



## **IMPACT OF FINANCIAL CRISIS ON TOBACCO EXPORT**

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**Cite This Article:** N. Bhuvaneshkumar & Dr. P. Bruntha, "Impact of Financial Crisis on Tobacco Export", International Journal of Interdisciplinary Research in Arts and Humanities, Volume 3, Issue 1, Page Number 190-195, 2018.

### **Abstract:**

The economic and financial crisis started in the year 2007 had multiple and meaningful consequences on all areas of activities in the affected countries. The recent global financial crisis caused a greater slowdown in many countries in the world. The economic slowdown affected the agricultural sector as well other sectors too. Tobacco is a traditional agricultural export commodity from India. The purpose of the presented article is to evaluate the impacts of the global economic and financial crisis on the plantation sector special reference to tobacco products during the crisis and to analyze the impact on exports.

**Key Words:** Financial Crisis, Slowdown and Tobacco Export

### **Indian Tobacco Exports:**

India is the world's second largest producer of tobacco. Endowed with rich agro-climatic attributes such as fertile soils, rainfall and ample sunshine, India produces various types of tobacco. Currently, Indian tobacco is exported to more than 80 countries spread over all the continents. A few of the top multinational companies such as British American Tobacco (BAT), Philip Morris, RJ Reynolds, Seita, Imperials, Reemtsma etc. and many companies with government monopoly all over the world import Indian tobacco either directly or indirectly. The Indian market for tobacco products, however, has some characteristics rather different from most other markets.

India has a large, highly integrated tobacco industry, involving the growing of a range of leaf types, the manufacture of different tobacco products, including unprocessed and chewing tobacco, and an extensive distribution and retail system. Over the years, a combination of strong prices, domestic consumption, good export demand for tobacco and low prices of other crops helped the growth of tobacco from a cash crop to a manufacturing industry linked with commercial considerations.

The tobacco industry in India includes the production, distribution and consumption of (i) leaf tobacco, (ii) smoking products such as cigarettes and beedis and (iii) various chewing tobacco products. It presents policy-makers with an unenviable dilemma. On the one hand, it is a robust and largely irrigation-independent crop, provides substantial employment, has significant export potential and most importantly, is a source of ever-growing tax revenues. On the other, there are public health concerns about the effects of smoking and consumer-led lobbies asking for more controls on cigarette sales, smoking and advertising. In spite of its proven adverse implications for public health, the industry continues to be supported in many quarters on the grounds of its contribution to employment and national production. The organized sector of the industry, dominated by multinational corporations, is at the forefront of canvassing support for the sector.

The worldwide trend in the area of tobacco cultivation and production shows that while there has been relatively modest growth in the area under tobacco cultivation, a steady growth in the production area has taken place, pointing to substantial productivity gains. There has been a shift in tobacco production from the developed to developing countries. India's share in the world tobacco production was 10.2% in 2000, while that of China was 36.7%. However, in terms of productivity, India has always remained much below the world average by 20%-40%. An analysis of variety-wise tobacco production reveals that the bulk of total tobacco production in India consists of non-cigarette tobacco products as there is a strong, but unorganized, domestic market for non-cigarette tobacco products. Production of cigarette tobacco, mainly flue-cured Virginia (FCV), though increasing, still accounts for only 30% of the total production in the country. This is because of the 200 million tobacco consumers in India; only 13% consume it in the form of cigarette, while 54% consume it in the form of beedi and the rest in raw/gutka forms (Indian Institute of Foreign Trade 2002). Worldwide, 85% of the tobacco cultivated is used in the production of cigarettes. Hence, the tobacco consumption pattern in India markedly differs from the rest of the world in terms of product configuration.

### **Review of Literature:**

Jha (2002) studied India's tobacco export performance in recent trends and Implications. The results indicated that export of tobacco product showed a positive and increasing trend in exports of tobacco. The new policies should be framed in order to increase the exports with increase in revenues. Government should take necessary steps to increase the level of export of tobacco products from India

Ashalatha (2000) analysed the growth rate in cashew in two periods; period-I, from 1956-57 to 1970-71 and period-II, from 1971-72 to 1998-99. It was observed that the growth rate of area, production, productivity, kernel export, raw cashew import, cashew nut shell liquid value and cashew nut shell liquid - unit

value of export were showing positive trend but the cashew nut shell liquid quantity exported showed non-significant negative growth.

