CHAPTER II
REVIEW OF LITERATURE

Ratika Verma, Tushar Kanti and Shilpa Verma (2012) explain that the Indian Garment industry is highly diverse in size and its geographic concentrations. It is diversely situated throughout the Indian sub-continent. Together HRM and Garment Industry is helping a lot to boost up Indian economy. The strong hold of Garments in certain small cities is the most striking feature of this country. There are more than 1,500 structured spinning units on large scale, and over 280 composite mills which are vertically incorporated from spinning to finished fabric. The most well-known places in India, known for Garment manufacturing and its trade are Tirupur, Ludhiana, Surat, Panipat, Delhi, Bangalore and Chennai Northern India, which includes cities like Panipat, Ludhiana and Delhi which are the leading manufacturers and traders of Garment goods. Panipat, a district in Haryana, is known by the name of “City of Weaver”.

Shiralashetti (2012) state that despite commendable contribution to the nation's economy, the MSME sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International Markets. The MSMEs face a number of problems. The main problems of MSMEs in India are: Absence of adequate and timely supply of bank finance, Limited capital and knowledge, Lack of power, Low quality inputs, Low return, Non-availability of suitable technology, Low production capacity, Ineffective marketing strategies, Identification of new markets, Constraints in modernisation and expansions, Transportation problems, Lack of adequate warehousing, Lack of information, Lack of training, High competition, Non availability of highly skilled labour at affordable cost.

Alqa Aziz (2011) reveals that the global apparel industry is at a crossroad today with both the retailer and manufacturer looking at new options to stay competitive while meeting evolving needs of fashion on one hand and increasing consumer demand on the other hand. The fact that the industry has passed through a slowdown phase has made things worse. Most of the garment exporters or their trade bodies are not expecting any fiscal relief or reform even in the next years financial Budget i.e. for 2011-12, unless the
Government of India corrects its vision and priorities-notwithstanding anybody taking over as Minister of Commerce and Industry. But, Indian players are confident about their potential but the improper mix of politics and economics and with the impact of on-going economic slowdown creates disaster on the performance of the T&C industry. This requires certain positive steps towards sustained growth and development.

Kneller and Pisu (2011) state that changes in consumers’ preferences, the presence of middlemen and agent representatives, import tariffs, problems finding a trustworthy distributor in the target country, exchange rate fluctuations, risk of losing money in the foreign market, and quality and safety standards are other potential export barriers to firms.

Madras HC (2011) hearing a contempt petition from the Noyyal River Ayacutdars Protection Association, the Madras HC, observed that the dyeing units were polluting rivers and should not function until they comply with Zero Liquid Discharge (ZLD) norms.

Sardana and Sinha (2011) made a study that shows that the Indian industry in general has had to face competition from both domestic and foreign firms. The objective of this paper is to analyse the perceived export barriers faced by Textiles and Clothing and Leather Goods and Footwear industries in India. These two industries together comprise just over a quarter of India’s total exports to the EU in 2010 (EC, 2011).

Subrahmanya Bala (2011) has probed the impact of globalization on the exports potentials of the small enterprises. The study show that the share of SSI exports in total export has increased in protection period but remain more or less stagnated during the liberalization period. However, the correlation co-efficient in liberalization period is higher than that of protection period suggesting that the relationship between the total export and SSI export has become stronger in liberalization period. This may be due to the drastic change in composition of SSI export items from traditional to non-traditional and growth in its contribution to total export through trading houses, export houses and subcontracting relation with large enterprises. Thus, the current policy of increasing
competitiveness through infusion of improved technology, finance, and marketing techniques should be emphasized.

Arteaga-Ortiz and Fernandez-Ortiz (2010) also state that it is no surprise therefore that strong foreign competition has been identified as a barrier to exports in some studies. Also state that political and economic instability in the destination country is also another exogenous factor that can severely inhibit export performance of firms as stable environment is needed for business to be sustainable.

