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## **IMPACT OF EXPORT PROMOTION PROGRAMS ON EXPORT PERFORMANCE: REVIEW OF INDIAN CLASSICAL LITERATURE WITH SPECIAL REFERENCE TO ECONOMIC REFORMS**

### **ABSTRACT**

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In Indian context, contours of exports promotion as a result of eventual liberalisation of trade policies during the pre and post economic reforms have been captured by several eminent scholars at the macro as well as micro level. However, exclusive studies pertaining to impact of export promotion programs on India's export performance are very limited. To develop the understanding about the same, existing literature relating to impact of government promotional measures on export performance has been extensively reviewed in three broad categories. Based on the findings of research work, a structuralized summary and gaps in literature are identified to set the agenda for the future research and conceptual framework in the said area.

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*Key Words: Export promotion, Economic reforms, Export performance*

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## INTRODUCTION

Export Promotion Programs (EPPs) refer to all public measures which actually or potentially enhance export activities at the company, industry, and national level (Root, 1971). Therefore, most of the developed and developing countries have strengthened their commitment to export marketing assistance programs and have formulated full-fledged structured programs to enhance export activities of firms located within their jurisdiction (Kotabe and Czinkota, 1992). These programs include public measures ranging from counselling, tax incentives, export financing to trade shows and sales leads (Gencturk and Kotabe, 2001). India's various five-year plans, which were formulated and implemented after the independence for the growth and development of the economy, were characterized by restrictive trade policy consisting of import substitution and export pessimism. This was because of the various reasons. Firstly, Indian policy makers were apprehensive of foreigners as they had recently gained freedom from the British. Secondly, agriculture development was the objective of the highest priority as Indian population was primarily dependent on the agriculture occupation for their livelihood; and thirdly, industrialisation process which was commenced in the 1950s required good level of protection from the imported goods. Thus, the whole development strategy during that period was centred on direct intervention of the State resulting in existence of complex structures of permissions, licenses, quotas, rationing and banning various spheres including foreign exchange and trade (Dholokia and Kapur, 2001).

In the 1960s and 1970s, due to political wars, natural calamities, growing population, and rapid industrialisation process imports of defence goods, food grains, raw material, machines, equipment and technical know-how increased substantially resulting in huge balance of payment (BOP) deficit in government reservoir, extensive borrowings, and acute pressures on the Indian currency. These serious foreign exchange constraints necessitated relaxing stringent import controls and making deliberate efforts towards promoting exports by the government (Verghese, 1978). Various export promotion schemes such as import entitlement, duty drawback, tax concessions and railway freight concessions were commenced and the country was also resorted to devaluation of the rupee, green revolution, and setting up of export promotion zones. A relatively conducive environment for exports, provision of export subsidies and liberal import policies for export production led India's exports of merchandise and services grew at an annual rate of about 18% and 27% respectively during the 1970s (Suvrathan, 1991). According to Joshi and Little (1994), there

was a genuine improvement in the export competitiveness of India during the 1970s due to a major depreciation of the real effective exchange rate and increased export subsidies.

Export boom of the 1970s could not be maintained during the first half of the 1980s because of the occurrence of the two oil price shocks, fall in demand in export markets and sluggishness in industrial investments (Suvrathan, 1991). Consequently, India's BOP position worsened and pushed the country into debt trap and deep economic crisis (Banik, 2001). This was the time when Indian government approach was partially shifted from import restrictions to import liberalisation and export pessimism to export promotion. However, BOP continued to be under pressure due to repayment obligation on past borrowings from the International Monetary Fund (IMF), growing protectionism in international trade and rising international oil prices which in turn resulted in sharp decline of foreign exchange reserves from USD 3.11 billion in September 1990 to USD 896 million in January 1991. This was the lowest level of the foreign exchange reserve which forced the Indian government to approach the World Bank and IMF for an unprecedented loan of over USD 46.7 billion against pledging the gold.

This distressed situation raised an urgent need for India to undertake macroeconomic stability and structural changes hence economic reforms were kickstarted in 1991 aimed at ensuring a better allocation of resources and improving economic performance (Sharan and Mukherjee, 2001). Under the ambit of economic reforms, several measures were undertaken including fiscal reforms, financial sector reforms, tax reforms and external sector reforms among others.