Rajesh (2002) studied the trend in export of major spices in India for the period 1970-71 to 1990-00 and found that black pepper registered a positive annual growth rate of 2.38 per cent in quantity and 12.78 per cent in value. While large cardamom registered 12.76 per cent of export quantity and 21.4 per cent export value, ginger registered 4.05 per cent growth in quantity and 10, 15 per cent in value. Turmeric export registered 4.14 per cent in quantity and 13.08 per cent in volume during the period under study.

Smita and Patil (2006) studied the trends in export of grapes from India. The compound growth rate for quantity of grapes exported was 12.05 per cent per annum. With respect to value obtained from export of grapes, the corresponding compound growth rate indicated an increase of 22 per cent per annum.

**Objectives of the Study:**

- ✓ To evaluate the export performance tobacco products from 1996 to 2016.
- ✓ To analysis the growth in the export proceeds of tobacco products during Pre financial and post financial crisis.

**Method of Data Collection:**

The data used for the study is entirely based on secondary source of data. For this study 17 years data were collected i.e. from 1996-1997 to 2016-17. For obtaining data, 4 and 6 digit level ITC (HS) of classification of India is considered.

**Source of Data:**

- ✓ Ministry of commerce, EXIM data bank
- ✓ Tobacco board
- ✓ COMTRADE
- ✓ FAO

**Tools and Techniques:**

- ✓ Growth Rate
- ✓ Standard Deviation
- ✓ Compound Annual Growth Rate

**Selection of Commodities:**

24	Tobacco and manufactured tobacco substitutes.
2401	Unmanufactured tobacco; tobacco refuse
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
2403	Othr mnfrd tobaco and mnfrd tobacco substutshomogenised or reconstituted tobacco extracts and
240110	Tobacco not stemmed / stripped
240120	Tobacco partly or wholly stemmed/stripped
240130	Tobacco refuse
240210	Cigar cheroot and cigarillos cntng tobacco
240220	Cigarettes containing tobacco
240290	Cigars cheroots cigarillos and cigarettes of tobacco substitutes
240310	Smoking tobacco, whether or not containing tobacco substitutes in any proportion:
240399	Othr mnfrd tobaco extrcs and essncs nes

**Export Performance of Tobacco Products during Pre-Financial Crisis (Value Rs in Lakhs)**

Year	1996	1997	1998	1999	2000	2001	2002	2003
2401	66,047.76	91,748.35	57,228.50	81,204.09	66,127.65	58,204.63	73,836.35	80,141.07
		38.91	-37.62	41.89	-18.57	-11.98	26.86	8.54
2402	5,410.01	9,373.42	11,364.49	13,431.87	11,418.97	12,974.36	18,834.71	16,601.84
		73.26	21.24	18.19	-14.99	13.62	45.17	-11.86
2403	4,219.43	5,902.29	7,585.28	6,256.02	9,551.57	9,591.26	10,151.05	12,904.15
		39.88	28.51	-17.52	52.68	0.42	5.84	27.12
240110	51632.37	80478.25	51632.37	60973.4	43031.33	47212.68	32702.29	21969.23
		55.87	-35.84	18.09	-29.43	9.72	-30.73	-32.82
240120	14,382.53	11,259.06	14,382.53	20,100.45	23,048.64	10,726.43	40,228.36	56,033.25
		-21.72	27.74	39.76	14.67	-53.46	275.04	39.29
240130	32.86	11.04	32.86	130.24	47.68	265.52	905.7	2,138.59
		-66.40	197.64	296.35	-63.39	456.88	241.10	136.13
240210	81.76	644.49	625.89	836.27	561.86	877.76	937.14	1,740.73
		688.27	-2.89	33.61	-32.81	56.22	6.76	85.75
240220	5,321.52	8,723.42	10,735.65	12,549.55	10,750.54	12,009.37	17,690.28	13,433.17
		63.93	23.07	16.90	-14.34	11.71	47.30	-24.06
240290	6.73	5.51	2.95	46.05	106.57	87.24	207.28	1,427.94