Bhavani T.A. (2010) highlights the issue of quality employment generation by the SSIs and negates the short term attitude of increasing the volume of employment generation compromising with quality. The author argues that employment generation by the SSIs may be high in quantitative term but very low in quality. Technological upgradation would enable the small firms to create quality employment improving remuneration, duration and skill. This structural shift may reduce the rate of employment generation in the short run but would ensure high-income employment generation in the long run.

Khorana, Verousis and Perdikis (2010) focus on small and medium firms in India. Their study evaluates exporters’ perceptions of the problems they face in the EU market. The study covers the leather, footwear, and textile and clothing sectors, and broadly categorizes export problems as either external-foreign or internal-foreign. The first includes customs valuation and clearances, administrative and documentary formalities, foreign regulations and standards, etc. The second problem originates mainly from firms’ organizational structure. The study’s results show that the problems of exporting firms are largely external-foreign.

Opara (2010) reveal that unstable exchange rates for example could make it difficult to give reliable price quotations to prospective buyers, thus limiting the ability to engage in international trade. SMEs operating in countries with weak economies are particularly susceptible to this barrier. Also he states that the lack of government exports assistance programmes that are meant to help firms that are involved in exporting
activities is another export support structure that could hamper positive export performance.

Sakthivel (2009) state that India's suffering textile and garment exporters have been disappointed by the Union Budget 2008/09, as it has no relief measures to help it overcome the crisis it's facing. They sought reduction of interest rates, exemption of service and fringe benefit tax, refund of state levies and taxes and refund of hedging cost. But none of these was fulfilled."

World Bank (2009) indicates finally, customs procedures and valuation rules are also identified as NTBs which have the potential to adversely impact on exporting activity.

Okpara and Koumbiadis (2008) also reported that poor infrastructure was a major obstacle to Nigerian SMEs involved in the exporting business. Few studies conducted in Nigeria to determine factors affecting export performance seem to indicate that corruption has a negative influence on export performance.

Rutihinda (2008) state that the rules enacted in the home country governs exporting activities. So in the case where home rules and regulations are unfavourable, wherein for instance, there are restrictions on the export of certain products or extensive bureaucracy and red tape exist, exporting is bound to suffer.

Sousa et al. (2008) state that in addition to internal resources and capabilities, the export barrier literature has also identified the external environment as a factor upon which the export performance of a firm is contingent. These broad groups of barriers, which are usually outside the control of the firm, have been termed in this study as facilitating factors and they include what is referred to as exogenous barriers as well as export support structures.

Sakthivel.A (2007) reports in Business Line the HC Ruling. It may be recalled that the High Court in its latest review of the Tirupur dyeing industry's case on 'zero' effluent discharge last month gave a seven-month deadline, i.e till end July 2007, for the 700-odd
dyeing and bleaching units - mostly coming under the common effluent treatment plant projects - for implementing the 'zero' discharge norm. The interim order of the court also awarded a fine at the rate of six, eight and 10 paise respectively per litre of effluent discharged by them starting from this month till end-July 2007, in addition to Rs 44.50 crores cash compensation from the dyers for the loss of ecology and compensation to farmers who lost agriculture by the trade effluent discharged in the past. Once export business goes out of Tirupur, it will be difficult to bring it back.

Kumar (2006) state that garments workers are concerned with long working hours or double consecutive shifts, personally unsafe work environment, poor working conditions, wage and gender discrimination. Indeed, employers treat the RMG workers as slaves, exploiting workers to increase their profit margins and keep their industry competitive in the face of increasing international competition (Kumar A., 2006).

Tesfom and Lutz (2006) revealed that Lack of knowledge or insufficient information about the overseas and difficulty in locating promising markets is perceived to be a major problem deteriorating exporting performance of SMEs in developing countries. Also states these problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing. Also refer these problems to as marketing knowledge and information problems “which revolves around lack of knowledge of foreign marketing and business practices and competition and lack of management to generate foreign sales”. Also states that external problems or barriers are those barriers which are rooted in the external environment and the firm itself has no control over the consequences of such problems. These problems are also referred to as macro environment barriers or industrial barriers.

