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**Kavil, Sreedhar V.**

**INDIAN EXPORTS: A RIDDLE OF REGULATIONS**

*Pace University*

**D.P.S. 1985**

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PREVIEW

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**INDIAN EXPORTS: A RIDDLE OF REGULATIONS**

**SREEDHAR KAVIL**

**A dissertaion submitted to the faculty of the  
Lubin Graduate School of Business, Pace University,  
in partial fulfillment of the requirements for  
the degree of Doctor of Professional Studies in  
Management.**

**1985**

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ABSTRACT OF A D.P.S. DISSERTATION

SREEDHAR V. KAVIL

INDIAN EXPORTS : A RIDDLE OF REGULATIONS

This study evaluates the export performance of India. The methodology adopted involves analysis of export statistics during 1970-71 through 1981-82, an indepth study of the Korean export development program and development of a theoretical construct for an export management system. Also, a major industrial sector of India--marine products group--was studied in detail with special emphasis on the government organization designed to promote exports of marine products.

Historical analysis indicates the impact of government policies on export promotion. While world trade expanded, the share of India's world exports decreased. When government emphasis shifted from traditional to non-traditional products, the success achieved in one industrial sector came at the expense of others. In general, the growth in exports was negligible compared to the those of the Asian countries like South Korea, Taiwan and Hong Kong.

The export-led economic development program of South Korea was studied, and the Korean export development program was analyzed in depth. While India and Korea had several things in common, they chose two distinctive economic strategies with different results on export development. Korea's export development success was phenominal compared to the near stagnation or moderate growth of Indian exports.

An important aspect of the study was the development of a model for an export management system for a developing economy like India. Additionally, based on the assumption that the model is implemented in India, statistical projections of exports of three important product groups were made.

Results of questionnaire survey of Indian exporters and Indian export promotion councils were revealing. The majority of exporters recognized poor marketing as a major problem and all respondents approved of creating an Indian trade center overseas. Price was regarded as another trade obstacle for which one solution suggested was the creation of internationally cost effective industries. Seventy eight percent of the respondents felt that exports would improve if subsidies were replaced by some form of long-term development assistance.

The home industries have not become capable of competing in the international markets through the present system of protection and subsidies. Respondents were overwhelmingly in favor of exposing industries to competition and taking measures to develop internationally cost effective industries. Exporters were continually faced with the problem of government regulations.

A major conclusion is that the Indian government has not allocated sufficient resources to improve exports. Although crucial for the economy, export development has not been assigned adequate priority in resource allocation.

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## CHAPTER I

### INTRODUCTION

Export development has been a crucial subject of interest to researchers as well as practitioners in international marketing. Economic development of both developed and developing nations is closely linked to their success in export development. To a developing country, faced with shortage of foreign exchange to meet the growing needs for import of technology and capital goods, export development can be one of extreme priority. India is not an exception to this.

The problems faced by India in her own export development are of enormous magnitude. The political philosophy, economic policies of the government, and the industrial structure have all influenced the results adversely on export development. The question whether India can remedy the situation by adopting an appropriate export management system has prompted the author to undertake this study.

#### Statement of the Problem

The primary problem is to investigate the impact of selected Indian government policies on their export performance and to suggest methods to remove hindrances arising out of such

policies in promoting exports. This investigation will be accomplished in four steps as follows:

The first is to draw up a theoretical construct of a sound and effective export management system suitable for a developing country like India.

The second is to evaluate the present system of export management in India and draw some comparisons based on the theoretical construct.

The third is to examine economic and political factors involved in the policies of the Government of India affecting exports, and suggest methods for resolving problems of promoting exports.

The fourth is to make projections of exports of Engineering Goods, Marine Products and Textiles based on the assumption that an effective export management system, as given in the theoretical construct, has been adopted.

#### DEFINITION OF TERMS

The following definitions will be used for the purpose of this study:

Export development programs of India: This will include the regulatory policies initiated by the Government of India, direct and indirect, for control and promotion of exports.

Export nations: This will mean, and include all the countries to which India exports.

Government of India: This will be usually abbreviated as government.

Five Year Plans: Economic development program in India is initiated through a series of five year plans under a Planning Commission set up by the Government of India in 1950. This will be abbreviated as plans.

Public sector: This will mean commercial and industrial organizations controlled by the Government of India by virtue of capital investments or regulatory measures or both.

Private sector: This will mean independent business organizations owned privately or publicly through subscription of capital.

Export Promotion Councils: These are quasi-government organizations created for overseeing the export promotion of a single product or product groups. They will be abbreviated as EPC.

State Trading Corporations: These are monopolistic trading organizations created by the Government of India to exclusively or non-exclusively conduct trade in a particular product or group of products. These will be abbreviated as STC.

Export Houses: These are trading organizations approved by the Government of India to handle exports of their own products or products manufactured by others. These are similar to the export trading companies or export management companies in U.S.A.

#### DELIMITATIONS

1. The period of the study will be limited to 1970-71 through 1981-82. Except for a span of 26 months from May 1977 to November 1979, the late Madam Gandhi was the Prime Minister of India, and there were no major changes in policies impacting on the exports.
2. Detailed analysis of export statistics will be limited to the categories of products given in Table 1A which account for 79 percent of the total exports of India during the Financial year 1981-82.
3. Product categories as rice, iron ore and miscellaneous items which include services are not studied. The Indian government does not encourage exports of rice except in the case of some high priced varieties. A few selective shipments made are to "friendly countries" on emergency 'relief basis'. India has long suffered from shortages of rice, and it continues to be a "controlled commodity."

TABLE 1A  
PROFILE OF MAIN PRODUCT GROUPS

PRODUCT GROUP	EXPORTS IN 1981-82 IN CRORES OF INDIAN RUPEES*	% OF TOTAL EXPORTS	NO. OF REGD. EXPORTERS	SAMPLE DRAWN
Engineering Goods	1,060.00	13.60	410	29
Gem & Jewelry	820.80	10.52	150	11
Marine Products	286.10	3.70	242	17
Textiles/Garments, etc.	1,389.30	17.32	397	28
Chemicals/Pharmaceuticals	513.50	6.59	203	14
Leather & Leather Goods	415.90	5.32	147	10
Agricultural Products	1,639.30	21.02	168	12
TOTAL...	6,125.30	78.57	1717	121

\* figures given are in crores of current Indian Rupees. One crore is 10 million

Sources: Federation of Indian Exporters Organization, "Exporters from India" (New Delhi: Federation of Indian Exporters Organization, 1981)

The Marine Products Export Development Authority, Ministry of Commerce, Govt. of India, Cochin, "Manufacturer-Exporters from India", 1982.

Note: Sampling procedure has been fully explained in Research Methodology on pages 34 to 36. Proportionate random sample for each strata (exporters of each product group) was determined; a sample of 7% was finally selected.