Research Paper commerce

A Study on Risks Faced by Exporter

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ABSTRACT

International trade has its risks, but it also opens up a world of opportunities. The possibility of getting unexpected returns from an investment is called as risk. Risk results in receiving lower returns than an actual return which expected. It includes the probability of losing a part or whole of the original investment. The essential feature of risk is uncertainty. The possibilities of facing risks are large proportions today due to the political and economic changes that are sweeping the world. An outbreak of war or civil war may block or delay payment for goods exported. A coup or terrorism may also bring about the same result. Payments for exports are open to risks even at the best of times. This study was conducted to find out the risks that are frequently faced by the exporter and also to find out the factor which influenced the exporter to insure risk.

KEYWORDS RISK, EXPORTER, INSURANCE

DIFFERENT KINDS OF RISK FACED BY EXPORTERS

Risk is inherent in every business and more so in the international business. Variety of risks in international trade due to increasing complexities. It is necessary to evaluate the risks involved carefully and the try to minimize or eliminate them for the success of the international trade. Risk is broadly classified into i) Commercial Risks and ii) Political Risks

COMMERCIAL RISKS

The commercial risk may arise from the suitability of the product for the market or otherwise changes in the demand and supply conditions and changes in prices. These changes in international markets make the international trade more risky. The commercial risks are greatly affected by the demand and supply conditions i.e., competition, substituted products and increased local production.

Commercial risk faced in international trade can be divided into several types. They are

- Insolvency of the buyer
- Failure to accept goods
- Not meeting the requirements of buyer
- Bank's lack of ability to honor its responsibilities
- Logistics risks
- Exchange fluctuation risks

POLITICAL RISKS

Political risks may arise as a result of changes in political situations in the countries concerned (importing and exporting). The factors affecting the political situations are changes in party in power in the countries concerned. Political risk can be avoided / reduced to some extent by judicious selection of countries. Political risk faced in international trade can be divided into several types. They are

- Government restriction
- War / terrorism in buyer's country
- Import restriction/ban in the buyer's country
- Taxes
- Trade Tariff
- Environmental Regulations
- Political Election

OBJECTIVE

- To study the risks faced by the exporters.
- To ascertain the factors influencing the company to insure their exports.
- To study the association between countries with more failure rate and the factors for it.

METHODOLOGY

The present study is descriptive in nature. The present study is carried out with the exporters, whose firm sizes are Large, Small and Medium industry, Business units in Coimbatore and Tirupur District which comprises of merchant exporter, manufacturer exporter and both. A sample of 34 respondents was selected by adopting convenience sampling method. The present study uses primary and secondary data. The collected data have been evaluated using (i) Simple Percentage Analysis (ii) Friedman Rank Test and (iii) Chi square test.

ANALYSIS AND INTERPRETATION

Table 1: Type of Product Exported

Type of Product Exported	Frequency	Percent
Engineering Goods	11	32.4
Textiles	9	26.5
Agricultural Goods	6	17.6
Garments	8	23.5
Total	34	100.0

The above table depicts that out of the total 34 respondents, 6 (17.6%) are exporting Agricultural goods; 8 (23.5%) are exporting Garments; 9 (26.5%) are exporting Textiles and the rest 11 (32.4%) are exporting Engineering goods. Hence, it is clear from the above table that the overall Export, engineering goods are high. The following picture depicts the above frequency results.

Table 2: Years of Experience in Export Filed

Years of Experience in Export Filed	Frequency	Percent
Below 4 years	5	14.7
4-8 years	16	47.1
8-12 years	4	11.8
More than 12 years	9	26.5
Total	34	100.0

The above table depicts that out of the total 34 respondents, 4 (11.8%) are 8-10 years; 5 (14.7%) are below 5 years; 9 (26.5%) are More than 12 years and the rest 16 (47.1%) are 4-8 years experienced. Hence, it is clear from the above table that the overall 4-8 years experience is high. The following picture depicts the above frequency results

Table 3: How frequently you face risk in your export trade

How frequently you face risk in your export trade	Frequency	Percent
Always	4	11.8
Often	14	41.2
Occasionally	10	29.4
Rarely	6	17.6
Total	34	100.0

The above table depicts that out of the total 34 respondents, 4 (11.8%) were faced risk always; 6 (17.6%) were faced risk rarely; 10 (29.4%) were face risk occasionally and the rest 14 (41.2%) were faced risk more often. Hence, it is clear from the above table that the overall exporters faced risk often. The following picture depicts the above frequency results

Table 4: Which Continent/ Country you received more failure rate

Which Continent/ Country you received more failure rate	Frequency	Percent
Asia	22	64.7
America	10	29.4
Others	2	5.9
Total	34	100.0