Ahmed, Julian, and Majar (2005) however, find no significant differences in the perceptions of Malaysian exporters and non-exporters concerning different export barriers. Other studies focus on the managerial perceptions of exporting firms alone.

Fink A. (2005) state that garments continue to maintain its position as the India’s largest single item of exports since 1986. There is no doubt that the "person" as the principal resource of labour incentive garment industry plays a crucial role in any
productivity improvement effect. Further, this argument is supported by the facts that labour comprises about 20 per cent of the cost price of a garment.

Mehta (2005) state that another study on India’s textiles and clothing sector informs that non-preferential rules of origin and discriminatory unilateral changes to technical rules are important barriers.

The OECD survey (2005) identifies labelling requirements, technical standards, anti-dumping measures and child labour laws as main barriers to Indian exports of textiles and clothing in the EU. Other related export barriers include general absence of information, lack of transparency on procedures and regulations regarding technical specifications, inadequate information about sampling, inspection, and testing as well as changes in packaging requirements.

Saqib and Taneja (2005) indicate a primary survey on exporters’ perceptions of barriers reports an increasing incidence of nontariff measures on India’s exports.

Anderson and Van Win Coop (2004) in their magisterial survey of the literature on trade costs note that the average tariff equivalent of trade costs for industrialized countries is 170 percent. This value is higher for developing countries, and there are large variations across industries as well. The reason for the high value of measured trade costs is that they include much more than just tariffs and non-tariff barriers; they include “…all costs incurred in getting a good to a final user other than the marginal cost of producing the good itself”.

Leonidou (2004) state that Ludhiana’s Woollen Apparel exporters have attached high degree of importance to a set of problems i.e. government related problems. These set of barriers are in relation to the actions or inactions of the home government for the promotion of the indigenous exporters. This set of problems include: lack of assistance provided by the government in overcoming the various exporting barriers; lack of export incentives provided by the government and finally, ineffective national export promotion program. Also states that internal problems or barriers are the constraints associated with organizational resources/ capabilities and company approach to export business. In other
words, these problems are categorized as those which are directly related to the controllable issues within the firm itself. One of the exogenous barriers that affect particularly SME export performance is the strong competition that may exist in foreign markets because SMEs may not have the slack resources required to compete successfully. The competition in foreign markets might be different from what the firm is used to in its domestic market and as such it could have limited options on how to handle such competition.

Suarez-Ortega (2003) states that lack of financial institutions such as banks and insurance companies with sufficient expertise in dealing with exporting matters is also another export support structure that is expected to lead to poor export performance by firms.

Rupa Dheerasinghe (2003) shows that phasing out of quotas will close down nearly fifty per cent of existing garment factories, as they lose that protection. However, some of the medium and large scale factories are expected to survive exploiting opportunities in the free market. Sri Lanka's garment industry is highly concentrated in large scale factories. That concentration will save a large part of export earnings while preserving job opportunities. However, in the short-run there will be an adverse impact on employment.

Baldwin and Lin (2002) illustrate the cost of capital refers to ‘the general cost-related problems associated with advanced technology adoption, the cost of technology acquisition, equipment purchase, and development and maintenance expenses’.

Cadogan et.al (2002) define export-market oriented (EMO) activity as:
(a) Generation of market intelligence pertinent to the firm’s exporting operations,
(b) Dissemination of this information to appropriate decision makers, and
(c) Design and implementation of responses directed towards export customers, export Competitors, and other extraneous export market factors which affect the firm and its ability to provide superior value for export customers.

Thus, being market oriented helps the firm in dealing with the export problems faced time to time. They also state that lack of ability of the firms in information generation
makes the firm less market oriented as the firms are not able to go into the basic export-market oriented activities.