India began its external reforms in July 1991 which were characterized with export incentives, eliminating import licensing and linking imports of raw materials and components with export performance through enlargement and restructuring of the replenishment licensing system. Subsequently, a concrete document in a shape of Export Import (EXIM) policy got a place in overall industrial policy of the country. The scholars believe that export incentive schemes had flawed till 1980s and the anti-export policy biases of the economic policies of the last forty years were fully recognized in the post-1991 period resulting in an emergence of a new dimension to the national export promotion policies which have acquired a distinctly new face in the post-1991 reforms period (Wadhva, 1998).

Towards enlargement of exports, the government of India continued with providing financial, marketing, technology advancement, trade facilitation, infrastructure support to its exporters under the ambit of various EXIM policy and foreign trade policy (FTP). Tariffs and non-tariff barriers were eventually removed. Export financial incentives in terms of

Duty Exemption Scheme, Advance License and Pass Book Scheme, Duty Drawback Scheme, and export marketing schemes namely the Focus Market Scheme (FMS), Focus Product Scheme (FPS), Market Linked Focus Product Scheme (MLFPS), Market Development Assistance (MDA), and Market Access Initiative (MAI) Schemes were introduced to support the exporters in many ways for enhancing their exports. Dedicated infrastructure such as Exports Oriented Units (EOUs), Special Economic Zones (SEZs), Agriculture Export Zones (AEZs), Electronic Hardware Technology Park (EHTP), Software Technology Park (STP), and Biotechnology Parks (BTP) were developed to enhance export competitiveness of the Indian industry and to meet the global market requirements. Various trade facilitation measures were also undertaken through the adoption of various electronic data interchange (EDI) measures in terms of ICEGATE, SWIFT, e-GEM, e-BRC, e-IEC among others to create export friendly environment with simplified procedures in the country. General measures in terms of export incentives, marketing promotion, quality improvements measures were undertaken, specific measures for enhancing exports at the sector and state level were initiated, bilateral and regional treaties were signed, multilateral arrangement such as the World Trade Organization (WTO) was joined and among others.

In order to assess the efficacy of export promotional measures undertaken during the pre and post reform period, various eminent Indian scholars had conducted the extensive research at macro as well as micro level. However, exclusive studies pertaining to impact of EPPs on India's export performance are observed not only the limited but also found based on the dated methodologies, few variables and inadequate number of dimensions. Since, enhancing exports is one of the major objectives of Indian economy and the government is spending huge funds in order to support the exporters hence, this is imperative to undertake a systematic review of the existing literature related to impact of government measures on export performance. This attempt would enable us to identify the research gaps in terms of approach, methodology, variables and dimensions and further to set the future agenda so that such an important policy area of the government can be well guided with further empirical and extensive investigation of the topic.

## **METHODOLOGY**

In order to conduct the review of literature pertaining to export promotion programs, a systematic approach had been adopted from identification of research articles to their synthesis. First, various databases such as EBSCO, EMERLAD, and J Store were explored and around seventy research papers were downloaded related to India's export performance during the pre and post economic reforms however, around fifty studies, key reports and books had been reviewed that were closely related to the topic of our research. Furthermore, various related studies conducted by eminent scholars in the foreign countries were also reviewed to understand and compare the approach, methodologies, variables, dimensions taken into considered in foreign markets and in India. Based on the above rigorous exercise gaps were identified and agenda for future research was suggested. The entire gamut of literature had been reviewed in the following categories:

1. Impact of economic reforms and export promotional measures on India's exports at macro level (refer to Table 1).
2. Impact of economic reforms and export promotional measures on India's exports at micro level (refer to Table 2).

## **IMPACT OF ECONOMIC REFORMS MEASURES ON INDIA'S EXPORTS AT MACRO LEVEL**

Nayyar (1976) and (1987) have been amongst the pioneer studies conducted during the pre- economic reforms period to analyse the export trends in general and impact of export promotion policies on India's exports during the 1970s. The study revealed that export earnings increased rapidly at an average rate of 21.5% in the 1970s; the share of manufactures in total exports registered a noteworthy increase to 59% between 1977 and 1978 from 53% in 1970-71. In another study, the factors underlying these trends were determined, which revealed that the assistance provided through the duty drawback system, cash compensatory support, the interest subsidy on export credit, fiscal concessions on exports and the import policy for exports added up to a little more than 10% of the fob value of total exports during the period under review. The study concluded with the

submission that no significant qualitative changes in the period under review were observed and substantial difference between export performance cannot be explained in terms of the export promotion policies.

