

A STUDY ON INDIAN EXPORT COMPETITIVENESS: AN INITIATIVE TO MAKE IN INDIA

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ABSTRACT

Aim of Study: The aim of the study is basically to explore the current status of Tea industry in India, to examine the key factors affecting the export competitiveness of Tea industry in India and also this study aims to suggest strategies/model to increase the strength of tea industry in export competitiveness in India.

Scope of the Study: This study investigates the factors which affect the export competitiveness of Tea industry in India and to suggest strategies/model to increase the strength of tea industry in export competitiveness in India.

Research Methodology: The study is exploratory in nature. A systemized and organized study was done to reach the desired objectives of the study. The responses obtained from the respondents i.e. individual firms engaged in tea export in India using various statistical techniques. This study is restricted to tea exporters in India. The importance of this study is that it focuses on identifying the various factors affecting the export competitiveness of tea industry in India. Here in this study various independent variables are Factor Conditions, Demand Conditions, Related and Supporting Industries, Government Regulations and Brand Loyalty whereas Export Competitiveness is dependent variable.

Significance of Study: Export development plays an important role in promoting economic growth and development. Understanding of export competitiveness has primarily been pursued in terms of economic variables and market conditions. The study involved an investigation into the determinants of export competitiveness of tea industry in India and to develop a framework to enhance the competitiveness of tea industry.

Model Developed: E – M Tea Export Competitiveness Model

JEL Classification: C01, C02, C12, C14, C18, C51, C83

Key Words: Demand Conditions, Export Competitiveness, Factor Conditions, and Tea Industry in India.

INTRODUCTION

Until recently, India has been the largest producer of tea in the world, accounting for 29% of world tea production in the nineties and 27.6% in the current decade. The country is also the largest consumer of tea, with the share of domestic consumption in all-India tea production being 70% during the eighties and nineties and 81.68% during the current decade. However, our tea-exports performance has been unimpressive, with growth rates in terms of export volumes turning negative in the past and absolute volumes of exports fluctuating and stagnating around 200 million kilograms since many decades. Although this itself is not necessarily a cause of concern since this could be due to a change in the output-mix and the export basket with the development of the economy. However, this does raise the question as to why export volumes are stagnating.

REVIEW OF LITERATURE

Bhowmik (1990) observed that the increase in domestic demand adversely affected export. The internal consumption has been increasing consistently while export of Indian tea stagnated at around 200 million kg per annum.

Asha (1993) analyzed that Indian tea export faces the threat of competition from the growing domestic market as well as the competing countries and as a result the domestic price is increasing. The study reveals that Indian tea is getting less and less due to growing domestic market, resulting in the decline of potential competitiveness of tea export.

Krishna (1995) observed that production of tea in India has been increased at an annual percentage growth of 1.5 per cent, but the total volume of export declined. Reasons for this decline in exports were lower imports by CIS countries, Iran, Egypt and Saudi Arabia and competition from other producing countries.

Sundaram (1995) observed that tea industry in India faced a crisis in 1992 when production lowered, export fell down and the price slumped. He suggested that scientific management of small gardens, replanting the existing area, etc. are some of the measures that may be taken for improving productivity. For effective marketing, both in domestic and in international market, branded products have to be introduced with strict quality control.

Kumar (2000) analyzed that the major export market to Indian tea are CIS countries, Britain, Germany, Holland, Poland and Australia. Liberalization of imports and crisis in Russian economy has adversely affected tea export from India. The Russia and CIS countries have been switching gradually from the high priced high quality tea to the low priced low quality tea due to the crisis in their countries. As a result of this low priced Sri Lankan tea is dumped into India and that was exported to these countries. This process has adversely affected the Indian tea industry.

