CHAPTER-II

Objectives, Methodology &
Chapter Design
2.1 INTRODUCTION

Export sector is the backbone for foreign exchange earnings and economic development in India. It is the good indicator to identify the economic competitiveness of India, at the global level. Nearly 38 percent of the total foreign exchange is earned through the manufacturing and marketing of a variety of goods in largely, in the decentralized industrial sector in India.

India as a developing economy has universal reputation for its variety of exports. As a matter of fact, exports of India are the resources of global markets. Most of the manufacturing items produced in India are being exported to different countries in the world. Oil producing & Economic Cooperation (OPEC), Middle East, Russia, Japan, U.S.A, France, Malaysia, and Hong Kong are the major beneficiaries. Both the traditional and the non-traditional items of Indian exports in the recent days have drawn the international attention. As such there is a good demand for the Indian exports in the global markets.

In spite of the reputation enjoyed by the export sector, it is not free from handicaps. The entire export sector is totally beset with innumerable strains. Various studies conducted both at the micro and the macro level, on Indian export sector have brought into focus the short falls of the industry. Factors, such as the depletion of foreign exchange reserves, the Korean war-boom, American recession, Indo-Pak and Indo-Chinese wars have produced disastrous effects on India’s export sector. The study conducted by the department of trade and
Commerce, Government of India (1980), exhibits that, India has lost nearly 2.5% of its share in the world trade, due to non-competent attitude of the Indian industrialists which resulted in the production of poor quality the products. A majority of exporters have been facing problems at different levels of production and in the process of exporting the goods produced in the country. A majority of the manufactures in the country do not have sound financial background, forced many exporters to take support from a various export credit and service promotion institutions for their sustenance.

The present institutional setup, working with the objective of assisting the export sector, is far from satisfactory. It is not fulfilling the needs of Indian exporters.

Hence a sound financial set up is yet to be developed for strengthening and development of the export sector. The present trends in the export sector are such that a country is bound to loose the levels of knowledge and skill development, which are required to produce qualitatively better goods at competitive prices, along with adequate institutional financial assistance coupled with marketing information and India is no exception to this. Thus, the situation sends a signal to all the participating nations in the international trade to extend all possible support to promote exports as a means to earn enough of foreign exchange.
The institutions that were organized to look after export promotions in the country consisted of six divisions as enlisted below:

1. Department of commerce and trade, Government of India

2. Commodity organizations

3. Consultative and Deliberate organizations

4. Information and service institutions

5. Public sector trading Corporations

6. State level export organizations.¹¹

Since the performance appraisals of these institutions reveal that they did not completely fulfill the objectives with which they were organized, called for a serious rethinking on the part of the government, which ultimately culminated in the creation of two new institutions, Export Import Bank of India (EXIM-BANK) and Indian Institute of Foreign Trade (IIFT) - to speed up country’s export with appropriate reforms.
2.2 REVIEW OF LITERATURE

It has been confirmed that export promotion in particular and foreign trade in general are the milestones in the Indian economic development. A brief review of important studies conducted in the past, which are directly or indirectly related to the present problem of the study, are presented in the following paragraphs.

Prof. Eichengren (1982) has formulated persistent price discrimination dumping, by oligopolistic firms arising from different market structures. He emphasize that firms of a country with greater concentration ratio, adjusted for conjectural variation will dump in another country only with a strong institutional support base. It is therefore export promotion institutions are very much essential for export promotion.

Prof. Misra in his study, “Steps to boost exports” (Financial Express, July 22, 1988) classifies the problem of exporters into two categories-those general to the industry and those in individual in nature. He states that general problem should be solved by the state and individual problems by institutions and organisations.

Prof. Shaw in his study, “Traditional exports in west Asia” (Economic Times, October 20, 1989) writes that there is vast export potential in West Asia Countries, where India is not in a position to attain optimum share in global trade, because of insufficient support...
for exporters, absence of skill and training among producers and lack of institutional help\textsuperscript{14}.

