerce.



Methodology

This study adopts a mixed-methods research design, combining secondary data analysis of international best practices from NEXI and K-SURE with insights from a secondary dataset derived from a primary survey of 300 Indian MSMEs. The approach is descriptive and comparative, aiming to identify policy insights for enhancing MSME export competitiveness.



Research Design

The study uses a comparative policy analysis framework. It integrates case studies of Indian MSMEs' export experiences with secondary data from ECGC, NEXI, and K-Sure. The comparative approach enables identification of institutional best practices, structural gaps, and policy innovations that can be adapted for India.

1

Data Collection

This study analyses the survey data secondarily, focusing on descriptive statistics and mean importance rankings to identify patterns in ECGC policy usage and constraints. Secondary data from ECGC, NEXI and K-SURE was sourced from official reports, websites, and publications, ensuring up-to-date insights as of 2025.

2

Comparative Analysis

- A benchmarking framework evaluates the institutional architecture, digitalisation initiatives, reinsurance strategies, and MSME-oriented product offerings of NEXI and K-Sure.
- Metrics considered include claim settlement speed, accessibility for small exporters, use of digital platforms, and risk-sharing mechanisms.
- Policy gaps in ECGC are highlighted by contrasting these practices with Indian MSME needs.



3

Economic Cost Assessment

The study quantifies the direct and indirect costs incurred by MSMEs due to incomplete credit coverage and procedural inefficiencies:

- Direct costs: Premium payments, guarantee fees, and claim losses.
- Indirect costs: Compliance burden, delays in payment settlements, opportunity costs due to rejected claims, and the economic loss associated with restricted market access.


4



ECONOMIC COST ANALYSIS OF MSMEs UNDER ECGC

MSMEs are the backbone of India's export ecosystem and a major contributor to the nation's GDP and international business. Even though they are crucial as per their size and relevance, the enterprises are unduly susceptible to risks involved in international commerce such as payment failures, currency fluctuations, political upheavals, and protectionist policies of destination nations. In this regard, the ECGC offers export credit insurance, guarantee cover, and special schemes such as the NEIA to safeguard Indian export houses from business losses. Nevertheless, the MSMEs themselves incur substantial economic imposts while accessing and making use of such safeguards and could be classified as direct cost of funds and Utilisation expenses and indirect opportunity or regulatory cost.

These direct costs mostly comprise insurance premiums, service fees, and administrative expenses related to coverage under ECGC. Premiums are adjusted as per the destination nation, risk profile, and credit terms and can form a sizable portion of an MSME's working capital, especially for tiny enterprises like weavers and rural craftsmen. Service fees also pile up the cost. In addition, conditions of coverage of schemes like NEIA, e.g., furnishing of collateral or keeping of formalised banking proof, incur extra cost. For a majority of micro-scale export houses, the above direct costs are not just a cost component but an export preventing cost barrier.



Indirect costs are incurred due to procedural and operational hurdles of ECGC claim settlement. Adherence to documentary requirements like customs clearances, filing of GST 2.0, and formal evidence of shipment creates a high administrative cost for MSMEs.


Companies are often compelled to shift personnel or resources from production and business development activities simply to meet the requirement of paperwork. Claim rejection also proves a major economic cost. Many claims are rejected as per the report of ECGC-IIFT (2023), as the documentation itself was incomplete or ill-formatted. Exporters are thus neither able to recover their dues through recourse nor able to absorb heavy revenue losses. Even if claims are settled successfully, settlement delays can create liquidity restrictions and induce MSMEs to use high-cost short-run credits or informal sources of lending. Delays can also create a dislocation of operational continuity and restrict reinvestments in production activities and induce a cascading effect upon employment and local economic activities.

Opportunity costs are yet another aspect of economic cost. Complexity of ECGC compliance and risk of high-risk markets sometimes inhibits MSMEs from venturing into lucrative export markets like Latin America and Africa. Micro and small export firms might therefore restrict their business only to old markets and forego the revenue that could accrue while also missing out on the strategic advantage of diversifying their markets. Such risk behaviour resulting from both operational limitation and the feared rejection of claims translate into an important gap between stated policy and ground-level outcomes.

Small and frequently vulnerable weavers and artisans are illustrative of such challenges. Many of them do not have formal bank links or uniform billing systems, making documentation for claims settlement especially challenging. Moreover, the use of intermediaries to access markets diminishes the effective benefits of credit insurance since intermediaries absorb a sizeable portion of export earnings. Limited digital literacy further constrains these enterprises from leveraging emerging fintech tools and platforms such as Trade Receivables Discounting Systems (TReDS), including those operationalised at GIFT City. Therefore, while instruments exist, their penetration among micro-enterprises remains unusually low, and a sizable segment of the export economy consequently remains unprotected against risks and bears high economic costs.

High-risk markets exacerbate these burdens. Countries in Africa and Latin America present political, regulatory, and currency risks that increase both the direct costs of premiums and the indirect costs associated with operational and compliance uncertainties. The recent reinsurance agreement between ECGC and NEXI provides a mechanism to mitigate some of these risks by distributing liability internationally, potentially reducing premiums and improving claim settlement efficiency for Indian exporters engaged in these geographies.

However, without complementary measures such as simplified documentation, targeted MSME schemes, and digital integration, the economic cost for small exporters is likely to remain significant.



Quantitative approximations from secondary sources indicate that direct expenses, such as premiums and relevant fees, are generally between 0.5–2% of export turnover for small companies. Indirect expenses covering compliance, delays, and foregone opportunities could amount to 5–10% of prospective export earnings and are somewhat out of proportion with micro-enterprises lacking bargaining power. These numbers also indicate that the cost is not only expense-based but structural, an aggregation of policy drafting, operational delivery, and marketplace imperatives. In sum, Indian MSMEs incur a twin economic cost while dealing with ECGC schemes: overt financial expenses and covert opportunity and operational costs. Suppose an MSME in India exports textiles and uses an ECGC insurance scheme to protect against buyer default.

