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# ACUITAS

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### From the EDITOR IN CHIEF's Desk.....

“You don't write because you want to say something; you write because you have got something to say”, ruminating on these words I am proud to present to you the second issue of the fifth volume of our Bi-Annual management journal ACUITAS. Our objective is to provide platform to all those authors who would like to share their research work on varied aspects of management.

I duly acknowledge the support, proper assistance, motivation received from our patrons, advisory board and editorial board. I also duly acknowledge all the contributors of research papers included in the journal.

Our motive is to publish the most excellent research papers in management and we wish to provide 'ACUITAS' as a vehicle for the same. Your suggestions for further improvement of our journal are always welcome. We strive for increased accountability and all concerns and suggestions can always be directed to me.

Looking forward for a long term association with you all!

Thank you.

Warm Regards,

***Dr. Sudhir Fulzele***

*Director, DAIMSR*

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## “Evangelism Marketing – Is It The Most Compelling Word of Mouth Marketing Tool?”

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### **Abstract**

*In an overcrowded market where dozens of companies seem to sell similar goods, it is a joy to find a business that truly performs an exemplary service. Sharing shopping discoveries with a friend is like passing on secret knowledge -- only those in the know get to share in the benefits. Turning a customer into a mouthpiece for advertising is a marketing dream. As companies have grown and become more impersonal, marketers experience more challenges making meaningful connections with customers. Consumers want to buy products from businesses they can trust, and often turn to their friends for recommendations. This product "evangelism" helps businesses build their reputations and spread word of their highly regarded services. Evangelism marketing is more commonly known as word-of mouth-marketing, and relies on customers to deliver marketing messages to other potential customers. When someone recommends a new restaurant they liked, a pair of shoes that was particularly comfortable, or a mechanic who offers honest service, they are acting as "customer evangelists." The challenge is convincing people to recommend a company in an honest and organic way. Obviously, not every company can turn their customers into evangelists. Many companies offer mediocre or predictable services that are so ordinary they are not worth taking the time to mention to others. Plus, there is no easy way to influence the conversations people have with their friends. A customer could have an amazing experience at a nail salon but not tell their friends because they have more pressing issues to attend to. Marketing professionals are developing strategies to get others talking about their products and services in a positive way. These include everything from creating online communities for customers to interact, to sponsoring events that help position a brand as part of a lifestyle. The goal of any evangelist marketing strategy is to find out how a brand fits into a customer's life and making that fit as easy as possible. The more effectively a brand satisfies a customer's needs, the more likely they are to mention it to friends and family. Its been shown that Evangelism due to personalization is giving potential and existing customers a free platform to talk about their experiences that they had with the companies.*

**Keywords:** Evangelism, Customer Evangelism, Word-of-Mouth Marketing, Social Networking.

## Introduction

**History:** Many people believe Guy Kawasaki, the former chief evangelist of Apple Computer, to be the father of evangelism marketing. In his books "The Art of the Start" and "How to Drive Your Competition Crazy" Kawasaki states that the driving force behind evangelism marketing is the fact that individuals simply want to make the world a better place. Evangelist customers spread their recommendations and recruit new customers out of pure belief, not for goods or money.

The word "evangelist" comes from Greek word "**eu-angelos**", meaning "*bringer of good news*". The customer bhakti or evangelism is nectar for the organization. These days, the customer-evangelism marketing has become the talk of the Internet circle; that is why a search engine specialist, Jody in 2007 commented, "Over the past few weeks and months I have heard more about evangelists and evangelism than I have in my entire life. From Technology evangelists to Enthusiast evangelists to Consumer-evangelists, everyone seems to be promoting evangelists lately."

### **Basic Concept of Evangelism Marketing:**

Conceptually, the evangelist-customer becomes perfect and is satisfied. As a devotee, he does not crave for anything, nor regret, nor envy, nor take interest in the senses, nor to own any objects. Customer-evangelists are vocal consumers and the brand may find them from all walks of life. They share common characteristics that they flood online-offline praises, favourable remarks and experiences for the brand, brand

personality, products, services, personality in channel system or ways and means of publicity.

Evangelism marketing is an advanced form of word-of-mouth marketing (WOMM) in which companies develop customers who believe so strongly in a particular product or service that they freely try to convince others to buy and use it. The customers become voluntary advocates, actively spreading the word on behalf of the company.

Evangelism marketing is sometimes confused with affiliate marketing. However, while affiliate programs provide incentives in the form of money or products, evangelist customers spread their recommendations and recruit new customers out of pure belief, not for the receipt of goods or money. Rather, the goal of the customer evangelist is simply to provide benefit to other individuals.

As they act independently, evangelist customers often become key influencers. The fact that evangelists are not paid or associated with any company makes their beliefs perceived by others as credible and trustworthy.

[Evangelism](#) comes from the three words of 'bringing good news,' and the marketing term justly draws from the religious sense, as consumers are driven by their beliefs in a product or service, which they preach in an attempt to convert others.

### **What is Evangelism Marketing?**

Evangelism marketing relies on customers to recommend a business, its products and services to other potential customers in honest and organic way. Customers, who do this, act as a "customer evangelists". But, generating such genuine and positive feedbacks and recommendations is a herculean task. Marketing professionals

develop strategies to effectively satisfy customer's need, by creating online communities for customers to interact, by sponsoring events, etc. to let their customers talk about their products and services positively.

#### **Kinds of Evangelism Marketing:**

- Evangelism marketing is applicable to any kind of product.
- Technology evangelism is the evangelism marketing of a tool.
- Platform Evangelism is the evangelism marketing of the opportunity to create complementary goods for a multi-sided platform, which also involves non-marketing functions such as regulation of the platform's commercial ecosystem to maximize network effects.

#### **Who Employs Evangelism Marketing?**

Organisation always looks forward in creating a lifelong relationship with the customers and tries to sustain it.

The study by Ben McConnell and Jackie Huba authors of *Creating Customer Evangelists: How Loyal Customers Become a Volunteer Sales force*. The study provides examples of companies who have successfully turned loyal customers into customer evangelists for their organisation.

The study mentioned some key factors in defining consumer evangelists:

- Consumer Evangelist purchase and believe in your product or service
- Consumer Evangelist passionately recommend you to friends, family and colleagues
- Consumer Evangelist provide unsolicited feedback or praise
- Consumer Evangelist forgive dips in quality, convenience or service

- Customer Evangelist are not bought they extol your virtues freely
- Customer Evangelist makes a point to offer glowing recommendations to family, friends and co-workers
- Customer Evangelist gives product as a gift
- Offers praise, criticism, and other feedback without being asked
- Offers praise without any financial incentive
- Participating in the brand makes the customer feel like they are part of something larger than themselves

**(Source:**

[www.creatingcustomerevangelist.com](http://www.creatingcustomerevangelist.com))

#### **Customer Communities**

A strong avenue for evangelists is in the form of customer communities, which bring together groups of users of a product or service to share information and discuss common issues. Some companies assist with such events, for example:

- General Motors' Saturn division in Tennessee organizes an annual summer picnic for thousands of customers.
- Another example is the Harley Owners Groups (HOGS), organized by Harley Davidson, which associate bikers locally and globally through quarterly and annual meetings held all over the world.
- Starbucks Corporation, the coffee company, started an online customer community in 2008 called My Starbucks Idea, designed to collect suggestions for products or services and feedback from customers. During the first year of the program, My Starbucks Idea generated 70,000 ideas through the site and approximately 50 changes



based on customer suggestions were implemented.

### **Role of Social Networking in Evangelism Marketing:**

Role of social networking has been an effective tool for the marketers. The majority of companies have already started to hold close these social media to integrate them in their marketing and communication strategies. Now a day almost all companies have inclined in adopting this new strategy whereby they are taking advantage of a free platform and modern technology to promote brands and corporate image.

Let us look at some charts which will establish the fact that how important is the role of social networking in the life of marketers.

### **Evangelism Marketing Examples:**

Small businesses use a variety of strategies to entice customers. While many of these marketing methods use media such as television, magazines and the Internet, the most effective marketing has always relied on word of mouth. For this method to be effective, you must convert customers into spokespeople for your products. These satisfied customers become "evangelists" for the brand and bring the "gospel" of the product to their friends and families.

#### **• Product Evangelists**

One of the ways that small businesses can use evangelism marketing is to become evangelists about their products themselves. In-house staffers, managers and sales people can carry their enthusiasm about the products to vendors and customers to win them over. As an example, Apple Computers was a struggling high-tech company during the 1980s. In 1983, Apple hired Guy

Kawasaki as its "product evangelist." Kawasaki touted the virtues of Apple's newest computer, the MacIntosh, to hardware and software developers. His successful evangelism would lead to fierce customer loyalty throughout the following decades.

#### **• Social Media**

Social media has also been a powerful force in evangelism marketing. Small businesses can employ Facebook, Twitter and YouTube to create a community around the love of their products. Customers can openly discuss their likes and dislikes, which allows them to spread the message of your company's mission. Company executives at Domino's Pizza researched the data from these online communities and re-organized many of their processes. These changes showed their customers that the company listened to them, which enhanced their reputation and earned them more converts.

#### **• Designated Shoppers**

Small retail businesses can recruit product evangelists from their own customer base. These shoppers can try out the merchandise, report on its quality and pass on the information to other prospective customers. Arizona-based used clothing retailer Buffalo Exchange recruited their own "evangelists": high school students with an interest in fashion design. The stores gave the students gift cards and asked them to dress the display mannequins in their preferred styles. The participants then influenced the fashion choices of their friends and classmates.

#### **• Party Time**

Everybody loves a party, so small businesses can attract potential evangelists by showing them a good time. The customers then associate the product with

happy feelings and pass those messages along to their friends. Discovery Education created product evangelists by engaging with educators and administrators from around the U.S. at education technology conferences. Instead of conducting a formal product demo, Discovery created a party atmosphere to get prospects excited about their catalog. When the attendees return to their schools, they spread the word about Discovery's products to their colleagues.

**(Source:**

<http://smallbusiness.chron.com/evangelism-marketing-examples-66720.html>)

#### **Traits of a customer evangelist:**

- Customers that regularly buy the product and believes in the brand
- Makes a point to offer glowing recommendations to family, friends and co-workers
- Gives the product as a gift
- Offers praise, criticism, and other feedback without being asked
- Dips in quality, convenience, or service are forgiven
- Offers praise without any financial incentive

Participating in the brand makes the customer feel like they are part of something larger than themselves.

Evangelism marketing is a tool that is available to any business in a multitude of industries. Consider a large company like Apple. Apple loyalists are some of the most recognized product evangelists in the market, sharing their experiences with emerging technology in enthusiastic ways. Conversely, small businesses with limited marketing budgets often use evangelism marketing in place of more expensive television or print campaigns. A restaurant

with delicious desserts often attracts more customers through referrals and word-of-mouth than by sending out coupons for free desserts.

Businesses love evangelism marketing because it produces a high return on investment. The amount of money generated in new sales is typically significantly higher than the money spent on marketing, since customer referrals are usually free.

Customer evangelists are repeat customers who support a brand with their money and their praise. This produces long term benefits for a company. Any business that is interested in creating a committed customer base will have something to gain from evangelism marketing.

