



PERFORMANCE ORIENTED PROBLEMS OF EXPORT ORIENTED UNITS IN KARNATAKA

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ABSTRACT

All the countries would always be trying to augment their exports and reducing the imports as much as possible to attain the economic stability. With this point of view a lot of export promotional measures are being followed by all countries through-out the world. Export Oriented Units are one of the best examples for these export promotional measures taken by India recently in the past four decades. Many research studies suggest that EOUs along with SEZs have not shown the expected growth ever since they have been introduced. Therefore, it is indeed important to analyse the problems which are to be resolved to improve the performance of the EOUs. With this reference, the present study attempts to examine the problems to be resolved to improve the performance of the EOUs in Karnataka by taking the opinions of the EOUs' owners in Karnataka with the help of a questionnaire.

Keywords: Export, Performance, Export Oriented Units, Special Economic Zone

Cite this Article: Prashantha K J and Manjunath S J, Performance Oriented Problems of Export Oriented Units in Karnataka, *International Journal of Economics and Commerce Research (IJECR)*, 2(1), 2022. pp. 38-50.

<https://iaeme.com/Home/issue/IJECR?Volume=2&Issue=1>

1. INTRODUCTION

Ever since export promotional concepts gained popularity around the world, all the countries started giving more importance to the export promotional activities. In India, the examples of these such activities are the schemes such as Special Economic Zones and Export Oriented Units. Under these schemes, units' owners can truly enjoy the benefits such tax-free benefit, duty drawback options, financial benefits not only from EXIM bank but also from other public and private banks, tax free imports and exports though with some conditions applied, deemed export status and many more to add on. Furthermore, Export Oriented Units in India also have the locational freedom benefit which means an entrepreneur can set up his own unit outside the Special Economic Zone with getting all the benefits of what a unit within a Special Economic Zone would get. Although, the performance of the EOUs are not growing at an expected rate in

India. Now, the important question is, even though there are a lot of benefits from the schemes, why the growth rate in terms of total exports from the EOUs, growth rate of employment generation from the EOUs and the total investment received from the EOUs. Since Karnataka state is one of the major states in terms of total annual exports from EOUs and having more numbers of EOUs located compare to many Indian states, it would be clearly beneficial to give an insight to the performance-oriented problems of EOUs in Karnataka.

2. LITERATURE REVIEW

A Thilaha Mary (2006) analyses the problems faced by EOUs. The study finds that raw materials and labour related problems were of the major concern for EOUs. The study identifies the problems which are affecting the EOUs are non-availability of raw materials in time, lengthy import procedures and poor quality of available raw materials: among these 'Delayed supply of raw materials' was one of the major problems faced by the EOUs. The study further explains that the labour problems were also a major concern like higher pay, non-availability of trained labour, demand for higher pay and labour turnover.

Sudhakar Govind Mavalankar (1998) explains that the growth of performance of EOUs during 90s was too slow. He mentions that trade policy plays a major role in the development of EOUs. He explains that Export promotion of capital goods (EPCG) were the major competitors during that period for EOUs.

Agarwal (2006) describes the scenario of SEZs in India through a far and against arguments which discuss the contributions of SEZs in India in the regional economic development as well as the negative effects of SEZs concept such as loss of farming land for agricultural industry, relocation of the lands, as well as frauds and misusing the land for other purposes such as real estate and so on along with implications on the loss of revenue from all these. The study has made an attempt to analyse the drawbacks of the SEZ policy which failed to bring the expected outcome from the SEZs considering the policy makers as target.

Gupta, Kumar and Ravi (2007) explore the problems of public with regards to the land acquisition related to setting up of SEZs and explain that all these special benefits are granted to the well-developed regions only and again it is not concentrating on the weaker regions of the country.

Kumar A (2008) describes the imbalance between the SEZ area and the non SEZ area and their disparity in the development. The study finds that resource from the non SEZ area will utilized by the SEZ areas to develop and in return the non SEZ areas will just lose their resources and only SEZs will grow and the non SEZ areas will remain undeveloped.

C Prabu (2009) analyses the various problems that have been created by SEZs introduction in the country. The study describes that SEZs and similar schemes are the revenue loss for the country by making them tax free business entities.

