CHAPTER VI

Summary of Findings and Suggestions
6.1 INTRODUCTION

Engineering sector plays an important role in the economic development of India. India had been exporting varieties of engineering goods to foreign countries for a very long period. Developing countries, being new entrants in the world market for manufactured consumer goods, engineering goods, capital goods, have greater needs for increasing and diversifying exports and to meet credit competition from the suppliers of the developed countries. In this study, the researcher has attempted to study the direction, composition and export earnings of engineering goods exports of India and to investigate the financial and non-financial problems faced by the engineering goods exporters in southern states of India.

The present study is a descriptive and analytical one. The total membership of the council for Southern state of Engineering Export Promotion Council which is 2,203 during 2014-15 constitutes the population of this study. This population includes i) Manufacturer exporter ii) Merchant exporter and iii) Manufacturer Cum Merchant exporter. The population covers four states in the southern region such as Tamilnadu, Karnataka, Kerala and Andhra Pradesh and 10 per cent of the respondents from each state were selected as sample respondents. The primary data was collected through structured questionnaire and interview technique in person and 250 samples of Engineering Goods Exporters were collected. Out of the 250 sample exporters, 220 exporters had responded and gave their opinion on level of satisfaction about export of engineering goods in Southern states of India. The researcher has used the proportionate sampling method to identify respondents of the study. Out of the 220 sample exporters, 187 are Manufacturer Exporters, 15 are Merchant Exporters and 18 are Manufacturer cum Merchant Exporters. Both Primary and Secondary data were used. A structured questionnaire was designed by the researcher and it was duly pre-tested. The researcher collected primary data through questionnaire in person and through mail from the exporters. The relevant secondary data were collected from important publications and reports such as (i) Annual Published reports of the Engineering Sector in India and Newsletter (ii) Text book of related topic and journals of repute. The researcher utilized the offices of the apex bodies of foreign trade in India, such as Engineering Export Promotion Council (EEPC), Chennai, Southern Indian Engineering Manufacturers' Association (SIEMA), Coimbatore, CODISSIA (Coimbatore District Small Industries Association), Coimbatore Industrial Infrastructure Association (COINDA), Coimbatore, Federation of Indian Export Organisation and Directorate General of Foreign Trade, Chennai. Library services available in the Institute of Financial Management and Research in Chennai, Indian
Trade Promotion Organisation (ITPO), Madras University, Chennai, Bharathiyar University, Coimbatore, Bharathidasan University, Trichy, Madurai Kamaraj University, Madurai and other Universities and web sites were utilized by the researcher for collecting secondary data. Statistical tools such as Mean, Standard Deviation, Co-efficient of Variation, Compound Annual Growth Rate, Trend Analysis, Test for significance based on F-statistics, Frequency Analysis Chi-Square, Garrett Ranking, t-test, and Factor Analysis were used to interpret the processed data. Likert’s five point scale was used in the questionnaire to collect primary data. The five point scale is used for analysing the level of satisfaction of the engineering goods exporters in southern states of India.

Objectives of the Study

The objectives of the study are given below.

- To present an overview of Foreign Trade Policy of India regarding engineering exports.
- To study the commodity-wise export performance of engineering goods in India.
- To study the country-wise export performance of engineering goods in India.
- To study the dynamics of export earnings of engineering goods exports in India.
- To measure the extent of finance and non-finance problems faced by the engineering goods exporters and provide suitable solutions.

The study is divided into six chapters. Chapter I is “Introduction and Research Design of the Study” that deals with Introduction, Overview of Foreign Trade policy, Statement of the Problem, Objectives of the Study, Scope of the Study, Review of the Related Literature, Period of the Study, Operational Definition, Methodology, Preparation and Contents of the Questionnaire, Pre-testing and Pilot Study, Sampling, Statistical Tools used, Research Hypotheses and Chapter Classification.

Chapter II contains “Commodity-wise and Country-wise Export Performance of Engineering Goods Exports of India”. India’s main competitors and commodity-wise India’s share in world market are analysed in this chapter.