Stiglitz (2002) argues that prudent and carefully crafted economic policies of government can minimize the international threats to any national economy. Such inactive intervention by government has become the root cause for the crisis in the country’s economy.

Verma (2002) did a comprehensive study with the objective to evaluate the export competitiveness of Indian textile and clothing sector. The Study concludes that Indian exports to US and EU are export competitive as a whole. Sector wise analysis of export performance of Indian textile and clothing sectors to US and EU reveal that so far apparel or clothing and made-up is concerned; quota is the major constraint in the growth, while it is not true in case of yarn exports. Indian textile and clothing sector has tremendous potential and only a portion of which is explored till now and this short coming is due to policy constraints. 1. The finding of the study shows that the main benefits gained by the garment industry owners were reduce of leave taken, minimizing wastage and perfection of measurements. 2. It is pinpointed from the analysis that the major problems faced in the working area by the respondents were partiality with local workers and low wages. 3. The majority of the respondents expressed that the major problems in their living area were lack of water facilities and insufficient windows and doors in room. In Erode and Tirupur town a good majority of the population is engaged in various type of business are employed, especially textile manufacturing, turmeric and sugar business. Most of the migrated workers are working in garment industry with low level satisfaction. Hence the garment owners should initiate necessary steps to fulfil their satisfaction.

Da Silva (2001) states that political and social issues as barriers have thus been identified by some researchers as factors affecting the export performance of firms. A related social problem that affects export performance is the pervasive official corruption that creates unnecessary bottlenecks for exporters every now then. Hence, when the home country does not have adequate export support structures, it could be very difficult for firms to be successful exporters.
Verma (2001) in his article emphasized the impact on the Indian textile and clothing industry after quota elimination. It says that Indian textile and clothing exporters have to bring in necessary changes in their methods of production, management style, capacities, marketing skills and productivity level in order to remain competitive in international market. Also it put special emphasis on the size of Indian textile units when compared to its counterpart in China.

Bhattacharya (1999) illustrates, in Asia, export barriers are concentrated mainly in the textile and clothing sector and studies reports that most barriers are attributed to technical regulations and labelling rules.

Rahman, Khanam, and Nur (1999) state that Bangladesh is considered to have the child labour problem especially in the RMG sector. In most cases, children often commence work at a very young age; as a result, they are suffering serious injuries and sometimes death in the workplace.

Burgess and Olden boom (1997) assert that small firms in the developing economies are more venerable to such fierce competition as a result of their limited financial and human resources. These constraints make them less price competitive in the market and thus, turn out to be less export market oriented.

Morgan and Katsikeas (1997) identified another exogenous barrier that could affect firm export performance is the unfavourable currency exchange rate that may exist between the host country and the target market. This problem has been festering for years. What were the dyeing units doing since 2006 when the court had issued orders not to permit the dyeing units to function unless they meet the zero-discharge norm.

Kaleka and Katsikeas (1995) assert that this problem is more common with the regular exporter i.e. increased level of export involvement gives rise to more risks of selling. They assert that firms with low level of experience and those which are not regularly exporting are having a greater degree of problem in making contacts with the foreign buyers as a result of lack of managerial commitment towards the exports.
Kaleka and Katsikeas (1995) state that “Export problems or barriers are defined as those constraints that hinder the ability of firm to initiate, develop or maintain export marketing activities of the firm”, though these export marketing problems have been viewed differently by different authors and researchers, these are quite related to the degree of market orientation of the firm. The more market oriented a firm is, less are the chances of firm being into the ocean of major export-marketing problems.

Leonidou (1995) reveal that though the lists of problems are not mutually exclusive and widely vary on different issues, some of them are related to complex requirements in export documentation process. Also he identifies that there is a lack of government assistance in overcoming export barriers. Also he proposed that “Barriers to exporting are all those attitudinal, structural, operational and other constraints that hinder the firm’s ability to initiate, develop and sustain international operations.” Export barriers can be categorized as external or internal to the firm, and as domestic or overseas. Also he identifies the last and the most important of all the problems emerging as a result of the changes in the external environment is the volatile exchange rate fluctuations which invariably affect the export performance of the SMEs in the developing countries. These problems stem from the home and the home environment within which the firm operates. Some of these are the result of local government policies and regulations, international trade barriers and quotas (WTO’s MFA), fierce competition and exchange rate fluctuations.