#### **How is an Evangelism Marketing Plan Developed and Implemented?**

- The most important aspect of any evangelist marketing plan is to establish a connection with customers. The best way to get customers talking about a brand is for businesses to start the dialog themselves. The information that comes out of these conversations can be used to create more useful products and services.
- Before implementing an evangelism marketing plan, businesses must engage in market research with focus groups, online surveys, or other consumer information gathering strategies. The goal is to create an open, honest, and comprehensive portrait of how a brand is understood in the minds of the public. This analysis should focus on both positives and negative aspects of the brand. The popular perception of a company might be that it has great products but terrible customer service, giving companies a chance to reinforce

their strengths and correct their mistakes.

- Identifying “mainstream” customers is another important feature of an evangelism marketing strategy. If a company wants to maximize the conversation about their product or service, they must market to the broadest possible section of customers.
- Once a company has collected as much information as possible about their customer's experiences, they have to be prepared to make changes based on that information. These changes can be relatively minor or involve major overhauls. A famous example of this is Amazon's Kindle e-reader. Amazon analyzed the tens of thousands of customer reviews posted on their website to help refine the Kindle as it went through several generations of redesigns.
- By taking a thoughtful approach to customer feedback, they were able to turn public criticism into public praise. The Kindle is now one of the world's most widely used e-readers.

### **Evangelist Marketing in Action:**

There is not one perfect strategy for turning customers into evangelists. Companies have experimented with a whole range of approaches to get their customers talking about products and brands. Below are a few creative examples from real companies.

- **Buffalo Exchange** – The used clothing chain recruited high school students interested in fashion design to act as “trendsetters.” They were given gift cards to the store and asked to dress up mannequins in hip new styles. This simple

and cheap program was a way to connect with young, fashion conscious shoppers who influence the choices of their friends.

- **C&M Auto Service Inc** – This Illinois based mechanic's shop set up a customer advisory panel to solicit feedback from people who actually used the shop. The panel was able to provide information about how services were perceived. Using this information, the business was able to refine their marketing and service offerings to highlight their strengths. This made them a more useful and, by extension, recommendable company.

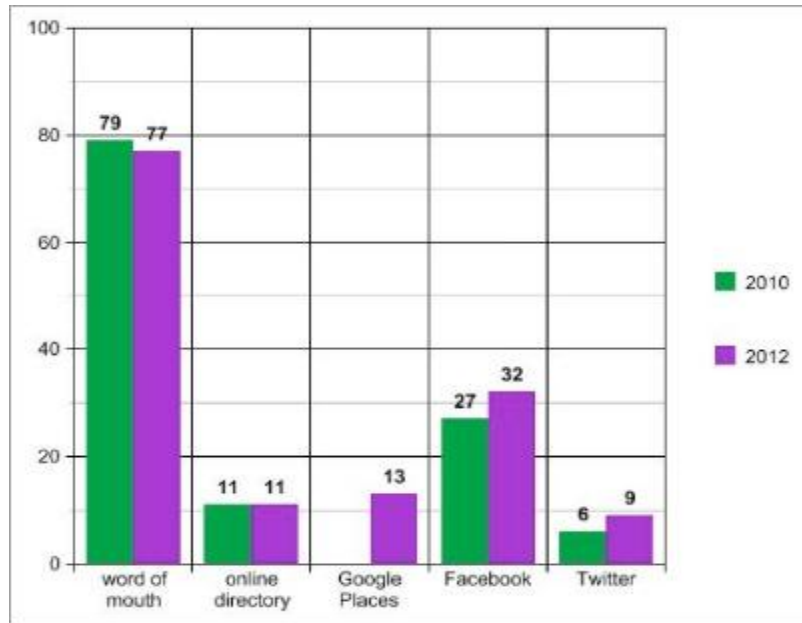
- **Dewey's Pizza** – This small Midwestern pizza chain creates customer evangelists by turning mistakes into a cause for comment. If a customer's order is incorrect for any reason, their entire meal is free and they are given a gift certificate to use on their next visit. Many customers are so overwhelmed by the generous service that they praise the restaurant even when a mistake has been made.

- **Discovery Education** – This educational publisher creates a dialog about its products by connecting with teachers and industry professionals at education technology conferences. The company rents a room, offers free food and drink, and allows conference weary visitors to unwind and mingle in a pampered atmosphere. All visitors are given free trials to some of Discovery's most popular products. By throwing a party, the company is able to offer a fun service to their customers and distinguish themselves from their more formal competitors.

The chart below is based on a 2012 survey that asked respondents to identify the ways that they recommend local business to

friends. That data is compared to an identical survey from 2010. As the chart illustrates, face to face recommendations are by far the most popular way to give

shopping advice. But as more and more of life is lived online, social media sites are becoming important outlets for recommendations.



(Source:<http://www.marketing-schools.org/types-of-marketing/evangelism-marketing.html>)

**Benefits of Evangelism Marketing:**

Online market is a crowded place where numerous companies sell similar products / services. And, with the increased competition, it has become a major challenge for online marketers to make meaningful and fruitful connections with their customers. Because consumers tend to buy products from businesses they trust. Therefore, product or brand evangelism helps businesses to build their brand reputation and spread word of highly exemplary services.

Now, let's have a look at the benefits of evangelism marketing that helps businesses gain a loyal customer base.

**i. Unbiased advertising**

Customer evangelists are often the best sales representative because their opinion about a product/service is un-biased and is not associated either with a company or with its benefits. Therefore, brand evangelism becomes one of the best marketing strategy companies should follow.

**ii. A committed customer base**

A happy customer or a customer evangelist provides genuine feedback to other customers in need. This helps marketers to create a trusted network of helpful and devoted customers.

**iii. Long-term promotion**

Even if other brand marketing and promotion campaigns come to an end, evangelism marketing is a never ending advertising process. It empowers customers trust in a brand by encouraging positive reviews for longer course of time.

**iv. Better customers.** People who are evangelists of your product are often your best sales reps too. Because their opinions are not associated with your company, prospects and prospective buyers will be less skeptical of their advice. This means

that brand evangelists have a unique opportunity to convert potential customers into new evangelists, who can in turn recruit even more fans to their ranks.

**v. Evangelists are like free advisors.**

Often happy to give advice just because they want to, evangelists will frequently step in to provide free "consulting" to other clients in need. This puts less of the burden on your company and your support team, and creates a trusted network of helpful, enthusiastic clients.

**vi. Case studies and testimonials.**

These are two great resources to have, but aren't easy to put together if you don't have a network of evangelists who are willing to speak on your behalf. Testimonials are persuasive because they feature the voice of your customers without any interference from your company, which makes them seem more honest and trustworthy. If you have a library of these resources, potential customers can do their own research and reach out to your evangelists on their own, without having to seek out your assistance before they're ready.

**Conclusion:**

Online customer-evangelism is a craze today in Internet sphere. Due to amplification in various promotional media, it is essential for the marketers that they encourage their old customers to behave like their sales force and public relation managers. Online evangelism marketing is one of the tools to turn the devoted customers into selfless sales force and public relation managers of the company. This article highlights the advantages of evangelism and evangelists for commercial purposes. It also throws light on types of commercial evangelists, approaches and steps of online evangelism marketing and the tools of measuring it.

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## Rejuvenating MSMEs – A Suggested Approach

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### Abstract

Indian economy is dominated by the vibrant set of enterprises prominent among them being Micro, Small and Medium Enterprises (MSMEs). These enterprises are the real engine of incessant growth for the Indian Economy because of its dynamic nature. MSME-Development Institutes (MSME-DI) is an apex body and a nodal agency for formulating, coordinating and monitoring the policies and programs for promotion and development of Micro Small & Medium Enterprise (MSME). Vidarbha region is part of state of Maharashtra. Vidarbha is considered the industrially backward region. MSME-Development Institute, Nagpur is situated in Vidarbha region of Maharashtra. Eleven district of Vidarbha region are under the jurisdiction of this Institute. This Institute provides support/services to the State Government as well as coordinates various activities for the prospective and existing entrepreneurs for promotion and development of MSME sectors. This paper tries to identify the gaps between MSME-DI Nagpur efforts and MSME problems in the context of Make in India. The issues discussed are universal and can be easily generalized. A suggested approach to bridge these gaps is also discussed. In conclusion, the paper urges a structural change in nurturing the MSME ecosystem in India.

Keywords: MSME, MSME-DI, Make in India, Clusters

### I. CURRENT STATE OF MSME IN INDIA

Indian economy is dominated by the vibrant set of enterprises prominent among them being Micro, Small and Medium Enterprises (MSMEs). These enterprises are the real engine of incessant growth for the Indian Economy because of its dynamic nature. The MSME sector has progressed in scale and in the scope of business activities over the years. Today, MSMEs are present across sectors (manufacturing, trade and services) in India, thereby constituting a formidable component of the country's outstanding economic growth. In India MSMEs contribute nearly 45 percent to manufacturing and about 40 percent to the

Indian export sector. Although 94 percent of MSMEs are unregistered, the contribution of the sector to India's GDP has been growing consistently at 11.5 percent a year, which is higher than the overall GDP growth of 8 percent.

Today, MSMEs are present across sectors (manufacturing, trade and services) in India, thereby constituting a formidable component of the country's outstanding economic growth. As per fourth census of MSME, of the total working enterprises, proportion of micro, small and medium enterprises were 94.94 percent, 4.89 percent and 0.17 percent respectively. Proportion of the enterprises operating in rural areas was 45.23 percent. Besides, the sector offers huge potential for employment creation. It provides

livelihood by employing almost 60 million people, mostly in the rural areas of the country, making it the largest source of employment after the agriculture sector. While MSMEs are a key source of employment for low-skilled and semi-skilled workers, the sector has been working hard towards upgrading the skill base and attracting more talent. In line with this, the government and various private players are heavily investing in training centers. A good example for this is up gradation of nearly 1390 Industrial Training Institutes (ITIs) across India through public private partnerships (PPPs). The MSME segment has the potential to emerge as a backbone for the Indian economy and act as an engine for growth, thus, development of this sector holds key to inclusive growth and plays a critical role in India's future. In order to keep the momentum of growth and holistic development, it is imperative that the MSME sector is empowered to meet challenges that can threaten their survival and growth, given the right set of support and enabling framework. Today, India's small sector consists of (i) micro enterprises (village and cottage industrial units) (ii) small enterprises and (iii) medium enterprises. In accordance with the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the micros, small and medium enterprises (MSMEs) have been classified:

The MSME landscape has matured over time and moved up the value chain. The MSME sector has evolved from the manufacturing of traditional products to much more hybrid products to the value-added services segment. The sector currently produces more than 6,000 quality products, ranging from handloom saris, carpets and soaps to pickles and machine

parts, for huge industries targeting domestic and international markets.