On the other hand, during the post economic reforms of 1991, various studies resulted that liberalisation measures in terms of external sector reforms have helped the country to have enhanced export growth as well as percentage share in the world exports. Sharma (1996) showed that India had been able to gradually increase its share in world exports from 0.53 to 0.59 during the five years' post the economic reforms period and export growth rate remained on an average at 14%. Export performance is majorly driven by demand in the world market and exportable surpluses which itself depends on capacity and production, domestic demand and relative domestic prices to international prices. Kathuria (1996) applied simulation exercise and found that export profitability declined relatively more in dual exchange rate regime (1992-1993) as compared with decline in replenishment license (REP) regime. The gap between domestic profitability (DP) and export profitability (EP) also widened in this period meaning thereby that domestic sales became even more attractive relative to export sales. However, adverse movement related to EP were reversed during the unification of exchange rate regime (1993-1994).

Kumar (2000) found that liberalisation of trade regime since 1991 had resulted in rise in proportion of trade in GNP from 14.1 % in 1990-91 to 18.2% in 1998-99. Export growth remained a buyout at 20%, narrowing down of the trade deficit from 2.7% of GDP on average during the 1980s to just 0.9% during the 1992-93 to 1995-96 period and overall BOP situation also improved significantly. Virmani (2001) even claimed that external reforms were among the most successful reforms undertaken in India during the nineties. The reforms helped the economy to open up, strengthened the external account and made it much less vulnerable to shocks. In another study, Virmani in 2003 discussed the impact of trade liberalisation measures on the trade as well as economic growth. The study mentioned that opening of the economy to international trade has resulted in raising the share of exports and overall trade in GDP.

Panagariya (2004) highlighted that policy changes have brought significant changes in the trade flows which is growth in trade, composition of trade and its direction. In terms of trade growth, India's share in world exports of goods and services, which had declined to 0.5% by the mid-1980s, bounced back to 0.8% by 2002. Exports of goods and services have grown faster than world exports. Growth rates of both exports and imports rose by 3.3% and ratio of total exports of goods and services to GDP in India nearly doubled

between 1990 and 2000, rising from 7.3% to 14%. Thus, it would be wrong to say that the 1990s did not see a perceptible shift in the growth of exports and imports is simply wrong. Mukherjee and Mukherjee (2012) also found that major policy and exchange rate changes had a favourable impact on India's trade. Share of both exports and imports increased in GDP between 1990 and 2008. Veeramani (2012) found that during the first decade of reforms growth in exports was relatively lower at 8% a year than the export growth of 21% a year attained during the second decade of reforms until the outbreak of global crisis in 2008-09. Share of capital-intensive products in India's total merchandise exports doubled from 25% in 1993 to 54% in 2010 and share of labour-intensive products fell from 30% to 15%. The study revealed that there is a major shift in India's export destinations from the traditional developed markets to the emerging markets in Asia and Africa.

Paudel (2014) by applying the unit root test DF, ADF, PP and KPSS method revealed that Liberalisation had contributed significantly to increase the manufacturing exports supply. Contrary to the received view, this study failed to detect a significant negative relationship between trade protection and export performance. Overall, liberalisations reforms seem to have a positive impact in India's manufacturing export performance but not the merchandised export performance.

**Table 1. Impact of economic reforms on India's exports at macro level**

Author	Nature of Study	Objectives	Period	Methodology	Major Findings
Nayyar (1976)	Analytical	Analyzing exports trends	1970s	% growth	Positive
Nayyar (1987)	Analytical	Impact assessment	1970-71 to 1977-78 and 1977-78 to 1984-1985	% growth	Positive Duty drawback system, cash compensatory support, the interest subsidy on export credit, fiscal concessions on exports and the import policy for exports added up to a little more than 10% of the fob
Sharma (1996)	Analytical	Effect of economic reforms	1991-92 to 1995-96	% growth	Positive Share in world exports grew along with exports growth

<b>Kathuria (1996)</b>	Analytical	Export profitability over different regimes	Pre July 1991, dual exchange rate regime (1992–1993), unified exchange rate system (1993–1994)	Simulation	Positive Export profitability increased during liberalized trade regime.
<b>Kumar (2000)</b>	Analytical	Effect of economic reforms	1980-81 to 1998-99	% growth	Positive Exports grew, BOT narrowed down, BOP position enhanced
<b>Virmani (2001)</b>	Analytical	Evolution of Economic Reforms and Impact	Pre and Post Economic Reforms	% growth	Positive India's trade in World trade rose, Exports, Imports and forex increased.
<b>Virmani (2003)</b>	Analytical	Impact of Economic Reforms	1992-93 to 2000-01	% growth	Positive % share of trade in GDP rose, exports/imports increased
<b>Panagariya (2004)</b>	Analytical	Evolution of Economic Reforms Its impact on trade and economy Trade trends	Three phases 1950-75 1976-91 1992-2004	% growth	Positive Exports of both goods and services increased; wrong to say that the 1990s did not see a perceptible shift in the growth of exports and imports is simply wrong.
<b>Mukerjee and Mukherjee (2012)</b>	Analytical	Foreign Trade Reforms, Impact and Trade Trends	1990-2008	% Growth	Positive Exports and Imports both grew domestically but not much at global level
<b>Veeramani (2012)</b>	Analytical	Exports trends during the first two decades of reforms	1993-94 to 2010-11	% growth	Exports have been impressive while imports increased more than exports.
<b>Paudel (2014)</b>	Empirical	Liberalization reforms performance	Post 1991 economic reforms	Autoregressive Distributed Lag	Liberalizations reforms' seem have positive impact in India's manufacturing export performance but not the merchandised export performance