Mechling, et al. (1995) state that the intensified global competition has pushed the firms to meet demands and standards quickly and effectively. Flexibility, quality, inventory reduction, efficient production cycle, and shorter lead time in manufacturing became essential for firms to achieve global competitiveness.

Shoham and Albaum (1995) state that the imposition of regulations, tariffs and quotas by foreign governments as well as unfair trade practices is also an exogenous factor that hinders export development. Unfair trade practices like the European Union agricultural subsidy make it impossible for farmers in Nigeria to export to European countries.
Cavusgil and Zou (1994) proposed a new conceptualization framework of export marketing strategy stating that Export Marketing Strategy, a driver of export performance, is run by two forces i.e. Internal Forces comprising firm characteristics and product characteristics, and External Forces comprising industry characteristics and export market characteristic. Also they state the difficulty in making contacts with the foreign buyers i.e. identification of Appropriate overseas distributors and communication with overseas customers.

Katsikeas and Morgan (1994) reveal that, Informational barriers refer to problems in identifying, selecting and contacting international markets due to information inefficiencies. The final set of problems i.e. informational problems, can become quite apparent with a lack of exposure to silent export market intelligence. Also they state that many researchers and academicians have recognized that the origins of a substantial number of export problems facing the firms are couched in the external environment.

Katsikeas and Morgan (1994) state that the problems emerging as a result of procedural difficulties in operating aspects of the transaction with foreign customers, logistics and transportation problems, etc. are known as operational or procedural problems of exporting. These problem categories tend to be associated with the micro-level of export activity and include array of complex issues and procedural requirements in various exporting activities.

Katsikeas and Morgan (1994) state that the nature of these problems varies widely from issues like financial constraints i.e. high cost of capital to finance exports. Also they state that pricing policies are not dependent on the export market experience of the firm. Moreover, the surveyed managers and owners have scored foreign competition problem highly, illustrating that these problems are generic and enduring in nature.

Kumar and Siddharthan (1994) indicate that while developing countries have disadvantages in developing and exporting advanced technologies due to capital intensiveness, adoption of the technologies can increase their manufacturing industries performances.
Eshghi (1992) state that tariff and non-tariff barriers, strict foreign rules and regulations could all affect export performance in a negative way. Hence, the influence of exogenous barriers on export means that consistent with the contingency paradigm, even when firms have the internal resources required to engage in exporting activities, the existence of exogenous barriers could lead to poor export performance.

Yang et.al. (1992) explain that there is often low degree awareness about the existence and type of assistance and support available from the government.

Barney (1991) in research shows that exporters’ sensitivity to barriers in the foreign market is determined by managerial perceptions which are in turn influenced by contextual factors associated with firm size, resources and capability, export involvement and international experience.

Weaver and Pak (1990) state that ineffective national export promotion program acts as a barrier for exports. Further, some problems can emerge as poor organization of firm's export department, lack of personnel qualified in exporting marketing activities and lack of "experts" in export consulting to “draw and develop initiatives for improved export marketing performance”.

Steedman and Wagner (1989) indicate that lack of skills inhibits installation of newer equipment due to poor understanding of the technical nature, potential of the equipment and usage.