## II. MSME LANDSCAPE IN VIDARBHA

Vidarbha's latent potential becomes evident as one travels along the region's vast land mass, which occupies 31.6 percent<sup>1</sup> of the State of Maharashtra. Located in the center of India, the region is now transforming itself into a center of industry and business. Vidarbha is made up of Nagpur and Amravati divisions which comprise of eleven districts namely, Buldhana, Akola, Washim, Amravati, Yavatmal, Wardha, Nagpur, Bhandara, Gondia, Chandrapur and Gadchiroli. Nagpur is the largest district in terms of population and contribution to the region's GDP<sup>2</sup>. Vidarbha constitutes 15.6 percent of Maharashtra's GDP<sup>3</sup>, while Nagpur and Amravati are the two economically important cities of the region. The GDP of these two districts together accounts for approximately 42.8 percent of Vidarbha's GDP and 6.7 percent of the Maharashtra's GDP<sup>4</sup>. However, in comparison to the rest of Maharashtra, the region is considered to be economically backward. Following is the SWOT analysis of Vidarbha region:

<sup>1</sup>Census of India, 2011 <sup>2</sup>Economic Survey of Maharashtra 2011-12 <sup>3</sup>Economic Survey of Maharashtra 2011-12 and 2010-11; KPMG in India analysis <sup>4</sup>Greens aye Vidarbha with forests intact, The Times of India, 18 December, 2009

Fig. 1 SWOT Analysis: Vidarbha

Strengths	<ul style="list-style-type: none"> <li>•Availability of land and water for industrial usage</li> <li>•Government support</li> <li>•Adequate power generation capacity</li> </ul>
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	<ul style="list-style-type: none"> <li>•Educational &amp; Institutional base</li> <li>•Rich natural resources - yet to be tapped</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>•Specific policies targeted at attracting value adding industries</li> <li>•Migration of skilled man power</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>•Improving road, rail and air connectivity</li> <li>•Cargo hub at Nagpur</li> <li>•Developing Social Infrastructure</li> </ul>
Threats	<ul style="list-style-type: none"> <li>•Aggressive policies of neighboring states and competition from developed areas of Maharashtra</li> </ul>

Source: KPMG in India analysis

### III. MAKE IN INDIA: TRANSFORMING VISION INTO REALITY

Indian Prime Minister Mr. Narendra Modi's ambitious 'Make in India' campaign was launched in September 2014 with an intention of reviving manufacturing businesses and emphasizing key sectors in India amidst growing concerns that most entrepreneurs are moving out of the country due to its low rank in ease of doing business ratings. The campaign could not have come in at a more opportune time. The drop in global oil prices, the slowdown in China, the expectation from a stable government to be able to drive reforms and policies, augurs well for India while pursuing these objectives<sup>5</sup>. SWTO

<sup>5</sup>Sukumar., V and Kamath., S. KPMG in India, Business Standard, Mumbai February 6, 2015. (V Sukumar is the

partner – strategy and operations, KPMG in India, and Shridhar Kamath is the Director – Strategy and Operations, KPMG in India)

- Availability of land and water for industrial usage
- Government support

<sup>4</sup> The 'Make in India' initiative does not target manufacturing sector alone, but also aims at promoting entrepreneurship in the country and the government is pulling out all the stops for ensuring a smooth sailing for investors, by setting up a dedicated Investor Facilitation cell to answer queries of business entities within 72 hours. It will also closely monitor all regulatory processes to make them simple and reduce the burden of compliance. Investor Facilitation cell in Invest India has received more than 12000 queries on its portal since the campaign began. After the launch of 'Make in India' initiative, the Foreign Direct Investment (FDI) into the country has witnessed a 48 percent<sup>6</sup> jump in the seven month period till April 2015. As per the Commerce and Industry Ministry, Foreign Institutional Investors (FIIs) investment grew by 717 percent to \$40.92 billion. Further, FDI inflows under the approval route grew from 87 percent to \$2.22 billion during the previous fiscal. These increasing figures especially in a climate of contracting worldwide investments indicate the faith that overseas investors have imposed in the country's economy and the reforms initiated by the government towards 'Ease of doing Business'. For the Make in India campaign, the government of India has identified 25 priority sectors that shall be promoted adequately. Several countries such as Japan, China, France and South

Korea have announced their intention to make huge investments in India in various industrial and infrastructure projects.

<sup>6</sup> The Commerce and Industry Ministry, Press Trust of India, July 14, 2015.

However, turning vision into reality is not easy. According to the CII – BCG Manufacturing Leadership Survey 2014, while 44 percent CEOs feel highly confident in the ‘Make in India’ campaign, they also unanimously agree that such a goal would need bold and sustained measures by the both public and private sectors.

<sup>5</sup>The key ingredients for making India attractive for businesses can be, ease of setting-up business, access to low cost finance, ease of acquiring land for setting-up manufacturing facilities, development of technical and managerial skills and the ability to quickly and cheaply move products to domestic and export markets. Challenges are being faced on these fronts. India ranks low on the “Ease of Doing Business Index”. On the World Bank’s ‘Ease of doing Business’<sup>7</sup> ranking, India ranks 142 out of 189 countries, with an even more alarming ranking on some of the constituent dimensions: 158 on starting a business, 186 on enforcing contracts, 184 on dealing with construction permits. While the government has begun easing the procedure for starting a business, work on other dimensions has to gain momentum. Interest costs remain high and can be a significant deterrent for investments for Indian associates to support global players. Make in India campaign is at loggerheads with the Make in China ideal that has gained momentum over the past decade. China is a major rival to India when it comes to the outsourcing, manufacturing, and services business.

India's ailing infrastructure scenario and defunct logistics facilities make it difficult for the country to achieve an elite status as a manufacturing hub. The bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve timely and adequate production. The Modi government has vowed to remove these hurdles and make the nation an ideal destination for investors to set up industries.<sup>7</sup> Doing Business 2015: Going beyond Efficiency’ published by the World Bank Group in October 2014.<sup>6</sup>

#### **IV. INDUSTRIALIZING VIDARBHA UNDER MAKE IN MAHARASHTRA MISSION**

On the lines of the Centre's ambitious 'Make In India' programme, the Maharashtra state government has set the ball rolling on 'Make In Maharashtra' to promote the manufacturing sector in the state. According to the Economic Survey of Maharashtra for 2013-14, from August 1991 to October 2013, 18,406 proposals with Rs 10,21,633 crore investment were approved. Of these, 7,812 projects (42.4 percent) with an investment of Rs. 1,82,273 crore (17.8 percent) were commissioned, generating 9.61 lakh employment.

In order to ensure ease of doing business, the state has cut down the time for granting construction approvals and power connections. Considering the non-availability of land for the new industries, the Maharashtra government has planned to develop the new industrial areas at Dindori, Malegaon and Yeola<sup>8</sup>. The initiative is eyeing Rs 5 lakh-crore industrial investment and 20 lakh new jobs across the state in the next five years.

Around 16 industries from Germany, Belgium and other countries have already agreed to make fresh investment in the state, while 10 other foreign companies are willing to set up industries.

<sup>8</sup>Interview of State Industry Minister - Subhash Desai

As an incentive for 'Make in Vidarbha', the government has decided to waive off cross subsidy surcharge (CSS) in Vidarbha so that industries can purchase power from outside at cheap rates. The state has expects the MIDC industrialists to take full advantage of the sops being given to them. The state government has made it a rule that if a textile mill owner wants to shut shop and use the land for real estate, the entrepreneur will have to shift the factory elsewhere so that there is no loss of employment. This policy is expected to benefit the backward regions of the state. State's <sup>7</sup> government mission to reduce the number of permits and clearances needed by industries to start and run a unit from 75 to 25 has also picked up pace and is delivering satisfactory results. However, the region is still industrially as well as economically considered backward.

#### **V. MSME-DEVELOPMENT INSTITUTE (MSME-DI), NAGPUR**

In the state of Maharashtra, the support facilities and services of the Offices of the Development Commissioner (MSME) are rendered through the network of two MSME-DI located at Mumbai and Nagpur with a Branch Institute at Aurangabad.

MSME-DI, Nagpur is situated in Vidarbha region of Maharashtra since 1970. At present, it caters the promotional and developmental needs of MSME Sector of eleven district of Vidarbha region, namely Amaravati, Akola, Bhandara, Buldhana, Chandrapur, Gadchiroli, Gondia, Nagpur,

Wardha, Washim and Yavatmal. Govt. of Maharashtra declared Industrial backward district except Nagpur in Vidarbha region of Maharashtra State. MSME-DI provides services in the fields of Vidarbha Region are dominant with Iron, Steel and Agro based Industries mainly due to the availability of natural resources like Minerals & Agriculture. Present Industrial population in the Region constitutes around 27006 MSMEs<sup>9</sup> with an Investment of Rs. 353333 lakhs<sup>9</sup> providing an employment to 231513 persons<sup>9</sup>. Looking to the local status, economical condition and emerging opportunities in Vidarbha, need based activities for the benefit of existing Industries and prospective Entrepreneurs are identified and accordingly MSME-DI, Nagpur organized 60 Entrepreneurship Skill Development Training Programmes<sup>9</sup> (ESDPs), 23 Entrepreneurship<sup>9</sup> Annual Report 2013-14, Government of India, Ministry of Micro, Small & Medium Enterprises. MSME-DI, Nagpur.<sup>8</sup> Development Training Programmes<sup>9</sup> (EDPs), 65 Industrial Motivation Campaigns<sup>9</sup> and 16 Management Development Training Programmes<sup>9</sup> (MDPs). Apart from these, other programmes such as, Vendor Development Programme, MSE-CDP on Readymade Garment Cluster at Nagpur, Fly Ash Cluster, Dall Mill Cluster & One Day seminar on Bar Code & Intellectual Property Rights (IPR) are also organized. With the strenuous efforts of the officers of MSME-DI, Nagpur the total revenue earnings of the institute during the year 2013-14 was Rs.10,41,387/- through various programmes & other activities. In the year 2013-14, MSME-DI, Nagpur provided consultancy & guidance to 6559 prospective entrepreneurs for selection of

products, machinery/technology, location, financial assistance etc. It provided techno-managerial consultancy to 281 existing entrepreneurs for Plant & Machinery including Layout, improving the manufacturing technology/ design/ process, Improvement in quality and tooling, Product Development, Consultancy for diversification and also for improving the managerial aspects. This also include activities such as improvement in Marketing, availability of finance, through NSIC registration, capacity assessment etc. The institute assisted 3222 women entrepreneurs, through various training programmes organized by this Institute during the year 2013-14. The Institute provides support/services to the State Government as well as coordinates various activities for the prospective and existing entrepreneurs for promotion and development of MSME sectors.

MSME – DI is trying to promote sustainability and have mandate every Central Ministry, their departments and Central Public Sector Enterprise (CPSE) to procure minimum 20 percent of their annual requirements from micro and small enterprises (MSE) out of which 4 percent is earmarked for MSEs owned by the SC/ST entrepreneurs. In the policy 358 items are kept reserved for<sup>9</sup> exclusive purchases from micro and small enterprises. Public Procurement (PP) Facilitation Cell is created at MSME-DI, Nagpur to act as a strong bridge between MSEs and CPSEs/ Central Departments. In the context of new challenges arising out of the impact of WTO and Globalization on the Indian MSME's., the policy makers yearn for the sustained growth of MSME sector. In spite of all their efforts there are issues of integration,

synchronization and focus. Therefore in order to evaluate the effectiveness of efforts put in by the most vibrant player, MSME-DI and to suggest a practical approach to focus sustainability for the MSMEs the current research is carried out.

