



“ Performance Analysis of Export Oriented Units in Karnataka”

VINAY KUMAR K

Research scholar

Research scholar

Vidyavardhaka first grade college, Mysore

DR. S MARIGOWDA

Research guide

Vidyavardhaka research foundation & Principal

Vidyavardhaka first grade college, Mysore

Abstract

This research report sheds light on Karnataka's export performance; the export performance was assessed using a descriptive research study method. The State of Karnataka has been at the vanguard of India's economic development over the past few decades, evolving from a predominantly agrarian State to become the Silicon Valley of India. India's goal of having a USD5 trillion GDP by 2024 is directly related to an export-focused strategy. Karnataka, which contributed 8% of India's GDP of 140.9 trillion in 2018–19, came in fifth place, behind Gujarat (8.1%), Tamil Nadu (8.6%), Uttar Pradesh (8.4%), and Maharashtra (14.5%). Surprisingly, throughout the years 2011–2012, Karnataka's per capita income increased and went beyond the national average. Karnataka has established itself as the nation's technology, service, and information centre. The abundance of employment prospects in the State, which encourages labour migration to Karnataka from across the nation, largely explains this.

Keywords: Karnataka, EOU, Performance

1. Introduction

According to the study, Karnataka's merchandise exports in 2019–20 were valued at \$16.6 billion and increased on average annually by 4.8 percent from 2010–11 to 2019–20. Petroleum products, RMG cotton, iron

and steel, electronic equipment, and electronic components are a few of the main goods that Karnataka exports.

The State's export portfolio is well-diversified. Karnataka has established itself as the nation's technology, service, and information centre. Apart from its traditional exports of coffee, silk, spices, and ready-made clothing, Karnataka has emerged over the past two decades as a major player in the export of electronics and computer software, engineering goods, gems and jewellery, petrochemicals, agro and food processing products, and chemicals. Karnataka was the second-highest beneficiary of FDI inflows in India after Maharashtra, which received FDI of \$10.8 billion. The state attracted FDI inflows worth \$ 8.9 billion in 2019–20, which was 17.9% of the total FDI inflows in India during the year. This initiative aims to increase exports, funding for export-related industries, employment, and foreign exchange revenues. Manufacturing processes include things like repairing, producing, reconditioning, and re-engineering. At first, the EOU system was very successful.

According to the Foreign Trade Policy (FTP), export-oriented units (EOUs) are those units that commit to exporting all of their production of goods and services, with the exception of permissible sales in the Domestic Tariff Area (DTA) for goods that are manufactured, including repair, remaking, reconditioning, rendering of services, and developing software, as well as agriculture, including agro-processing, aquaculture, animal husbandry, biotechnology, floriculture, horticulture, and pi The EOU does not cover trading units. Only projects with a minimum investment in plant and equipment of Rs. 1 crore will be taken into consideration for creation as EOUs. But existing units in the handicrafts, agriculture, horticulture, aquaculture, animal husbandry, information technology, services, brass hardware, and handmade jewellery sectors are exempt from this. BOA might permit the creation of EOUs with a laxer investment requirement.

2. Export Oriented Units In Karnataka

Karnataka has a lengthy history of international trading. Karnataka has a long history of being a significant exporter of goods like coffee, spices, silk, cashew nuts, handicrafts, and agarbatties. The State has become a significant exporter of electronics and computer software, engineering products, ready-to-wear apparel, petrochemicals, gems and jewellery, agro and food processing products, chemicals, minerals and ores, marine products, etc. over the past two decades. As the nation's capital of science and technology, Karnataka has established a space for itself in the worldwide market. The State has advanced dramatically and quickly in the modern economy. Karnataka's accomplishments at the national and international levels have been boosted by institutions for research and development, information technology, and biotechnology. More than a third of all

people in exports from the nation include software and electronics. It is a leader in the export of petrochemicals, engineering goods, and ready-to-wear clothing from the Southern Region. Karnataka exports make up a sizable portion of the state's gross domestic product (GSDP) and have grown dramatically over time. The percentage of exports in the GSDP has increased from 7.36% in 1993–1994 to 28.90 in 2018–19. In 2018–19, Karnataka exported goods worth around Rs. 659425.33 crore, or 17.04% of the nation's total exports. For the period 2018–19, the proportion of national exports made up of goods is approximately 5.30%, while that of software and services is approximately 39%. The Director General of Commercial Intelligence and Statistics, Kolkata, has designated Visvesvaraya Trade Promotion Centre (VTPC), which is overseen by the Department of Industries and Commerce of the Government of Karnataka, as the official institution for compiling and publishing the export data for 19 commodities.