		-18.13	-46.46	1461.02	131.42	-18.14	137.60	588.89
240310	1,964.90	1,787.13	2,968.48	2,734.50	4,051.71	2,852.70	4,954.82	7,735.21
		-9.05	66.10	-7.88	48.17	-29.59	73.69	56.11
240399	2,254.53	4,115.16	4,616.80	3,521.51	5,494.21	6,738.56	5,196.01	5,160.66
		82.53	12.19	-23.72	56.02	22.65	-22.89	-0.68

Year	2004	2005	2006	2007	Average	S.D	CAGR
2401	94,006.95	102,131.66	125,127.54	143,279.53	86,590.34	26566.86	7.29
	17.3	8.64	22.52	14.51			
2402	15,303.43	13,624.53	15,882.88	16,052.15	13,356.06	3629.926	10.39
	-7.82	-10.97	16.58	1.07			
2403	16,150.94	17,309.43	27,506.02	33,857.19	13,415.39	9074.386	20.84
	25.16	7.17	58.91	23.09			
240110	23777.81	30972.2	36653.39	21763.05	41899.86	17667.91	-7.55
	8.23	30.26	18.34	-40.62			
240120	68,296.12	69,118.52	86,094.74	119,014.07	44,390.39	35318.23	21.18
	21.88	1.2	24.56	38.24			
240130	1,933.03	2,040.94	2,379.41	2,502.40	1,035.02	1064.137	48.27
	-9.61	5.58	16.58	5.17			
240210	1,955.85	1,883.33	1,503.07	1,901.53	1,129.14	636.4311	33.12
	12.36	-3.71	-20.19	26.51			
240220	13,182.02	11,443.98	13,994.99	13,730.17	11,963.72	3043.58	9
	-1.87	-13.18	22.29	-1.89			
240290	165.56	297.23	384.82	420.46	263.2	394.5677	45.63
	-88.41	79.53	29.47	9.26			
240310	8,964.59	8,335.63	10,209.29	11,931.27	5,707.52	3539.441	17.82
	15.89	-7.02	22.48	16.87			
240399	6,801.29	8,959.38	17,290.66	21,925.87	7,672.89	5913.922	22.97
	31.79	31.73	92.99	26.81			

The above total shows total export of tobacco products during Pre Financial crisis period from 1996-2007. Around twelve products are exported during the study period. It is found that average export of 2401 during the study period is Rs 86590.34 Lakhs and compound annual growth rate for the product stood at 7.29. Export of 2402 product shows fluctuation in the export value but seven years export value is above the average and compound annual growth rate is at 10.39%. Export of 2403 showed a steady increase during the study period, but around four years export are above the average value and compound annual growth rate value is 20.84%. Average export of 240110 during the study period is Rs 41889.86 Lakhs and its shows decrease in the export value. Compound annual growth rate shows a negative growth of 7.55%. There is steady increase in the export value of 240120 product from India during the study period and calculate compound annual growth rate is 21.18%. There is instability in the export of 240130 products from India and average export shows Rs 1035.02 lakhs. While compound annual growth rate shows a 48.27% annual growth. Export value of 240210 during the study period shows increasing trend and compound annual growth rate is around 33.12%. Export of 240220 in the year 1996 is Rs 5321.52 lakhs but it increased to Rs 13,730.17 in the year 2007 and calculated compound annual growth rate is 9.00%. Export of 240290 from India during the studying period is too low when compare to other tobacco products and compound annual growth is at 45.63%. Average export value of 240310 and 240399 is Rs 5707.52 and 7672.89 lakhs .Compound annual growth rate for 240310 is 17.82% and 22.97% for 240399 respectively.