## VI. RESEARCH METHODOLOGY

**Literature Review** An inclusive literature demonstrates that MSMEs are essential for sustained economic growth and development of the Indian economy. To rationalize the need of present study, following literature has been reviewed:

- Bala Subrahmanya (2004) highlighted the impact of globalization and domestic reforms on small-scale industries. The study affirmed that small industries have suffered in terms of growth of units, employment, output and exports. The study also pointed that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. The author suggested that the focus must be switched to technology development and strengthening of financial infrastructure in order to make Indian small industries globally competitive and contribute to national income and employment generation.

- Sudan, F. K. (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options

of Micro and Small Enterprise (MSE) sector. The study concluded that all the policies which were opted by Government of India were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labour

force and offer exciting career opportunities.

- Garg, I., and Walia S. (2012) highlighted the growth and contribution of MSME sector in post reform India. The study reveals that the significant growth of MSMEs have been taken place over a period of time and this sector is the major donor to gross domestic product (GDP), employment and exports in Indian economy. The authors suggested that we should encourage MSMEs to take proper care of Indian economy with concrete plan of action and its honest implementation.

- Ravi (2009) focuses on entrepreneurship development within the Micro, Small and Medium Enterprise (MSME) sector in India. The author studied the overview of this sector in India and look at some recent trends which highlight the development and significance of this sector w.r.t. the Indian economy. He further studied about specific government policy interventions on the growth of entrepreneurship in the MSME sector in India. The study reveals that while specific policies that are aimed at the MSME sector have limited impact on the growth of this sector, more general development policies such as expenditure on infrastructure and access to finance have significantly positive impact on growth of the MSME sector across states in India over the last 15 years. He suggested suggest that the government should play a facilitator role and improve access to finance by encouraging more banks and other financial institutions to enter the local market, instead of becoming an active player itself. The results recommended the core competence of the government in certain roles, example creating a facilitating environment such as improved connectivity by roads, railways

and airways, improved availability of electricity and water supply.

- Asghar, Nawaser, Paghaleh and Khaksar(2011) analysed the government policies with respect to the MSMEs and the performance of these enterprises in relation to the policies and assistance and also concentrates on the growth of entrepreneurship within the Micro, Small and Medium-sized enterprises in India. In addition, the authors also considered the contribution of MSMEs towards country's employment generation. They observed that in India a large number of micro, small and medium enterprises contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 65.9 million persons in over 28.5 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. Their analysis also shows that global market has changed considerably as also the activities of Micro, Small and medium enterprises. They found in the past record of MSME development that, those countries have succeeded in achieving higher growth of MSME, who have given much more emphases on Entrepreneurship Development Program.

Thus one can see that there are initiatives and resource investments from the government side and on the other hand there are series of researches which highlight the problems of MSME. Over the years the problems of MSME have not changed and that simply means that too little is being tried or the effort is in wrong direction. MSME-DI being the prominent

institution in the region, an effort was warranted to check and map what exactly they are doing as against the mandate and requirement.

### Objectives of the Study

- To understand the role of MSME-DI in the development of Entrepreneurship in Vidarbha.
- To understand the problems faced by MSME in Vidarbha region.
- To suggest innovative ways to meet the challenges faced by MSMEs.

### Research Questions

- Is there any Mapping between the activities of MSME-DI, problems faced by MSME in Vidarbha and Make in India plans of GoI?

- How MSME-DI can help in rejuvenating MSME in Vidarbha?

**Methodology of the Study** In the process of completing this study, the researcher has referred to several credible sources of data (Ministry of MSME, Government of India, Fourth All India Census) including existing research literature, industry publications and other reports published by various government and non-government agencies. In addition, a series of primary interviews with various stakeholders (DIC, MSME, VIA, FICCI, DICCI, TIE, Banks, Existing Entrepreneurs and Faculties of ED at Management Institutes) were carried out to understand and evaluate the problems/ constraints/ views to rejuvenate the MSME sector.

## VII. MSME-PROBLEMS AND MSME-DI EFFORTS MAPPING

Vidarbha MSME-Problems	MSME-DI Nagpur efforts
Delayed payment by customers (Vidarbha MSME- Primary data)	GAP 1
In adequate Market linkages (All India MSME - Secondary Data)	Publicizing the Public Procurement Policy and facilitating due share of MSE Sector in procurements by Government Departments and Public Sector Enterprises
In adequate Market linkages (All India MSME - Secondary Data)	Promotion of MSE-Cluster Development Programme
In adequate Market linkages (All India MSME - Secondary Data)	Vendor Development Programme/Exhibition
In adequate Market linkages (All India MSME - Secondary Data)	Participation in the International Trade Fair Exhibition for Marketing Development Assistance (MDA).
In adequate Market linkages (All India MSME - Secondary Data)	Sub – Contract Exchange (SCX)
Inadequate Finance (All India MSME - Secondary Data)	Popularize the schemes like Credit Link Capital Subsidy Scheme and CGTMS
Inadequate policies and Frequent Changes in Objectives from GoI (Vidarbha MSME-Primary data)	GAP 2
Lack of Infrastructure (All India MSME -	GAP 3

Secondary Data)	
Lack of managerial competence (All India MSME - Secondary Data)	Providing Technical & Management Consultancy to Existing and Prospective Entrepreneurs
Lack of managerial competence (All India MSME - Secondary Data)	Organise suitable training programmes and events like Entrepreneurship Development Training Programmes, Entrepreneurship Skill Development Training Programmes, Entrepreneurship Skill Development Training Programmes, Management Development Training Programmes, Skill Development Programmes, Programme on Intellectual Property Rights, Programme on Bio-Technology and Industrial Motivation Campaign for prospective and exiting entrepreneurs.
Slow Down of economy (Vidarbha MSME- Primary data)	Un-controllable variable but strategies to lower impact can be made aware of.
Targeted at growth of MSME units	Disseminating Economic and Statistical Information
Targeted at growth of MSME units	Preparation of Project Profiles
Obsolete Technology (All India MSME - Secondary Data)	ISO- 9001 Certification awareness through educational workshops & reimbursement.
Obsolete Technology (All India MSME - Secondary Data)	Educational Workshop on Waste Minimisation, Cleaner Production and Energy Conservation
Obsolete Technology (All India MSME - Secondary Data)	Implementation of National Manufacturing Competitiveness Programme (NMCP)

### VIII. WHAT CAN BE DONE BY MSME-DI TO BRIDGE THE GAP

GAP 1: Delayed Payment by customers (Vidarbha MSME- Primary data)

Big companies are purchasing majority input materials from MSME units for which they are normally allowed 1 month credit, but in practice it is found that these companies are intentionally paying after 3-4 months, against which they are getting credit from their suppliers for about 1<sup>14</sup> month, hence MSME units are heavily burdened with the interest passed on to them by the big companies resulting into

NPA. This in-ordinate delay put undue pressure on financials of MSMEs. To avoid this scenario Stressed Asset Management Fund can be created. It is suggested that Payment Protection Committee to be constituted and should be available to MSME entrepreneurs for recovering payments against pending bills (similar to public sector banks recovering loan from defaulters). This committee should monitor the payments of any bill. This may help to resolve to some extent the present NPA problem which is not simple NPA of Bank funds but a probable

Entrepreneur dies in the system and is bigger loss. This will help in the growth of MSME sector and units will not become sick.

**GAP 2: Inadequate policies and Frequent Changes in Objectives from GoI(Vidarbha MSME- Primary data)** Indifferent views and policies of Government of India are some of the factors which are gathering much concern about the future of MSMEs. In our country most of the policies are for startup of the MSME. It is suggested that more policies should be framed when they frown up helping them in their long term sustainability. Focused policies to be framed based on Products/ services/ franchise/ trading. Policies should be prepared which are more conducive to the respective sectors. The Policies for various sectors should be developed in consultation with sectoral experts with some more sensitivity and keeping an eye on its immediate competitors. Establish regular consultation mechanisms with MSMEs at both state and district levels on pressing business issues and related policies, in cooperation with business associations (eg. VIA), and publish the results of the consultations and related action plan annually;

**GAP 3 - Lack of Infrastructure (All India MSME - Secondary Data)** The Government has attached high priority to promote to cluster development program to attract investment and promote the production of competitive semi-manufactured and/or manufactured goods. For this government can design and develop separate MSME parks for various industrial sectors, such as food processing, light manufacturing and high-technology industries, for fostering key industry clusters; District cluster mapping exercises can be conducted to identify key players,

their capacity development needs and an ideal institutional framework among them.

## **IX. CONCLUDING REMARKS**

This is truly a great time of expectation for MSME in Vidarbha region, and this is probably the only time in recent past where our odds of driving breakout growth in manufacturing are very high. Having said this, there is a long journey ahead for MSME in Vidarbha, one that can start by governments focus on Creation-Sustainability-Growth-Internationalisation. However, multiples efforts are done at the creation stage of MSME but more stringent efforts are called for sustenance first. Efforts done in these lines will support the Modi's vision of 'Make in India', Chief Minister of Maharashtra's dream of 'Make in Maharashtra and Vidarbha' and help to be enabler of good ecosystem which will directly help in attracting better investments under the ambitious campaign of the government. Overcoming the gaps desires structural changes in terms of significant policy and regulatory reforms. However a kick start has been made with the governments 'Make in India-Maharashtra-Vidarbha' campaign.



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## EXPORT PERFORMANCE OF TEA IN INDIA

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### Abstract

Tea is one of the important beverages in India. Tea being cheap, affordable and addictive in nature nearly 90 per cent of Indian households is regular tea drinker. India and china are the major tea exporters in the world. India's share in total world tea export was 13.74 per cent during 2014-15. The objective of the study was to analyse the export performance of Indian tea. The secondary time series data for the last 30 years regarding production, export quantity and value of export were collected from Food and Agriculture Organization and various issues of Tea board of India. The entire 30 years was equally divided into three periods i.e., period I (1985-86 to 1999-2000), period II (2000-01 to 2014-15) and overall period (1985-86 to 2014-15). The collected data were analyzed with the help of appropriate statistical tools like CGR, CV, trend analysis, NPC in order to fulfil the objective of the study. Compound growth rate of production of tea was highest in period II (2.687 % per annum) and statistically significant. Similar result was found in export of tea i.e., period II (3.340 % per annum). However the CGR was found highest in period II (7.283 % per annum) for value in export of tea. The highest co-efficient of variation was found in production at overall period (18.87) but in case of export quantity and value of export highest CV found at period II i.e., (20.90 and 35.07). Trend analysis in that among the competitive parametric models, all cases cubic models are found best fitted for production, export quantity, export value, domestic price and International price. The best fitted models are selected based on the  $R^2$  along with significance of coefficients. The index number shows the annual trend for the values, which indicate that the index number for production of world as well as India, world export and India's export, value of tea export, domestic and International price of tea were increasing trend in over all period on the initial tri-annum (1985-86 to 1987-88) ending as a base value. NPC values of tea was worked out to the period I, period II and overall period was 0.717, 0.674 and 0.695, it indicates that the commodity is not protected.  $NPC < 1$  indicates that the commodity is exportable and possesses export competitiveness. Thus, the study concluded that the tea have better export potential in future. It is necessary to explore the possibility of expansion of tea cultivation in the backward hilly tracks of non-traditional area. To achieve the breakthrough in exports, it become necessary to initiate a systematic and long term export planning at the state as well as national levels.

