



A STUDY ON EXPORTERS' AWARENESS AND USE OF FREE TRADE AGREEMENTS (FTAS)

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Abstract:

In today's globalized economy, international trade plays a vital role in the growth and competitiveness of nations. Free Trade Agreements (FTAs) are key instruments that help reduce trade barriers and promote cross-border commerce. India has signed multiple FTAs with various countries to enhance its trade relations and create new export opportunities. However, the actual benefits of these agreements depend on the level of awareness and usage among exporters. This study examines the awareness, utilization, and challenges related to FTAs among Indian exporters. Based on data collected from 100 exporters through a structured questionnaire, the study reveals that while many are aware of the basic concept of FTAs, practical usage is often limited due to complex procedures, lack of training, and limited institutional guidance. Statistical tools such as mean, standard deviation, chi-square test, correlation, and regression were used to analyze the data. The findings highlight the need for better support systems, simplified documentation, and regular awareness programs to improve FTA utilization.

Key Words Free Trade Agreements, Exporters, Awareness, Utilization, Trade Documentation, India, Export Promotion, Trade Policy, Challenges, Etc.,

Introduction:

In today's globalized trade environment, Free Trade Agreements (FTAs) have become a cornerstone of international commerce. These agreements, negotiated between countries or regions, are designed to reduce or eliminate tariffs, quotas, and trade barriers, thereby facilitating smoother and more cost-effective cross-border transactions. For exporters, FTAs present significant opportunities to expand market access, increase competitiveness, and reduce operational costs through preferential treatment in partner countries.

Despite the growing number of FTAs signed by countries, including India, the actual awareness and utilization of these agreements by exporters remain limited. Many exporters, particularly small and medium-sized enterprises (SMEs), are either unaware of the FTAs available to them or face difficulties in understanding and complying with the procedural requirements such as rules of origin, documentation, and certification. This disconnect between the availability of FTAs and their practical use prevents exporters from fully benefiting from the agreements intended to support them.

Benefits of Free Trade Agreements (FTAs):

- **Reduction of Tariffs:** FTAs lower or eliminate customs duties, making exports and imports more affordable.
- **Expanded Market Access:** Exporters gain easier access to international markets, increasing sales opportunities.
- **Increased Export Competitiveness:** Products become more price-competitive in partner countries due to reduced costs.
- **Foreign Investment Promotion:** FTAs attract foreign direct investment by providing a stable and transparent trade environment.
- **Job Creation:** As trade and production expand, FTAs contribute to employment growth in various sectors.
- **Consumer Benefits:** Consumers enjoy a wider variety of goods and services at lower prices.
- **Simplified Trade Procedures:** FTAs often include streamlined customs and documentation processes.
- **Economic Growth:** Enhanced trade activity contributes to GDP growth and national economic development.
- **Technology Transfer and Innovation:** FTAs encourage collaboration in areas such as research, infrastructure, and innovation.
- **Stronger International Relations:** FTAs strengthen diplomatic and economic ties between partner countries.

Review of Literature:

Several recent studies have explored the awareness and utilization of Free Trade Agreements among exporters, especially in the Indian context. Rao and Gupta (2024) conducted a study among 310 textile and clothing exporters in India and found that while larger firms understood and benefited from FTAs, small and medium enterprises (SMEs) often lacked sufficient awareness and faced difficulty in navigating complex documentation. The researchers emphasized the need for better institutional support and simplified FTA procedures to improve usage. Supporting this, a 2024-25 government report highlighted that 720,996 preferential Certificates of Origin (CoO) were issued under FTAs, compared to 684,724 in the previous year, indicating a growing preference among exporters to use trade pacts. This rise in utilization was particularly visible under India's FTAs with Australia and the UAE, where CoO issuance increased by 19% and 24.7% respectively, as reported by the Financial Express in June 2025. These trends suggest that better clarity, automation, and targeted outreach have improved FTA usage.

Nath Choudhury (2023), writing in the East Asia Forum, critically examined India's FTA strategy and observed that despite signing multiple trade agreements, actual utilization remains low-around 25%, compared to over 70% in many developed countries. The study attributed this gap to the complexity of documentation, lack of stakeholder consultations, and limited post-signing promotional efforts. Another study on ResearchGate (2024) used a Likert-scale-based questionnaire among 310 Indian

textile exporters and revealed that while basic awareness of FTAs exists, exporters struggled with practical aspects such as claim documentation and understanding rules of origin. The study recommended focused training and simplification of procedural requirements. These recent findings consistently suggest that although awareness of FTAs among exporters is improving—especially due to recent digital and policy initiatives—practical challenges, limited formal training, and complexity in availing FTA benefits continue to act as barriers, particularly for small and medium exporters.

