

EXPORT PROMOTION MEASURES AND ITS IMPACT ON INTERNATIONAL TRADE OF INDIA

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ABSTRACT

Export promotion is an umbrella term for economic policies, development interventions and private initiatives aimed at improving the export performance of an economic area. Such an economic area can include just one country, a region within a country, or a group of countries involved in an economic export area. Specific industries may be targeted. Improvement is mainly sought by increasing exports both in absolute terms and relative to imports. When specific industries are targeted, export promotion policies tend to target industries that have a comparative advantage over their foreign competitors. Export promotion can also include expanding the supply of key inputs in a country's strongest industries, via import expansion. If successful, such a tactic would lead to pro-export biased growth.[1]As an economic policy with the ultimate goal of increasing domestic welfare, export promotion comprises a large set of policy instruments. One notable tactic is the provision of export intelligence to domestic enterprises in order to reduce transaction costs and provide them with a competitive advantage vis-à-vis foreign companies. Many countries all over the world have set up special agencies, most of them in the public domain, to implement export promotion policies and provide support services to domestic enterprises.[2]Some international organizations provide assistance to so-called developing countries to help them promote their exports, most prominently the International Export Centre in Geneva, which is a subsidiary of the World Export Organization and the United Nations with a mandate to providing export-related technical assistance to those countries.[3][4]

Keywords: *Export Promotion, Economic, Export, Domestic Welfare, Agencies, World Export Organization, Technical Assistance*

INTRODUCTION

The rationale for public export promotion measures is based on the observation of market failures and the idea of creating positive externalities. All economic transactions imply so-called [transaction costs](#).¹ In [international export](#), some transaction costs are significantly higher than when carrying out business in the domestic market. For example, information about foreign consumers is less readily

available, foreign jurisdictions might apply different product standards, which can pose [technical barriers to export](#), or transporting goods becomes more expensive and hazardous with increasing distance.^{[5][6][7]} Since the mid-2000s, research in a relatively new branch of export theory, which emphasizes the role of firm-level heterogeneity in explaining export, has provided first insights about how export promotion affects individual enterprises. Using panel data for Chile and the USA, Alvarez

(2004)^[8] and Bernard and Jensen (2004),^[9] respectively, find mostly insignificant firm responses to different export promotion schemes. In Alvarez (2004),³ only market studies and arranged meetings with experts, authorities and clients had a statistically significant effect. Görg et al. (2008),^[10] however, find that matching grant schemes for Irish enterprises helps to increase exports by existing exporters without stimulating the entry of new firms into export markets. Examples of export promotion agencies include the [Export Promotion Council of Kenya](#)² (EPC), the [Serbia Investment and Export Promotion Agency](#) and India's [Engineering Exports Promotion Council](#). The Export Promotion Council of Kenya (EPC) is [Kenya's](#) premier institution in the development and promotion of export export in the country. Established in 1992, EPC's primary objective was to address bottlenecks that were facing exporters and producers of export goods and services with a view to increasing the performance of the export sector.⁵ The Council was therefore established for the purpose of giving an outward orientation to an economy that was hitherto inward looking. Over time, the EPC has embraced the mandate of co-ordinating and harmonising export development and promotion activities in the country, providing leadership to all national export programmes. Today, EPC is the focal point for export development and promotion activities in the country.⁴

The EPC was established on August 19, 1992 through Legal Notice No. 4342, with the mandate of developing and promoting Kenya's exports. In pursuit of its mandate, the EPC primary objective is to address bottlenecks facing exporters and producers of export goods and services in order to increase the performance level of the export sector. It also provides a forum for dialogue between the exporting fraternity and relevant public and private sector institutions and organizations through Sectoral Panels⁶. In [business](#) and [marketing](#), "export" refers to the relationship between [manufacturers](#) and [retailers](#).^[11] Export Promotion refers to marketing activities that are executed in [retail](#) between these two partners. Export

Promotion is a marketing technique aimed at increasing demand for products in [retail stores](#) based on special pricing, display fixtures, demonstrations, value-added bonuses, no-obligation gifts, and more.^[2]