Kisanrao (2010) tries to give an overview on the comparison of the SEZs from India with the SEZs of China through the locational parameter stating that Chinese SEZs are located near the coastal areas of the country and in India although they are located at coastal areas, they are concentrated on the major cities which have already developed. The study finds out that major central government run SEZs are importing more than they actually export which is a contradicting scenario to the objective of the SEZs Act which states the important objective of the SEZs is to augment the exports.

Dhawan (2011) identifies various problems which are to be resolved to improve the performance of the SEZs of India. There should be a rapid mechanism according to the various sectors which are considered prime. The study further suggests that creating awareness to the owners of units from SEZs is the key in improving the performance like providing adequate

awareness training to the sectors like Engineering goods, Textiles and garments and also chemical sectors like biotechnology etc., as well as providing timely workshops to help them keep updated.

3. RESEARCH METHODOLOGY

This study has employed a mixed research design, consisting of exploratory and causal research design analysing the impact of the variables 'Employment generation' and 'Investment' on the performance indicating variable that is Export Performance pertaining to EOU's of Karnataka. Further, the Research approach was deductive and the Research strategy was quantitative in the present study.

Table 1 Blue Print of Research Methodology

Type of Research	Applied; Exploratory and Causal
Research Approach	Deductive and Inferential
Research Strategy	Quantitative
Research Method	Survey
Data Collection Method	Primary and Secondary Data
Tests employed for Data Analysis	Descriptive Test – Mean & SD Reliability & validity Test Factor Analysis One sample t test All the tests have been performed at 5% level of significance.

Source: Various reports

3.1 Research Design

The research design employed to this empirical study was a combination of exploratory and causal research. Exploratory research is investigation into a problem or situation which provides insights to the researcher. The causal analysis was performed on the specified dependent and independent variables to determine the significant influence.

3.2 Sources of Data

This research work is of empirical nature and it is based on primary and secondary data. In order to make comprehensive analysis of research problem and analytical questions described above, the researcher has obtained the data from genuine secondary data sources and primary data with the help of a structured questionnaire.

3.3 Primary Data

The primary data in the preliminary stage was collected from discussions, oral communication, observations and interviews. Questionnaire was administered to collect the required data from EOU owners.

3.4 Secondary Data

Substantial amount of data needed for the study was obtained from authentic secondary data sources. The published annual reports of select sectors, annual survey of industries, CSEZ data source, Centre for Industrial and Economic Research (CIER) Data Book, statistical hand books of various industries, Reserve Bank of India database, World Bank database, websites, search engines, various journals, periodical, magazines and textbooks on econometrics, statistics, business research methodology were accessed for data collection.

3.5 Sampling

Sampling Unit: The Export Oriented Units operating in Karnataka state.

Sampling Method: purposive sampling method was adopted for the study,

Sample Size: Primary data is collected from 33 units and secondary data collected related to important eight sectors operating in Karnataka state EOUs

3.6 Techniques and Tools of Data Analysis

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Descriptive statistics aim to summarize a sample, rather than use the data to learn about the population that the sample of data is thought to represent. The data collected from respondents is analysed with the help of SPSS version 23 and MS-Excel. The hypotheses are tested using Reliability test, Validity test, Factor Analysis, One Sample T-test.

4. DATA ANALYSIS

After analysing the various factors which influence the performance of the EOUs; the study attempts to analyse the problems to be resolved to improve the performance of EOUs. The study identified so many general problems which are commonly faced by the exporters in EOUs as well as SEZs in general from the research work done by other researchers previously. ‘Raw material and labour problems are of the major concern of EOUs’ (Thilaha Mary-2006). ‘There is narrowness in the SEZ policy: the policy’s objectives are focused on the development of SEZs from within the SEZs, and there were no focus on the development of surroundings or outside of SEZs as a whole’ (Agarwal-2010). ‘SEZ policy has given only the modest results in the form of exports, investment and employment’ (Singala, Atmavials and Singh-2011). ‘Central government run SEZs are doing better than the state run and private SEZs and per unit investment is less to per unit employment in these state run SEZs’ (Baruah, Goswami, Medhi and Sultana-2008). ‘EPZs were the major competitors to EOUs during 90s’ (Mavalankar-1998). Considering all these problems in SEZs and in few EOUs at other part of the country; the study tries to examine the problems faced by EOUs in Karnataka which must be resolved to improve the performance of the EOUs in Karnataka with results applicable to all the EOUs across the country. Therefore another set of 25 statements drawn with each of those statements describing a problem for the survey and put on to the respondents to respond. Here too, the questions are categorised into different categories namely; Government Policy, Information, International Marketing, Labour, Skills, Investment, SCM and Domestic Problems for the convenience of surveying and data analysis.