**Export Performance of Tobacco Products during Post-Financial Crisis (Value Rs in Lakhs):**

Commodity Name	2008	2009	2010	2011	2012	2013
2401	276,626.63	362,144.43	315,157.87	289,946.28	381,575.51	478,274.20
		30.91	-12.97	-8	31.6	25.34
2402	26,748.14	29,855.82	31,552.81	36,906.06	50,051.52	58,850.24
		11.62	5.68	16.97	35.62	17.58
2403	42,729.96	42,440.19	51,808.36	73,789.53	71,395.13	76,321.46
		-0.68	22.07	42.43	-3.24	6.9
240110	60,365.85	52,571.95	40,765.57	42,973.93	43,171.45	37,878.84
		-12.91	-22.46	5.42	0.46	-12.26
240120	212,677.33	303,297.56	269,214.68	241,845.73	333,562.58	434,596.36
		42.61	-11.24	-10.17	37.92	30.29

240130	3,583.46	6,274.91	5,177.62	5,126.62	4,841.48	5,799.01
		75.11	-17.49	-0.99	-5.56	19.78
240210	2,446.68	3,923.27	2,187.19	895.23	589.74	573.84
		60.35	-44.25	-59.07	-34.12	-2.7
240220	23,740.85	25,113.84	29,142.86	35,939.35	49,243.16	57,527.34
		5.78	16.04	23.32	37.02	16.82
240290	560.61	818.71	222.76	71.48	218.62	749.06
		46.04	-72.79	-67.91	205.85	242.63
240310	14,747.22	12,283.40	11,653.07	10,455.20	12,494.15	6939.22
		-16.71	-5.13	-10.28	19.5	-44.46
240399	27,938.48	30,152.03	40,154.69	63,334.26	58,816.55	69,220.19
		7.92	33.17	57.73	-7.13	17.69

Commodity Name	2014	2015	2016	Average	S.D	CAGR
2401	416,270.92	437,345.20	424,985.45	375,814.05	70222.32	5.51
	-12.96	5.06	-2.83			
2402	75,459.60	80,423.76	66,859.53	50,745.28	20583.85	12.13
	28.22	6.58	-16.87			
2403	95,128.15	127,466.90	150,551.99	81,292.41	37358.44	17.05
	24.64	33.99	18.11			
240110	31,194.85	34,550.84	32,489.59	41,773.65	9566.395	-7.45
	-17.65	10.76	-5.97			
240120	379,853.91	398,927.89	388,045.48	329,113.50	77051.46	7.81
	-12.6	5.02	-2.73			
240130	5,222.16	3,866.47	4,450.37	4,926.90	861.0571	2.75
	-9.95	-25.96	15.1			
240210	403.48	683.64	735.7	1,382.09	1205.227	-13.95
	-29.69	69.44	7.62			
240220	74,679.50	78,905.25	64,725.23	48,779.71	21350.77	13.36
	29.82	5.66	-17.97			
240290	376.62	834.87	1,398.60	583.48	415.1908	12.11
	-49.72	121.67	67.52			
240310	12999.72	10108.39	10434.65	11,346.11	2212.742	-4.23
	87.34	-22.24	3.23			
240399	81,601.18	116,916.17	139,684.55	69,757.57	38093.65	22.28
	17.89	43.28	19.47			

The table shows the total export of tobacco products during the post financial crisis period from 2008 to 2016. It clearly shows average exports of 2401 during the study period is Rs 375814.5 lakhs and there is steady increase in the export of this products. Compound annual growth rate is 5.51 %. In the year 2008 export of 2402 product is Rs 26748.14 lakhs and it increased to Rs 66859.53 lakhs during 2016. While computing compound annual growth rate for the 2402 product is 12.13%. Average export of 2403 product during the study period is Rs 81292.41 lakhs around three years exports are above the average value and remaining years exports are below the average level. Compound annual growth rate of 2403 product is 17.05%. Export value of 240110 during the year 1996 is Rs 60365.85 and value is reduced to Rs 32489.59 in the year 2016. It shows decrease in the export value of 240110 during the study period. Compound annual growth rate of 240110 product showed a negative value of -7.45%.