Chapter III contains “The Dynamics of Export Earnings of Engineering Goods Exports in India” that examines the Gross Domestic Product, Per Capita GDP, Geographical area, Language difference, Export and Import performance trade balance relating to engineering goods export performance of India and partner countries.
Chapter IV contains “Analysis of Business Profile of Sample Engineering Goods Exporters in Southern States of India” that presents the socio economic background of the engineering goods exporters and their experience in export business, capital structure, and product exported, methods of payment, and types of exporters and status of exporters, and Role of Engineering Export Promotion Council.

Chapter V titled “Financial and Non-Financial problems faced by the Engineering Goods Exporters in Southern States of India” analyses problems of export documentation, factors affecting the export price of the product, delay in availing export finance, problem of infrastructure facilities at the port, level of satisfaction towards financial and non-financial problems faced by the engineering goods exporters and level of satisfaction of government measures in this chapter.

The final chapter of the research study is “The Summary of Findings, Suggestions and Conclusion”. It reveals various problems confronting the engineering goods exporters and valuable suggestions to improve the effective production of the engineering goods exports of India.

6.2 FINDINGS OF THE STUDY

1. India’s major engineering goods export markets are Bangladesh, Germany, Hong Kong, Italy, Malaysia, Singapore, Sri Lanka, U.A.E, U.K, USA etc. Compound Growth Rates of Engineering products are shown for the study period (1995-96 to 2014-15). Regarding engineering products, the maximum growth rate in exports has been observed in the case of the China (35.05 per cent), whereas Minimum Growth rate in exports has been found in Bangladesh (12.51 per cent), Japan (14.84 per cent) and UK (16.42 per cent) and USA (16.97 per cent).

2. The export of Iron and Steel during the year 2014-15 has reached Rs. 6, 40,538.50 million against Rs.3,27,442 million in 2010-11, registering an increase of 95.62%. This export may increase by 157.26% in 2015-16 and by 140.05% in 2019-20 as per the exponential smoothing forecast. Similarly the export of Manufactures of Metals may increase by 154.30 % in 2015-16 and by 191.73% in 2019-20. Export of Machine Tools may increase by 179.12% in 2015-16 and by 175.68% in 2019-20. Export of Machinery and Instrument may increase by 159.86% in 2015-16 and by170.41 % in 2019-20. Export of Transport Equipment may increase by 195.46% in 2015-16 and by 151.99% in 2019-20. Export of Electronic goods may increase by 236.45% in 2015-

3. India’s major Region-wise engineering goods export markets are Africa, America, Europe, Asia, Oceania and other Regions. Compound Growth Rates of Engineering products are shown for the study period (1995-96 to 2014-15). Regarding engineering products, the maximum growth rate in exports has been observed in the case of the Region of Africa (20.3 per cent) and Region of Asia (20.29 per cent), whereas Minimum Growth rate in exports has been found in the Region of Latin America (18.03 per cent), Region of Oceania (18.98 per cent) and Region of Europe (19.58 per cent).

4. India’s total exports increased from US$ 26330.5 million in 1995-96 to US$ 44560.3 million in 2000-01 and the engineering goods exports increased from US$ 3508 million in 1995-96 to US$ 6818.6 million in 2000-01. The period from 2002-03 to 2008-09 has witnessed a sharp increase in the share of export earnings of engineering goods in 25.52 per cent. India’s total exports fluctuating from US$ 251136.2 million in 2010-11 to 310533.9 US$ million in 2014-15 on this engineering goods exports has accounted for 13.32 per cent of India’s total exports in 1995-96 increased to 25.65 per cent in 2014-15 but in absolute terms, it increased from US$ 3508 million to US$ 79642.6 million during the same period.

5. The study shows that 2014-15 export performance of engineering goods has increased when compared to the total exports of India.

6. Gravity model determined the partner countries with which India develops, efficient or inefficient, foreign trade activities. Thus, bilateral trade flows are explained on the one hand, by the GDP of the partner country, by the Distance in India, by the per capita GDP of the partner country and the existence of a Language, between positive correlations, and on the other hand, the distance between the two countries, has a negative correlation with bilateral trade.