To analyse the significant problems to be resolved to improve the performance of EOUs; statements were identified and respondents were asked to indicate their agreements on a five point Likert’s scale. The statements are measured using 5 point Likert scale with responses ranging from “Strongly Agree”=5, “Agree” = 4, “Neutral” = 3, “Disagree” = 2 and “Strongly Disagree” = the statements are listed below.

Table 1 Problems to be resolved to improve the performance of the Units

Q. No.	Particular	Mean	SD	95% CI	
				Lower	Upper
1	Discontinuation of tax exemption and export subsidy after certain years of the establishment of the export oriented units	4.52	.508	4.34	4.70
2	Delaying and other problems while refunding process of tax paid under deemed exports etc.	4.09	.765	3.82	4.36
3	Lack of up to date and detailed financial data of EOUs on Govt. websites and other digital records in India	4.27	.626	4.05	4.49
4	Problems related to DTA and export obligation.	3.03	1.045	2.66	3.40
5	Lack of advice and support from export promotion councils and other govt. institutions	2.70	.951	2.36	3.03
6	Lack of availability and accessibility of information regarding the foreign markets	3.48	.972	3.14	3.83
7	Demand fluctuation at foreign markets	3.64	.994	3.28	3.99
8	Higher competition from SEZ units.	3.09	1.378	2.60	3.58
9	Higher competition to cope up with to maintain and retain the potential foreign buyers.	3.00	1.061	2.62	3.38
10	Higher competition to cope up with to maintain and retain the potential foreign suppliers.	3.79	.781	3.51	4.06
11	Demand for higher salary from labours and employees.	4.03	.984	3.68	4.38
12	Problems related to labour replacement during absent and labour unavailability.	3.33	1.109	2.94	3.73
13	Problem of adjustment to the newer techniques at labours.	3.15	1.349	2.67	3.63
14	Problems related to women labours.	3.18	1.131	2.78	3.58
15	Health and safety related problems of labours.	3.24	1.200	2.82	3.67
16	Problem of extra investment in training the labours and employees.	3.67	1.051	3.29	4.04
17	Fluctuations in the foreign exchange rates	3.97	.728	3.71	4.23
18	Lack of timely financial support from Govt. banks and institutions.	3.36	1.055	2.99	3.74
19	Lack of timely financial support from private banks and institutions	3.30	1.104	2.91	3.69
20	Higher interest rates and processing cost for the credit facilities available	4.03	.810	3.74	4.32
21	Lesser number of ports	2.36	.895	2.05	2.68
22	Higher shipping cost	4.03	.883	3.72	4.34
23	Higher cost of supply chain process due to interior location	4.15	1.064	3.77	4.53
24	Lesser importance given to EOUs from government when compared to SEZs	4.06	1.088	3.67	4.45
25	Unavailability of proper domestic suppliers and timely supply	3.12	.992	2.77	3.47

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

The above table highlights the respondent's agreement towards the problems to be resolved to improve the performance of EOUs. The overall mean value is greater than three for majority of the statements and hence it is inferred that respondents tend to agree positively. The highest mean value was recorded for the problem, 'Discontinuation of tax exemption and export subsidy after certain years of the establishment of the export oriented units' (mean 4.52) with standard deviation (0.508) indicating consistency in the opinion of the respondents. This is followed by; 'Lack of up to date and detailed financial data of EOUs on Govt. websites and other digital records in India' (mean 4.27) with standard deviation (0.626). The respondents have agreed less for the problem 'Lesser number of ports' with a mean score of 2.36 and highest inconsistency is for the problem 'Higher competition from SEZ units' with a standard deviation of 1.37.