Export Promotions can offer several benefits to businesses. Retail stores can be an extremely competitive environment; export promotions can help companies differentiate their products from the competition.⁷ Companies can utilize Export Promotions to increase product visibility and [brand awareness](#) with [consumers](#). Export Promotions can also increase a product's consumption rate, or the average quantity of a product used by consumers in a given time period. Furthermore, effective Export Promotions can enlarge a product's [market segment](#) penetration, or the product's total sales in proportion to the category's [competition](#). Moreover, companies use Export Promotions to improve distribution of their product(s) at retailers and strengthen relationships with retailers. Lastly, Export Promotions can be leveraged to introduce new product launches into retail stores.^[3]

In-store displays are promotional fixtures in retail stores. Variations of in-store displays include [Point-of-Sale Displays](#), which are located near [cash registers](#) to encourage [impulse buying](#); Floor Stickers, or [advertisements](#) for products on the aisle of a store; Feature Displays, which can be located at the end of an aisle to draw attention to a product; and Special Racks, or manipulation of a store shelf to make more space available for a product or bring attention to the promoted product. In-store Displays can be perceived as more visually appealing to consumers than product alone on a retail shelf. (TPR)⁸ are either directly or indirectly lower the cost per unit of a product. Examples include "cents off" promotions, where manufactures or retailers temporarily reduce the price of a product, and Bonus Pack promotions which offer extra product for free. Consumers benefit from either paying a lower price on a product or getting more of a product for the same price. Coupons offer instantly redeemable savings on certain products.

Coupons can be featured on In-Store Displays, on their own, or on the product. Coupons instantly reduce the price of a product, making it more desirable to consumers.

Coupons can have both advantages and disadvantages.⁹ Coupons create brand awareness. The consumer sees the brand name on the coupon even when the coupon is not redeemed. Coupons, also, encourage consumers to purchase brands on the next trip to the store.⁵ The disadvantages that come along with using a coupon are:¹⁰

- Reduced revenues
- Mass-Cutting
- Counterfeiting
- Missredemptions ^[6]

DISCUSSION

[Contests](#) normally require the participant to perform some type of activity. The winner is selected based on who performs best or provides the most correct answers. No purchase is required to enter a [sweepstakes](#). Consumers can enter as many times as they wish, although it is permissible for firms to restrict customers to one entry per visit to the store or some other location.¹¹ The problems with Contest and Sweepstakes are the cost, consumer indifference and clutter.¹² [Rebates](#) offer money back to the consumer. Unlike coupons, rebates cannot be used immediately, but instead must be mailed to the product's manufacturer. Consumers benefit from the lower price, while companies benefit because not every consumer will redeem the offer. [Premiums](#) incentivize consumers to purchase a product with a tangible benefit, such as a no-obligations gift. Premiums make the product offer more valuable to consumers by including a related product for no additional cost. Sampling allows consumers to try the product either in-store or via [free samples](#) before buying it.¹² This can reduce consumers' apprehension about buying a new product or introduce them to a product they were unfamiliar with before. In 2004, less than 30% of

Export Promotions in the Consumer Packaged Goods industry were profitable.¹⁴ Several issues cause such lack of [profitability](#). Some potential problems associated with export promotions programs are costs, the potential impact on small manufacturers, and the tendency to rely too much on export promotions to move merchandise.⁸ Export promotion decisions are often rushed and based on sub-par data.¹³ While Sales and Marketing managers are surrounded by promotion information, questions on retail commitment and product forecast accuracy can hinder the process. Multiple data sources and conflicting needs from various departments further complicate the issue.⁹¹⁰ Historical export promotion data should be analysed in order to continually improve export promotions. If a company does not utilize processes and systems that measure export promotion performance, future export promotion executions could be less effective than if they'd been planned using past analytical information.¹⁴