Overt financial cost (direct expense):

- The MSME pays premium fees to ECGC every year for coverage.
- Example: Paying ₹50,000 annually as insurance charges.

Covert opportunity/operational cost (hidden cost):

- To get ECGC approval, the MSME must submit a lot of paperwork, wait for clearances, and sometimes cannot ship until approvals are in place.
- This can cause delays in delivery, making the MSME miss new orders from international buyers.
- In other cases, strict limits by ECGC may force the MSME to reject a potentially big but slightly risky export deal.

Result: Even though ECGC protects the MSME from big losses, the firm ends up paying visible costs

(premiums) plus hidden costs (lost business opportunities and time wasted in compliance). Delayed payment settlements, high cost of compliance, rejected claims, and restricted access to high-risk markets individually and collectively lower the export competitiveness of these export houses in the international trade marketplace. Lessons from NEXI and K-Sure suggest digitalisation of operations, streamlined claims procedures, and specific MSME-centric products can cut such cost expenses considerably. For India, reducing both direct and indirect cost outcomes holds the key to ensuring Indian MSMEs derive full benefits of export credit insurance and actively engage in global value chains with particular reference to emerging high-risk markets.

CONSTRAINTS ON THE PERFORMANCE OF ECGC POLICIES:

India's MSMEs are vital to the economy, contributing significantly to exports but facing challenges in credit risk management and access to efficient insurance mechanisms. Export credit insurance (ECI) mitigates risks such as buyer default, political instability, and commercial disputes, enabling firms to expand globally. This paper analyses successful models from NEXI and K-SURE, which support SMEs through tailored ECI and digital innovations. By incorporating secondary data from a primary survey of Indian MSMEs, it identifies limitations in ECGC's policies and proposes reforms to strengthen India's MSME export competitiveness. Despite ECGC's role in supporting Indian MSMEs, significant constraints hinder its effectiveness in boosting export competitiveness. This survey of 300 MSMEs across major clusters and sectors reveals that only 61 percent hold ECGC policies, indicating substantial untapped potential. Policy adoption is highest in the food sector at 21 percent among holders, followed by textiles at 14 percent, while sectors like computers and electronics show minimal uptake, with non-holders dominating at 15 percent compared to just 1 percent holders. Geographically, Maharashtra hosts the largest share of surveyed firms, predominantly in machinery and equipment, but 72 percent are non-holders, underscoring the need for targeted outreach. In contrast, states like Tamil Nadu and Uttar Pradesh exhibit better penetration.

Key drivers for ECI demand and export performance align closely, with selection of export countries topping the list at around 38-41 percent importance, followed by overcoming tariff barriers at 36-37 percent and free trade agreements at similar levels. This suggests a strong link between effective ECI and export growth. However, risk management practices are inconsistent, with only 59 percent of firms employing formal mechanisms. Among those using ECI, 85 percent rely on ECGC for non-payment risks, while 31 percent self-manage finance risks and 29 percent turn to banks.

Adoption barriers include market factors, particularly currency risks, and time-related issues like delays in obtaining policies or credit limits. Post-adoption challenges involve disputes over letters of credit from importers, commercial quality disputes, high premiums, credit limit restrictions, blocked funds, and inherent goods-related issues. For firms with formal risk practices, risky destinations, importer LC problems, and blocked funds rank highest in importance. Overall, deterrents encompass fund shortages, premium expenses, procedural hurdles, restricted risk coverage, excessive time for policy acquisition, claim settlements, and policy closures. Transportation risks are significant, with 57 percent citing water routes as riskiest due to natural calamities and piracy, followed by air (24 percent) and road (9 percent).

Factors considered in obtaining policies from ECGC

	Importance in General (mean)	Importance for obtaining ECGC Policies (mean)
1 Cost factors	19.61%	19.42%
1.1 Availability of finance within your enterprise	19.92%	19.70%
1.2 Availability of finance from outside sources	19.85%	19.78%
1.3 Innovation cost	19.92%	19.77%
1.4 Premium charged	19.85%	19.70%
1.5 Blocked funds in essentials other than ECGC policies (LCs, Loans etc.)	19.92%	19.77%
2 Time related issues	19.68%	19.58%
2.1 Time taken to obtain claims	19.78%	19.85%
2.2 Time taken to obtain ECGC policy / Credit Limit	19.93%	19.85%
2.3 Time for ascertainment of loss	19.92%	19.70%
2.4 Issues with Time for filing claim	19.85%	19.85%
2.5 Issues with Closure of policy	19.92%	19.85%
3 Market factors	19.89%	19.68%
3.1 Market dominated by established players	19.92%	19.77%
3.2 To overcome problems in entering new markets	19.92%	19.85%
3.3 Government policy constraints	19.85%	19.85%
3.4 Currency risk	19.93%	19.85%
3.5 Transportation time and cost	19.92%	19.84%