3. Export Incentives Schemes Of Karnataka

Market Development Assistance (MDA) Program The state government's MDA programme, which will be run by VITC, will concentrate on small and medium manufacturing companies looking to expand into the export market as well as local small merchant exporters. Among other things, this plan would cover funding for trade delegation visits to other nations, participation in international trade shows and exhibitions, market research reports, publicity in international media, etc. Initially, the project will be funded with an annual expenditure of Rs. 1 crore.

b) **Brand Equity Fund:** As part of the plan, VITC would establish a brand equity fund with an annual budget of Rs. 1 crore. This will be done with the intention of creating powerful, competitive brands for products made in or produced in Karnataka.

c) **Fund for Market Research** At VITC, a market research fund with an annual budget of Rs. 1 crore will be established in order to launch a method for supplying real-time market intelligence on goods and markets that would assist SME exporters in immediately entering the international market. **Technology Upgrade Fund**

(d) Priority would be given to the State's exporting businesses when using the resources provided by the **Technology Upgradation Fund** established by the new Industrial Policy announced in 2001.

Export Awards (e) Top exporters in the State are recognised for their excellence in exports with export awards by VITC on behalf of the Karnataka government. These prizes will be given in the IT, BT, and food sectors, which are the State's emphasis sectors.

4. Performance of SEZs and socio economic impact

The creation of jobs, investment, exports, and economic growth are the SEZ's stated goals; nevertheless, the national databases' trends on trade, infrastructure, employment, and other indicators of the country's economic growth do not show any discernible effects of the SEZs' operations on that growth. The capital expenditure of SEZs for the construction of the infrastructure is funded under the Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme as of 1 April 2002, according to the Department of Commerce's outcome budget. During the 11th Five Year Plan (2007–12), an outlay of '3793 crore was allotted under the ASIDE scheme. The 10th Five Year Plan period saw spending of 2050 crore while the 11th Five Year Plan era saw spending of 3046 crore (up to 1 January 2013). under the plan. The same, however, has not been included to demonstrate the expenditure or domestic investment of SEZs.

2. Review of Literature

Rechard (2012) uses a quantitative study of 388 key business units from various industries to examine market orientation, exporter potential, and export performance. Export market orientation dramatically increases after utilising structural equation modelling to examine the data. the collaboration of international distributors and exporters. With strong cooperation, export performance is higher; with distance, it is lower. Lower exporter dependence did not have a meaningful association, however there is a favourable correlation between market orientation and export performance.

Albert (2003) Analysis of the key determinants of export performance and the elements that significantly improve overall export volume and performance based on the vote-counting method used to evaluations of 124 papers published between 2006 and 2014. Examine the main factors influencing exports. A crucial influence is played by policy implications and export promotion initiatives.

This study paper, by Ramesh (2022), sheds light on the question of how export performance in a few selected economies in south Asia during the years 1993 to 2017. The unit root test, granger causality, and panel VECM are used to establish the long-term relationships between the variables. The results show that while remittance

inflows were a significant source of development financing between 1993 and 2017, they had a negative influence on the export performance in Bangladesh, India, Pakistan, Sri Lanka, and Nepal.

Few studies on the "performance evaluation of Export Oriented Unites in India" have been conducted, according to a survey of the literature. The efficiency of the EOUs in the states of Karnataka and Kerala has not been examined in any of the studies that have been done on the "Export Oriented Unit Scheme in India," despite the fact that there have been a few of them. A review of the relevant literature revealed a lack of research assessing the efficacy of the state EOUs for Tamil Nadu and Karnataka. However, none of the past studies analysed the effectiveness of export-oriented units (EOUs), particularly when comparing Tamil Nadu and Karnataka state.