Dr. Dinesh Singh in his study, “Role of foreign trade in India’s economic development, preferences and prospects” (Indian Express, November 13, 1989) states that transformation and diversification of export and import sector requires, deliberate and purposive policies by the Government backed up by the services of export promotion institutions and agencies\textsuperscript{15}.

Prof. Francis in his study “proves of high quality diamond exports” (Economic Times, April\textsuperscript{30}, 1990) writes that presence of active supervision of state and institutions is a must for stability of stone business, as it would be futile attempt to boost up the entire mineral exports\textsuperscript{16}.

Dr. Mahesh Nanavathy in his article “Four point Formula for boosting Indian exports” (Indian Express, December 18, 1990) states that India’s export performance on three most important components of Government support, agency help and institutional assistance is far from satisfactory in India\textsuperscript{17}.

Dr. V.R. Panchamukhi “Implications of the Trade Policy Reforms in India” (Economic Times, October 22, 1922) concludes his observations by highlighting the role of export servicing agencies in country like Japan and Korea that could be a model for our country. He writes that export expansion in the form of information and marketing
techniques, product adoption, technology, marketing information service, maintenance of quality control etc., mere fiscal incentives would not be able to generate right kind of export culture in the county. It is therefore the services of export promotion institutions are essential\textsuperscript{18}.

Prof. Mortan and Tulloch in their study (1966)'Trade and developing countries' concludes that, export sector is a vital sector of countries national economy and contributes substantially to the economic welfare of the people and the development of resources\textsuperscript{19}.

Prof. Viresh in his study (1997) on International trade conclude that, "for hundreds of years, export promotion in the field of global trade has served as a vehicle for extension of improved techniques and expansion of production plans"\textsuperscript{20}.

It is the glaring reality that export promotion is an important economic activity in India. So far, to our knowledge, no systematic attempt has been made by any one to study the genuine problem of exporters and institutional support for them. Whatever little work that had been done in this regard, has not covered all aspects of the present problems. Hence a modest attempt is made in this regard.

The present study is explorative in nature and as a result the conclusions drawn from it will help to fill the gap in the field of research on the problem. It is hoped that the study facilitates in
suggesting ways and means for improving the efficiency of exporters and thus promotes the Indian exports to global competition.

2.3 NEED FOR THE STUDY

In the recent days, there has been a great excitement over the phenomenon of foreign trade in India. Various studies on foreign trade exhibit that; export sector has worsened at least up to June 1991 in India.21.

The entire export sector is under stains. A large section of the exporters have complained that they have been deprived of institutional credit and information service along with the statutory support by the State and other organizations to actively participate in export of Indian goods to other countries. As such the Indian firms are remained as non competitive at the international market Competition for not producing goods which failed to meet the global standards. Thus the export sector is facing hardship in the country. Hence it is inevitable to undertake a comprehensive study of Indian export sector, as to know what is coming in the way of export promotion institutions, agencies, organizations and boards in assisting the Indian exports.

In order to have a holistic approach to the problem, a detailed study on the Indian export sector is called for. In this context, it may be said that the earlier studies have been attempted focusing on the importance of institutional infrastructure to exporters. The infrastructure includes Credit facility, Information services, Training and Diploma’s
programmes to exporters, Market entry support, Tax concessions, Advisory information service and other development inputs, which are crucial to augment Indian exports.

It would be a Herculean task for an individual researcher with limited resources at his/her command to undertake a macro study on institutional infrastructure for export promotion in India. Hence the scope of the study has been deliberately restricted to EXIM-BANK and I.I.F.I., which account for larger portion of Indian export trade.22

2.4 OBJECTIVES OF THE STUDY

The objectives of the study are as under:

1) To examine the trends in the growth of exports during the plan period.

2) To analyse the present institutional set up working for export promotion in India.

3) To study the origin, objectives, policies, and programmes initiated by Export Import Bank of India for export promotion.