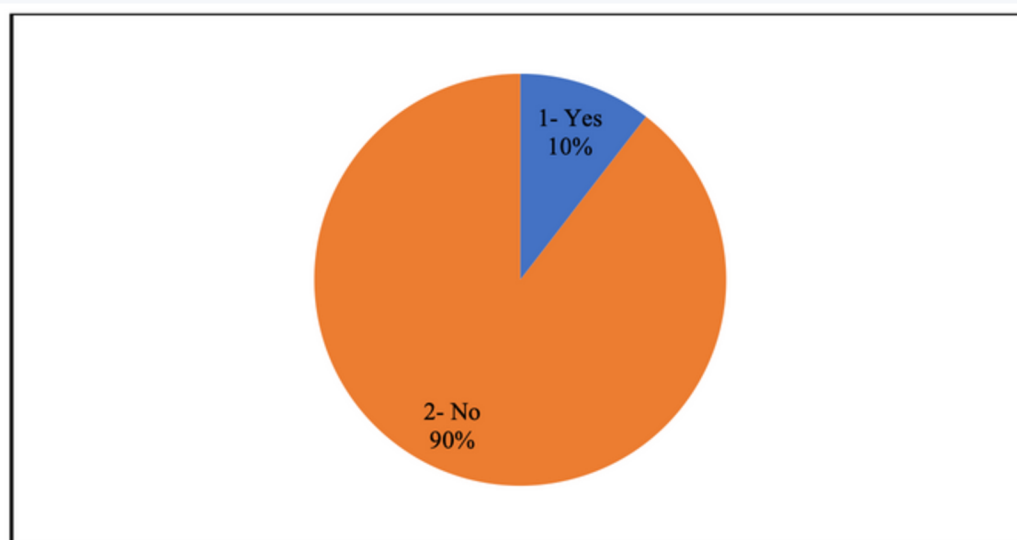
Source: ECGC



Awareness and information access also lag, with internal management staff and banks as primary sources, while ECGC's marketing efforts, such as official visits, seminars, and advertisements, have been ineffective in recent years. Only 10 percent of holders have claimed benefits in the past five years, yet those who do report improvements in export volumes to existing and new markets (around 70 percent agreement on market consolidation), product quality, and integration into production chains.

Non-holders cite fund constraints, premium costs, procedural obstacles, and limited risk coverage as barriers, with competitive pressures from domestic and international markets influencing their export decisions more than ECI needs. Overall, MSMEs seek enhancements in risk scope, claim ease, and premium affordability to improve ECGC's appeal.

COMPANIES AVAILING CLAIMS IN THE LAST FIVE YEARS FROM ECGC



Source: ECGC



COMPARATIVE ANALYSIS OF ECGC WITH NEXI AND K-SURE



The challenges faced by Indian MSMEs during export trade, particularly in high-risk zones, could efficiently be addressed through learning from the best practices of international export credit institutions. For example, NEXI and K-Sure offer good lessons regarding successful risk handling, digital technologies integration, and product designs specific for MSMEs. International case studies like OECD SME digitalisation also illustrate how digital technologies can promote balanced access to trade financing and reduce dependency upon intermediaries. This chapter discusses those lessons and outlines the steps that India may adopt in order to strengthen the system of ECGC.

The ECGC is the chief institutional mechanism designed to shield Indian exporters from payment failure and risks of commerce. Although ECGC has come a long way since establishment, findings from research indicate that operating efficiency, claims-settling modalities, and access to high-risk markets are neither at par with best practices exhibited by international export credit guarantee agencies such as NEXI and K-Sure. This chapter is a comparative study valuable for deriving lessons and ascertaining weaknesses relevant to refining India's export credit environment with special reference to the exigencies of MSMEs.

International Lessons And Benchmarking

Japan's NEXI is recognized for its efficient coverage of high-risk markets - including Africa and Latin America. Reinsurance partnerships are a significant element of NEXI's structure as it facilitates the spread of risk across international insurance organisations and limits the loss that NEXI itself is liable for. As a result, Japanese exporters are then able to access countries that are politically unstable or deemed as having weak credit situations - without prohibitive premiums. What NEXI also incorporated into their portfolio of products and services, is digital solutions for risk assessment and claims settlement - where they aim to expedite the speed of settlements and reduce administrative errors. NEXI also offers customized insurance products for small and medium enterprises - with more simplified eligibility and documentation requirements to reduce the burden on micro and small exporters as well.

These structural components are contributing to a system where risk is partially mitigated,

compliance is easier and MSMEs can expand into high-risk markets with more ease than would otherwise be considered too risky.


Similarly, K-Sure's service of credit insurance incorporates a digital-first approach in South Korea. The agency leverages advanced software to evaluate the buyer's credit risk, enabling both rapid underwriting and quicker policy issuance. Digital claims processing can reduce cumbersome paperwork and increase transparency while lowering rejections due to minor issues or documentation errors. K-Sure has also recognised and provides targeted SME services, which is relevant since smaller exporters will have limited administrative capacity and may not use formal accounting or banking. Providing SMEs with simplified procedures and reduced collateral requirements, K-Sure democratises access to export credit, enabling micro-enterprise exporters to enter high-risk markets for the first time. Compared to Korea's K-SURE, which has actively fostered a Global Value Chain (GVC) ecosystem by extending trade credit insurance and guarantees across suppliers, exporters, and financial institutions, ECGC still operates with a relatively narrower focus on direct exporter protection. While K-SURE integrates risk mitigation tools throughout the production and distribution chain, enabling Korean firms of all sizes to participate seamlessly in international networks, ECGC has traditionally emphasized coverage for exporters against buyer defaults and political risks.