7. India has the most efficient bilateral trade with partner countries. It has the most inefficient bilateral trade with Bangladesh. The efficient trade relations with partnership countries are China, Germany, Indonesia, Kenya, Korea, Malaysia, Mexico, Netherlands, Singapore, South Africa, Thailand, UAE, UK, USA, Vietnam and the inefficient trade relations with partnership countries are Australia, Belgium,
Brazil, France, Iran, Italy, Japan, Nepal, Nigeria, Oman, Saudi Arabia, Spain, Sri Lanka and Turkey.

8. (53.6%) of the sample exporters come under the age group of 40-50 years.

9. A high majority (79.5%) of the sample exporters are male exporters.

10. The majority (91.8%) of the sample exporters are married.

11. The sample exporters (36.9%) are educated and come under the category of Professional and Technical level.

12. A maximum proportion (44.1%) of the exporters has experience in export business for 5-10 years.

13. The sample exporters (46.8%) of the units are managed by Private Limited Company in southern states of India.

14. 40.5 per cent of the exporters have invested more than 1 crore in the present line of business.

15. A high majority (85%) of the sample exporters are manufacturer exporters.

16. (54.1%) of the sample exporters are small exporters in southern states of India.

17. (55%) of the sample exporters are export oriented units.

18. (27.7%) of the sample exporters export goods for Machinery and Equipment.

19. An overwhelming majority (27.3%) of the sample exporters exported to UK countries.

20. 44.1 per cent of the sample exporters realize the amount through letter of credit, documents against payment and documents against acceptance methods.

21. The sample exporters (24%) get export order through Engineering Export Promotion Council.

22. Majority (67%) of the sample exporters’ mode of goods used ship.

23. A high majority (93%) of the sample exporters export through EDI.

24. Majority (83.6%) of the sample exporters have not invested and collaboration of the foreign countries.

25. (77%) of the sample exporters are members in their respective Chamber of Commerce and Industry.

26. (59.1%) of the sample exporters have experienced membership in EEPC for 5-10 years.

27. The majority (73.2%) of the exporters have opined that the registration fee charged by EEPC is moderate.

28. The majority (73.4%) of the exporters have attended the India trade fairs.

29. (39 %) of the sample exporters have attended the trade fairs twice in a year.
30. (51.6%) of the exporters in southern region feel that participation fees charged by EEPC are high.

31. Majority (76.4%) of the sample exporters have not got any market information from EEPC.

32. (46.2%) of the exporters feel that market information provided by EEPC is useful.

33. (57.3%) of the sample exporters have attended the Buyer and Seller meets through EEPC.

34. (53.2%) of the exporters have attended the seminars and awareness program conducted by EEPC.

35. (38%) of the exporters have indicated that the trade information provided by EEPC takes 7-15 days.

36. The majority (77.7%) of the exporters have received Best Exporter Award from various institutions.

37. (59.1%) of the sample exporters have noted that Exporters and Importers Directory published by EEPC is useful.

38. There is no significant difference between personal variable and the level of satisfaction towards government measures to improve the competitiveness of the exporters.

