

Influence Of Policy Barriers On Export Trade Behaviour Of Agricultural And Processed Food Export

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Abstract

Despite the tariff reductions for trade, many developing countries are paralyzed to substantially increase their participation in global trade mainly due to the Non-Tariff Barriers (NTBs) and their effects. Competitiveness of firms depends on the product quality and the ease of entering foreign markets. The impact of difficulties in targeting these parameters reflect in export performance. The paper attempts to reveal the influence of the Non-Tariff Barrier, namely the policy barrier on export behaviour with respect to Agricultural and Processed Food exporters (APF) of Tamilnadu. The structural model framed confirmed that there is a significant positive influence of policy barriers on the export trade behaviour.

Key words: Policy barriers, Export behaviour, Structural Equation Model, Influence, Non-Tariff Barrier

Introduction

Despite the tariff reductions for trade, many developing countries are paralyzed to substantially increase their participation in global trade mainly due to the Non-Tariff Barriers (NTBs) and their effects. It becomes essential to understand such attitudinal, operational, structural impediments that hinder a firm's ability to grow (Leonidas CLeonidou, 1995). It grabs more attention, as such regulations are not subject to reporting WTO, unlike tariffs. These regulations not only help the nation to compete international market, but also provide wide range of high-quality products, especially for Agricultural and processed food products, which may create health and environmental hazards.

Non-Tariff Barriers

Tabitha Kiriti Nganaga(2013) identified that the private firms and agencies reported that technical barriers influence the business more. In case of the non-technical measures, majority of the exporters perceive that the procedural issues highly impact trade. Moreover, private firms and the public agencies its immaterial that majority of the barriers

were due to regulations related to customs, shipment, SPS application discrimination, high transit fees and documentation delays. Hence, developing countries like East African community need to familiarise with the rules and regulations which shall increase their ease in doing business. Further, the product standards possessed various indirect barriers in implementing the specifications. The measures related to SPS and TBT were reflected as trade protectionism, which have to be dealt in-depth. The standards demanded were different from country to country and the domestic standards also differed from international standards. Hence, it was very apparent that standards and its execution were acting as a barrier to trade (Atreyee Sinha Charaborty, 2015). Ineffectiveness or inappropriateness of the policy framed that fail to satisfy the purpose are grouped under policy barriers. The perception of NTBs act differently according to the country's development and status, between which the trade is practised. The developing countries trade with developed ones encounters high incidence of the NTMs. In the present study, the Non-Tariff Barrier variables were identified and the effect of Policy barriers alone are measured.

Export Behaviour and Non-Tariff Barriers

Michael J. Thomas and Luis Araujo (1985), theoretical analysis defined the export behaviour as a process of innovation in marketing. The study explored that various stages are involved in international marketing. It was revealed that external factors highly determine the firms export decision. The policy framework for exports induces the individual exporters' decision to enter international business. Sam Tavassoli (2017) revealed in his analyses that the effect of product innovation of export firms and their behaviour. The export behaviour was measured in terms of their propensity or probability to export and intensity as per their export value per employee. The effect of these two variables were valued and revealed that propensity can be measured in terms of productivity and ownership structure. Therefore, it is apparent that the propensity to export determines the nature of export behaviour of a firm. John et.al (2006) explores that there exists a positive relationship between firm size and propensity. Moreover, the location of the firms also influenced the export decision. The findings bring out that the urban firms' possibility to export was higher than the small firms. Therefore, it is inferred that the firm's size and location influence the export decision.

Materials and Methods

The Registered 162 Agricultural and Processed food exporters of Tamilnadu were the respondents. Factor analysis was applied to reduce the dimension of Non-Tariff Barriers and trade behaviour. Further, the structural equation was framed to test the impact of policy barriers on Export Trade Behaviour.

Influence of Policy Barrier on Export Trade Behaviour

In order to test the influence, the structural model was constructed. Four constructs are framed for Export trade Behaviour and the items that are representing policy barrier are named as policy barriers through Exploratory Factor Analysis. Confirmatory Factor Analysis was done with the constructs and proceeded for the model. The model testing the influence of the policy barriers on Export Behaviour are shown in the Figure 1, Tables 1 and 2. The table shows the results of model fit summary and parameter estimation summary respectively.

Table 1 Model Fit Summary of Influence of Policy Barrier on Export Trade Behaviour

Indices	CMIN/df	P-value	Goodness of fit		Badness of fit (error indices)		Result of model
			GFI	AGFI	RMSEA	RMR	
Threshold value	≤ 3.0	≥ 0.05	≥ 0.90	≥ 0.90	≤ 0.05	≤ 0.05	
Obtained value	2.041	.000	.828	.776	.080	.106	Acceptable fit

Source: Computed Data (AMOS Output)

It is observed from the Table 1 that the model is significant (with 2.041 CMIN/df, p value of 0.000), GFI (0.828) and AGFI (0.776) reveals that the model is acceptable. The error indices show that RMSEA and RMR are within the threshold limits. Hence, the model is acceptable.

Table 2 Parameter Estimation Summary -Influence of POB on ETB

Dependent variable	Path	Independent variable	SBE	USBE	SE	CriticalRatio	P value	Result
OETB	<---	OPOB	.903	.430	.077	5.611	***	Significant

Source: Computed Data (AMOS Output)

Table 2 shows the parameter estimates of influence of POB on ETB. It is inferred that the model is significant. The Standardised Beta Estimate shows 0.903 path value and confirm that the policy barrier influences the Export Trade Behaviour.

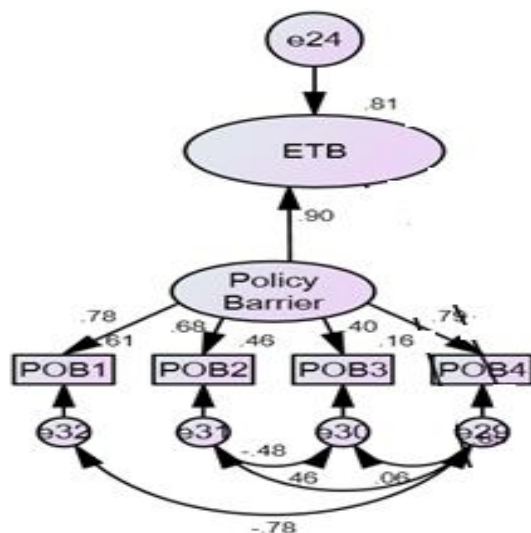


Fig. 1 Influence of Policy barrier on Export Trade Behaviour

Findings and Conclusion

Trade barriers are often criticized for the effect they have on developing economies. The developed countries fix or set trade policies, standards and benchmarks for goods especially agricultural products that are best produced by developing economies. As per the analysis, the Tamilnadu agricultural and Processed food exporters responses are reflecting that the Policy barrier has a significant positive influence on Export Compliance, Export Propensity and Export Decision Motives constructs of Export Trade Behaviour with Standardised Beta Estimate of 0.514, 0.225 and 0.911 respectively. It proves that, out of four behaviour constructs, policy barriers influence three behaviour constructs revealing a strong influence. Hence, it needs an immediate attention to address the issue for the prospects of Agricultural and Processed food exports. By generating a synergy between state and central government, while drafting policies, shall reduce the policy barrier and, on the other side, exporters shall also have clarity and accessibility on policies. Moreover, a stable agriculture and export policy at least for a period of consecutive three years may help the exporters to frame strategies accordingly.

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