Jain (2011) observed that the major factors identified as being responsible for India's poor performance are high input costs, the old age of the bushes, unskilled labor, and lack of infrastructure, poor price realization, legal problems, outdated machinery, high fixed and labor cost, inefficient Tea Board , inability to compete with other tea producing nations in terms of price, quality, packaging, etc.; slow increase in world demand for tea as compared to the subsequent increase in its supply, losing traditional international buyers and more inclination towards domestic market in comparison to the international market. She also advised that Indian practitioners should improve their export strategy by producing good quality teas at competitive prices.

Veeramani (2012) did descriptive analysis of India's export performance in tea and coffee and showed that the movements in prices is the key factor in determining the long term trends in export revenue.

Barua&Mazumder (2012)observed that rising domestic consumption had been major factor inducing Indian tea producers to supply their tea in the domestic market instead offering them for exports. Changes in the global geo-political and economic environment in the pre and post WTO period have affected the tea export market of India in the most adverse manner. Matters had been made worse in the domestic front with the growing popularity of tea substitute and the emergence of small tea growers.

Kumarasinghe&Sachitra (2014) found that factor conditions have the most significant influence of export competitiveness of tea industry and the second important is government support. Followed by government support, demand condition and brand loyalty have also made positive impact on export competitiveness of tea industry in Sri Lanka. While identifying important elements, results indicated that raw material, technology, physical infrastructure, information infrastructure, related industries, and firm characteristics have significant impact.

OBJECTIVES OF THE STUDY

1. To explore the current status of Tea industry in India.
2. To examine the factors affecting the export competitiveness of Tea industry in India.
3. To suggest strategies/model to increase the strength of tea industry in export competitiveness in India.

HYPOTHESES OF STUDY

On the basis of above review and objectives, the following hypotheses were formulated: -

H1:Whether there is any significant relationship between factor conditions with that of the export competitiveness of tea industry in India or not.

H2:Whether there is any significant relationship between demand conditions with that of the export competitiveness of tea industry in India or not.

H3:Whether there is any significant relationship between related and supporting industries with that of the export competitiveness of tea industry in India or not.

H4:Whether there is anysignificant relationship between government regulations with that of the export competitiveness of tea industry in India or not.

H5:Whether there is anysignificant relationship between brand loyalty with that of the export competitiveness of tea industry in India or not.

STUDY MODEL

The study model based on hypotheses is given as under: -



Fig.1: Study Model

RESEARCH METHODOLOGY

This exploratory study involves 200 respondents in total from individual firms engaged in tea export in India by using Purposive and Judgment sampling technique, but 177 filled questionnaires were taken into consideration as 23 were summarily rejected due to some unfilled parts. Both of the sources were used to collect the data. The questionnaire by using 5-point Likert scale comprised of two parts. First part contains questions related to the demographic profile of tea export firms like Number of Employees, Location, Capital investment, Assets etc. and second part contains 21 positive statements related to the tea industry and influencing factors on export determinants. Data was analyzed by using various statistical techniques on SPSS 20 version software.

SIGNIFICANCE OF THE STUDY

As far as the significance of the study is concerned, the significance of this study lies in the fact that over the past two decades, globalization has given a boost to world trade, has grown one and a half times faster than world output, and the difference has even been considerably higher in recent years as world trade growth accelerated very strongly. More and more goods and services have entered the markets, and domestic companies have increasingly engaged in international trade. Keeping in view the fact this study focuses on identifying the various factors affecting the export competitiveness of tea industry in India.

DATA ANALYSIS AND INTERPRETATION

Before doing the desired analysis, it is essential to find whether the questionnaire is reliable for the study or not and whether the sample size is adequate for the study or not. The reliability of the questionnaire was calculated through Cronbach’s Alpha and as the value of Cronbach’s Alpha is more than 0.6 for all the variables as shown in Table 1, it means that the instrument is reliable for the study. Therefore, the high Cronbach’s Alpha coefficient in this study represents a high consistency and reliability among statements in questionnaire.