For ECGC, moving towards a GVC-based model would mean expanding its services to upstream MSME suppliers, logistics partners, and associated service providers, thereby strengthening India's overall trade ecosystem. Such a shift could reduce systemic vulnerabilities, improve financing opportunities for smaller firms, and enhance India's integration into global production and distribution networks. By comparison, although ECGC offers a wide spectrum of credit insurance coverage and guarantee products, its operational template reveals a number of structural inefficiencies vis-a-vis NEXI and K-Sure. First, compliance standards and paperwork hurdles remain out of proportion with MSMEs. Exporters, especially artisans, weavers, and small-scale manufacturers, are often subjected to rejection of claims because of defective paperwork, discrepancies with GST 2.0, or customs clearance mistakes. Second, while the NEIA and similar schemes are designed as coverage of high-risk markets, utilizable uptake is low because micro and small-scale exporters consider the process complicated, time-consuming, and costly compared with their prospective export earnings. Third, the timeline of settling claims takes longer vis-a-vis NEXI and K-Sure and results in liquidity bottlenecks and paying incidental costs with a detrimental effect on competitiveness.

A comparative analysis of NEXI, K-SURE, and ECGC during FY2023–24 highlights differing outcomes shaped by global trade conditions and domestic export performance.

Japan's NEXI supported record-high exports of approximately JPY 102.9 trillion, a 3.7% year-on-year increase, largely driven by motor vehicles and their components. While exports to Asia declined (-3.2%), shipments to the US (+11.6%), EU (+10.7%), and Middle East (+19.8%) surged, reflecting strategic market diversification. Korea's K-SURE, however, faced a 7.4% YoY contraction in exports to USD 632.7 billion due to high global interest rates and economic slowdown. This was mirrored in its short-term export credit insurance program, which declined 4.1% to KRW 208.1 trillion, while total claims paid dropped 41.4%, with overseas claims down 52.3% and domestic claims rising 53.4%, indicating risk mitigation efforts abroad but emerging domestic payment stress.

In comparison, India's ECGC showed expansion in the value of business covered (₹734,828 crore, up 10.7% YoY) and premium income (₹1,270.77 crore, up from ₹1,197.53 crore). However, claims paid decreased substantially from ₹763.05 crore to ₹450.31 crore. This decline may reflect delays in claim settlements, stricter claim verification processes, or selective coverage practices that leave higher-risk exporters underinsured. Unlike NEXI or K-SURE, ECGC continues to have a limited integration with upstream suppliers and broader Global Value Chain networks, which restricts systemic risk mitigation and reduces the incentive for exporters to utilize ECGC extensively. Additionally, coverage for MSMEs remains less comprehensive, and regional diversification support is weaker compared to Korean or Japanese models.



In sum, while ECGC is growing in scale, it lags behind in building a fully integrated GVC-oriented ecosystem, accelerating claim processing, and expanding coverage to reduce exporter vulnerability. Lessons from NEXI and K-SURE including proactive overseas claim management, diversified market focus, and inclusion of suppliers in the coverage network could strengthen India's export credit framework and enhance its resilience against global shocks.

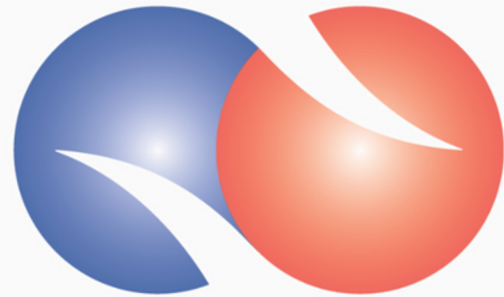
Whereas, the new ECGC-NEXI reinsurance agreement presents a vital channel to bridge such gaps. Utilising NEXI's knowledge of high-risk business areas, ECGC can reduce the cost of premiums paid, expand coverage of African and Latin American destinations, and create greater assurance among Indian exporters, particularly MSMEs. However, the treaty will not do the job independently. In the absence of complementary reform of digital integration, procedural simplification, and scheme design with priority among MSMEs, the economic expenses reflected in Chapter 3, such as compliance expenses, claims delay, and opportunity loss, will persist.

Digital transformation becomes a vital differentiator in the comparative approach. Both NEXI and K-Sure avail of integrated IT systems for risk assessment, policy giving, and settlement of claims while ECGC's digital penetration is low with only limited use of platforms like TReDS at GIFT City. Studies indicate that full integration into the digital ecosystem can reduce errors, facilitate faster processing time, and enhance clarity

regarding claim assessment, especially pertinent to small exporters that have inadequate administrative support. Moreover, the digital and fintech-based trade finance solutions provide MSMEs the ability to efficiently mobilise their receivables into working capital while reducing their reliance on intermediaries and expanding their access to markets. Finally, the comparative evaluation underscores the importance of features developed by MSMEs in credit insurance initiatives. Both NEXI and K-Sure recognize the fact that small traders are often characterized by low bargaining power, limited paperwork, and low digital sophistication, and by implementing graduated requirements and lower collateral restraints, and including direct onboarding or counselling, these agencies achieve deeper coverage and more efficacious risk management. By implementing a comparable restructure, ECGC could also consider: streamlining the NEIA paperwork, developing a digital portal for filing claims, offering direct support and technical assistance for weavers and artisans, and providing outreach education to provide learning opportunities to increase awareness of insurance coverage. These steps would both contain economic costs and democratise access to international trade opportunities among India's poorest traders.



NEXI



NEXI

Nippon Export and Investment Insurance

NEXI's strategy involves diversifying risks through reinsurance collaborations. By offloading a proportion of exposure to global insurers, NEXI helps Japanese export houses access high-risk destinations such as Africa and Latin America at serviceable premiums. Apart from diversifying risk, this paradigm also makes high-risk markets accessible to small and medium-sized enterprises. NEXI also has MSME-Specialised schemes with simplified parameters and document facilitation support, decreasing small exporter compliance hurdles. In addition, digitalisation minimizes risk assessment and claims settlement time and eliminates administrative mistakes. For Indian export houses as well, a similar mix of reinsurance and customized MSME products could prevent economic expenses as much as possible, and particularly for micro-enterprises like weavers and artisans.