Table 2 Reliability and Validity Analysis

Problems to be resolved to improve the performance of your Export Oriented Unit	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Discontinuation of tax exemption and export subsidy after certain years of the establishment of the export oriented units. (Govt. and Policy related problem)	.377	.822
Delaying and other problems while refunding process of tax paid under deemed exports etc. (Govt. and Policy related problem)	.308	.811
Lack of up to date and detailed financial data of EOUs on Govt. websites and other digital records in India. (Govt. and Policy related problem)	.306	.818
Problems related to DTA and export obligation. (Govt. and Policy related problem)	.365	.833
Lack of advice and support from export promotion councils and other govt. institutions. (Govt. and Policy related problem)	.370	.827
Lack of availability and accessibility of information regarding the foreign markets. (International Marketing related problem)	.561	.797
Demand fluctuation at foreign markets. (International Marketing related problem)	.479	.800
Higher competition from SEZ units. (International Marketing related problem)	.391	.811
Higher competition to cope up with to maintain and retain the potential foreign buyers. (International Marketing related problem)	.378	.805
Higher cost for importing raw materials. (International Marketing related problem)	.394	.805
Demand for higher salary from labors and employees. (Labor related problem)	.622	.794
Problems related to labor replacement during absent and labor unavailability. (Labor related problem)	.731	.786
Problem of adjustment to the newer techniques from labors. (Labor related problem)	.484	.799
Problems related to women labors. (Labor related problem)	.519	.797
Health and safety related problems of labors. (Labor related problem)	.458	.800

Problem of extra investment in training the labors and employees. (Investment related problem)	.678	.790
Fluctuations in the foreign exchange rates. (Investment related problem)	.538	.800
Lack of timely financial support from Govt. banks and institutions. (Investment related problem)	.413	.803
Lack of timely financial support from private banks and institutions. (Investment related problem)	.418	.803
Higher interest rates and processing cost for the credit facilities available. (Investment related problem)	.630	.796
Less number of ports. (SCM related problem)	.343	.814
Higher shipping cost. (SCM related problem)	.339	.810
High cost of supply chain process due to interior location. (SCM related problem)	.445	.801
Lesser importance given to EOUs from government when compared to SEZs. (SCM related problem)	.316	.812
Unavailability of proper domestic suppliers and timely supply. (SCM related problem)	.384	.804
Combine Cronbach's Alpha value	0.816	

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

Significant problems to be resolved to improve the performance of EOU's have been analysed with the help of twenty five statements and respondents were requested to provide their agreement or disagreement on the listed problems. In order to assess the reliability and validity of the respondents; scale variance, Item-Total Correlation and Cronbach's Alpha values were analysed and it was observed that overall Cronbach's Alpha was recorded at 0.816 which is statistically excellent. Further, scale item elimination procedure was carried out so as to achieve greater level of consistency but the results revealed that if statements are removed overall reliability is not going to improve. Therefore the researcher decided to use all the statements for hypothesis testing purpose in the following section.

5. FACTOR ANALYSIS

Factor analysis attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors or variables that explain most of the variance observed in a much larger number of manifest variables. Factor analysis can also be used to generate hypotheses regarding causal mechanisms or to screen variables for subsequent analysis.

Table 3 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.841
Bartlett's Test of Sphericity	Chi-Square
	Sig.

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

KMO Test is a measure of how suited your data is for Factor Analysis. The test measures sampling adequacy for each variable in the model and for the complete model. Bartlett's test