39. There is no significant difference between Ownership Pattern and Capital Structure of Sample Export Units.

40. There is a significant difference between the ownership pattern and commodity-wise exports.

41. There is no significant difference between the types of exporter and commodity-wise exports.

42. There is no significant difference between the ownership pattern and preferred mode of payments.

43. There is no significant difference between types of exporter and market information provided by EEPC.

44. There is no significant difference between the ownership pattern and supply of trade information provided by EEPC.

45. There is a significant difference between status of the exporters and the best exporter award.
46. There is no significant difference between the status of the exporter and the subscription paid for publication.
47. Majority (95%) of the exporters availed export credit facilities from financial institutions.
48. (71.8%) of the exporters have utilized export finance from nationalised banks.
49. (52.2%) of the sample exporters have utilized pre-shipment finance.
50. 47.7 per cent of the sample exporters have utilized pre-shipment finance for the purpose of manufacturing facility.
51. 27.5% of the sample exporters availed pre-shipment credit for Rs.25 Lakhs to 50 Lakhs.
52. 29.3% of the sample exporters availed post-shipment credit for Rs.50 Lakhs to 1 crore.
53. 45% of the sample exporters have expressed that the interest charged by the lending institution for pre-shipment finance is ‘high’.
54. 51.6% of the sample exporters have expressed that the Post-shipment finance interest rate is ‘high’.
55. 44% of the sample exporters have availed Pre-Shipment finance from lending institutions up to 90 days, and 60.7% of the exporters utilized post-shipment advance up to 90 days.
56. A maximum proportion (43.1%) of the sample exporters expressed that the interest rate is recommended for pre-shipment finance ranging from 5% to 7%.
57. 48.4% of the exporters suggested that the recommended interest rate should be 5% to 7% for post-shipment advance.
58. Majority of the exporters availed of the post-shipment advances and the highest mean score (68.78) is export incentives.
59. Majority of the exporters availed various types of credit schemes and the highest mean score (67.30) is Packing credit.
60. Majority of the exporters faced the problem of export finance from banks for highest interest rates at the time of utilisation of export credit and its highest mean score is (66.0).
61. (54.1%) of the sample exporters have taken Small Exporters Policy from ECGC.
62. (39.1%) of the sample exporters have expressed that Export Credit Guarantee Corporation issues insurance policy within one month period.
63. 98(45%) exporters have expressed that Minimum Premium and Subsequent Premium Charged by ECGC are ‘high’.
64. 98(45%) exporters have opined that the claim settlement of ECGC is high.
65. (57.7%) of the exporters have rejected the reason of non-acceptance of goods for insolvency of the foreign buyers.
66. 46.4 per cent of the exporters have availed duty drawback on export product.
67. Majority (75%) of the exporters said that disallowed claim of drawback on any occasion was due to sale.
68. (41.2%) of the sample exporters have taken time for getting drawback claim within three months.
69. 59(57.8%) exporters have expressed that duty drawback rate is medium.
70. (58.2%) of the exporters have availed Market Development Assistance and Market Access Initiative.
71. Majority of the exporters have availed Market Development Assistance and the highest mean score (62.46) is Participation in Trade fairs/exhibition abroad.
72. The exporters have availed Market Access Initiative and the highest mean score (58.68) is Sales-Cum Study Team abroad.
73. 60(46.9%) exporters have expressed that Market Development Assistance and Market Access Initiative is useful.
74. 64.5 per cent of the exporters availed focus area programme.
75. 63.6 per cent of the exporters availed subsidy from government.
76. The exporters have availed types of subsidies and the highest mean score (58.50) is Exportable goods subsidies.
77. Majority (72.7%) of the exporters have certified their companies from ISO certification.
78. The scales constructed for this purpose of availability of infrastructure facilities are (0.750) fairly reliable.
79. 76 exporters in southern states have expressed that their satisfaction about infrastructure facilities is low.
80. Majority of the exporters expressed that the problem of export documentation’s highest mean score (68.01) is commercial invoice.
81. Majority of the exporters expressed that the internal assessment of the company’s highest mean score (71.23) is cost.
82. Majority of the exporters expressed that the external assessment of the company’s highest mean score (65.61) is demand.

83. The problems encountered by the engineering goods Exporters to test 14 variables for the factor analysis of sampling adequacy KMO test of 0.772, which is considered as good value. The test has analysed the results are Pricing and Policies is the main problem for exporters in foreign markets, problem of fluctuating exchange rates, variation of language and cultural and level of capacity to sale the product in this study.

84. Exporters felt the need of the government measures to improve export business for engineering goods exporters in southern states to identify the satisfaction level of 14 variables. The factor analysis of sampling adequacy KMO test is 0.817, which is considered as good value. Innovation and Technology is the main problem for exporters in foreign country, reduced time taken for duty drawback and development of infrastructure facilities are other factors to improve by the government for engineering goods exporters in southern states of India.

85. There is a significant difference between ownership pattern and utilization of export finance from lending institutions.

86. There is a significant difference between commodity-wise export and utilization of export finance.

87. There is no significant difference between the types of exporter and the level of satisfaction about export credit scheme.

88. There is no significant difference between the types of exporters and their opinion about the pre-shipment export finance given by the bank.

89. There is no significant difference between the minimum premium charged by ECGC and the attitude level of the policy holders.