Leveraging Reinsurance and Targeted Coverage

Utilising NEXI's knowledge of high-risk business areas, ECGC can reduce the cost of premiums paid, expand coverage of African and Latin American destinations, and create greater assurance among Indian exporters, particularly MSMEs



K-Sure

ksure
KOREA TRADE INSURANCE CORPORATION

K-Sure of South Korea best illustrates digital use of credit assessment and automated claims handling for improving operational efficiency. Electronic platforms enable the agency to process buyer risk assessment in real time, issue policies instantly, and minimize the chance of claims rejection. Similarly, graduated compliance requirements are being used by K-Sure for SMEs with the understanding that small-sized exporters might not have proper accounting systems or banking links. These steps enable micro-enterprises to conduct business with high-risk markets without being overwhelmed by procedural intricacies. Adoption of similar digital and compliance-based reforms by the ECGC could bring substantial savings from indirect costs, improve liquidity, and encourage greater confidence of the MSMEs to venture into emerging markets. Overall, the comparison suggests that while ECGC has a crucial mandate of extending cover for Indian exporters, its operating architecture does not reflect international best practices.



Digital Integration and Efficiency

K-Sure emphasise the significance of reinsurance, digitalisation, simplified compliance, and special designs of schemes as applicable for MSMEs in reducing economic costs, increasing the efficiency of claim settlement, and encouraging export coverage of high-risk markets.

Signing of a reinsurance treaty by ECGC with NEXI represents an important milestone; however, its full promise will get realised only through complementary reforms entailing digitalisation of operations, simplification of procedures, and capacity-building of MSMEs. By drawing upon lessons from such a comparison, ECGC could better cover micro and small exporters, reduce economic costs, and further India's export diversification strategy into emerging global markets.


FINTECH CREDIT, UNIFIED LENDING INTERFACE, MSME AMENDMENTS & MICRO-ENTERPRISE DOMINANCE

In recent years, fintech's have emerged as an important alternative source of credit for MSMEs, especially in contexts where traditional bank lending is constrained by collateral requirements, inflexible documentation norms, or underwriting risk averseness. These fintech lenders use non-traditional data sources such as digital transaction histories, GST filings, e-commerce sales, and mobile payment patterns to build credit scoring models with lower friction. The result is faster disbursal of small-ticket loans that better suit micro and small enterprises, although concerns about interest rates, overleveraging, and transparency remain.

To institutionalise smooth credit flow, India has launched the Unified Lending Interface (ULI) as a digital public credit infrastructure. The ULI will grant regulated, consent-based access to verifiable borrower information to lenders (NBFCs and banks), minimising documentation by hand and expediting credit decisions. For instance, only about 14–16 % of India's ~63 million MSMEs are able to access formal credit today, while creating a credit gap of about USD 530 billion.


ULI will bridge that gap by facilitating effective credit assessment by integrated data such as GST, banking history, and other financial parameters. ULI has already processed numerous loans with high disbursements, report sources, and is expected to reduce transaction and information costs while ensuring regulatory compliance.

Parallel to fintech and infrastructure reforms, India has also made key legal changes via the MSME Amendment Act. The MSME (Amendment) Act, 2018, introduced a shift from classification based on investment in plant & machinery to classification based on annual turnover, thereby aligning more with business realities and digital records. More recently, a 2025 notification revised the thresholds: for instance, micro enterprises' investment ceiling moved from ₹1 crore to ₹2.5 crore and turnover from ₹5 crore to ₹10 crore, which allows more enterprises to qualify under 'micro' status even as they scale. This change also helps reduce classification disputes and administrative burden tied to rigid investment-based definitions.



In 2024, an MSME Development (Amendment) Bill was moved with the aim of enhancing access to credit by mandating that scheduled commercial banks lend at the rate of '1 % plus the bank's fixed deposit rate' and requiring collateral-free loans of up to ₹2 crore only for MSMEs that fall within certain categories. This, if implemented, will enshrine good lending norms into statute as opposed to merely policy, thus providing regulatory certainty as an anchor.

The above-mentioned fintech, interface, and legal reforms need the assistance of appropriate regulations and protection mechanisms, especially for micro enterprises. Key regulatory requirements that are needed include:

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- Data protection laws and consent: Since ULI and the business model of fintech rely on the cross-border flow of financial and non-financial data, effective data protection laws and consent are needed.
 - Transparency in interest and fees: For small borrowers, hidden charges or variable rates can be crippling, regulation must ensure clear disclosure of total cost of credit.
 - Interest and Late Fee Cap: In order to deter usury financing, particularly the case of micro-credit.
 - Credit assessment standardisation: Standards or minimum guidelines such that the fintech models do not depend on black-box algorithms that discriminate against small players.


- Grievance redress mechanisms: MSMEs need to have easily accessible mechanisms to challenge adverse credit decisions or reimbursement in case of misreporting.
- Regulating cross-platform lending: In integrated ecosystems (e.g. online shopping + loans), platform liability principles, conflict of interest problems, and platform-based underwriting must be spelt out clearly.

In the end, there is a need to study the prevalence of micro enterprises across the Indian MSME landscape. As evidence demonstrates that around 98.6% of the firms that are defined as MSMEs are micro firms, those policy regimes that are concerned with the requirements of micro enterprises will have the greatest effects. This focus implies that any burden of compliance, documentation requirement, or credit issue will unfairly impact the majority of the exporters. Since micro firms have no formal bookkeeping, digital footprints, nor collateral, they depend most on fintech designs, ULI, and regulatory simplification. Those institutional and policy shifts above need to be modified for micro-level entities, artisans, weavers, and small production, so that they are not excluded by design.