Axinn (1988) analyzed how managerial perceptions influence the export performance of machine tool manufacturers in the US and Canada. Export Barriers in Pakistan: Results of a Firm-Level Survey Specifically, she considers exporters’ perceptions of the benefits of exporting rather than selling in the domestic market. She finds that perceptions of the complexities associated with exporting and managers' work experience in foreign countries are related to the percentage of exports relative to firms’ total sales.
Baurschmidt, et al. (1985) state that problems may arise from logistical constraints such as difficulties in transporting the products exported further multiplied by high cost of transporting and physical distribution process. Also they state payment delays from overseas buyers and distributors and risk of selling abroad including forgery and thefts. They state that inability to self-finance exports difficulty in meeting importer’s product quality standards and poor product design and style for exporting goods. The findings of the present research regarding language and culture barriers; export financing barriers and difficulty in meeting importer’s product quality standards are in correspondence with the results.

Wortzel and Wortzel (1981) view that the volume of exports of the firms manufacturing and exporting from less developed or developing countries has very limited overseas operations i.e. distribution and promotion activities in the export markets. Thus, making large investments in the unknown overseas market to attract and capture the market may be unwise and unnecessary for the firm, since the overseas consumer base wouldn’t be enough to justify such actions.

Bilkey (1978) shows that internal barriers such as procedural, distribution and documentation problems are associated with the exporting firm’s organizational resources. Examples of such barriers include lack of knowledge, experience, socio-economic and managerial factors. External barriers, on the other hand, originate in the external environment of the exporting firm. Later studies further disaggregate the conceptual domain of export barriers into internal-domestic, internal-foreign, external-domestic and external-foreign problems.

Aharoni (1966) state that there are a large number of studies focusing on export barriers, mainly non-tariff barriers (NTBs) that manifest as behind-the-border barriers to trade. The pioneering research on export barriers identified the lack of knowledge of foreign markets as a dominant impediment to international activity commitment.

Mohammad, Osman, Ali, Abdel Hafiez and Ramayah. T. state that the study examined the impact of relational variables (adaptation, cooperation, communication, trust and commitment) on the performance of Malaysian firms that have tried to export to
Arab-speaking nations. The sample consisted of 106 companies exporting to at least one Arab-speaking country at the time of the study. The data were collected via a postal survey using a specially-developed questionnaire completed by a senior manager at each of these companies. After controlling the influence of the organization variables (firm size, export experience, export mode and export destination), the findings show that trust and commitment have significant impact on export performance. The results indicate that advancement in penetrating a particular export market must be based on harmonious working relationship between exporter and importer.

Ravindranath and Sushila explain that according to a study commissioned by Tamil Nadu Pollution Control Board (TNPCB), an estimated 8,33,365.75 tonnes of hazardous waste is generated every year in Tirupur. According to a Southern India Mills Association (SIMA) study several years ago, the textile pollution is not as serious as it is made out to be. The small and medium knitwear garment exports units and other stakeholder units in Tirupur have been eagerly awaiting the package since they have been struggling to service their loans.

Sakthivel.A states that as the knitwear hub grapples with a slowdown in demand from the export market, the stakeholders reiterate that they would be able to regain their place if the Government extends support to the employment-intensive. It also indicates at this juncture, if the garments are not shipped at the right time, the chances of the remaining orders getting cancelled due to delay in shipment cannot be ruled out. The ongoing global financial turmoil has affected the trade adversely and we cannot take it anymore. The sustainability of the trade on the export front will be threatened if buyers start losing faith in our credibility for not delivering orders on time.

Scaria, Joe A illustrates the day-light murder of the river Noyyal which originates in the Western Ghats bordering Kerala and Tamil Nadu and gurgles its way through Siruvani and Vellingiri before meandering through the districts of Tirupur, Coimbatore, Erode and Karur, watering tens of thousands of acres of farm lands along its twisty trail is the ugly side of the legendary textile prowess of Tamil Nadu, a key contributor to India's $11 billion-plus textile export basket. While the Coimbatore-Tirupur belt launched itself into an astonishing success tale in textiles in the two decades beginning from the early
1990s, the grimy underbelly of that achievement was conveniently ignored: A mountain of wastes asphyxiated the pretty little river, affecting tens of thousands of villagers, even as the region's textile exporters became the toast of the nation for its whopping 15,000 crores or 75%, of India's knitwear exports.

