THE PROBLEMS AND PROSPECTS OF TEA EXPORTERS IN INDIA – A STUDY

SYNOPSIS

INTRODUCTION

In the present global economic scenario, India is increasingly being looked upon as a leading supplier of high quality tea which is appreciated in major international markets. The tea industry was characterized by a dynamic growth in exports. The tea industry in India had been developed mainly through exports. Indian tea are being exported to various parts of the world like Russia, Western European Countries, Australia and such others. Yet India’s share in the world trade in tea is around 15.00 per cent only.

The tea industry provides direct employment to around one million workers, of which a sizeable number are women. More than two million people derive their livelihood from ancillary activities associated with production, value-addition and marketing of tea. The foreign exchange earning is of the order of Rs.18,500 million per annum. The contribution to state and central exchequers is more than Rs.11,000 million.

The tea industry in India is a cyclical one with the share of good and bad times. Sometimes the bad cycle is prolonged. Of course, tea is indigenous to India—an area where country can take a lot of pride. Tea production in India is
around 850 million kgs. per annum, while it is only 250 to 300 million kg in Srilanka. Yet, Srilanka is the leading exporter of tea in the world, while India has dropped to fourth place; Kenya and China are at second and third positions respectively. Of course, the collapse of Soviet Economy has adversely affected India’s tea exports. The Free Trade Agreement between India and Sri Lanka a few years ago reduced the duty on tea imports to 7.5 per cent. Even though, there are so many steps have been taken up, the tea exports from India is falling. The situation calls for improvement in the productivity and quality of Indian tea.

**NEED FOR THE STUDY**

Tea production is the world more or less static in 2002 at 3021.6 million kgs compared to 3021.4 million kgs. in 2001. India maintained its leading producer status in tea with a share of 27.3% followed by China (23.7%), Sri Lanka (10.3%) and Kenya (9.5%). India’s total tea production was 826.3 million kgs. in 2002 compared to 853.7 million kgs. in 2001, registering a decline of 3.2 per cent. The total production in South India fell to 194.4 million kgs. in 2002 from 202.9 million kgs. in 2001, a short fall of 4.2 per cent. The latest available information indicates that the production for the year 2003 would be significantly lower than that of 2002.

After the bleak tea export performance in 2001, the year 2002 provided some respite at least with regard to quantum of exports. Quantity of exports on All
India basis increased by 8.5 per cent i.e. from 182.6 million kgs. in 2001 to 198.1 million kgs. in 2002. Export from South India was 97.2 million kgs. in 2001 which increased to 106.4 million kgs. in 2002 accounting 54 per cent of India’s export. However, a decline in the unit value realization was noted irrespective of region.

After the removal of quantitative restrictions in April 2001, one of the major threats faced by the tea industry is the increase in import of low priced tea into India. Import of tea into India increased by 31.5 per cent from 16.6 million kgs. 2001 to 21.9 million kgs. in 2002.

Tea was cultivated in an area of 36,800 ha. in Kerala during 1999-2000. The production of tea in Kerala decreased from 69.3 million kgs. in 2000 to 66.1 million kgs in 2001-02. Again it has come down to 65.8 million kgs in 2002-03. Tea exported from South India was 111.1 million kgs. and the value realized was 738.2 crores in 2000. It decreased to 97.2 million kgs and in value terms Rs.660.2 crores. The quantity of export from the South has slightly increased to 106.4 million kgs. and the export value realized to Rs.690.7 crores in 2002.

Tea exported through Kochi port during 2001-02 was 96155 million tonne valued at Rs.205.48 crores. It increased to 103544 million tonne valued at Rs.325.23 crores in 2002-03. The overall decline in export of tea is caused by the problems encountered by the exporters in the global market. At the same time, the
market for tea is also increasing. Hence the study focuses on both the aspects namely problems and prospects of tea exports from India.

**STATEMENT OF THE PROBLEM**

Indian tea is being exported to different parts of the world, yet India’s share in the world trade is less than 15 per cent. The export units are facing so many problems related to the purchase order, execution of the order, lack of information on the exports, pricing at the international market, lack of modernization, delayed payments, infair rejection of tea and also competition from Kenya, Sri Lanka and China. The problem in export of tea is primarily caused by the lack of information and modernization. The international market segments indicate the countries, nature of products exported, nature of buyers, nature of intermediaries abroad and also marketing strategies of the exporters. Since the international market segments are highly versatile in nature, the exporters have to collect the detailed information on the importing countries and importers. It will help them to formulate appropriate marketing strategy which is suitable to the international market segments. The Indian exporters are deprived of the expertise of the international market segmentation analysis and are faced by many challenges and problems in analysis of the problems and prospects of tea exporters in India for some policy implications.
RESEARCH GAP

Even though, there are so many studies related to export of tea, other consumer goods, there is no exclusive study on the problems and prospects of tea exporters in India on the basis of the owner’s perception. There are few studies related with tea industry. Majority of the studies focused the marketing of tea in domestic market. Even some studies are related with international market but their focus are scarcity. Hence, the present study has made an attempt to fill up the research gap with proposed research model.