Average export of 240120 during the study period is Rs 3,29,113.50 lakhs around five years export was above the average value and remaining are below the average value. Compound annual growth rate of 240120 product stood at 7.81%. Export value of 240130 during the year 2008 is Rs 3583.46 lakhs and it is increased to Rs 4450.37 lakhs. Compound annual growth rate of the product is 2.75%. Average export of 240210 during the study period is Rs 1382.09 lakhs but only three years export value is above the average value and remaining are below the average value and calculated compound annual growth rate shows negative value of -13.95%. Export value of 240220 product in the year 2008 is Rs 23740.85 lakhs it increased to Rs 64725.23 lakhs in the year 2016. There is increase in the export value of this product. Compound annual growth rate of the product is 13.36%. Overall average export of 240290 product during the period is Rs 583.48 lakhs and five years export are above the average value. Compound annual growth rate is 12.11%. Export value of 240310 during the year 2008 is Rs 14747.22 lakhs, but the value decreased to Rs 6939.22 lakhs and further value

reduced to Rs 10434.65 lakhs. Compound annual growth rate showed a negative value of -4.23% during the post financial crisis period. There is increase in the export value of 240399 product from India during the study period and compound annual growth rate is 22.28%.

**Compound Annual Growth Rate of Major Tobacco Products during Pre and Post Financial Crisis:**

Products	Pre Financial Crisis	Post Financial Crisis
2401	7.29	5.51
2402	10.39	12.13
2403	20.84	17.05
240110	-7.55	-7.45
240120	21.28	7.81
240130	48.27	2.75
240210	33.12	-13.95
240220	9.00	13.36
240290	45.63	12.11
240310	17.82	-4.23
240399	22.97	22.28
Aggregate Exports	20.82	6.12

The above table shows the compound annual growth rate of tobacco products during Pre financial crisis and post financial crisis. From the table it clearly shows there is decrease in the export of the tobacco during the post financial crisis. Aggregate export during pre-financial crisis period is 20.82% but it reduced to 6.12% during the post financial crisis. Around eleven tobacco products are exported from India during this period out of eleven products nine products exports are below level of export when compare to the pre financial crisis. Only two products are above the value of pre financial crisis. While calculating compound annual growth rate during the pre-financial crisis one product shows the negative impact. But in case of post financial crisis around three products shows the negative growth in the export of tobacco products. The value of 2401 during the pre-financial crisis is 7.29% but it reduced to 5.51% in post financial crisis. Product like 2403, 240110, 240120, 240130, 240210, 240290, 240310 and 240399 products export during pre-financial crisis is higher than post financial crisis. Only product such as 2402 and 240220 have higher export when compare to pre financial crisis.

It clearly shows that there is decrease in export value of tobacco products from India during the Post financial crisis period.

**Findings of the Study:**

- ✓ During both pre and post financial crisis only five years exports of 2401 product are above the average level and there is low level of deviation export of this product.
- ✓ Export of 2402 product shows seven years export value is above the average but it reduced to four years during post financial crisis.
- ✓ During pre-financial crisis export of 2403 only four years value is above the average level but it reduced to three years in post financial crisis
- ✓ There is decrease in export value of 240110 product during the post financial crisis period.
- ✓ Increase in the export value of 240120 product during post financial period when compared to pre financial period.
- ✓ Export of 240130 shows a decrease in export value during the post financial crisis period.
- ✓ There is decrease in the export value of 240210 during the post financial crisis when compare to pre financial crisis.
- ✓ When compare to pre and post financial crisis export value of 240220 is decreased in the post financial period.
- ✓ There is no change in the average export value of 240290 and 240310 during both pre and post financial period.
- ✓ Increase in the average export value of 240399 in post financial crisis when compare to pre financial crisis.

**Suggestions:**

- ✓ Government should increase the incentives for the export of tobacco products from India.
- ✓ Training facilities should be given to the exporter and farmers in order to increase the level of production and exports.
- ✓ Market channel need to be improve for the tobacco products.
- ✓ Expansion of market for tobacco product should be carried out in order to face the competition in the international market.

**Conclusion:**

Although the tobacco industry contributes to a huge foreign exchange and excise duty and extensive employment opportunities, it is at the cost of human live; to advocate a blanket ban of tobacco production in India seems to be impossible. Recent research has brought into forth use of tobacco seeds as a source of

renewable energy scientists and administration alike should be appraised of these findings thereby creating a scenario wherein we can use an agent which symbolized darkness as a one that lightness ever household of our country.

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