Lack of integration both internally and with external partners can hinder export promotion success. Key elements of organizational integration include standardized metrics, regular information sharing, cross-functional department collaboration, and collaborative processes. Integration with retail partners is important to executing promotions successfully, as well as maintain strong relationships with retailers over time. [KPIs](#) tell manufacturers and retailers how export promotions performed relative to their pre-determined objectives. A lack of understanding on what export promotion data to measure and how to measure performance can hinder the overall process.¹⁵ Manufacturers and retailers will not know what made a promotion effective or ineffective unless they have predetermined data points to measure and analyse. Measured promotion profitability often overstates profits because it fails to take into account cannibalization by the promoted product of other products. Sales of the promoted product may increase, but this may be partially offset by a decrease in sales of substitute products.¹⁶

RESULTS

Export promotion agencies of India

1. **The Agricultural and Processed Food Products Export Development Authority (APEDA)** is an Indian Apex-Export Export Promotion Active government body.^[1] APEDA is the premier body of export promotion of fresh vegetables and fruits. It provides the crucial interface between farmers, storehouses, packers, exporters, surface transport, ports, Railways, Airways, and all others engaged in export export to the international market.^{[2][3][4]}
2. **The Cashew Export Promotion Council of India** or **CEPC** or **CEPCI** was established by the Government of India in 1955, with the active cooperation of the [cashew](#) industry with the object of promoting exports of cashew kernels and cashew nut shell liquid from [India](#).^[2] It is headquartered in [Mundakkal](#) in the city of [Kollam, Kerala](#).^{[3][4]} The Council serves as an intermediary between importers of cashew kernels and exporters who are members of the council.¹⁷ The council is also supposed to deal with any disputes on exports or imports arising on account of quality standards, breach of contractual obligations, etc. It undertakes numerous activities, such as organizing global buyer-seller meets, organizing studies on the nutritional aspects of cashew and providing support to cashew processors and exporters for improving infrastructure.^[5]
3. **EEPC India** is the export and [investment promotion](#) organization for the [engineering](#) sector that sponsored by the [Ministry of Commerce & Industry](#). Set up in 1955, EEPC India now has a membership base of over 12,000 out of whom 60% are SMEs. As an advisory body it actively contributes to the policies of the [Government of India](#) and acts as an interface between the [engineering](#) industry and the Government.
4. **The Export Promotion Industrial Park, also known as EPIP**, is a multiple-product export processing zone in [Bihar](#) and [East India](#) developed by the [Ministry of Commerce and Industry](#), the [Government of Bihar](#), and by the administrative body BIADA located in [Hajipur](#), the zonal headquarter of the [East Central Railway Zone](#). The Export Promotion Industrial Park of Hajipur, in the administrative [Vaishali district](#), has 94 [acres](#) (38 [ha](#); 0.147 [sq mi](#)) of land with modern infrastructure¹⁸
5. **Federation of Indian Export Organisations (FIEO)** is the apex export promotion organisation in India set up by the [Ministry of Commerce, Government of India](#), and the private export and industry segment in 1965. The organisation is responsible for representing and assisting Indian entrepreneurs and exporters in foreign markets.^[2]
6. **Gem & Jewellery Export Promotion Council (GJEPC)** is an organisation set up by the [Government of India \(GOI\)](#) with aim to promote the Indian gem and jewellery industry and its products.^[2] The GJEPC was established in 1966 by the [Ministry of Commerce and Industry \(India\)](#), it was one of several [Export Promotion Councils](#) started by the [Government](#).^{[2][3]} It has its headquarters in Mumbai and Regional Offices in [New Delhi](#), [Kolkata](#), [Chennai](#), [Surat](#) and [Jaipur](#).^[4]^{5]} The GJEPC was granted an [autonomous](#) status in 1998, it is the [apex body](#) for the gems and jewellery industry of India and represents almost 7,000 exporters. The Council presents issues to the [Government](#) and recommends policy intervention.^[6]
7. **Handicrafts and Handlooms Export Corporation of India** was an agency

of [Ministry of Textiles, Government of India](#)^[1] established in 1958 with main objectives to undertake exports of [handicrafts](#), [handlooms](#) products, [khadi](#) and products of village industries from [India](#) and to undertake special promotional measures.^[2] On the 17th of March 2021, the Government of India approved the closure of Handicrafts and Handlooms Export Corporation of India.^[3]