PROPOSED RESEARCH MODEL

A research model have been generated to fill up the research gap, it is given in Figure 1.
FIGURE 1

OBJECTIVES OF THE STUDY

Based on the proposed research model, the present study confine its objectives to:

i) To exhibit the profile of the exporters and their units;
ii) To analyse export behaviour among the exporters;

iii) To examine the various dimensions of export problems in tea exports;

iv) To reveal the important prospects of tea exporters;

v) To analyse the future prospects of tea exporters with the help of SWOT analysis;

vi) To evaluate the impact of perception on problems and prospects of tea exporters on their export performance; and

vii) To identify the discriminant factors among the large and small export units regarding various aspects of tea exporters.

**RESEARCH DESIGN OF THE STUDY**

A research design is the overall plan or programme of research. It includes an outline of what the investigation will do from writing the hypotheses and their operational implications to the final analysis of data. The research design of the present study is descriptive and diagnostic in nature. Since the present study covers the profile of the exporters and their units, exporter’s behaviour, export performance, problems encountered by the exporters, strengths, weaknesses, opportunities and threats of the export of tea; and also prospects of tea exporters, it is purely descriptive in nature.
Apart from this, as the present study analyses the association between the profile of the exporters and the exporter’s behaviour, perception on problems of tea exporters and the impact of problem perception and prospects perception among the exporters on their export performance, it is also diagnostic in nature.

**SAMPLING FRAMEWORK**

The applied sampling procedure of the present study is ‘census method’. All tea exporting units in five major states namely Assam, Kerala, West Bengal, Tamilnadu and Maharastra have been included for the present study. Hence the applied sampling technique is ‘census method’.

**COLLECTION OF DATA**

Essential steps have been taken up to distribute the questionnaire and collect the filled in questionnaire.

The questionnaires were sent to all export units in all five states namely Assam, Kerala, West Bengal, Tamilnadu and Maharastra. Out of 308 units, the reusable questionnaires have been found only from 270 units. These 270 units have been taken as the sample of the present study. The collected data have been processed with the help of appropriate statistical tools.
FRAMEWORK OF ANALYSIS

For analyzing the data from the exporters of tea, the relevant statistical tools were used to fulfill the objectives of the study. The statistical tools were selected on the basis of the scale of data and the nature of objectives taken for fulfillment. The applied statistical tools are listed below.

1. Exploratory Factor Analysis (EFA)
2. Confirmatory Factor Analysis (CFA)
3. Two Group Discriminant Analysis
4. ‘T’ test
5. One-way Analysis of Variance
6. Multiple Regression Analysis

LIMITATIONS OF THE STUDY

The present study is subjected to the following limitations.

1. The present study is confined to the exporters who registered in ITC of India.

2. The analysis on problems and prospects of tea exporters are based on the view of the exporters whereas the secondary data related to the problems and prospects of tea exporters are excluded from the study.

3. The selected aspects are confined to export behaviour, export problems, prospects of exports, SWOT analysis and export performance.
4. The variable related to each aspect of export is drawn from the previous studies and also from the expert’s view.

5. The profile of the exporters and their units has been included to provide the background of the exporters alone.

6. The linear relationship between the dependent and independent variables is assumed.

7. Only leading states namely Assam, West Bengal, Kerala, Maharastra and Tamilnadu have been included for the study. The other states are excluded.

**SCHEME OF THE REPORT**

For a neat and clear presentation of the research report, the thesis is divided into seven chapters.

The first chapter provides the introduction of the study, need for the study, statement of the problem, review of literature, research gap, objective of the study, methodology and limitations and scheme of the report.

The second chapter includes the conceptual framework of the study.

The third chapter explains the theoretical frame work on the Tea Industry in India.

The fourth chapter covers the profile of the exporters the export units and the export behaviour of the units.
The fifth chapter covers the important export problems, internal-domestic problem, internal-foreign problem, external domestic problem, external foreign problem and frequency of export problems.

The sixth chapter consists of the prospects of tea exports, strength, weaknesses, opportunities and threat analysis (SWOT), impact of problem of export on the export performance and also impact of prospects of exports on export performance.

The seventh chapter includes the summary of findings, conclusions, policy implications and directions for future research.

SUMMARY OF FINDINGS AND DISCUSSIONS

A bird’s eye view of the findings is presented below: The present study is accomplished in three stages. In the first stage, the profile of the exporters and their units, their export behaviours have been focused. It is followed by the analysis of the export problems and the associated factors with the perception on these problems. In the final stage, the prospects of the exports have been examined with the help of SWOT analysis also. The impact of perception on problems and prospects of tea exports on the export performance is also analysed.

The export units are classified into large and small units on the basis of their quantity sold per annum. The small units are slightly higher than large units.
Majority of the units are located in West Bengal followed by Kerala. The important type of operation done by the units are both manufacturing and trading which are commonly seen in large and small units.