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Although several eminent scholars had shown a positive impact of government measures for enhancing the exports, there are studies also which have mentioned that export promotion measures have not been much impactful for

increasing exports from the country. In classical times, Verghese (1978) analyzed the performance of individual items covered by cash assistance since 1970 and found that the cash subsidy was just a temporary palliative which helped primarily to improve the profitability of exports indiscriminately on an ad hoc basis, without due process of selection of items on the basis of their potential. Mehta (1997) highlighted that during 1991-1992 and 1995-1996, higher growth was recorded in India's exports than in India's imports leading to decline in trade deficit, no significant changes in India's exports were observed; while direction of India's exports had shown a significant departure to Asian markets. In fact, due to shift in export markets, India's exports have increased and there has been an insignificant effect of other variables like price, exchange rate, trade policy changes etc. on our exports. Wadhva (1998) revealed that India's exports grew during the three years (1993-1994 to 1995-1996) attributed to devaluation of India rupee not to significant improvement in the productivity or quality of Indian exports and that's too for agro based products not for the manufactured products. Focus product and 15x15 product market matrix empirically did not show consistent high growth rates of exports even in the best of recent three years export performance. EOUs/EPZs performance was also not found noteworthy in India.

Veeramani (2007) by applying the constant share model decomposed export growth of four time periods: 1970-79, 1986-90, 1993-97, and 2002-05 and found that India's export growth had not witnessed a significant high growth during the post-reform period (1993-2005), though it has accelerated since 2002. Bhat (2011) showed that during the post economic reforms exports and imports both grew, while such growth is due to a rise in factor productivity, rise in world trade, increase in intra trade industry trade and not due to the external sector reforms undertaken. The study also highlighted that gap between exports and imports widened leading to widening of BOP deficit in recent years.

Kanagasabapathy, Krishnaswamy, and Vishakha (2013) also studied the foreign trade trends with special reference to global financial crisis time period of 2008-09 and corresponding FTP of 2009-Based on the skewed trade performance of the country towards the imports rather than the exports the study suggested that if we want to enhance our export performance there is a need to address the challenges of unavailability of raw materials, lack of skilled people, overdependence on few export markets, lack of branding and promotion, among others. Providing

financials and fiscal incentives, capacity building for export, continuation of existing schemes, etc. should be enhanced.

## **IMPACT OF ECONOMIC REFORMS MEASURES ON INDIA'S EXPORTS AT MICRO LEVEL**

Suvrathan (1991) found that exports of machine tools remained very low during the 1960s; they were hardly at Rs. 1crores. This is in 1969-70 when its exports kicked off in actual terms due to recession in the domestic market. According to the ICICI study, exporters found that exports could not be viable without incentives. In a highly competitive environment even a marginal difference in costs could lead to significant variations in export performance and export assistance schemes such as the Cash Compensatory Support are often looked as a neutralizing factor.

Vanderleest (1996) evaluated the knowledge and utility of export promotion services and publications by International Trade Administration (ITA) and found that several participant organizations had knowledge on and had successfully used government assistance programs for initiating export operations. The results obtained in this study are inconsistent with those in other studies on this topic, thus showing that export publications and services provided by the government in the USA are not appropriately utilized and are not considerably helpful. Dholakia and Kapur (2001) examined the firms' performance based on the 24 different parameters pertaining to: 1) Trade aspects; 2) Technological aspects; 3) Tax performance; and 4) Financial performance of the firms and found that trade liberalization, globalization, and policy reforms in India had a positive effect on the trade performance of the firms. Ghemawat and Patibandla (1998) found that exports of cut and polished diamonds, diamonds and software had remained impressive during the post economic reforms. The study highlighted that there had been three-pronged effect of the reforms in India. First, devaluation of the rupee have enhanced India's competitive advantage in labour intensive industries; Second permitting freer imports of raw materials, intermediate and capital goods has reduced the dependence on inefficient domestic producers; Third import liberalisation in some cases enhanced domestic competitiveness in producing certain commodities. These

all effects finally resulted in enhanced export competitiveness and exports from the country.