### Introduction

Tea is the second most widely consumed drink world-wide after water. Tea is an aromatic beverage commonly prepared by pouring hot or boiling water over cured leaves. Tea being cheap, affordable and addictive in nature nearly 90 per cent of Indian households is regular tea drinker. India has a significant share in the

International tea market with 13.74 per cent share of world tea exports in 2014-15. In the period 2014-15, In India tea cultivated area was 5,89,660 hectares from that tea produced 11,46,437 tonnes of tea and yield of the tea was 19,484 kg per hectares. India's tea exports are largely in the form of bulk tea. India exported tea to different countries overall at around

2,67,490 tonnes export and valued at 7,90,791 dollar in the period of 2014-15.

### Methodology

The secondary time series data for the last 30 years regarding production, export quantity and value of export, domestic price were collected from Food and Agriculture Organization and various issues of Tea board of India. The entire 30 years was equally divided into three periods i.e., period I (1985-86 to 1999-2000), period II (2000-01 to 2014-15) and overall period (1985-86 to 2014-15). The collected data were analysed with the help of appropriate statistical tools like CGR, CV, trend analysis, NPC in order to fulfil the present study.

### Growth rate analysis

The growth rates were used to measure the past performance of the economic variables. The growth model of exponential was used to study the growth and thereby performance of tea exports in terms of production, export quantity and value of export. Compound growth rate was analysed by using exponential growth function as given below

$$Y = ab^t$$

Where,

Y=Production/Export quantity/Value of tea export

t = Time variable

b = Regression coefficient

a = Intercept

The compound growth rates 'r' was computed by using the formula

$$CGR (r) = [\text{Antilog} (\ln b) - 1] * 100$$

Where,

r = Compound growth rate

### Instability analysis

Instability in export is expected to hamper the process of economic development. The degree of instability in production, export quantity and export value of tea was measured by using coefficient of variation

$$\text{CV (Coefficient of Variation)} = \frac{\sigma}{x} * 100$$

Where,

$\sigma$  = Standard deviation

$$S = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

X = Arithmetic mean

X = Variable

n = Number of observations

### Trend analysis

The trend in production, export quantity, export value, domestic and international price of tea was computed for the series data of 1985-86 to 2014-15. To trace the path of process different parametric trend models as given in table below are used. Among the competitive trend models, the best models are selected based in their goodness of fit (measured in terms of  $R^2$ ) value and significance of the coefficients.

**Table 1: Linear and Non-linear trend models**

Model No.	Model	Name of the model
1.	$Y_t = b_0 + b_1t$	Linear equation
2.	$Y_t = b_0 + b_1t + b_2t^2$	Second degree polynomial
3.	$Y_t = b_0 + b_1t + b_2t^2 + b_3t^3$	Third degree polynomial

Where Y is the production/ export quantity/ export value/ domestic price/International price and t is the time

### Index numbers

An index number is a statistical measure designed to show changes in variables or group of related variables with respect to time. Index numbers were calculated by choosing the first three years average (1985-86 to 1987-88) as a base year. The following formula was used to estimate the index number.

$$\text{Index number} = \left\{ \frac{\text{Current Year's Value}}{\text{Base Year's Value}} \right\} * 100$$

By using the above mentioned formula, the index number for world production, India's production, world export quantity, India's export quantity, value of export, domestic price and International price of India were calculated separately.

### Nominal Protection Coefficient (NPC)

Nominal Protection Coefficient was computed to determine the extent of competitive advantage enjoyed by the commodity in the context of free trade. Here the International price was calculated by dividing export value with export quantity. The coefficient shed light on whether a country has comparative advantage in the export of that commodity in the free trade scenario or not. The NPC is defined as the ratio of the domestic price to the world reference price of the commodity under consideration. Symbolically,

$$\text{NPC} = P_d/P_r$$

Where,

$P_d$  = Domestic price of tea

$P_r$  = World reference price of the tea

If  $\text{NPC} > 1$ , the commodity is protected, compared to the situation that would prevail under free trade and if  $\text{NPC} < 1$ , the commodity is not protected.

### Results and discussion

The main focus of this paper is to examine how year to year fluctuations in production, export quantity, value of export of tea crop in India and what is the effect of newly on going horticultural development programmes on the its instability and export performance.

### Growth rate in production and export of tea

The export performance of tea from India with respect to production, quantity and value of exports was evaluated.

The total study period (1985-86 to 2014-15) was divided into three periods namely, period I (1985-86 to 1999-2000), period II (2000-01 to 2014-15) and overall period (1985-86 to 2014-15).

The exponential functional form was employed to compute the growth rate and the results are presented in Table 2. Table reveals that the growth rate of production in period I was 2.01 per cent per annum and significant at one per cent level, growth rate of export quantity was negative in period I -1.53 per cent per annum and the growth rate of value of export was also negative in period I -1.92 per cent per annum and export quantity and value both are non-significant. However, the negative growth rate of export and value of export was due to collapse of Russian market in the early 1990s and increased demand for high quality and organic tea.

**Table 2: Compound growth rate of production, quantity and value of Indian tea (1985-86 to 2014-15)**

Particulars	CGR	R <sup>2</sup>	SE	t-Value
Production				
Period I	2.01**	0.88	0.02	9.64
Period II	2.69**	0.94	0.01	13.76
Overall Period	2.07**	0.96	0.02	25.47
Export Quantity				
Period I	-1.53	0.24	0.06	-2.03
Period II	3.34**	0.58	0.06	4.25
Overall Period	0.84*	0.17	0.07	2.42
Export Value				
Period I	-1.92	0.15	0.10	-1.48
Period II	7.28**	0.82	0.07	7.76
Overall Period	1.54*	0.20	0.12	2.63

Note:\* - denotes significant at 5% level      \*\* - denotes significant at 1% level

The growth rate of production in period II was significant at 2.69 per cent per annum, growth rate of export in period II significant at 3.34 per cent per annum and the growth rate of value of export was 7.28 per cent per annum. Due to the fall in exports and crash in the market, the producers opted to cut in production and laid more emphasis on high quality and organic tea to compete in International market and export has shown positive sign. Growth in the value of exports higher than its quantity of export mainly due to the result of higher demand for tea in world market and increase in price per unit of export quantity of Indian tea. The compound growth rate was increased in period II, it implies that the volume indices of exports have registered an upward trend during the post reform period mainly because of the following facts: Recovery in International commodity prices, movements in cross currency exchange rates, a faster repatriation of exports proceeds, various policy initiatives for export promotion and market diversification contributed to upsurge in export volume in period.

The overall 30 years growth rate of production in India was highly significant at 2.07 per cent per annum and much higher than the growth rate of export quantity for overall period was five per cent level significant 0.84 per cent per annum and the growth rate of value for export overall period was 1.54 per cent per annum and significant at five per cent level.

The results of the study on the compound growth rates during the study periods have shown positive and significant value indicating vast potential for the export of tea from India. The results obtained are in close agreement with the findings of Shendeet *al.* (1999), Bairwaet *al.* (2012), Arya (2013) and Sahni (2014).

### **Instability in production and export of Indiantea**

In order to study the instability in production, quantity and value of tea exports during the study period, coefficient of variation was worked out, the total period (1985-86 to 2014-15) was split into three periods *viz*; period I (1985-86 to 1999-2000), period II (2000-01 to 2014-

15) and over all period (1985-86 to 2014-15). The results are presented in Table 3.

Table 3 reveals that the production of tea exported exhibited less variability with co-efficient of variation at 9.57 per cent and 12.54 per cent in period I and period II, while it was the highest in overall period with co-efficient of variation at 18.87 per cent.

As regard the quantity of tea exists high positive correlation was observed in period

I and period II with co-efficient of variation at 13.4 per cent and 20.90 but in overall period co-efficient of variation was 19 per cent.

Export earnings in terms of value showed higher instability in overall period with 32 per cent of co-efficient of variation when compared to the period I (21.80 per cent) but for period II co-efficient of variation was 35.07 per cent.

**Table 3: Instability of production, quantity and value of Indian tea (1985-86 to 2014-15)**

Particulars	Mean	SD	CV
Production			
Period I	7244.38	693.35	9.57
Period II	9745.09	1221.74	12.54
Overall Period	8494.73	1603.11	18.87
Export Quantity			
Period I	1840.90	246.75	13.40
Period II	2103.04	439.49	20.90
Overall Period	1971.97	374.71	19.00
Export Value			
Period I	4380.38	955.07	21.80
Period II	5411.81	1898.12	35.07
Overall Period	4896.10	1566.78	32.00

Note: SD- Standard Deviation and CV- Co-efficient of Variation

Table 3 exhibits high positive correlation between the production, export quantity and value of export in overall period. It happened due to increase in price per unit of export quantity of Indian tea. Though this may be good for a short duration from the economic point of view, but in the long run it is likely to have adverse effect on the tea exports as other countries will be able to sell better quality tea at a lesser price. These findings can be correlated with Arya (2013) and Sivanesan (2013).

### Trend analysis of tea

The trend equations were fitted to assess the production, export quantity, export value, domestic and International price. Depending upon its better fit, was analysed by the production functions *viz*;; linear, logarithmic, inverse, quadratic, cubic, compound, power, square root, growth, exponential, logistic the trends and the results are assessed and presented under different categories namely trends in production, export quantity, export value, domestic price and trends in international price.

To assess the trends in production, export quantity, value of export, domestic price

and international price, the data over the period from 1985-86 to 2014-15 were considered. It could be seen that the production was in increasing trend but export quantity and value of export having fluctuations in overall period. In the initial

period of domestic price of tea was found to be increasing significantly and in the middle period starting it's slightly decreased but, finally in increasing state. It revealed that the international prices of tea increased state in the overall period.

**Table 4: Trend in production, export quantity, export value, domestic price and International price of tea in India (1985-86 to 2014-15)**

Sr. No	Particulars	Function	R <sup>2</sup>	Coefficients		
				b <sub>1</sub>	b <sub>2</sub>	b <sub>3</sub>
1.	Production	Cubic	0.97**	3.15**	-1.76	2.64*
2.	Export quantity	Cubic	0.61**	-54.71	3.52**	0.06
3.	Export value	Cubic	0.74**	-120.64	-6.32	0.48
4.	Domestic price	Cubic	0.92**	7.79**	-0.49	0.01
5.	International price	Cubic	0.93**	13.36**	-0.79	0.02

Note: \* - denotes significant at 5% level

\*\* - denotes significant at 1% level

Knowing the above overall performance, path of movement of the series was traced through parametric trends model (Table 4). A wide range of models has been explored, among the competitive models the best fitted models are selected based on the R<sup>2</sup> along with significance of coefficients. Among the competitive parametric models, all cases cubic models are found best fitted for production, export quantity, export value, domestic price and International price; thereby indicating that the movement of all the series was uniform throughout the India. R<sup>2</sup> of production, export quantity, export value, domestic price and International price were significant at one per cent level. Coefficient b<sub>1</sub> was significant at one per cent level for production, domestic price and International price and for b<sub>2</sub> export quantity only significant at one per cent

level, for b<sub>3</sub> production only significant at five per cent level and remaining all the co-efficient were non-significant. This may be due to the changes in policies and its execution at different periods of time. Liberalization of trade policies influence the marketing structures, price received by the growers and other market players. The similar results are found in Darvishi and Indira (2013) and Dhekale *et al.* (2014).