Table 1: Reliability Statistics

S. No.	Dimension	Number of Items	Cronbach Alpha
1	Factor Conditions (FC)	6	0.732
2	Demand Conditions (DC)	3	0.841
3	Related and Supporting Industries (RS)	3	0.782
4	Government Regulations (GR)	3	0.935
5	Brand Loyalty (BL)	3	0.826
6	Export Competitiveness (EC)	3	0.724

KMO and Bartlett's test of sphericity was done to measure the homogeneity of variables and to test the correlation among used variables respectively. From table 2, it is found that the value for KMO was more than 0.6 and Bartlett's Test of Sphericity has significant value at 5 % level of significance which signifies the acceptance of instrument for the study.

Table 2: KMO and Bartlett’s test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.827
Bartlett's Test of Sphericity	Approx. Chi-Square	1587.821
	Df	74
	Sig.	0.000

Factor Analysis

Extractions communalities are estimates of the variance in each variable accounted for by the components. Table 3 reveals that, communalities are ranging from .685 to .898, which indicates that the extracted components represent the variables well.

Table 3: Communalities(Principal Component Analysis)

Variable	Initial	Extraction
Availability of Raw Material	1	0.832
Human Resources	1	0.916
Capital	1	0.782
Physical Infrastructure	1	0.822
Information and Communication	1	0.831
Technology	1	0.761
Local Market	1	0.842
Demand Quality	1	0.815
Market Share in Export	1	0.716
Related Industries	1	0.746
Supporting Industries	1	0.822
Administrative Support	1	0.702
Macroeconomic Stability	1	0.762
Ruling Government Behaviour	1	0.685
Microeconomic Environment	1	0.772
Behaviour of Buyers	1	0.690
Characteristics of Firms	1	0.898
Size of Firms	1	0.773
Firm Structure and Rivalry	1	0.726
Investment Climate	1	0.821
Strategy of Firm	1	0.729

Table 4: Rotated Component Matrix

Variables	Component					
	1	2	3	4	5	6
Availability of Raw Material				0.528		

Human Resources				0.629		
Capital				0.724		
Physical Infrastructure				0.671		
Information and Communication				0.828		
Technology				0.626		
Local Market		0.572				
Demand Quality		0.825				
Market Share in Export		0.662				
Related Industries						0.552
Supporting Industries						0.728
Administrative Support						0.617
Macroeconomic Stability					0.836	
Ruling Government Behaviour					0.824	
Microeconomic Environment					0.774	
Behaviour of Buyers	0.991					
Characteristics of Firms	0.725					
Size of Firms	0.528					
Firm Structure and Rivalry			0.882			
Investment Climate			0.624			
Strategy of Firm			0.551			

From the table 4, the 21 variables are condensed to six factors viz.

Factor 1: This factor explains the First component and is designated as “*Brand Loyalty*”.

Factor 2: This factor explains the Second component and is designated as “*Demand Conditions*”.

Factor 3: This factor explains the Third component and is designated as “*Export Competitiveness*”.

Factor 4: This factor explains the Fourth component and is designated as “*Factor Conditions*”.

Factor 5: This factor explains the Fifth component and is designated as “*Government Regulations*”.

Factor 6: This factor explains the Sixth component and is designated as “*Related and Supporting Industries*”.

COEFFICIENTS OF CORRELATION

Karl Pearson Coefficient of correlation was calculated to find the significant relationships between dimensions. From Table 5, it is quite clear that the export competitiveness of tea industry is found to be significantly associated with the Factor Conditions, Demand Conditions, Related and Supporting

Industries, Government Regulations and Brand Loyalty. However there is some association in some variables while some have no relationship at all.