3. Objectives

- To anayslis the performance of Export Oriented Units in Karnataka

4. Hypothesis

H_0 "There is a significant difference in the performace of EOUs in terms export in Karnataka

5. Research methodology

The performance of EOUs in Karnataka and in terms of exports, is evaluated over a twenty-year period, from 2000-01 to 2019-20, using secondary data acquired from the office of the Development Commissioner of the Karnataka Special Economic Zone.

6. Result and Discussion

Table 1: Comparison of Exports performance by EOUs in Karnataka State

Period	Karnataka	
	Exports in Crores	%
2000-2001	2659.7	-
2001-2002	3574.67	34.40125
2002-2003	4150.27	16.10219
2003-2004	7803.78	88.03066
2004-2005	10583.54	35.62069
2005-2006	15023.94	41.95572
2006-2007	18618.98	23.92874
2007-2008	20570.17	10.47958
2008-2009	18416.17	-10.4715
2009-2010	17667.22	-4.06681

2010-2011	16813.53	-4.83206
2011-2012	16785.45	-0.16701
2012-2013	18076.71	7.692734
2013-2014	20076.45	11.06252
2014-2015	20046.37	-0.14983
2015-2016	20895.72	4.236927
2016-2017	22635.34	8.325246
2017-2018	23151.08	2.278473
2018-2019	27107.37	17.08901
2019-2020	24892.99	-8.16892
Average Export	16477	-
CAGR %	-	14.38

Source: Special Economic Zone website

Table 1 compare the export performance of EOUs in Karnataka State from 2000-01 to 2019-20. Karnataka's is Rs. 17,477 crores, as per the information above. The majority of the rise in exports comes from the state of Karnataka. From 2000-01 to 2019-20, EOU exports in Karnataka experienced a CAGR of 34.38 percent. It is clear that during the study period, EOUs situated in Karnataka saw export growth. From 2000-01 to 2019-20, compare the export performance of EOUs in Karnataka State. According to the aforementioned data, Karnataka's is Rs. 17,477 crores. The state of Karnataka is primarily responsible for the increase in exports. EOU exports in Karnataka saw a CAGR of 34.38 percent between 2000-01 and 2019-20. It is evident that Karnataka-based EOUs had an increase in exports during the study period.

Table 2: Comparison of Imports performance by EOUs in Karnataka State

Period	Karnataka	
	Imports in Crores	%
2000-2001	1258.6	-
2001-2002	1489.81	18.37041
2002-2003	1695.32	13.79438
2003-2004	4802.95	183.3064
2004-2005	5637.09	17.36724
2005-2006	9083.38	61.13598
2006-2007	11166.95	22.93827
2007-2008	9947.18	-10.923
2008-2009	6411.64	-35.5431
2009-2010	7223.26	12.65854
2010-2011	6377.81	-11.7045
2011-2012	6866.84	7.667679
2012-2013	7264.72	5.794223
2013-2014	7790.8	7.241573
2014-2015	8036.01	3.14743
2015-2016	7666.99	-4.59208
2016-2017	8777.7	14.48691
2017-2018	8657.26	-1.37211
2018-2019	9153.57	5.732876
2019-2020	8469.83	-7.46965
Average Import	5888	-
CAGR %	-	15.89

Source: Special Economic Zone website

Karnataka imports an average of Rs. 6,888 crore, per the figures above. The state of Karnataka is mostly responsible for the increase in imports. In Karnataka, EOU increased by 15.89% between 2000-01 and 2019-20. It is evident that Karnataka-based EOUs' import growth over the study period. Based on the aforementioned facts, Karnataka imports an average of Rs. 6,888 crore. The surge in imports is primarily the fault of the state of Karnataka. EOU rose in Karnataka by 15.89% from 2000–01 to 2019–20. It is clear that EOUs with a Karnataka base increased their imports during the study period.