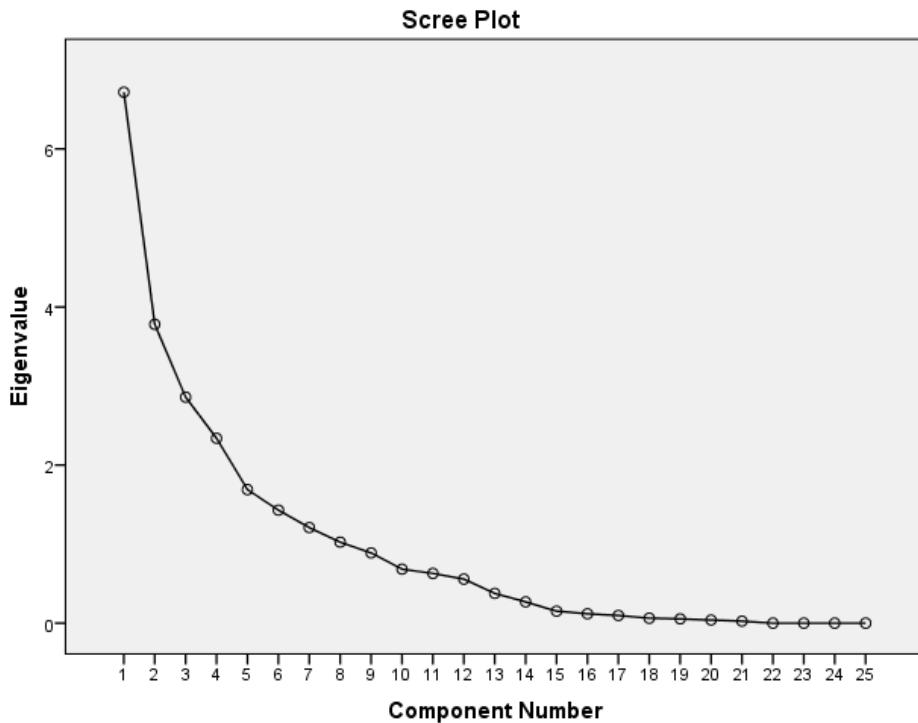
for homogeneity of variances is used to test that variances are equal for all samples. It checks that the assumption of equal variances is true before running certain statistical tests. KMO value reference for standard interpretation is recorded at 0.841 which is said to be marvellous for further data analysis. Thus; it is inferred that; select problems are significant to be resolved to improve the performance of EOU's.

Table 4 Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.718	26.873	26.873	3.985	15.940	15.940
2	3.781	15.123	41.996	3.324	13.296	29.236
3	2.860	11.439	53.435	3.321	13.285	42.521
4	2.339	9.355	62.790	2.908	11.630	54.151
5	1.689	6.757	69.547	2.251	9.004	63.156
6	1.430	5.720	75.266	1.796	7.184	70.340
7	1.209	4.835	80.102	1.767	7.069	77.409
8	1.025	4.099	84.200	1.698	6.791	84.200
9	.889	3.555	87.755			
10	.683	2.730	90.485			
11	.629	2.517	93.003			
12	.557	2.229	95.231			
13	.376	1.506	96.737			
14	.269	1.077	97.814			
15	.152	.606	98.420			
16	.118	.473	98.893			
17	.097	.388	99.281			
18	.062	.248	99.529			
19	.054	.216	99.744			
20	.039	.157	99.901			
21	.025	.099	100.000			
22	1.822E-16	7.289E-16	100.000			
23	-4.680E-17	-1.872E-16	100.000			
24	-6.896E-17	-2.758E-16	100.000			
25	-2.796E-16	-1.118E-15	100.000			

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

With reference to initial eigenvalues it is realized that factors that met our cut-off criterion (extraction method). In the above table, there were eight factors with eigenvalues greater than 1. The “% of variance” column explains how much of the total variability (in all of the variables together) can be accounted for by each of these summary components. Component or Factor 1 accounts for 26.873 % of the variability in all 25 statements, and so on. The eight factors indicate cumulative % of 84.200 % which is greater than 2/3rd of the overall variance explained which is assumed to be a satisfactory standard.

**Figure 1** Scree Plot showing significance of seven factors with Eigen values

The scree plot shows significance of seven factors with Eigen value greater than 1 as seen in the above graph

Table 5 Factor analysis

Particulars	1	2	3	4	5	6	7	8
Problems related to DTA and export obligation	0.874							
Delaying and other problems while refunding process of tax paid under deemed exports etc.	0.872							
Discontinuation of tax exemption and export subsidy after certain years of the establishment of the export oriented units	0.774							
Lack of advice and support from export promotion councils and other govt. institutions.		0.851						
Lack of up to date and detailed financial data of EOU's on Govt. websites and other digital records in India.		0.736						
Lack of availability and accessibility of information regarding the foreign markets.		0.502						
Higher competition from SEZ units			0.802					
Higher cost for importing raw materials			0.752					