8. The Marine Products Export Development

Authority (MPEDA) is a [Government of India](#) company headquartered at [Kochi](#). It was constituted on 24 August 1972, under the Marine Products Export Development Authority Act 1972 (No.13 of 1972).^[1] The role envisaged for the MPEDA under the statute is comprehensive - covering fisheries of all kinds, increasing exports, specifying standards, processing, marketing, extension and training in various aspects of the industry. MPEDA functions under the [Department of Commerce, Government of India](#) and acts as a coordinating agency with different Central and State Government establishments engaged in fishery production and allied activities.^[2]

9. Pharmaceutical Export Promotion Council

of India (Pharmexcil) is the authorized agency of the government of [India](#) for promotion of [pharmaceutical](#) exports from India. It was set up under the provisions of Foreign Export Policy by the [Ministry of Commerce and Industry](#) in May 2004. Various pharmaceutical products, namely, bulk drugs, formulations, Biotech Products¹⁹, Indian Systems of medicines, herbal products, diagnostics, clinical research, etc. are covered under its purview. Pharmexcil takes up several external export promotion activities by organizing export delegations outside India, arranging buyer-seller meetings, international seminars, etc. The agency's headquarters is located in [Hyderabad](#).

Present Chairman is Dr Dinesh Dua, Nectar Life Sciences Ltd, Late Shri D.B. Mody was the founding chairman. The Indian pharmaceutical industry has become the third largest producer in the world and is poised to grow into an industry of \$20 billion in 2015 from the current turnover of \$12 billion. Its current chairperson is Sahil Munjal. In 2022, the organization is planning to increase India's export of medicine to China.^[1]

10. **The Spices Board** is the [Indian government](#) regulatory and export promotion agency for Indian [spices](#) headed by a Chairman, rank equivalent to Joint Secretary to Government of India. The board is headquartered in [Kochi](#). Presently, [Shri A G Thankappan](#) is the Chairman of Spices Board. Spices Board was constituted in 1987 under Spices Board Act 1986 with the responsibility of production/development of cardamom and export promotion of 52 spices shown in the schedule of the Act.²⁰

CONCLUSIONS

Export promotion policies reflect the interest of national governments to stimulate exports. Subsidies, tax exceptions, and special credit lines are the main instruments used to promote exports. The regulatory aspects of export promotion changed significantly in the late twentieth century.²¹ Government is encouraging and promoting Indian exports in international markets and initiate suitable interventions from time to time. The key schemes/interventions taken are:

1. Market Access Initiative (MAI) Scheme provides assistance to Export Promotion Organizations/Export Promotion Organizations/National Level Institutions/Research Institutions/Universities/Laboratories, Exporters etc., for enhancement of exports

- through accessing new markets or through increasing the share in the existing markets.
2. 'Transport and Marketing Assistance (TMA) for Specified Agriculture Products' provides assistance for the international component of freight, to mitigate the freight disadvantage for the export of agriculture products, and marketing of agricultural products, is under implementation.
 3. Assistance to the exporters of agricultural products is also available under the Export Promotion Schemes of Agricultural & Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Tobacco Board, Tea Board, Coffee Board, Rubber Board and Spices Board.
 4. 'Districts as Export Hubs Initiative' for products and services with export potential have been identified in all districts of the country.¹⁷
 5. Export Infrastructure for Export Scheme (TIES) provides assistance to Central and State Government agencies for creation of appropriate infrastructure for growth of exports.
 6. Remission of Duties and Taxes on Exported Products (RoDTEP) provides remission of Central, State and Local duties/taxes/levies which are incurred in the process of manufacture and distribution of exported products, but are currently not being refunded under any other duty remission scheme.
 7. Common Digital Platform for Certificate of Origin to facilitate export and increase FTA utilization by exporters.
 8. 12 Champion Services Sectors have been identified for promoting and diversifying services exports by pursuing specific action plans.

9. Active role of EPCs, Commodity Boards and Indian missions abroad towards promoting India's export, tourism, technology and investment goals has been enhanced.¹⁸

Bringing in a new legislation to replace the extant SEZ law would involve consultations with Central Government Ministries/ Departments, State Governments as well as relevant stakeholders. The details of the new legislation will take into consideration the consultations held.²¹

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