Table 3: Comparison of Employment Generation by EOUs in Karnataka State

	Karnataka	
Period	Employment Generation	%
2000-2001	33,374	-
2001-2002	33,341	-
2002-2003	40,117	20
2003-2004	59,176	48
2004-2005	62,479	6
2005-2006	76,648	23
2006-2007	81,429	6
2007-2008	81,357	0
2008-2009	73,811	-9
2009-2010	75,015	2
2010-2011	77,474	3
2011-2012	75,982	-2
2012-2013	74,566	-2
2013-2014	69,972	-6
2014-2015	70,280	0
2015-2016	66,275	-6
2016-2017	69,213	4
2017-2018	73,437	6
2018-2019	70,484	-4
2019-2020	62,371	-12
Average Employment Generation	66340	-
CAGR %	-	4.08

Source: Cochin Special Economic Zone website

Table 3 compares the employment produced by EOUs in the State of Karnataka from 2000-01 to 2019-20. According to the aforementioned data, on average, creates 4684 jobs per year, whereas Karnataka generates 66340 jobs per year. The bulk of individuals work for the state of Karnataka. Between 2000 and 2019, EOU

employment generation increased in and Karnataka at CAGRs of 5.42 and 4.08 percent, respectively. It is clear that while Kerala-based EOUs produced the most jobs over the course of the study, Karnataka-based EOUs produced the greatest number of jobs overall.

Testing of Hypothesis

Based on EOUs of Karnataka state from 2000-01 to 2019-20, the above hypothesis is grouped and tested as follows.

For the purpose of testing, the following null and alternative hypotheses are formulated.

H₀ “There is a significant difference in the performance of EOUs in terms export, import, employment Karnataka”

H₁ There is a no significant difference in the performance of EOUs in terms export, import, employment Karnataka”

Table 5: Results of Paired Sample t-test

	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)	95% Confidence Interval of the Difference	
							Lower	Upper
Pair 1 Exports in Crores - Karnataka- Exports in Crores	-54978	5555.58	21	-.39	23	0.000	-587	-961

Source: SPSS output, computed by the researcher

The paired samples t-test results between two states are shown in Table 5. If there is no change between the two states, the mean should be very nearly 0. A statistically significant difference of 5% exists on average. Karnataka EOUs performed better than other states' EOUs during the study period. Since there is a substantial difference between the performance of EOUs in the states of Karnataka in terms of export, import, employment, and investment, the conclusion is to support the alternative hypothesis and reject the null hypothesis. The mean should be very close to zero if there is no difference between the two states. On average, there is a statistically significant difference of 5%. During the study period, Karnataka EOUs outperformed those of other states. The result is to support the alternative hypothesis and reject the null hypothesis since there is a significant difference between the performance of EOUs in the states of Karnataka in terms of export, import, employment, and investment.

It is found that Karnataka EOUs perform better than country EOUs in terms of employment, investment, import, and export. Table 5 displays the outcomes of the paired samples t-test. The mean should be extremely close to 0 if there is no difference between the karnataka. The average difference is 5% significant, according to statistics. During the study period, Karnataka EOUs outperformed india's EOUs. The conclusion is to accept the alternative hypothesis and reject the null hypothesis because there is a sizable difference between the performance of EOUs in the states of Karnataka and India's terms of export, import, employment, and investment

7. Conclusion

The 36-year-old EOU Scheme is in the falling stage of its life cycle, as seen by the decline in both the overall number of operational EOUs in India and the percentage of EOUs in India's total export. It is obvious that over the course of the research period, fewer EOUs have been operating in both states. EOUs situated in Karnataka have advanced more than those based in India in terms of their investments, exports, and imports. It is clear that while EOUs with bases in india created the most jobs overall during the study's timeframe, EOUs with bases in Karnataka produced the most number of jobs overall. Karnataka EOUs perform better in terms of export, import, employment, and investment. It is clear that fewer EOUs have been operating in both states over the course of the research period. In terms of investments, exports, and imports, EOUs headquartered in Karnataka have advanced more than those based in India. It is evident that while EOUs with a base in Tennessee created the most jobs during the study, EOUs with a base in Karnataka created the most jobs overall. In terms of export, import, employment, and investment, Karnataka EOUs perform better.

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