### Index numbers

The index numbers were estimated for world production, India's production, World export, India's export, value of export, domestic price and International price of tea in India. The basic object for estimating index numbers was to make the trends of tea. For this analysis the data pertaining to the years 1985-86 to 2014-15

i.e. past 30 years were used. The results have been presented in Table 5.

The index numbers were worked out for the World production, India's production, World export, India's export, Export value, Domestic price and International price of tea in India. It is seen from data, the index numbers of World production, India's production, World export, India's export, Export value, Domestic price and International price of tea in India have shown the gradual increase in almost all the periods. According to the table the data compared to the world production and India's production, world production (346.35) was higher in 2014-15 and for India (191.08) in 2013-14, in that the lowest index number value was found in 1987-88 for world as well as India i.e. (93.06 and 98.14). Comparing to the world export and India's export, the higher value (187.62) was found in 2013-14 and for India (158.85) in 2011-12 in that the lowest value was found in 1994-95 and 1996-97 i.e. (97.08 and 68.14). Export value index number higher (182.96) at 2005-06 and lower (97.09) at 1987-88. For domestic price it was higher (95.76) in 2014-15 and the lower value (38.85) in 1996-97 followed by for index number higher value (648.66) at 2013-14 and the lower value (93.83) in 1987-88. A

comparison between the world and India, it was more during the post-WTO period for production, export, value of export, domestic price and International price. The results obtained are in close agreement with the findings of Shende *et al.* (1999).

#### **Export competitiveness of tea**

The export competitiveness of tea was analysed using Nominal protection coefficient and it is presented in table 6.

The Table 6 show that, at an overall period level, the NPC values of tea was 0.695, it indicates that the commodity is not protected.  $NPC < 1$  indicates that the commodity is exportable and possesses export competitiveness. But when it was analysed for the two different periods i.e. period I and period II, it was observed that, during the period I and period II average NPC values was 0.717 and 0.674, respectively which indicates same like as overall period. From the above Table period II (0.674) having high export competitiveness compared to the period I and over all period. Because NPC decreasing means there was an increase in International price in the world market compared to the domestic market. The results obtained are in close agreement with the findings of Nagoor (2009) and Prasad *et al.* (2014).

**Table 6: Nominal Protection Coefficient (NPC) for Indian tea (1985-86 to 2014-15)**

Period	Year	Domestic prices ( $P_d$ ) (Rs/Kg)	International prices ( $P_r$ ) (Rs/Kg)	NPC ( $P_d / P_r$ )
Period I	1985-86	23.34	32.08	0.728
	1986-87	23.44	30.38	0.772
	1987-88	24.66	28.42	0.868
	1988-89	26.36	32.30	0.754
	1989-90	36.62	44.30	0.827
	1990-91	43.23	54.37	0.795
	1991-92	40.31	58.70	0.687



	1992-93	38.88	62.92	0.618
	1993-94	48.93	68.12	0.718
	1994-95	40.61	64.12	0.633
	1995-96	47.99	79.78	0.602
	1996-97	48.77	73.42	0.664
	1997-98	66.89	101.36	0.660
	1998-99	76.43	109.20	0.700
	1999-00	72.79	99.54	0.731
<b>Average (period I)</b>				<b>0.717</b>
	2000-01	61.71	101.55	0.608
	2001-02	61.66	100.26	0.615
	2002-03	55.96	86.20	0.649
	2003-04	56.03	87.10	0.643
	2004-05	64.54	94.00	0.689
	2005-06	58.05	105.76	0.549
	2006-07	66.01	99.44	0.664
	2007-08	67.27	95.31	0.706
	2008-09	86.99	140.67	0.618
	2009-10	105.60	132.85	0.795
	2010-11	101.04	132.44	0.766
	2011-12	103.94	142.78	0.728
	2012-13	127.91	167.50	0.764
	2013-14	126.12	196.48	0.612
	2014-15	125.59	186.81	0.672
<b>Average (period II)</b>				<b>0.674</b>
<b>Average (overall period)</b>				<b>0.695</b>

### Conclusion

It will be concluded from the above study that tea have very good export potential in future. It is necessary to explore the possibility of expansion of tea cultivation in backward hilly tracts of non-traditional area. To achieve the break-through in exports, it becomes necessary to initiate a systematic and long-term export planning at the state as well as national levels.

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## INDIAN BUSINESS EDUCATION MARKET DYNAMICS & FOREIGN UNIVERSITIES: FACTS & FANTACIES

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### **Abstract:**

Management education in India is facing the challenges similar to that of the business. The major concerns are turmoil of technology, changing customer expectations, global competition, online courses and societal responsibility. If the management education fails in these areas then this will raise many questions regarding the academic contribution of the institutes. Moreover with the recent approval of the foreign universities bill by the cabinet, many people interested in Indian higher education are riding a wave of optimism and expecting that there will be a number of highly reputed institutions like Harvard which would be establishing their campuses in India. On the other hand, there are few people who believe that this will open floodgates for local b-schools and some are also of the opinion that these foreign universities may take unfair advantage of students. An attempt has been made to highlight the issues that really tend to make management education a great deal. We have tried to come up with the challenges the management education is facing in this fast growing economy. The opportunities that we considered to be important after a short analyses, a conclusion so as to say what this entire concept takes to be, our views in improving the entire scenario prevailing is what we have put forth in this paper.

**Key Words:** Management Education, Foreign universities and B-Schools.

### **INTRODUCTION:**

“The conventional definition of management is the art of getting work through people, but real management is developing people through work.”

Over the last 20 years, the growth of the global middle class has driven up demand for higher education. A global market for education is operating with new forms of information-ranking systems to guide consumer choices.

Institutions and some governments have responded by promoting their brand of

learning and marketing education services to those who can afford to pay.

### **Is the student a product, customer, partner or stakeholder?**

The crucial question to address first is to define a “student.” Although students are consumers and products of education (Conway and Yorke, 1991), a survey conducted by Delucchi and Korgen (2002) for sociology undergraduates, with a 41-item questionnaire, confirmed that students believe that “higher education operates as a consumer-driven marketplace.”

Can we call students as the customers of the institutes? If yes, then, are we compromising on the extensive benefits

such as good citizenship, professionalism, ethical values, life skills, etc. of B-school education, with immediate, short-term student goals of lucrative employment? Instead of addressing students as customer we can call him:

- Customer wanting routine information from a department or faculty office;
- Client in need of expert guidance (choosing a course, or reviewing an assignment);
- Citizen with certain rights (borrowing a book or appealing against an act of discrimination); and
- Subject with certain obligations (being fined, for an overdue book, or working to make a grade).

As the business environment of India is different from the rest of the business with respect to economic development, diverse cultures and sub-cultures, income and cast-based classification of the society, ethical values, existence of powerful unorganized markets for most products, career orientation among youth, etc. there is a need to develop management education programs which consider the differences and develop MBA programs to suit the requirements of the Indian scenario. It has been observed that most of the set of courses of Indian B-Schools rely on textbooks and case studies used in USA and based on research done in American context. The reason for this is probably we are not having sufficient amount of research work done in this context.

Most B-schools have associations with the state universities. The syllabus and its conduction imposed by most universities tend to be restrictive and gradually deteriorating. The norms do not allow flexibility to respond to the local conditions and do not build competencies

for quality teaching, service, and scholarship. The evaluation techniques adopted in a majority of B-schools still employ traditional grading methods by relying on term end examinations for awarding the degree. The teaching techniques, in most B-schools, are lecture-based approaches, though there is increasing popularity of more experiential learning exercises like unstructured business situations, case study analysis, projects, internships, team learning, computer-based instructions, etc.

### **Why welcome foreigners?**

The foreigners are expected to provide the much needed capacity and new ideas on higher education management, curriculum, teaching methods, and research. It is hoped that they will bring investment. Top-class foreign universities are anticipated to add prestige to some of the Indian institutes. All of these assumptions are at the very least questionable. While foreign transplants elsewhere in the world have provided some additional access, they have not dramatically increased student numbers. Almost all branch campuses are small and limited in scope and field. In the Persian Gulf, Vietnam, and Malaysia, where foreign branch campuses have been active, student access has been only modestly affected by them. Branch campuses are typically fairly small and almost always specialized in fields that are inexpensive to offer and have a ready clientele such as business studies, technology, and hospitality management. Few branch campuses bring much in the way of academic innovation. Typically, they use tried and true management, curriculum, and teaching methods. The branches frequently have little autonomy from their home university and are, thus,

tightly controlled from abroad. While some of the ideas brought to India may be useful, not much can be expected.

Global experience shows that the large majority of higher education institutions entering a foreign market are not prestigious universities but rather low-end institutions seeking market access and income. The new for-profit sector is especially interested in global expansion as well. Top universities may well establish collaborative arrangement with Indian peer institutions or study/research centers in India, but are unlikely to build full-fledged branch campuses on their own.

At least in the immediate and mid-term future, it is quite unlikely that foreign initiatives will do what the Indian authorities hope they will accomplish in mere future.

There are three segments of universities interested in coming to India with different needs and objectives:

**1) Prestige-enhancing (top-50 research universities):** This is the segment of universities which are not interested in India as a source of revenue. They are primarily interested in adding to their existing prestige and relevance by offering access to their faculty and students to the emerging and increasingly important market of India. These universities would not establish their own full-fledged campus in India in next five years. However, they would be very keen to establish partnerships with universities in the form of student exchanges, faculty exchanges and collaborative research projects. For example, Harvard Business School established its India Research Center for this purpose.

**2) Prestige-seeking (next-tier of 100 universities):** These institutions seek internationalization to build their prestige

and at the same time seek opportunities of revenue enhancement. They may be open to establish campuses by themselves or in partnership. In addition to activities undertaken by prestige-enhancing universities, these sets of universities are open to engage in more extensive arrangement including joint-degrees and twinning programs. For example, National Management School has partnered with Georgia State University to offer joint-MBA program. This also includes universities from UK forming partnerships to offer degrees in India. For example, Lancaster University partnered with GD Goenka to establish GD Goenka World Institute.

**3) Revenue/profit maximizing:** These institutions are primarily looking for additional sources of revenue/profit by scaling enrollments. In this category, lesser known public universities are engaged in twinning programs but they do not have resources to start their own off-shore campuses. While the private for-profit institutions are very interested and financially capable to enter India and have a full-fledged presence, they are not welcomed in India under the current policy framework.

Interestingly, despite different needs and objectives, all the above segments of foreign universities are facing challenges in entering in India. These challenges not only exist in the form of unrealistic policy direction but also in terms of institutional expectations mismatch. Government is interested in attracting highly reputed universities and likewise, every Indian institution aspires to collaborate with top brand names only. This overlooks the whole spectrum of quality and diversity available in the global higher education system.

(This article, "Foreign Universities in India: Reality check", was published on www.DrEducation.com., last accessed on 1/12/2010)

### **Challenges for management education:**

- **Faculty Development**

Faculty being by far the most crucial factor in the Management Education process, it is a stupendous task to meet the faculty needs of the rapidly expanding management institution system. There is an acute shortage of high quality management teachers.