Roy (1998) described the post economic reforms scenario for the textile industry. He stated the post reforms textile industry is characterized with six basic features: 1) Cotton is the prominent sector in exports; 2) Cotton demand was stable in the domestic market also resulted in new entrants in the market; and 3) Causal wear remained the leader in textile exports and production among others. Overall the industry was observed to be a rising industry in the country in terms of exports and production. Uchikawa (1999) by using semi-logarithm time trends in textile, chemicals, metal products and transport equipment found that share of these industries rose in value added and GFCF between 1990-1991 to 1995-1996.

**Table 2. Impact of Economic Reforms on India's Exports at Micro Level**

Author	Nature of Study	Objectives	Period	Methodology	Major Findings
<b>Suvrathan (1991)</b>	Analytical Sectoral level	Machine Tools Export trends and benefits of export assistance schemes	1962-87	% growth	Positive Exports rose in 1980s CCS, DDB schemes beneficial as in highly competitive environment even a marginal difference in costs could lead to significant variations in export performance and export assistance schemes such as the Cash Compensatory Support are often looked upon as a neutralising factor
<b>Dholakia and Kapur (2001)</b>	Empirical Firm level (survey based) 557 Private sector companies exporting/non exporting	Impact of economic reforms on performance and trade behavior of private sector companies in India	1980-81 to 1995-96	Linear spline trend function	Positive No. of exporting firms increased Export Intensity increased Technology know in exporting com is more Taxes paid by exporting companies more.
<b>Ghemawat and Patibandla (1998)</b>	Analytical-Sectoral level cutting and polishing of diamonds, garments and software	Effect of economic reforms on diamond cutting, garments and software industry exports	1990-91 – 1996-96	% growth	Positive Exports grew, exports and domestic competitiveness enhanced

<b>Roy (1998)</b>	Analytical – Sectoral level textile industry	Impact on Production, Exports trends	1980s	% growth and % share	Positive Exports and production both rose
<b>Uchikawa (1999)</b>	Analytical- Sectoral level textile, chemicals, metal products and transport equipment	Effect of economic reforms on exports imports, value addition and GFCF	1980s and 1990s	% growth for EX/IM Regressions equation for value addition and GFCF	VA and GFCF in 4 industrial sector accelerated metal, textiles, chemicals and transport. % share of labour intensive products in total exports declined while textiles, G&J , Metals recorded a rise.
<b>Mohanakumar and George (2001)</b>	Analytical- Sectoral level Tyre industry	Effect of economic liberalisation on exports	Pre and Post reform period	% growth rates	value of exports both in rupee and dollar terms in the pre reforms period (1987-88 to 1991-92) was markedly higher than that in the post reforms phase (1992-93 to 1996-97) for truck and bus and all categories of tyres
<b>Mukerjee and Mukherjee (2012)</b>	Analytical Sectoral level	Sectoral Manufacturing Sector including Gem and Jewellery	1990-2008	% Growth and RCA	Exports rose. Diamond Dollar and Green Card for exporters facilitated trade competitiveness

Source: Created by Author

Mukerjee and Mukherjee (2012) highlighted that manufacturing sector contributes a significant share in India's merchandise exports and there has been a structural shift from manufactured exports such as cotton and textile oriented to pharmaceuticals and electronics. Gem and jewellery sector especially the diamond sector has witnessed a significant export performance over a period of time and especially during the post economic reforms. RCA for India's gems and jewellery exports remained considerably above unity indicating that this is a competitive export item for India majorly attributed partially to India's growing exports of large-sized diamonds to markets such as the US. Additionally, introduction of the Diamond Dollar Account and Green Card for exporters of polished diamonds have facilitated trade competitiveness.