Time has demonstrated that the textile industries in Bangladesh stand firmly in the global business cycle and operate in a demand-driven market due to the spectacular growth of the export-oriented apparel industry. There are many constraints to achieving the sales and marketing targets, namely, lack of efficient marketing professionals, experts, lack of IT facilities, lack of proper marketing strategy and planning, poor knowledge of English of the marketing managers, lack of support from the management of the companies and so on.

Using data collected through interviews with managers of 30 firms, which are active in exporting to the EU in each of these two sectors, they develop and estimate an econometric model that relates export barriers reported by firms to the firms’ own characteristics. The results on Indian firms’ perceptions to export barriers may shed light on issues that need addressing in light of ongoing negotiations for a Free Trade Agreement (FTA) between the EU and India. This proposed agreement aims to address behind-the-border barriers, especially the existing NTBs to trade which is the focus of this paper. The findings show that firms which are closer to ports perceive transport costs and corruption are less important barriers than firms which are further away. On the other hand, firm size, exporting experience and whether the firm is in the textiles or leather industry have no significant impact on the firm’s perception of the level of export barriers. The final section concludes and presents policy implications of the results on Indian firms’ perceptions to export barriers that shed light on issues that need addressing in light of ongoing negotiations for a FTA between the EU and India.

As per some estimate, on an average NTMs account for a loss of US$30 billion in global trade of T&C per year11 and India’s share in global textile trade is around 4% which is substantial. All these NTMs like TBTs, audits for social, labor and environmental compliance have made the industry jittery. There has been resurgence in the use of these measures which invariably affect both domestic and export markets of
developing countries. Hence, the identification and assessing the impact of NTMs on developing countries’ exports should be taken as a matter of priority. Therefore, it is an appropriate time to reflect on the current situation regarding NTMs to assess the extent of this problem and to suggest policies for its ramification.

Sakthivel state that when the garment exporters were facing severe competition in the export market, the increase would raise the cost of production in the knitwear industry. Seeking a roll back in the hike, he suggested that alternatively, the Centre could permit the supply of diesel oil at international prices to exporting units, which rely on captive generation. The introduction of entry tax has also come as a rude shock to many textile units, which are dependent on captive power. Several textile units in Tamil Nadu, according to sources, currently receive diesel and low sulphur heavy stocks supplies from Kerala and Andhra Pradesh by paying 4 per cent CST. These units are aggrieved over the introduction of the entry tax as this would make their captive generation costlier.

2.1 Summary

The literature review in this chapter has been presented briefly. The reviews shows that major studies have stated that problems faced the export industries are absence of adequate and timely supply of bank finance, limited capital and knowledge, lack of power, low quality inputs, low return, non-availability of suitable technology, low production capacity, ineffective marketing strategies, identification of new markets, constraints in modernisation and expansions, transportation problems, lack of adequate warehousing, lack of information, lack of training, high competition and non-availability of highly skilled labour at affordable cost.

A few studies state that changes in consumers’ preferences, the presence of middlemen and agent representatives, import tariffs, problems in finding a trustworthy distributor in the target country, exchange rate fluctuations, risk of losing money in the foreign market, and quality and safety standards are the other potential export barriers to firms. A few studies state that the current policy of increasing competitiveness through infusion of improved technology, finance, and marketing techniques should be
emphasized. If a country does not have adequate export support structures, it could be very difficult for firms to be successful exporters.

The study’s result shows that the problems of exporting firms are largely external-foreign. Also it states that the lack of government exports assistance programmes that are meant to help firms that are involved in exporting activities is another export support structure that could hamper positive export performance. Studies have found that one of the exogenous barriers that affect particularly SME export performance is the strong competition that may exist in foreign markets because SMEs may not have the slack resources required to compete successfully. Studies disaggregate the conceptual domain of export barriers into internal-domestic, internal-foreign, external-domestic and external-foreign problems.