The important type of ownership among the organisation is partnership and private limited company. In the case of large units, these are private limited company and partnership whereas in the case of small units, these are proprietorship and partnership. The important years of experience among the units is 11 to 15 years and 16 to 20 years. The most important years of experience among the large unit is above 20 years whereas among the small units, it is also the same.

The dominant nature of marketing in the units are ‘purely export’ which is commonly seen in both large and small units. The important number of countries exported to among the units is three and four. The most important number of countries exported to among the large and small unit is four and two respectively.

The Internal-Domestic Export Problems (IDEP) has been measured with the help of six problems. The highly perceived problems by the large unit is lack of export marketing research and poor organization and formalization of export departments whereas among the small units, these are lack of export marketing research and lack of qualified personnel in export activities. Regarding the
perception on IDEPs, the significant difference among the two group of units have been identified in all six problems.

All the six problems included in IDEP explain it to a reliable extent. The small units are highly rating the problems in IDEP than the large units. The units in Assam and Kerala are highly rating the IDEP than the units in other states.

The significantly associating profile variables with the perception on IDEPs are states, years of experience and number of countries exported to whereas the significantly associating export behaviours are export competencies, export marketing mix, entrepreneurial orientation and export stimulus of the units.

The second important dimension of export problems is Internal-Foreign Export Problems (IFEP). It has been measured with the help of six problems. The highly perceived problem in IFEP among the large units is payment delays and inadequate distributors whereas among the small units, these are lack of information about foreign distributors and inadequate distributors. Regarding the perception on problem in IFEP, the significant difference among the two group of units have been noticed in the case of five problems out of six problems in IFEP.

The included six problems in IFEP explain it to a reliable extent. The small units are highly rating the problems in IFEP than the large units. The units in Assam and Tamilnadu are highly rating the problems in IFEP compared to the units in other states. The significantly associating profile variables with their
perception on IFEP are states, nature of organization, years of experience and number of countries exported to. The significantly associating export behaviour with the perception on IFEP is export competencies, export, marketing mix, entrepreneurial orientation and export stimulus.

The External-Domestic Export Problems (EDEP) have been measured with the help of seven problems. The highly perceived problems in EDEP among the large units is lack of attractive export incentives and lack of Government assistance in overcoming export problems whereas among the small units, these problems are inadequate promotion programmes provided by the Government and lack of attractive export incentives. Regarding the perception on the External-Domestic export problems, the significant difference among the large and small units have been identified in the perception on inadequate promotion programmes provided by the Government, high cost of capital to finance exports, and unnecessary documentation prerequisites. The included seven problems in EDEP explains it to the extent of reliable manner.

The small units are highly rating the EDEPs compared to the large units. The units in Assam and West Bengal are highly rating the EDEPs than the units in other states. The significantly associating profile variables with their perception on EDEPs are their states, years of experience and number of countries exported to. The significantly associating export behaviour with the perception on EDEPs,
are their export competencies, entrepreneurial orientation and export stimulus among the units.

The external foreign export problem (EFPs) have been studied with the help of five problems. All these five problems in EFP explain it to a reliable extent. The highly viewed problems in EFP by the large and small units is ‘intensive competition in export markets and lack of information about export markets. Regarding the perception on EFPs, the significant difference among the large and small units have been identified in the perception on language and cultural differences, regulatory difficulties, intensive competition in export markets, lack of information about export markets and lack of export market distribution channel structure. The small units are highly rating the problems in EFP than the large units.

The significantly and negatively influencing export problems on the export performance of the large units are their important export problems, internal-foreign export problems, external – domestic export problems and managerial problems whereas in the small units, these are important export problems, internal-domestic internal foreign, external – domestic, external-foreign export problems and managerial problems. The significantly and positively influencing prospects of tea exports on the export performance among the large units are their production prospects and marketing prospects. The same trend is also identified in small units.
CONCLUDING REMARKS

The present study concludes that the problems and prospects of tea exporters are equally seen in all tea exporting units. The export orientation and entrepreneurial orientation in the small tea exporting units is lesser compared to the large units. Hence these small units are unable to face the international competition. The important export problems faced by tea units are related to export procedure, export market, opportunities and transport and communication. But these problems are highly perceived by small units than the large units. The important discriminant export problem among the small and large units is external foreign problems which are higher among the small units. In all four functional areas, the small units are facing more problems compared to their counterparts. The frequency of export problems is also higher in the small units.

Regarding the prospects, the strengths of the units are highly rated than their weaknesses in the international market. At the same time, the opportunities are highly rated than the threats to the units. The large units are very sound on their strengths compared to weaknesses and also opportunities compared to threats than the small units. The problem perception among the units has a significant negative impact on their export performance. The important problems influencing the export performance are Important Export Problems, Internal-Foreign Export Problems, External-Domestic export problems and also the managerial problems.
At the same time, the production and marketing prospects of the tea industry have a significant impact on their export performance. The study concludes that there is a better scope for tea export performance. The study concludes that there is a better scope for tea export to earn foreign exchange in the world market. But it needs a lot promotional works from the Government of India. The Government has to encourage the small tea exports units to promote their exports since the scope of export marketing is high.