## **CRITICAL ANALYSIS AND LITERATURE GAP**

EPPs are highly focused in the national programs of almost all the countries and have received an increased amount of research attention to investigate its outcomes in varied terms. Numerous researches have been undertaken in different countries related to different dimensions of EPPs since its evolution as an area of research in the 1970s as in most of the country's enhancing exports had become a vital activity and henceforth the EPPs. Three dimensions: 1) awareness and usage level of EPPs; 2) Gap analysis (i.e. the gap between demand of exporters and supply of EPAs) provided by the government; and 3) Direct and Indirect impact of EPPs on firms' and economic performance among others are majorly researched. However, while doing the literature review of EPPs related studies in Indian context, a vast gap has been found in terms of methodology, levels and variables which have not been yet explored even after around three decades of economic reforms. Following discussion, critically explains such gaps in Indian literature against the research conducted in different countries related to stated dimensions of EPPs and enables us to set the agenda for future research in India specifically.

### **Awareness and usage level of EPPs**

EPPs are designed and implemented to stimulate export growth, while awareness among the firms about the availability of such programs is a prerequisite to their use and producing desired outcomes (Ahmed et al., 2002). In this direction, Kedia and Chhokar (1986) is one of the first studies which determined the level of awareness of the respondents before evaluating the effectiveness of export promotion programs. Otherwise, prior to this except a few studies Czinkota and Ricks (1981), Czinkota (1982), Samiee and Walters (1990) directly proceeded to evaluate the usage and benefit of EPPs without finding whether the respondents were aware of the existence of the programs or not. Kedia and Chhokar (1986) found that EPPs have not been very effective due to the lack of familiarity on the part of existing or potential exporters of the existence or of the availability of these programs.

Therefore, increasing the exposure to and awareness of existing programs needs to be a high priority of export promotion efforts to benefit the firms which need them the most. The results of the study are similar to Albaum (1983) which strongly recommended generating awareness among industries to attain efficiency of export

assistance programs. While Vanderleest (1996) indicated that despite having knowledge about the export support provided by the US government, such export assistance services were not appropriately utilized by the industry organization in the country. Ahmed et al. (2002) even claimed that degree of awareness varies among different level of industry groups; large-scale exporters are considerably more aware of several EPPs than small- and medium-scale exporters. Crick and Chaudhary (2000) found that a difference in the level of awareness and frequency of use of export assistance programs also exists between the managers of Asian and UK small and medium enterprises (SMEs). Such information is helpful for the government in terms of designing the strategies accordingly.

In India, under the ambit of economic reforms, various export promotion measures have been undertaken while no empirical study has been conducted so far to find the awareness and usage level of exporters about such schemes. Since awareness among the firms about the availability of such programs is a prerequisite to their use and producing desired outcomes (Ahmed et al., 2002); therefore this is imperative to undertake a systematic research in a direction of assessing familiarity and usefulness of such EPPs in enhancing exports in Indian context also. This would enable the government of India and other stakeholders to know to what extent Indian exporters are aware of the export promotional support provided by the Government.

### **Gap analysis W.R.T export assistance demanded by exporters and supply by the government**

There have been various studies conducted to examine systematically to what extent state promotion programs match the assistance desired by the exporters. In this regard, Czinkota and Ricks (1981) examined the perceived needs and interests of importers of US goods and also assessed the quantum of assistance programme requested by the exporters were granted by the US government and found that a great discrepancy exists between what exporters believe would help sales and what the exporters request for assistance. Arthur (1988) also found that the export services of the States are not reaching their target. Even a wide discrepancy also exists between the export assistance needs of firms at different stages and actual assistance provided by the government according to a study by Kotabe and Czinkota (1992). The government of India has been consistently providing marketing, financial, technology, quality upgradation, trade facilitation support to its exporters,

however no such gap analysis related to what Indian exporters desires and what they receive from the Government has been investigated which otherwise could be helpful to assess the overall efficacy of government EPPs for Indian exporters.

### **Impact of export promotional programs on exports**

Determination of the influence of EPPs on export received considerable attention in the 1980s. Seringhaus (1987) stated that although EPPs have been available in many countries for minimum twenty years, only within the previous ten years have these programs become the centre of interest. Later various studies were conducted by the eminent scholars covering different dimension relating to assessing impact of EPPs on exports. Key characteristics of these studies with a special mention of difference of India's studies are outlined as follows:

### **Effectiveness of different types of export promotion measures**

Arthur (1988), Wilkinson and Routers (2000), and Spence (2003) talked about different types of programs that had influenced exports at firm's level. Arthur (1988) found that of all the promotional measures by the US Department of Commerce through organizing seminars, providing export credit insurance and federal tax incentives, establishing Export Trading Company, Increasing Free Trade Zones, and Facilitating drawbacks, credit insurance policies remained effective in terms of dramatically reducing commercial and political risk for American exporters. Wilkinson and Routers (2000) made a point that of the four export promotion activities namely trade shows, trade missions, foreign offices, and objective market information activities that: (1) Trade shows direct exports are positively related; (2) The correlation of trade grams of state governments and state missions with high-tech exports is negative; (3) No association is observed between foreign offices and exports; and (4) A negative association is observed between objective market information programs, including trade leads generated using computers, and direct exports. While Spence (2003) signifies the role of trade mission for relationship building and export performance of firms.