Table 5: Coefficients of Correlation

		FC	DC	RS	GR	BL	EC
Pearson Correlation Coefficient	EC	0.827	0.736	0.528	0.924	0.617	1
N		21	21	21	21	21	21
Sig. (2 – tailed)		0.000*	0.001*	0.031*	0.000*	0.041*	-
Pearson Correlation Coefficient	BL	0.002	0.629	0.041	0.001	1	0.617
N		21	21	21	21	21	21
Sig. (2 – tailed)		0.519	0.000*	0.721	0.927	-	0.041*
Pearson Correlation Coefficient	GR	0.724	0.031	0.062	1	0.001	0.924
N		21	21	21	21	21	21
Sig. (2 – tailed)		0.000*	0.528	0.882	-	0.927	0.000*
Pearson Correlation Coefficient	RS	0.028	0.022	1	0.062	0.041	0.528
N		21	21	21	21	21	21
Sig. (2 – tailed)		0.428	0.927	-	0.882	0.721	0.031*
Pearson Correlation Coefficient	DC	0.662	1	0.022	0.031	0.629	0.736
N		21	21	21	21	21	21
Sig. (2 – tailed)		0.000*	-	0.927	0.528	0.000*	0.001*
Pearson Correlation Coefficient	FC	1	0.662	0.028	0.724	0.002	0.827
N		21	21	21	21	21	21
Sig. (2 – tailed)		-	0.000*	0.428	0.000*	0.519	0.000*

HYPOTHESIS TESTING

H1:Whether there is any significant relationship between factor conditions with that of the export competitiveness of tea industry in India or not.

Table 6: Relationship between Factor Conditions and Export Competitiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig. @ 1%
	B	Std. Error			
(Constant)	1.728	0.121		11.529	0.000*
Factor Conditions	0.862	0.042	0.827	11.825	0.000*

Table 7: Regression Analysis – Factor Conditions and Export Competitiveness

Model	R	R ²	Adjusted R ²	S.E. of estimates	F	Sig. @1%
1	0.827	0.684	0.621	0.7218	132.42	0.000*

a: Predictors: (Constant), Factor Conditions

b: Dependent variable: Export Competitiveness

The multiple regression analysis from Table 6 identifies that Export Competitiveness in Tea Export industry is positively affected by Factor Conditions and table 7 also shows the positive association between the factor conditions and export competitiveness of tea industry. It is further observed that 68.4% of the variation in export competitiveness is explained by the factor conditions and the significant value shows the acceptance of alternate hypothesis.

H2: Whether there is any significant relationship between demand conditions with that of the export competitiveness of tea industry in India or not.

Table 8: Relationship between Demand Conditions and Export Competitiveness

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
(Constant)	2.815	0.114		12.914	0.000*
Demand Conditions	0.711	0.023	0.623	12.251	0.000*

Table 9: Regression Analysis – Demand Conditions and Export Competitiveness

Model	R	R ²	Adjusted R ²	S.E. of estimates	F	Sig.
1	0.736	0.542	0.523	0.8221	125.23	0.000*

a: Predictors: (Constant), Demand Conditions

b: Dependent variable: Export Competitiveness

The multiple regression analysis from Table 8 identifies that Export Competitiveness in Tea Export industry is positively affected by Demand Conditions and table 9 also shows the positive association between the demand conditions and export competitiveness of tea industry. It is further observed

that 54.2% of the variation in export competitiveness is explained by the demand conditions and the significant value shows the acceptance of alternate hypothesis.

H3: Whether there is any significant relationship between related and supporting industries with that of the export competitiveness of tea industry in India or not.

Table 10: Relationship between Supporting Industries and Export Competitiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.524	0.082		13.423	0.000*
Supporting Industries	0.511	0.031	0.441	13.513	0.000*

Table 11: Regression Analysis-Related/Supporting Industries and Export Competitiveness

Model	R	R ²	Adjusted R ²	S.E. of estimates	F	Sig.
1	0.528	0.279	0.232	0.6223	132.38	0.000*

a: Predictors: (Constant), Related and Supporting Industries

b: Dependent variable: Export Competitiveness

The multiple regression analysis from Table 10 identifies that Export Competitiveness in Tea Export industry is positively affected by Related and Supporting Industries and table 11 also shows the positive association between the Related & Supporting Industries and export competitiveness of tea industry. It is further observed that only 27.9% of the variation in export competitiveness is explained by the Related & Supporting Industries and the significant value shows the acceptance of alternate hypothesis.