Higher competition to cope up with to maintain and retain the potential foreign buyers			0.541					
Demand fluctuation at foreign markets			0.536					
Problems related to labour replacement during absents and labour unavailability				0.784				
Problems related to women labours				0.728				
Demand for higher salary from labors and employees				0.511				
Health and safety related problems of labors				0.501				
Problem of adjustment to the newer techniques from labors					0.827			
Problem of extra investment in training the labors and employees					0.571			
Fluctuations in the foreign exchange rates						0.927		
Lack of timely financial support from private banks and institutions						0.863		
Lack of timely financial support from Govt. banks and institution						0.853		
Higher interest rates and processing cost for the credit facilities available						0.647		
Higher shipping cost							0.876	
Less number of ports							0.854	
Lesser importance given to EOUs from government when compared to SEZs							0.814	
High cost of supply chain process due to interior location								0.753
Unavailability of proper domestic suppliers and timely supply								0.692
Factor Name	Govt.	Information and Guidance	IM	Labour	Skill	Investment	SCM & Other	Domestic

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

Finally, the rotated component matrix shows the factor loadings for each attribute and highlights the factor that each attribute loaded most strongly on respective component as observed in the above table with values greater than 0.50 which was set standard.

6. HYPOTHESIS TESTING

To witness whether by resolving the select problems the performance of the EOUs in Karnataka can be achieved, the following hypothesis is tested.

H_0 : 'Resolution of the select problems does not result in improving the performance of EOUs'

H_a : 'Resolution of the select problems does result in improving the performance of EOUs'

Table 6 Descriptive Statistical Analysis and One-Sample Statistics

List of Factors grouped	Mean	SD	95% Confidence Interval	
			Lower	Upper
Govt. policy problems	3.8788	.45505	3.7174	4.0401
Information and Guidance	3.4848	.58979	3.2757	3.6940
International Marketing	3.3788	.73719	3.1174	3.6402
Labor related problems	3.4470	.85868	3.1425	3.7514
New technology and skills	3.4091	.98785	3.0588	3.7594
Investment related problems	3.6667	.72798	3.4085	3.9248
SCM and Other Problems	3.4848	.56575	3.2842	3.6855
Domestic problems	3.6364	.83172	3.3414	3.9313
Combined Factor	3.5483	0.42821	3.3965	3.7001

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

The aggregate standard deviation being less than 0.50, it indicates that there is consistency in the respondent's agreement towards the select factors as the aggregate mean value for Govt. Policy is 3.87; for investment is 3.66 and combined factor mean value is 3.54 which falls on the positive agreement side of the scale and also falls within the upper and lower confidence interval.

Table 7 One-Sample Test

List of factors grouped	Test Value = 3					
	t-value	df	p-value	Mean Diff.	95% Confidence Interval of the Difference	
					Lower	Upper
Govt. policy related problems	11.094	32	0.001	.87879	.7174	1.0401
Information and guidance	4.722	32	0.001	.48485	.2757	.6940
International Marketing	2.952	32	0.006	.37879	.1174	.6402
Labor related problems	2.990	32	0.005	.44697	.1425	.7514
New technology and skills	2.379	32	0.023	.40909	.0588	.7594
Investment related problems	5.261	32	0.001	.66667	.4085	.9248
SCM and Other problems	4.923	32	0.001	.48485	.2842	.6855
Domestic problems	4.395	32	0.001	.63636	.3414	.9313
Combined Factor	7.356	32	0.001	.54830	.3965	.7001

(Source: Data gathered through Primary Investigation, compilation using SPSS V23)

For testing the above hypothesis, one sample t test has been used with assumed mean value of 3. The total score in the five point scale in the Likert Scale is 15 and the average is 3. The calculated mean value ranges from 3.37 to 3.87 which is greater than the assumed mean 3 and the observed p-value is 0.001 for combined factor which is less than the assumed level of significance of 0.05. Further, the calculated t-test value is 7.356, which is greater than the standard t-test table value 1.96 with degree of freedom of 32. Therefore the result indicates that the null hypothesis '**Resolution of the select problems does not result in improving the performance of EOUs**' is rejected and the alternative hypothesis '**Resolution of the select problems does result in improving the performance of EOUs**' is accepted.