- **Development of Teaching Material and Case studies**

Very few institutions in the country have been able to develop adequate teaching material including cases in terms of Indian ethos in management. There continues to be a very heavy reliance on foreign text books and cases.

We need to nurture wide-spread management research including case research and publications indigenously.

- **Institution-Industry linkage**

Management institutions should have linkage with Business and Industry to understand their requirements and reorient teaching, training, consultancy and research activities to meet the challenges of globalization and liberalization. There should be a formal forum for frequent interaction of Management institution and Management Associations, Chambers of Commerce & Industry and other professional bodies for upgradation of Management Education. But in fact how many industries look into this aspect seriously.

- **Restructuring of the existing P. G. Management Programmes**

The existing P.G. programmes in management are mainly has to be industry oriented to meet the domestic needs of the industrial sector.

The demand for managers for international business, information technology, and medium and small scale industrial sector and for the growing infrastructural and service sectors is not being met adequately. The MBA level programme should therefore be restructured to take care of this aspect.

- **Stress on skills building:**

MBA graduates lack soft skills and a creative bent of mind. The B-school should train students to develop their interpersonal skills as increasing size and complexity of organizations require soft skills and counseling to manage diverse teams working in different places. Also knowledge of quantitative data analysis and modeling needs to be strengthened.

### **How should Business Schools organize themselves for quality?**

1. Offer greater flexibility in program design e.g. moving into new areas such as Health Care Management, Technology and Higher Education Management, Social enterprise management etc.
2. Accommodate cutting edge knowledge by greater customization and getting away from commoditization.
3. Provide greater choices to students in the areas about which they are passionate and have fewer compulsory courses.
4. There must be a change in the focus on what to deliver and how to deliver to make room for rapidly moving

- conditions.
5. Introduce greater diversity in class rooms across disciplines, socio-economic groups, gender and geography.
  6. Need to have greater diversity in faculty, bring in more global faculty, and send the existing faculty for exposure to best schools. Teaching without research backing is useless and does not excite the bright students is admitted by most of the best Management schools.
  7. Promote Quality on all fronts including governance (the Boards should be drawn from men and women of high caliber from various domain) and in internal management (hire those who believe in result-oriented processes).
  8. Instill and promote ethical conduct and values such as passion and commitment, contribution to community, breakthrough thinking and execution.
  9. Establish closer linkages with the corporate sector, nonprofit sector, public sector, communities, have regular discussions with private businesses and listen to their apprehensions.

**Liberalization before Globalization:** We have reputed universities like IIMs and IITs. Some more institutes will be initializing soon. However, more important is that we should allow new private universities and give them same autonomy & freedom that the foreign universities are seeking. We need to allow these universities to grow, and be able to compete internationally. We have seen that given the right environment, Indian universities can compete globally. One prime example is the Indian School of

Business at Hyderabad. Within a span of less than a decade, the school became a top-20 school globally as per Financial Times report. By allowing foreign universities at this point in time, (when our economy is better than a decade back), we are also stifling our ability to have world-class university like Harvard or MIT of our own.

### **Political & educational context**

Everyone recognizes that India has a serious higher education problem. Although India's higher education system, with more than 13 million students, is the world's third largest, it only educates around 12 per cent of the age group, well under China's 27 per cent and half or more in middle-income countries. Thus, it is a challenge of providing access to India's expanding population of young people and rapidly growing middle class. India also faces a serious quality problem — given that only a tiny proportion of the higher education sector can meet international standards. The justly famous Indian Institutes of Technology and the Institutes of Management, a few specialized schools such as the Tata Institute of Fundamental Research constitute tiny elite, as do one or two private institutions such as the Birla Institute of Technology and Science, and perhaps 100 top-rated undergraduate colleges. Almost all of India's 480 public universities and more than 25,000 undergraduate colleges are, by international standards, mediocre at best. India's complex legal arrangements for reserving places in higher education to members of various disadvantaged population groups, often setting aside up to half of the seats for such groups, places further stress on the system.

### **Capacity Problem**

India faces severe problems of capacity in its educational system in part because of underinvestment in educational sector over many decades. More than a third of Indians remain illiterate after more than a half century of independence. Recently, a new law took effect that makes primary education free and compulsory. While admirable, it takes place in a context of scarcity of trained teachers, inadequate budgets, and inferior supervision. No one knows just how the new organizations will work or who will staff it. India's higher education accrediting and quality assurance organization, the National Assessment and Accreditation Council, which was well-known for its slow movement, is being shaken up. But, again, it is unclear how it might be changed.

Many new national "world-class" universities in each of India's States will be opening new IITs very soon. But these new institutes will be having inadequate funds and the shortage of qualified professors. The fact is that academic salaries do not compare favorably with remuneration offered by India's growing private sector and are uncompetitive by international standards. Many of India's top academics are teaching in the United States, Britain, and elsewhere. Many foreign institutes recruit Indian academics. This lack of capacity will affect India's new open door policy for foreign institutes. If India does open its door to foreign institutions, it will be unable to adequately regulate and evaluate them.

### **Likely scenario**

India's higher education needs are significant. The country needs more enrolment capacity at the bottom of the system as well as more places at its small elite sector at the top. The system needs

systemic reform. Furthermore, fresh breeze from abroad might help to stimulate local thinking. Yet, it is impossible for foreigners to solve or even make a visible stroke in India's higher education system.

Foreign institutions, once they realize the challenges of the Indian environment, are unlikely to jump in a big way. Some may wish to test the waters. Many others will be deterred by the conditions put into place by the Indian authorities and the uncertainties of the local situation.

India's higher education needs are significant. The country needs more enrolment capacity at the bottom of the system as well as more places at its small elite sector at the top. The system needs systemic reform. Furthermore, fresh breeze from abroad might help to stimulate local thinking. Yet, it is impossible for foreigners to solve or even make a visible dent in India's higher education system.

Foreign institutions, once they realize the challenges of the Indian environment, are unlikely to jump in a big way. Some may wish to test the waters. Many others will be deterred by the conditions put into place by the Indian authorities and the uncertainties of the local situation.

**Conclusion:**

The real test of quality assurance system is to differentiate wheat from the chaff. Thus, government should focus on creating effective and robust regulatory mechanism for ensuring that malpractices do not take place in the name of foreign institutions. There is a spectrum of institutional quality and types and they serve different needs of student segments. India needs both the high quality teaching and research provided by the research institutions but also the massification which could be catalyzed by next tier of institutions. Undoubtedly, foreign universities bill is a positive development as it will improve quality and practice of higher education. However, it has to be enacted in the context of the needs of India and deeper understanding of the landscape of global higher education.

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## Export growth and trade direction of Indian Chilli: An Econometric Approach

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### ABSTRACT

Chilli (*Capsicum annum* L.) belonging to family solanceae which has about 90 genera and 2000 species. Chilly is one of the important commercial crop. It is a crop of tropical and sub-tropical region and requires warm humid climate. Its origin is central and south America. The objective of the study was to analyze the export performance of Chilli in India. The secondary time series data for the last 30 years i.e.1985 to 2014 regarding production and export were collected from various issues of FAOSTAT. The entire 30 years was equally divided into two period i.e., period I (1985 to 1999) and period II (2000 to 2014). The collected data were analyzed with the help of statistical tools like CGR, CV, Cuddy-Della instability Index and Markov chain analysis in order to fulfil the objective of the study. The paper quantifies the changing structure of chilli exports in order to understand the dynamics of changes and growth rate analysis. The growth rate analysis reveals that, compound growth rate of production of chilli was highest in period I (3.129 % per annum) and statistically significant. Similar result was found in export of chilli i.e., period I (23.288 % per annum). Also the CGR was found highest in Period II (22.134 % per annum) for value in export of chilli. And unit value of chilli i.e. period I (9.022 % per annum). Cuddy-Della instability index for production export quantity, export value and export unit value was found to be high in the first period and low in the second period i.e., for period II (7.24, 14.71, 18.07 and 17.1 respectively). There was stability in the production, quantity exported, export value and unit value of export during period II compared to period I as indicated by lower coefficient of variation in period II. The markov chain model was used to assess the transition probabilities for the major chilli export from India. The result revealed that, the country Malaysia was the loyal market for chilli export.

Thus, the study concluded that the chilli have better export potential in future. Thus it is suggested that to achieve the breakthrough in chilli export, there is need to initiate a systematic and long term export planning at the national levels.

## Introduction

Chilli (*Capsicum annum* L.) belonging to family solanceae which has about 90 genera and 2000 species. Chilly is one of the important commercial crop. It is a crop of tropical and sub-tropical region and requires warm humid climate. Its origin is central and south America. There are more than fifty chilli varieties are grown in India.

Chilli occupies an important place in Indian dilatory. It is an indispensable item in the kitchen as it is consumed daily as a condiment in one form or the other. Chillies are famous for its aromatic flavor and pungency. Among the species consumed per head, dry chilli fruits constitute a major share.

## Methodology

To study the export status of chilli, secondary data pertaining production, export quantity, export value and unit value of chilli were collected from the various issues of FAO STAT.

The growth rates was used to measure the past performance of the economic variables. The growth in production, quantity exported, export value and export unit value realized from export were analyzed by using exponential growth function as given below.

$$Y = ab^t e_t$$

Where,

Y= Quantity / value / unit value of chilli export

t = Time variable

$e_t$  = Error term

b = Regression coefficient

a = Intercept

The unknown constant 'a' and 'b' were computed by applying methods of least

square by transforming the equation into logarithmic form.

$$\ln Y = \ln a + t \ln b$$

Where  $\ln Y$  is natural logarithm of Y,  $\ln a$  and b are similarly defined.

The compound growth rates 'r' will be computed by using the relationship

$$r = [\text{Antilog}(\ln b) - 1] \times 100$$

Where,

$$\ln b = \frac{\{\sum(t \ln Y) - (\sum t \sum \ln Y) / n\}}{\{\sum t^2 - (\sum t)^2 / n\}}$$

And n is number of times points. The significance of  $\ln b$  was tested by t- ratio

$$t = |\ln b| / SE(\ln b)$$

Where,

$$SE(\ln b) = \frac{(SS_{\ln Y} (\ln Y)^2 SS_t)}{\sum ((n-2)SS_t)}$$

Where,

$$SS_{\ln Y} = \sum (\ln Y)^2 - (\sum \ln Y)^2 / n$$

The critical value is t-table value for n-2 degrees of freedom.

## Instability Index

Instability in export is expected to hamper the process of economic development. This analysis was used to find out the fluctuation in export of chilli during last 30 year as done for growth analysis. To study the export instability, coefficient of variation (CV) and Cuddy Della Valle (1978) Instability Index were used to estimate the variation in the export of chilli.

## Coefficient of Variation

The coefficient of variation (CV) was calculated by the following formula

$$C.V. (\%) = \{\text{Standard Deviation} \div \text{Mean}\} * 100$$

The simple coefficient of variation (CV) often contains the trend component and thus over estimates the level of instability in time

series data characterized by long term trends. To overcome this problem, the study was used the instability index (II) given by Cuddy-Della Valle (1978) which corrects the coefficient of variation.