The above table depicts that out of the total 34 respondents, 2 (5.9%) were received more failure rate in other countries; 10 (29.4%) were received more failure rate in American countries and the rest 22 (64.7%) were received more failure rate in Asian countries. Hence, it is clear from the above table that the overall more failure rate in Asian countries was high. The following picture depicts the above frequency result

Table 5: Which country/ Countries you received less failure rate

Which country/ Countries you received less failure rate	Frequency	Percent
Asia	8	23.5
Europe	24	70.6
Middle East	1	2.9
Others	1	2.9
Total	34	100.0

The above table depicts that out of the total 34 respondents, 1 (2.9%) were faced less failure rate in middle east and other countries; 8 (23.5%) were faced less failure rate in Asian countries and the rest 24 (70.6%) were faced less failure rate in European countries. Hence, it is clear from the above table that the overall European countries were high in less failure rate. The following picture depicts the above frequency results

Figure 5: Which country/ Countries you received less failure rate

Table 6: What type of risk you normally face

What type of risk you normally face	Frequency	Percent
Political	4	11.8
Commercial	11	32.4
Both	19	55.9
Total	34	100.0

The above table depicts that out of the total 34 respondents, 4 (11.8%) were faced political risk; 11 (32.4%) were facing commercial risk and the rest 19 (55.9%) were facing both type of risk in export. Hence, it is clear from the above table that the overall both type of risk is high. The following picture depicts the above frequency result

Table 7: Political Risk Faced

Political Risk	Yes	No	Total
Government restriction	23	11	34
Import restriction in the buyer's country	8	26	34
Taxes	12	22	34
Trade Tariff	26	8	34

The above table depicts that out of the total 34 respondents, 8 exporters faced import restriction in the buyer's country; 12 exporters faced taxes 23 exporters faced government restriction and 26 exporters faced trade tariff.

Table 8: Commercial Risk

Commercial Risk	Yes	No	Total
Failure to make payment within due date	19	15	34
Not meeting the requirements of buyer	10	24	34
Delay in transit	13	21	34

The above table depicts that out of the total 34 respondents, 10 exporters faced risk like not meeting the requirements of buyers; 13 exporters faced delay in transit and most of the 19 exporter faced failure to make payment within due date as commercial risk.

Table 9: Factors influenced you to insure your export

Factors influenced you to insure your export	
	Mean Rank
Not to take any risk	2.32
To secure your business	2.53
Low trust worthiness about buyer	2.62
Previous loss/ risk faced	3.56
Loss faced by competitors/friend/relatives	3.97

The above table reveals that among the five factors considered, 'Loss faced by competitors/friend/relatives' is the foremost factor which influence the exporter with a mean rank of 3.97, followed by 'Previous loss/ risk faced' with a mean rank of 3.56; 'Low trust worthiness about buyer' with a mean rank of 2.62; 'To secure your business' with mean rank of 2.53, remaining 'Not to take any risk' with a mean rank of 2.32.

Table 10: Calculation Of Chi-Square Test Between Country with more failure rate and Government Restrictions

Hypothesis: There is no significant difference between Countries with more failure rate and government restrictions**.**

Government restrictions * Which Continent/ Country you received more failure rate

The asymptotic significance value is 0.055 is greater than the 5 % level of significance. Therefore the hypothesis is accepted. There is no significant difference to the Continent/ Country you received more failure rate and Government risk.

Calculation Of Chi-Square Test Between Country with more failure rate and Failure to make payment within due date

Hypothesis: There is no significant difference between Countries with more failure rate and Failure to make payment within due date.

Failure to make payment within due date * Which Continent/ Country you received more failure rate. The asymptotic significance value is 0.945 is greater than the 5 % level of significance. Therefore the hypothesis is accepted. There is no signif-

icant difference to the Continent/ Country you received more failure rate and Failure to make payment within due date.

Calculation Of Chi-Square Test Between Country with more failure rate and Not meeting the requirements of buyer

Not meeting the requirements of buyer * Which Continent/ Country you received more failure rate

The asymptotic significance value is 0.021 is lesser than the 5 % level of significance. Therefore the hypothesis is rejected. There is a significant difference to the Continent/ Country you received more failure rate and not meeting the requirements of buyer.

Conclusion:

The study concludes that the exporters face commercial risk very often. The major factor for facing commercial risk is that the exporters are not meeting the requirements of buyer. Hence, its exporters responsibility to equip themselves to meet the requirements of importer. Also found that the neighbors experience is the major factor which influenced the exporters to insure their exports. Every exporter should acquire knowledge about insurance policy offered by Insurance companies to protect their export business

REFERENCES

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