90. There is a difference between the subsequent premium charged by the Corporation and the attitude of the ECGC Policy holders.

91. There is no difference between Status of Exporter and their opinion about Duty drawback.

92. There is a significant difference between the types of ownership and the sufficiency of Market Development Assistance.

93. There is no significant difference between types of subsidies and the level of satisfaction about subsidies is not equal to the hypothesis level of the exporters.
94. There is no significant difference between the opinion of ISO certified and non-certified companies about ISO parameters.

95. There is a significant difference between southern states of exporters and the level of satisfaction about infrastructure facilities.

96. There is no significant difference between the types of exporter and the level of satisfaction about infrastructure facilities.

6.3 SUGGESTIONS

The following suggestions are made based on the findings of the present study:

1. The study reveals that inefficient trade relations between India and partner countries to minimize the transportation cost, the government need to assist in preserving the order of market operation, enhancing self-discipline, and protecting self benefit. Government should take initiative of providing support for in-house R&D efforts that would help manufacturing industries to reach global market and export earnings of the engineering goods from India.

2. The Reserve Bank of India may consider favourably the application for the relaxation of Pre-Shipment (short-term) credit period for 180 days to 365 days.

3. In India, export credit is fixed by the lending institution which takes normally 90 days to 270 days. The export credit is compared to other countries interest rates ranging from 3 to 6 per cent. But in India, the export credit interest rates are high. There has been a slow growth of export credit in relation to exports. This indicates that the export credit availability has not been adequate. The interest rates of export credit should be reduced by the government which should take necessary steps for promoting the export.

4. The Commercial banks prefer more profit and less risky projects for funding. The exporters are not able to fulfil the conditions imposed by the banks on export credit, so the Reserve Bank of India may simplify the procedures for export credit in the case of engineering goods. The period of procurement of raw materials and their conversion into manufacture goods run beyond 90 days at present. Banks and financial institutions allow credit only for 90 days to 180 days. The exporters of such goods are, as a result, put to a series of disadvantages that exporters do not get the
concessionary pre-shipment credit for the full period. The banks and financial institutions can provide pre-shipment on the basis of commodity-wise and also pre-shipment credit period can be extended to eight months.

5. Inadequacy of working capital is the major financial problem of small scale exporters in southern region. The commercial banks are the best suited institutions to tide over this problem. Commercial banks must devise a suitable scheme to fund working capital requirements of the exporters.

6. Engineering goods exporters reported that the study period infrastructure facilities such as Port and Road network place are insufficient in southern states of India, and the concerned State and Central Government should take necessary steps to improve infrastructure facilities.

7. Exporters are using credit schemes and duty draw back credit schemes. The banks should encourage all exporters to use export credit schemes and relax rules and regulations of the schemes.

8. Duty drawback, when compared to excise duty, is very high. But engineering goods duty drawback rates are low. The government should consider to reduce excise duty and to increase the duty drawback of the engineering goods.

9. Raw materials subsidies, Machinery and Equipment subsidies, Innovative goods subsidies and exportable goods subsidies are available in India. But majority of the sample exporters reported that they have not availed export subsidies. Government (Ministry of Commerce and Industry) should communicate about available subsidy scheme to engineering goods manufacturers in time and motivate them to avail.

10. The study shows that minimum number of the sample exporters has participated in the international trade fairs and exhibitions and buyer-seller meets. The government should allow exporters liberally to participate in international trade fair and buyers-sellers meet, and help them to advertise about their products in international market.
11. Engineering goods manufacturing industries have reported that they are not getting their financial assistance in time from banks. The bankers should take necessary steps to provide financial assistance to engineering goods manufacturers in time.

12. The manufacturers should produce international quality goods to increase their export and exporters should modernize their units to produce engineering goods at par with global standards.

13. The export documentation process should be simplified. Single window system should be introduced for export documentation processing.

14. The exporters have reported that are facing problems in availing export credit schemes such as high rates of interest, short repayment period, delayed credit sanction and strict rules and regulations. So, the Reserve Bank of India should take steps to reduce rate of interest for export credit, increase credit period, and to avoid delay in sanctioning export credit. Banks should provide financial assistance to exporters to visit the country’s leading in engineering goods exports in the world market. Exporters can learn export strategies of such countries and try to implement them in India for increasing export.