RISK ASSESSMENT AND COMPLIANCE CHALLENGES FOR INDIAN MSMEs

Payment Default and Credit Risk



Default of payment continues as a cause of concern for MSMEs involved in export. Credit insurance through the ECGC, intended to protect the exporter from non-reception of payment from buyers abroad, has low uptake among MSMEs. Steep premiums compared with turnover and complicated paperwork serve as disincentives for small business units from utilising credit insurance. Micro-businesses and rural cluster units are often lacking their own administrative personnel with trained skills on compliance matters and are thus at a higher risk of rejected claims. As noted from the ECGC-IIFT report (2023), incomplete submission of required documentation, late reporting, and slight mistakes from the typewriting end often led to unsuccessful claims and consequently leaves MSMEs vulnerable as much as if they had no coverage.


The economic cost of non-payment extends beyond the loss of export earnings during the initial period. Non-payment results in an indirect cost through opportunity cost and production schedule disruptions for the MSMEs. Loss of confidence from buyers also results. These can spiral into a chain of long-run vulnerabilities and lower the capacity of a firm to reinvest back into export growth,

use digital trade facilities, or venture into high-risk countries. For a micro-enterprise, the sum of both the direct and indirect costs may imperil business survival.

Compliance and Documentation Challenges

Beyond the financial dimension, MSMEs face extensive compliance burdens. Exporters must navigate GST 2.0 regulations, customs clearance procedures, foreign trade documentation, and banking compliance standards. These obligations require close coordination with multiple stakeholders, including freight forwarders, banks, and government agencies. For small-scale exporters like artisans and weavers, these requirements can be overwhelming. Documentation complexity often translates into delayed shipments, rejected claims, and additional administrative costs, disproportionately affecting micro and small enterprises compared to larger exporters with dedicated compliance teams.

Furthermore, procedural inflexibility of ECGC schemes like the NEIA also presents issues. Most MSMEs are uninformed of the scheme eligibility, reporting date, and supporting document requirements and consequently face rejected claims or delayed payment.



Though NEIA insurance covers high-risk destinations, use at the operational level in small export houses remains low due to the assumed complexity and resource-intensive nature of compliance.

Middlemen Dependence and Market Access

Structural constraints within the export value chain compound risk exposure for MSMEs. In rural and semi-urban clusters, intermediaries are often the gatekeepers in accessing markets, dominating pricing, distribution and payment regimes which shifts the economic benefits of credit insurance away from producers; intermediaries often absorb a significant share of final product sales or delay payments or impose additional administrative burdens upon exporters.

Smallholder farmers, textile weavers and artisans are thus unable to realise the full value of a credit insurance scheme to mitigate their economic risks, and therefore the protective potential of these programmes is often undermined by the policies of the ECGC. Global lessons are relevant for overcoming intermediary dependency.

The Organisation for Economic Co-operation and Development (OECD) finds in its studies on SME digitalisation that the integration of e-commerce platforms with online


marketplaces and trade financing systems limits the role of intermediaries, enhances transparency, and enables exporters and buyers to engage directly. For India as well, Trade Receivables Discounting System (TReDS), especially at GIFT City, holds similar promise but as yet low digitalisation and awareness of such initiatives hinder widespread adoption among micro and small exporter firms.

High-Risk Market Exposure

Dealing with high-risk markets, for example African and Latin American nations, amplifies the exposure of MSMEs. Political instability, ineffective law enforcements, intricate local laws, and exchange rate volatility heighten exposure to operational and financial risks. Insurance premiums of such markets are consequently higher due to the extra risk incurred that may limit small exporters from penetrating such regions. Micro and small businesses are subject to greater exposure to shipment delays, currency fluctuations, non-compliance penalties with regulations, and difficulties with enforcing a contract.


The recent ECGC-NEXI reinsurance deal offers a mitigation measure partly through the international spread of risks and possible reduction of insurance costs for high-risk markets. Nevertheless, procedural hurdles and documentary requirements still restrict access to date, more so for





micro-scale exporters with minimal resources. Without specific reform measures, high-risk markets continue to remain inaccessible mostly to the weakest portions of the MSME sector.

Digital Literacy and Technology Integration



Digital transformation has become a key facilitator of operational and financial risk mitigation. NEXI and K-Sure utilized digital instruments to conduct real-time credit analysis, process claims automatically, and monitor web-based claims, leading to quick claims payment settlement, fewer mistakes, and less administrative hassle. Partial digitalisation through TReDS and web portals has enhanced access for a few exporters in India, but penetration is low among small and medium-sized operations. Enhancing digital uptake through intuitive use, fintech-enabled trade financing facilities, and AI-enabled risk assessment platforms can empower MSMEs to make right choices, gain access to real-time credit, and rely less on intermediaries.

Skill Gaps and Capacity Building

A key aspect of MSME exposure is a lack of knowledge and expertise about international markets, tariffs, documentary standards, and risk mitigation. Without formal capacity-building initiatives, small exporters cannot fully avail themselves of available credit insurance or electronic trade facilities.

Government programmes such as NEIA and training initiatives of the MSME Ministry should be actively pushed and dovetailed with digital modalities for their effectiveness. Offering special educational programmes to micro-enterprises, craftsmen, and agriculturalists can improve compliance, lower reject rates of claims, and global market outreach.