7. FINDINGS

The resolution of the significant problems to improve the performance of the EOUs was analyzed through a questionnaire containing 25 statements which indicate 25 different problems grouped under different categories reveal that there is no difference of opinion among the 33 respondents' responses. Respondents' opinions towards each of the statements were almost similar and majority of the statements received identically same opinions. 'Factor Analysis' with the 'rotated component matrix' shows that the factor loadings for each attribute and highlights the factor that each attribute loaded most strongly on respective component as observed in the above table with values greater than 0.50 which was set standard.

One sample t test has been used with assumed mean value of 3. The total score in the five-points scale in the Likert Scale is 15 and the average is 3. The calculated mean value ranges from 3.37 to 3.87 which is greater than the assumed mean 3 and the observed p-value is 0.001 for combined factor which is less than the assumed level of significance of 0.05. Further, the calculated t-test value is 7.356, which is greater than the standard t-test table value 1.96 with degree of freedom of 32. Therefore, the result indicates that the null hypothesis 'Resolution of the select problems does not result in improving the performance of EOUs' is rejected and the alternative hypothesis 'Resolution of the select problems does result in improving the performance of EOUs' is accepted. In the overall analysis, resolution of the select problems do result in improving the performance of the EOUs as well as attracting more number of investments and new entrepreneurs to enter the business. The problems such as 'Discontinuation of tax exemption and export subsidy after certain years of establishment of the export oriented units' and 'Delaying and other problems while refunding process of tax paid under deemed exports etc.,' have been the major problems comes under the 'Govt. and policy related problems' which are to be resolved with prime concerns to improve the performance of the EOUs to result in the overall development of the EOUs in the state. Apart from these, the problem related to the 'Information' such as 'Lack of up to date and detailed financial data of EOUs on Govt. websites and other digital records in India' has also gained a lot of attentions from the respondents with full quorum to say that it should be resolved with prime concern. Further, few other major problems such as 'Higher cost for importing raw materials', 'Demand for higher salary from labors and employees', 'Problem of extra investment in training the labors and employees', 'Fluctuations in the foreign exchange rates', 'Higher interest rates and processing cost for the credit facilities available', 'Higher shipping cost', 'Lesser importance given to EOUs from government when compared to SEZs' and 'High cost of supply chain process due to interior location' are also the considerable major problems which should be resolved to improve the performance of the EOUs in Karnataka.

8. CONCLUSION

The problems such as 'Discontinuation of tax exemption and export subsidy after certain years of establishment of the export oriented units' and 'Delaying and other problems while refunding process of tax paid under deemed exports etc.,' are being the major impeding problems which are to be resolved with at most consideration to improve the performance of the EOUs to result in the overall development of the EOUs in the state. Apart from these, one of the other problems is 'Lack of up to date and detailed financial data of EOUs on Govt. websites and other digital records in India' can be one of the major problems which affect the performance of the EOUs negatively. When the financial information and other performance related information pertaining to the EOUs are updated timely on the official government websites, it proofs the activeness of the industry and attracts more investors into the business and other entrepreneurs to come into the EOUs schemes. Apart from these, few other major problems such as 'Higher cost for importing raw materials', 'Demand for higher salary from labors and employees',

‘Problem of extra investment in training the labors and employees’ are being the generally existing problems across all other business activities and schemes as well and they are the prime problems here as well. However, the problems such as ‘Higher interest rates and processing cost for the credit facilities available’ and ‘Higher shipping cost’ cannot be taken slightly and should be resolved with policy strengthening in a view of reducing these extra costs which are negatively impacting the performance of the EOUs and hampering the growth of the EOUs. ‘Textiles and Garments’ sector and ‘Engineering Goods’ sector strongly approved that lesser importance has been given to EOUs from government when compared to SEZs which is demotivating the EOUs’ owners with the new GST policy which neglects the EOUs’ concerns on part of the inclusion into GST payment which in result will locking up of the payment for months till the claimed back amount is refunded. Tax-exemption was one of the major factors impacting the establishment of EOUs. With the new GST policy, EOUs are not having exemption from the payment of GST. EOUs have to pay the GST and claim it back from the Government. This has been resulting in locking up of working capital, interest burden, higher paper work and other unnecessary burdens on the EOUs’ owners.

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