### Cuddy Della Valle instability index

Instability index (II) =  $CV \sqrt{(1-R^2)}$

Where

CV= Simple estimates of coefficient of variation in per cent and

$R^2$  = Coefficient of determination from a time trend regression adjusted by the number of degree of freedom

### Markov Chain Analysis

The trade directions of chilli export was analyzed by using the first order Markov chain approach. Central to Markov chain analysis is the estimation of transitional probability matrix P. The elements  $P_{ij}$  of the matrix P indicates the probability that export was switch from country i to country j with the passage of time. The diagonal elements of the matrix measure the probability that the export share of a country was retained. Hence, an examination of the diagonal elements indicates the loyalty of an importing country to a particular country's export.

In the context of the current application major importing countries of chilli were considered. The average exports to a particular country was considered to be a random variable which depends only on the past export to that country which can be denoted algebraically as

$$E_{jt} = \sum_{i=1}^r (E_{it-1} * P_{ij} + e_{jt} )$$

Where,

$E_{jt}$  = Exports from India to  $j^{\text{th}}$  country during the year t

$E_{it-1}$  = Exports to  $i^{\text{th}}$  country during the period t-1

$P_{ij}$  = Probability that the exports will shift from  $i^{\text{th}}$  country to  $j^{\text{th}}$  country

$e_{jt}$  = The error term which is statistically independent of  $E_{it-1}$

t = Number of years considered for the analysis

r = Number of importing countries

The transitional probabilities  $P_{ij}$  which can be arranged in a (c \* r) matrix have the following properties

$$0 \leq P_{ij} \leq 1$$

$$\sum_{i=1}^n P_{ij} = 1 \text{ for all } i$$

Thus, the expected export shares of each country during period 't' were obtained by multiplying the export to these countries in the previous period ( t-1 ) with transitional probability matrix.

### Result and discussion

#### Growth rates in production and export of chilli

The exponential growth function used for estimation of compound growth rates in production, export quantity, export value and export unit value of chilli are presented in table I. The results revealed that the positive and significant growth rate of production, export quantity, export value and export unit value of chilli for period I, period II and overall period. The increase in export might be the price driven as the growth rate in value is higher than that of quantity. The tremendous growth in quantity of chilli exported and value realized was mainly due to increased demand in the world market. The stringent quality measures implemented by the spice board,

viz. mandatory sampling and analysis for the presence of aflatoxin and adulterant rise sudden in export consignment of chilli has made Indian chilli more acceptable in the international markets (Singh *et al.* 2014). The lower output by other major producers like china and Pakistan had also helped India to achieve record performance.

Singh *et al.* 2014 observed similar results for chilli exported from India.

The export performance of chilli from India with respect to production, export quantity, export value and export unit value was evaluated for the period I (1985-1999), period II (2000 to 2014) and overall period (1985 to 2014) and the results are presented in the table I.

**Table I. Period-wise Compound growth rates of production, export quantity, export value and export unit value of Indian chilli (1985-2014).**

	Production	Export Quantity	Export Value	Unit Value
Period I (1985-1999)				
CGR	3.129**	23.288**	21.367**	9.022**
SE	0.003	0.013	0.012	0.007
t value	3.718	6.934	6.502	5.019
R <sup>2</sup>	0.515	0.787	0.764	0.659
Period II (2000-2014)				
CGR	2.177**	13.825**	22.134**	8.895**
SE	0.002	0.004	0.005	0.004
t value	4.518	12.930	15.091	8.136
R <sup>2</sup>	0.610	0.927	0.946	0.835
Overall period (1985-2014)				
CGR	2.651**	16.195**	17.310**	5.993**
SE	0.001	0.003	0.003	0.002
t value	11.182	17.091	18.090	10.207
R <sup>2</sup>	0.817	0.912	0.921	0.788

Note: \*\*-denote significant at 1 % level

Table I reveals that in period I production, export quantity, export value and unit value realized through exports have growth rate 3.129 per cent per annum, 23.288 per cent per annum, 21.367 per cent per annum and 9.022 per cent per annum, respectively and were found to be statistically significant at one per cent level of significance. In the period II the production, export quantity,

export value and unit value of export going significantly at the rate of 2.177 per cent per annum, 13.825 per cent per annum, 22.134 per cent per annum and 8.895 per cent per annum respectively.

The overall 30 years growth rate of export value of chilli in India was highly significant at 17.310 per cent per annum and much higher than the growth rate of production,

export quantity and unit value of export of chilli for overall period was 2.651 per cent per annum, 16.195 per cent per annum, and 5.993 per cent per annum, respectively and significant at one per cent level.

The export of chilli has shown a positive and significant growth trend for the entire study period for production, export quantity, value and unit value of export.

The results of the study on the compound growth rates during the study periods have shown positive and significant value indicating vast potential for the export of chilli from India. This shows that India has vast potential for export of processed chilli. Hence there is need to evolve policies directing higher yield level of row chilli through development of quantity and high yielding chilli resulting from improved varieties and production methods.

### **Instability in production and export of Indian chilli**

One should not be obvious of instability by taking the growth rates only. Because the growth rates will explain only the rate of growth over the period, whereas instability will judge, whether the growth performance is stable or unstable for the period for the pertinent variable. To facilitate better understanding of the magnitude and pattern of changes in the level of production, export and unit value of chilli in India. The simple coefficient of variation (CV) often contains the trend component and thus overtimes the level of instability in the time series data characterized by long term trend. To overcome this problem, this study used the instability index given by Cuddy Della Valle (1978), which corrects the coefficient of variation.

**Table II. Cuddy-Della instability index of production, export quantity, export value and unit value of exports of Indian chilli (1985 to 2014)**

	Particular				
	Production	Per cent share of export production	Export to Quantity	Export Value	Export Unit Value
Period I (1985-1999)					
Mean	8135.60	3.19	27080.67	26950.6	27.52
SD	1553.50	2.01	19066.91	19032.14	11.40
CV	19.09	63.08	70.4	70.61	41.45
Cuddy-Della Instability Index	13.36	37.31	33.02	34.59	24.52
Period II (2000-2014)					
Mean	11923.27	15.20	187495.90	245124.13	56.68
SD	1383.50	6.88	97539	180880.28	24.35
CV	11.6	45.26	52.02	73.79	42.96
Cuddy-Della Instability Index	7.24	15.01	14.71	18.07	17.71
Overall Period (1985-2014)					

Mean	10029.43	9.11	107288.3	136037.36	42.10
SD	2408.19	7.88	106880.78	168166.20	23.85
CV	24.01	85.66	99.62	123.61	56.65
Cuddy-Della Instability Index	10.46	25.23	29.88	34.96	26.57

Note: SD- Standard Deviation and CV- Coefficient of Variation

In order to study the variability in production, export quantity, export value and unit value of chilli exports during the study period, Cuddy-Della instability index was worked out, the total period (1985 to 2014) was split into three periods viz., period I (1985 to 1999), period II (2000 to 2014) and over all period (1985 to 2014).

Variation in production, export quantity, export value and export unit value of chilli from India during period I, period II and overall period present in table II. There was stability in the production, quantity exported, export value and unit value of export during period II compared to period I as indicated by lower coefficient of variation in period II.

Table II reveals that the production of chilli exported exhibited less variability with coefficient of variation at 19.09 per cent and 11.6 per cent in period I and period II, while it was highest in overall period with coefficient of variation at 24.01 per cent.

As regard the quantity of chilli the highest variation was observed 99.62 per cent in overall period with coefficient of variation at 70.4 per cent in period I and 52.02 per cent in period II.

Export earnings in terms of value showed higher instability in overall period with 123.61 per cent of coefficient of variation when compared to the period I and period II. However, the instability observed in unit

value of chilli export was observed highest variation in overall period with coefficient variation at 56.65 per cent and 41.45 per cent and 42.96 per cent in period I and period II. Cuddy-Della instability index for production export quantity, export value and export unit value was found to be high in the first period and low in the second period, on the whole it was observed that the degree of stability increases for production export quantity, export value and export unit value for second period.

#### **Trade Direction of Chilli**

The direction of trade of Indian chilli to different importing countries was studied by estimating the transitional probability matrix using the Marko chain framework. The transitional probabilities were presented in Table III. It depicts a broader idea of change of the direction of trade over a period of ten year. There were seven countries, which imported Indian chilli viz., USA, Malaysia, Thailand, Sri-Lanka, Spain, Mexico and Bangladesh.

The diagonal elements in a transitional probability matrix provide the information on the probability of relation of the trade. While, the row elements indicates the probability of loss in trade on account of competing countries. The column elements indicates the probability of gain in trade from other competing countries.

**Table III. Transitional probability matrix of Indian chilli export (2004-2014)**

	US	Malaysia	Thailand	Sri-Lanka	Spain	Mexico	Bangladesh
US	0.5923	0.0000	0.2031	0.0253	0.1099	0.0269	0.0000
Malaysia	0.0282	0.6884	0.0000	0.0286	0.0259	0.1419	0.0000
Thailand	0.0269	0.0000	0.3224	0.6078	0.0000	0.0000	0.0000
Sri- Lanka	0.4868	0.0000	0.0255	0.1935	0.2640	0.0000	0.0000
Spain	0.1220	0.2829	0.0299	0.0000	0.0000	0.0000	0.4951
Mexico	0.0000	0.1621	0.0249	0.0000	0.2345	0.4198	0.1335
Bangladesh	0.6492	0.0000	0.0000	0.0289	0.2614	0.0000	0.0000

It is evident from table III that Malaysia had one of the most stable market among the major importers of Indian chilli as reflected by the higher probability of retention at 0.6884, i.e. the probability that Malaysia retains its exports share over the study period was 68 per cent. Thus, Malaysia was the most reliable and loyal market of Indian chilli. USA had moderate probability retention of 0.5923, which retains its export share of 59 per cent. This implied that it had lost most of its share to other importing countries. The remaining countries such as Mexico, Thailand and Sri-Lanka had the retention of 41.98 per cent, 32.24 per cent and 19.35 per cent respectively of its original share. This implied that they were also the stable importers of Indian chilli.

The entire share of Spain and Bangladesh chilli market was directed to other countries. Totally 100 per cent of Spain's share of chilli imports from India was lost to other importer countries. However Spain gained 26 per cent of Sri-Lanka, 23 per cent of Mexico and 26 percent of Bangladesh market share.

The major gainer among importers of Indian chilli over a period of time is USA, which having a higher probability of 0.6492 from Bangladesh and 0.4868 from

Sri-Lanka, 0.1220 from Spain, 0.0269 from Thailand and 0.0282 from Malaysia. The probability that USA gain in the export share of Indian chilli over the study period at the cost of Bangladesh, Sri-Lanka, Spain, Thailand and Malaysia. Rajur and Patil (2013), Mendhe and Degaonkar (2010) and Ramchandraet *al.* observed similar results for chilli exported from India.

### Conclusions

It will concluded from the above study that chilli have very good export potential future. The growth rate of chilli production in India was found to be positive and highly significant during the period I, period II and overall period of the study. The growth rate for export quantity, exportvalue and unit value ofchilli export was found positive and highly significant for period I, period II and overall period. The study of instability index observed that there was stability in the production, quantity exported, export value and unit value of export during period II compared to period I. Malaysia is found to be the most stable market for chilii. USA was one of the most stable export destination among the major countries. India is likely to lose most of its share in the traditional

markets which have come out to be most Bangladesh.  
unstable importer such as Spain and

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