15. An exporter who wishes to enter the export market or intends to increase its export activity will have to acquire the knowledge and skill to deal with administrative procedures. Exporting requires knowledge about export procedures. One of the most cited obstacles with regard to exporting concerns is the time and the paperwork required to comply with foreign and domestic market regulations.

16. There must be a series of awareness programs among engineering goods exporters on various hedging tools and techniques to cover transaction risks and ensure safeguard from exchange rate fluctuation. Banks could be major participants in this program. This will help exporters enter into long term agreements and provide price stability which is a must in international trade.

17. Engineering Goods Exporters encourage obtaining the international certification. This will build confidence in overseas buyers on compliance of various sensitive issues. The State and Central Government should constitute an agency of international repute to provide complete package on consultancy, audit and certifications.
18. India should adopt a policy of developing solar power as a dominant component of the renewable energy mix. India can make renewable resources such as solar the backbone of its economy. This Scheme aims at creating awareness on the use of alternative source of energy (solar) to the existing conventional power from the Electricity Board; the proposed system would use the advanced sun-tracking panels to ensure power generation throughout the day.

19. A solar-powered pump is a pump running on electricity generated by photovoltaic panels or the thermal energy available from collected sunlight as opposed to grid electricity or diesel run water pumps. The operation of solar powered pumps is more economical mainly due to the lower operation and maintenance costs and has less environmental impact than pumps powered by an Internal Combustion Engine (ICE). Solar pumps are useful where grid electricity is unavailable. These systems are often used for larger solutions, such as large-scale irrigation systems. The Government can provide subsidies for the production of Photovoltaic (PV) panels, in which there will be reduction in the market price and this can lead to more usage of solar power in engineering industry. A special subsidy will be given to the engineering goods exporters.

20. The exporters reported that high production cost is the main reason for decreasing trend in export, followed by insufficient innovation, technology, low government assistance, very high export expenses and very low foreign tie-ups. The Government should take steps to introduce sufficient innovation and technology, provide all types of raw material at cheaper cost, reduce export related expenses, provide Government Assistance to all exporters and increase foreign tie-ups related to engineering goods manufacturing, and encourage collaboration (technology, innovation, and marketing) with foreign companies exporting engineering goods in global markets. The collaboration will assist Indian exporters to modernize their units and produce engineering goods at global standard.

- The government should inform in time about the export and import policy changes from region language to the exporters.
- The engineering goods exporters have reported that separate complex for engineering goods export, modernized export centre and well equipped air port are not available in southern states of India. So, the Central and State
Government should take steps to create the entire above said infrastructure facilities for the benefits of engineering goods exporters.

- The Central and State Government should create a separate ministry for foreign-trade and export promotion and should provide export related services to exporters in a better way for encouraging exporters.

6.4 CONCLUSION

The present research study analysed Engineering Goods Exports of India: Direction, Composition and Export Earnings. It also analysed the problems faced by engineering goods exporters relating to export finance scheme utilization, export documentation process, infrastructure facilities and international trade fairs and buyer-sellers meet. It has reviewed the problems of engineering goods exporters in southern states of India. Export of engineering goods from India for the period 1995-96 to 2014-15 is also analysed in this study. The researcher hopes that this research study will be useful to the Export of Engineering goods.

- To frame engineering goods development schemes
- To design incentive schemes for engineering goods exporters
- To take necessary steps to increase the export of engineering goods, and
- To create necessary infrastructure for engineering goods production and export.

6.5 SCOPE FOR FURTHER RESEARCH

A detailed research study may be undertaken to investigate the utilization of export incentives by engineering goods exporters in India.

1. A research study may be attempted to identify the factors influencing engineering goods export in India.
2. A research study may be attempted to study the factors influencing the production cost in engineering goods manufacturing units.
3. A research study may be attempted to study Employees satisfaction towards wage payment and incentive system in engineering goods production industries in India.
4. A comparative study can be undertaken to compare India’s engineering goods export performance with developed countries such as China, USA, UK etc.,