In India, various export promotional measures such as Duty drawback, advance license, MAI, MDA, Export Promotion Capital Goods (EPCG), Technology Upgradation Fund (TUF), export credit, tariff rationalization were undertaken,

however no study has been conducted so far to empirically determine which schemes are effective for increasing exports of the firms in a country.

### **Stages of firms' exports involvement: Direct and indirect impact of EPPs**

Few eminent scholars provided a strong theoretical basis in terms of providing different types or level of export promotion measures at different stages of export involvement of the firms. Kotabe and Czinkota (1992) in this direction have provided a pioneer study wherein different stages of firms have been categories as: 1) Partial interest in exporting; 2) Exploring exports; 3) Experimental exporter; 4) Experienced exporters with limited scope; and 5) Experienced and further the scholar investigated the kind of promotional measures required across different stages. Finally, the study found that managerial ability is somewhat more important than the availability of financing and market information for organisations in all stages except for those in Stage One.

Gencturk and Kotabe (2001) incorporate export involvement along with the use of export promotion programs, as critical variable affecting export performance and suggested that export promotion assistance usage can influence export performance directly as well as indirectly through firms' export involvement which itself affected by managerial and organisational characteristics of a firm. Lages and Montgomery (2004) revealed that total effects of export assistance on annual export performance improvement are non-significant, because although export assistance has a direct positive impact on performance, there is a negative indirect impact through pricing strategy adaption.

Colleen and Dodd (2004) suggest that sporadic and active exporters gain the most from EPPs, while there is little impact in the short term for more experienced international firms who derive most of their incomes from exporting. Ali and Shamsuddoha (2009) findings clearly suggest that the impact of export assistance programs on firm export performance is indirect through other firm- and management- related internal determinants of export performance, such as export knowledge, commitment, strategy and management's perceptions of the export environment. Yannopoulos (2010) tested the differences in the usefulness of export assistance programs to different firms and highlighted that different EPPs differ in terms of usefulness for different sizes of firms. Smaller firms found assistance with their marketing mix - logistics, sales material, and product standards more useful than larger firms. Leonidou et al. (2011) revealed that the adoption of particular national EPPs

positively strengthened the export-related resources of organizations and capabilities, which are subsequently helpful in achieving superior export performance.

Continuing with same pattern of assessing direct and indirect impact of EPPs on export performance Haddoud et al. (2016) found that the informational GEPPs such as seminars and training improve the relationship quality with the local buyers while experiential GEPPs such as exhibitions and trade missions result in greater effect on SMEs relationships quality with the foreign buyers. Wang et al. (2017) found that marketing implementation capabilities play a very crucial role in enhancing effect of information related EPPs on firm's exports performance and financial aid related EPPs moderate the entire process directly and indirectly. Sharma et al. (2018) found that EPPs have a positive indirect impact on firm's exports performance through the improved perception about the attractiveness and export potential of the foreign markets.

a. In India, EPPs are systematically classified in different categories such as Financial, Marketing, and Informational while with no such classification impact of Indian EPPs on firms' export performance has been assessed.

b. Various variables such as: a) managerial characteristics – age, education, skills, international experience, manager's perception; b) firm's characteristics – age, size, stage resources, and commitment have been taken into consideration as moderating variables while assessing the impact of EPPs on export performance of firms. Accordingly, direct and indirect impact of EPPs on EP has been assessed in various studies by incorporating all these variables in their testing models. In the Indian context, no such study has been conducted which has adopted such extensive conceptual or testing model to determine impact of government export promotional support.

c. A lot of advancement has been made pertaining to the application of statistical methods and techniques. Conventional statistical tools such as ANOVA and Regression have been eventually replaced with advanced statistical techniques- structural equation modelling (SEM) and Difference in Difference (DID) estimator to determine the impact of EPPs. In this manner the research in this area has taken many strides in other countries; however in India no such application of such advance methods have been used to determine the impact of EPPs.

d. The most important gap that was observed throughout the review of literature in Indian context is there is a dearth studies pertaining to impact of EPPs on export performance of Indian firms. There are hardly few studies Suvrathan (1991),

Dholakia and Kapur (2001) which have been undertaken in this direction and that's also not with the extensive modeling as used in various studies for different countries such as the US, UK, Canada, Chile, Portugal, Argentina, China, Spain, Denmark, and Algeria.