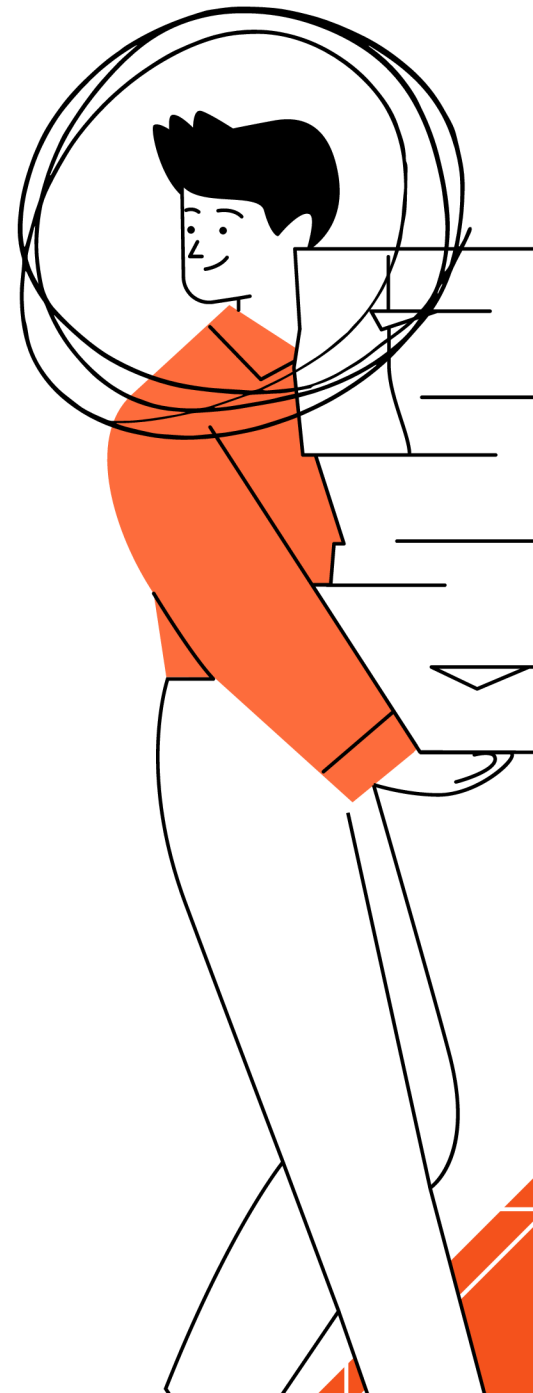
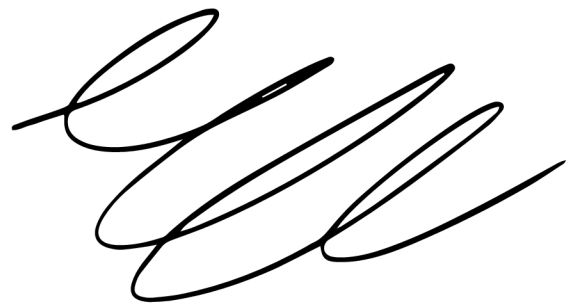
Economic Costs and Implications

Cumulative impact of payment failures, rejection of claims, compliance requirements, intermediary reliance, and exposure to high-risk markets has a substantial economic impact on MSMEs. Even as the direct costs are premiums, administrative charges, and late payments; indirect costs are loss of opportunities, production disruptions, and missed market opportunities. For small and tiny exporters, their costs may also become existential as they impinge upon business survival as well as growth prospects.

Indian MSMEs are faced with a matrix of financial, operational, and regulatory risks that increase economic costs and restrict global competitiveness. Payment defaults, rejected claims, procedural intricacy, intermediary dependency, low digital proficiency, and exposure to high-risk markets individually restrict the sector. International practices of lessons,



especially NEXI and K-Sure, emphasize digital integration, simplified compliance, reinsurance collaboration, and capacity-building initiatives as methods of reducing risks. Reinforcement of these mechanisms holds the key to enabling MSMEs to use export credit insurance efficiently, lower economic costs, and gain greater access to global trade networks.





IMPLICATIONS FOR POLICY AND REFORM

International best practices illustrate that ECGC can expand the access of MSMEs to export credit insurance, and reduce economic costs, through five key strategies:

1. Developing global partnerships with reinsurance partners to stabilize high risk exposure for the MSME sector.
 2. Integrate GVC-oriented risk assessment: Implement tools to evaluate risks across the entire supply chain, similar to K-SURE, enabling proactive mitigation of payment defaults and political risks.
 3. Streamline claim processing: Reduce delays through faster verification, automation, and digital workflows, ensuring timely reimbursement and improved trust among exporters.
 4. Offering specific funded insurance schemes for MSMEs that require fewer eligibility requirements and minimum documentation.
 5. Integrating digital platforms for trade finance to decouple exporters from intermediary dependencies.
 6. Launching capacity building programmes to promote micro-exporters' knowledge, compliance, and digital literacy.
 7. Promote proactive monitoring and reporting: Develop real-time monitoring systems for credit exposures and claims across domestic and international clients, improving early detection of defaults.
 8. Incentivize participation in ECGC programs: Introduce benefits for exporters who actively engage in GVC-compliant practices, including preferential premiums or faster claim settlements.
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Collectively, these strategies will ensure that Indian MSMEs can better utilise export credit insurance coverage, diversify their exporters to higher risk markets, and lower economic costs, both direct and indirect, when trading internationally.

International best practices also show that export credit agencies can leverage risk sharing, digital innovation, and MSME specific schemes to better facilitate participation in global markets while lowering economic costs. NEXI and K-Sure are examples of practices that reduce claims rejection, improve settlement processing time and facilitate the entry of small exporters into high-risk countries. For India's economic sustainability to empower their MSME sector, increase export diversification, and increase economic resilience with the global level.