H4: Whether there is any significant relationship between government regulations with that of the export competitiveness of tea industry in India or not.

Table 12: Relationship between Government Regulations and Export Competitiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.552	0.337		11.652	0.000*
Government Regulations	0.931	0.010	0.882	11.892	0.000*

Table 13: Regression Analysis – Government Regulations and Export Competitiveness

Model	R	R ²	Adjusted R ²	S.E. of estimates	F	Sig.
1	0.924	0.854	0.832	0.6369	152.81	0.000*

a: Predictors: (Constant), Government Regulations

b: Dependent variable: Export Competitiveness

The multiple regression analysis from Table 12 identifies that Export Competitiveness in Tea Export industry is positively affected by Government Regulations and table 13 also shows the positive association between the government regulations and export competitiveness of tea industry. It is further observed that 85.4% of the variation in export competitiveness is explained by the government regulations and the significant value shows the acceptance of alternate hypothesis.

H5: Whether there is no significant relationship between brand loyalty with that of the export competitiveness of tea industry in India or not.

Table 14: Relationship between Brand Loyalty and Export Competitiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	2.415	0.023		13.687	0.000*
Brand Loyalty	0.514	0.016	0.428	13.992	0.000*

Table 15: Regression Analysis – Brand Loyalty and Export Competitiveness

Model	R	R ²	Adjusted R ²	S.E. of estimates	F	Sig.
1	0.617	0.381	0.326	0.9523	142.16	0.000*

a: Predictors: (Constant), Brand Loyalty

b: Dependent variable: Export Competitiveness

The multiple regression analysis from Table 14 identifies that Export Competitiveness in Tea Export industry is positively affected by Brand Loyalty and table 15 also shows the positive association between the brand loyalty and export competitiveness of tea industry. It is further observed that 38.1% of the variation in export competitiveness is explained by the brand loyalty and the significant value shows the acceptance of alternate hypothesis.

TEA EXPORT COMPETITIVENESS MODEL

On the basis of the above study, a model was proposed by the researchers and now a statistically proved model is developed on the name of the researchers as **E – M Tea Export Competitiveness Model** which is given as under:-



Fig.2: Tea Export Competitiveness Model

CONCLUSION

Export Competitiveness in Tea Export industry is positively affected by the availability of raw materials, human resources, capital, physical infrastructure, information and communication and technology. Since the positive relationship is found between the variables and export competitiveness in tea export industry which implies that the greater the variables and greater is the export competitiveness. Tea Export industry is positively affected by Local Market, Demand Quality and Market Share in Exports. It is clear that these Conditions contribute to the Export Competitiveness. Positive relationship is found between the export competitiveness and related and supporting industries which imply that the greater the Related and Supporting Industries and greater is the export competitiveness. Tea Export industry is positively affected by Ruling Government Behavior, Microeconomic Environment and Microeconomic Stability. Tea Export industry is positively affected by Behavior of Buyers, Characteristics of Firms and the Size of Firms.

RECOMMENDATIONS

1. Tea exporters have to keep an eye on the raw material as the raw material plays an important role in the export competitiveness.
2. It is recommended for the tea exporters to be leader in export, they have to keep their human resources happy by providing them good work culture, infrastructure facilities and benefits in terms of either in monetary or for their welfare. Physical infrastructure and communication and technology should be of competitive level to compete in the world market.

3. Tea exporters must look after the local markets and demand conditions. If the local market is satisfied with the cost and quality, they will prefer to buy from tea exporters otherwise these local market people can approach tea exporters of other country and that will reduce the export competitiveness in the world market.
4. Related and supporting industries play a vital role in the quality and services of tea exporters. Tea exporters should look for the benefits of the related and supporting industries as the reduction in quality of related and supporting industries lead to reduction in export competitiveness of tea exporters.
5. Government rules, regulation and policies play a vital role in the export industry. So before forming any policy tea exporters must follow the government regulations as any contradiction leads to penalty.

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