4) To study the origin objectives, policies and export promotion programmes of Indian Institute of foreign Trade.
5) To evaluate the various pre-and post-liberalization export promotion reforms and to assess their impact on export sector in the country.

6) To suggest the suitable measure to speed up the pace of export promotion based on the findings of the present study.

2.5 HYPOTHESIS OF THE STUDY

1. Institutional infrastructure from EXIM-BANK and I.I.F.T. is increasing for non-traditional items compared to traditional goods.

2. Supporting benefits in the form of tax concession, information technology, skill-oriented – training programme and Diplomas for exporters, research and development in the field of export bids seems to be not much.

3. Present statutory support by the Government for exporters is having a very less impact upon exports and exports promotion process in India.

4. There is no significant change in the forms of assistance from EXIM-BANK and I.I.F.T. for export promotion when compared
to the global Export promotion institutions elsewhere in the world.

5. Policy mechanism from EXIM-BANK and I.I.F.T. are continuously changing in accordance with changing Indian Trade conditions.

2.6 SOURCE OF INFORMATION AND METHODOLOGY OF THE STUDY

The study is based both on the primary and the secondary sources of data. The main sources of secondary data are the official documents of EXIM-BANK and I.I.F.T.’s occasional papers, research documents; Annual Bulletins, Field and Items survey Reports. Apart from this, dailies like Economic Times, Financial Express and Magazines like southern Economist, Economic journal, IMF reports, Trade Reports of Government of India, Reserve Bank of India Reports on Trade Commerce and some of the unpublished research studies on Indian foreign trade have also been referred.

In the source of information and methodology of the study, sectoral analysis of the sales and profit growth assisted by the EXIM-BANK has been attempted by working out export and import intensity over the years on various sectors shown in table 7.2. Sectoral analysis of the profit and sales growth for such sectors assisted by the EXIM-BANK has been attempted in table 7.3. Net foreign exchange earnings earned by the companies over years has been analyzed in table 7.4.
These analysis has been illustrated with the help of bar diagrams shown in graph (7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 and 7.8). Sectoral analysis of the EXIM-BANK assisted companies have been clearly attempted by working out the export intensity and import intensity of various sectors.

The primary data essential for the study is mainly collected from discussions with I.I.F.T and EXIM-BANK Officials and Exports of various export promotion agencies and institutions. The study is both a desk work and field survey.

2.7 PERIOD OF THE STUDY

The present study covers the period of ten years from 1990 to 2000 with much focus on significant changes that occurred in the years 1993, 1994, 1995, and 1996.

2.8 LIMITATIONS OF THE STUDY

The present study is based on secondary data collected from the various publications occasional papers, reports and bulletins published by EXIM- BANK of India and I.I.F.T.

Even downloaded information has been put on for many references. Since data related to firm level distribution is confidential and not been available for references much emphasis has been given to
the available published information relating to the periods of 1992, 1993, 1994 and 1995. This is the major limitation of the study.

Since the study is based on secondary data, as it is a desk work, statistical methods have been given much importance. This is another limitation of the study. Conclusions are based on the performance results of EXIM Bank and I.I.F.T. during the study period.

2.9 CHAPTER SCHEME

The present study has been presented in seven chapters. The opening chapter is an introductory chapter which deals with the overall growth and trends in the export sector during the planning period.

The second chapter highlights historical background of Institutional setup working for promotion of exports in India. Objectives of the study need for the study methodology, and sources of information, limitations and Review of literature are attempted in the third chapter. Fourth chapter explains origin objectives, policies and export promotion programmes initiated by the Export-Import Bank of India for export promotion. Origin objectives policy mechanisms and export promotion programs of the Indian Institute of Foreign Trade are attempted in the fifth chapter.

The sixth chapter discusses the pre and post liberalization export promotion reforms in India. A summary of research findings and recommendations are presented in the seventh and last chapter.
REFERENCES

3. Ibid.
5. Ibid.
9. Ibid.

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20. SUDIP BATTACHARYA, "India's export problems and prospective" Economic times, September-29-1989.