At the backdrop of literature gap, few prominent questions arise: 1) What is the impact of different export promotion programs on India's export performance?; 2) What is level of awareness and usage of EPPs among Indian exporters?; 3) Whether the EPPs have been beneficial for Indian firms for enhancing exports?; and 4) Whether the above benefit is contingent upon managerial as well as firm are characteristics?

## CONCLUSION

One of the most important research dimensions of EPP is determining its impact at economy in terms of increasing their exports. Several insightful studies have been conducted during the pre and post economic reforms so as to assess the impact of government measures on India's overall exports during the different time periods. Verghese (1978), Mehta(1997), Wadhwa (1998), Veermani (2007), Bhat (2011), and Kanagasabapathy et al. (2013) are in direction of assessing the impact of EPP on the overall promotion of India' exports. However, the above discussion shows that there is still a dearth of studies pertaining to the agenda which could provide insightful results to the government of India and enable to assess the efficacy of the EPPs more appropriately and revise their export promotion policy or program decisions accordingly in future. Few areas of research are suggested below.

First, under the ambit of economic reforms, various export promotion measures have been undertaken while no empirical study has been conducted so far to find the awareness and usage level of exporters about such schemes. Therefore, the researchers can conduct an empirical study to assess the awareness and usage level of such economic measures to determine to what extent these measures are reaching to the exporters. This would enable the government of India and other stakeholders to know to what extent Indian exporters are aware of the export promotional support provided by the government.

Second, the government of India has been consistently providing marketing, financial, technology, quality upgradation, trade facilitation support to its exporters, however no such

gap analysis related to what Indian exporters desire and what they receive from the government has been investigated which otherwise could be helpful to assess the overall efficacy of government EPPs for Indian exporters. Therefore, a gap analysis study can be undertaken in Indian context so that need based EPPs can be designed and implemented for the exporters. This would result in proper allocation of resources by providing the resources which are needed by the Indian exporters.

Third, In India, various specific export promotional measures are undertaken as a part of overall EPPs such as duty drawback, advance license, MAI, MDA, EPCG, TUF, export credit, tariff rationalization etc. were undertaken, however no study has been conducted so far to empirically determine which schemes are effective for increasing exports of the firms in a country. In this context an empirical study can be undertaken to determine the effectiveness of the specific export promotion schemes which would enable us to know which specific schemes are useful and to what extent. Accordingly, the schemes can be focused upon by the government and other stakeholders.

Fourth, various variables such as managerial characteristics (i.e., age, education, skills, international experience, manager's perception) and firm's characteristics (i.e., age, size, stage resources, commitment) have been taken into consideration as moderating variables while assessing the impact of EPPs on export performance of firms. Accordingly, direct and indirect impact of EPPs on EP has been assessed in various studies by incorporating all these variables in their testing models. In Indian context, no such study has been conducted which has adopted such extensive conceptual or testing model to determine impact of government export promotional support. At this gap, a model can be developed for empirically testing to what extent effect of EPPs in India on exports are affected by the size, age, resources and stage of the exporting companies.

Fifth, a lot of advancement has been made pertaining to the application of statistical methods and techniques. Conventional statistical tools viz. ANOVA and Regression have been eventually replaced with advanced statistical techniques- SEM and DID estimator to determine the impact of EPPs. In this manner the research in this area has taken many strides in other countries; however in India no such application of such advance methods have been used to determine the impact of EPPs. A study can be planned to have applied advance statistical techniques to produce more robust and concrete results.

Lastly, the most important gap that was observed while doing review of literature in Indian context is there is a dearth studies pertaining to impact of EPPs on export performance of Indian firms. Therefore, studies by incorporating the above stated variables,

using the advance statistical techniques can be conducted at firm level by covering different industrial sectors of the country such as. gem and jewellery, textiles, leather, electronics, agriculture, handicrafts, software. The rationale of selecting these sectoral firms is the focus that the Indian government has been giving since the commencement of economic reforms of 1991.

The above suggested areas of research would overall address the various prominent questions in Indian context in terms of the impact of different export promotion programs on India's export performance, the level of awareness and usage of EPPs among Indian exporters?, whether EPPs have been beneficial for Indian firms for enhancing exports, and whether the above benefit is contingent upon managerial as well as firm are characteristics. Once these queries are addressed with robust replies the government can design and redesign and implement its export promotion program more appropriately and judiciously.

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