ELABORATIVE POLICY RECOMMENDATIONS

This research has examined Indian MSMEs' financial costs incurred from restricted access to export credit insurance, compliance issues, and structural inefficiencies of the ECGC. Tracing the business environments of Indian MSMEs, comparing international institutions like Japan's NEXI and the Republic of Korea's Korea Trade Insurance Corporation (K-Sure) with ECGC, and interrogating high-risk market risks with an African and Latin American presence, this research has highlighted both system-level hurdles and potential avenues of reform. The comparison reveals that while ECGC has valuable tools of risk mitigation available, small export firms, especially craftsmen and weavers and agri-exporters, still face high costs of a direct and indirect nature, of which premiums paid are only one part of a sequence that also involves procedural hassles and failed claims as well as opportunity costs and intermediation dependency.



Key Findings

Against this backdrop, a complete reform architecture is proposed to make ECGC more effective, reduce the cost of business for MSMEs, and encourage greater coverage of high-risk markets.

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- **Growth of Risk Mitigation and Reinsurance:** ECGC should expand its reinsurance arrangements beyond the existing partnership with NEXI, engaging multiple international export credit agencies to diversify risk exposure in high-risk regions such as Africa and Latin America. Such arrangements will reduce premium costs, provide confidence to MSMEs entering volatile markets, and enable the corporation to underwrite more policies for micro and small exporters. Complementary measures, including state-backed partial risk absorption for micro-enterprises, will further lower entry barriers and encourage export diversification.
 - **Digital Transformation and Integration:** Adoption of sophisticated digital systems is paramount to increasing efficiency, transparency, and accessibility. ECGC needs to introduce AI-based risk assessment systems, online portals of claims submission and real-time systems of monitoring with a view to decreasing administrative error and faster settlement of claims. Integration with fintech systems and the Trade Receivables Discounting System (TReDS), particularly at GIFT City, can also lead to providing liquidity instantly to the exporter and reducing both financial and operational risks. Digital literacy initiatives also need to accompany such technical interventions so that the benefits of the tools introduced are fully utilized by the MSMEs.
 - **ECGC should implement risk evaluation tools** that span the entire supply chain, similar to K-SURE's approach. This will allow proactive mitigation of payment defaults and political risks, ensuring that both exporters and their upstream suppliers are adequately covered against potential disruptions.
 - **Streamlining of Compliance and Records:** Graduated compliance standards must be implemented to reduce procedural burdens for micro and small exporters. Tailored documentation templates, simplified reporting requirements, and guided submission procedures will minimize claim rejections due to clerical errors or incomplete submissions. Special attention should be given to artisans, weavers, and small farmers, ensuring that ECGC policies remain accessible without compromising risk management. Streamlined interaction with customs, banks, and GST portals will also reduce indirect costs associated with export documentation.
 - **Developing real-time monitoring systems** for credit exposures and claims across domestic and international clients can help ECGC detect potential defaults early. Such proactive surveillance will reduce delays in claim settlements, improve portfolio health, and enhance overall trust in the insurance ecosystem.
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➤ **Capacity Building and Skill Development:** Knowledge and skill deficits among MSMEs exacerbate vulnerability. Structured training programmes on international market norms, trade documentation, compliance requirements, and digital literacy will enhance the ability of exporters to effectively utilize credit insurance. Collaboration with trade associations, MSME clusters, and local governance bodies can expand outreach and provide continuous support, particularly in rural and semi-urban areas where micro-enterprises dominate.

➤ ECGC can introduce preferential benefits, such as lower premiums or faster claim processing, for exporters who actively follow GVC-compliant practices. This will encourage adherence to best practices, expand coverage adoption, and strengthen the overall export credit ecosystem.

➤ **Efforts Concerning Tariffs and Market Diversification:** ECGC should also coordinate with government initiatives through the NEIA and trade promotion schemes with a view to diversifying into emerging markets. Performance-linked incentives, subsidized premiums, and first-time exporter support programmes will motivate MSMEs to explore high-risk regions while reducing economic exposure. Multilateral trade Organisation coordination and bilateral export agreements can further improve access to markets and cushion the effects of protectionist action like the U.S. tariffs on textiles.

➤ **Minimisation of Intermediaries and Direct Market Access:** To reduce the role of middlemen, ECGC should integrate its insurance schemes with e-commerce platforms, verified digital marketplaces, and direct buyer-seller channels. Linking insurance coverage to verifiable transactions ensures that small exporters receive full value for their goods and reduces delays caused by intermediary-controlled payments. Such interventions will improve transparency, reduce transaction costs, and strengthen the economic utility of export credit insurance for MSMEs.

WAY FORWARD

Implementation of such recommendations has the potential of reducing both the direct and indirect economic expenditures of Indian MSMEs significantly. Reduced premiums, simplified compliance processes, quick settlement of claims, digitalisation, and greater skill acquisition will together broaden export credit accessibility, enhance optimism towards high-risk markets, and encourage sustainable export participation.

For ECGC, such reformulations will improve institutional efficiency, broaden the coverage of insurance programmes, and enrich the corporation's status as an active facilitator as opposed to a passive insurer.

Overall, this research also points out that although ECGC offers crucial cover of Indian MSMEs, several structural inefficiencies, regulatory compliance issues, and constrained digital adoption led to high economic costs. Best practices from NEXI, K-Sure, and OECD also show that an international risk-sharing model with a complementary blend of digital technology innovations, procedural simplifications, capacity-building initiatives, and direct export access can effectively cover and strengthen MSMEs and their export competitiveness. With such intended reforms, ECGC can effectively reduce high economic costs, enhance penetration of high-risk markets, and support India's broader strategy of trade diversification and economic resilience. Intended steps besides covering protection of MSMEs also keep small Indian exporters competitive, resilient, and integrated with the global economy.

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