Statement of the Problem:

Free Trade Agreements (FTAs) are designed to enhance international trade by reducing tariffs, easing market access, and encouraging economic cooperation. While India has signed multiple FTAs with countries and regional blocs to boost its export potential, the actual utilization of these agreements by exporters remains relatively low. Many exporters, especially small and medium enterprises (SMEs), lack adequate awareness of the benefits, procedures, and eligibility criteria associated with FTAs. Even among those who are aware, the complexity of documentation, limited access to reliable information, and insufficient institutional support often discourage their use. This underutilization not only restricts exporters from gaining cost advantages and expanding into global markets but also limits the overall trade benefits expected from such agreements. Therefore, it becomes essential to examine the level of awareness, extent of usage, and barriers faced by exporters in availing the benefits of FTAs. Identifying these gaps will help improve policy implementation, training programs, and support systems to enhance FTA effectiveness in promoting India's export growth.

Significance of the Study:

This study holds considerable significance in the context of India's expanding international trade relations and the increasing number of Free Trade Agreements (FTAs) signed with partner countries. Although FTAs are intended to enhance export performance by providing tariff concessions and better market access, their full potential remains underutilized due to limited awareness and understanding among exporters. By assessing the level of awareness and actual usage of FTAs, this study sheds light on the knowledge gaps and practical challenges faced by exporters, especially small and medium-sized enterprises (SMEs). The findings of this research will provide valuable insights for policymakers, trade bodies, and export promotion councils to design targeted interventions such as training programs, simplified procedures, and digital tools to support exporters. It will also help in identifying areas where reforms are needed to make FTAs more accessible and user-friendly. Moreover, the study contributes to academic literature by bridging the gap between trade policy and real-world business practices. Ultimately, this research aims to support India's goal of enhancing export competitiveness and integrating more effectively into global value chains through optimal use of trade agreements.

Objectives of the Study:

- To study the awareness level of exporters about Free Trade Agreements (FTAs).
- To examine how exporters are using FTAs and the difficulties they face in using them.

Research Methodology:

The study adopts a descriptive research design to analyze the awareness, usage, and challenges related to Free Trade Agreements among exporters. Both primary and secondary data were used for the study. Primary data was collected using a structured questionnaire comprising both close-ended and Likert-scale questions. The questionnaire focused on areas such as awareness of FTAs, extent of utilization, perceived benefits, and difficulties faced by exporters. The sample size for the study was 100 exporters, selected using purposive sampling from various sectors such as textiles, machinery, and food processing. Exporters were mainly from regions with active trade hubs to ensure relevant responses. Secondary data was obtained from published journals, government reports, articles, and reliable websites such as the Directorate General of Foreign Trade (DGFT), Ministry of Commerce, and ResearchGate. For analysis, descriptive statistics like mean and standard deviation were used to assess awareness levels. Chi-square tests were employed to examine the association between demographic factors and awareness. Correlation and regression analysis were used to identify the influence of awareness, experience, and challenges on the utilization of FTAs. This methodology helped provide a clear understanding of how well exporters are informed about FTAs and what factors influence their effective use.

Limitations of the Study:

- The study was limited to a sample of 100 exporters, which may not fully represent all sectors or regions in India.
- Data was collected using purposive sampling, so the findings may not be generalizable to the entire exporter population.
- Responses were based on self-reported data, which may be influenced by personal bias or misunderstanding of FTA-related terms.
- The study focused mainly on awareness and usage but did not cover the impact of specific FTAs on export performance in detail.
- Time constraints limited the scope of deeper qualitative insights, such as interviews or case studies with exporters.

Table 1: Demographic Profile of the Respondents

Demographic Variable	Category	No. of Respondents	Percentage
Gender	Male	68	68%
	Female	32	32%
Age Group	Below 30 Years	15	15%
	31 - 40 Years	35	35%
	41 - 50 Years	30	30%
	Above 50 Years	20	20%
Educational Qualification	Higher Secondary	10	10%
	Undergraduate	40	40%
	Postgraduate	35	35%
	Professional/Other	15	15%

Type of Business	Sole Proprietorship	25	25%
	Partnership	20	20%
	Private Limited Company	45	45%
	Others	10	10%
Years of Export Experience	Less than 5 Years	28	28%
	5 - 10 Years	42	42%
	Above 10 Years	30	30%
Annual Export Turnover	Below ₹50 Lakhs	20	20%
	₹50 Lakhs - ₹1 Crore	40	40%
	Above ₹1 Crore	40	40%

The study included 100 exporters, and the results show that most of them are male (68%), while 32% are female. This indicates that more men are involved in export activities than women. Most of the respondents are between 31 and 40 years of age (35%), followed by 30% in the 41-50 age group, showing that many exporters are in their middle age and likely have some experience.

In terms of education, a majority of the respondents are either undergraduates (40%) or postgraduates (35%), which means most of them have a good educational background. When it comes to the type of business, 45% run private limited companies, 25% are sole proprietors, and 20% are in partnerships. This suggests that most exporters are part of well-structured business organizations.

Looking at export experience, 42% have between 5 to 10 years of experience, while 30% have more than 10 years, showing that many exporters are well-experienced in their field. Regarding annual export turnover, 40% earn between ₹50 lakhs and ₹1 crore, and another 40% earn more than ₹1 crore, indicating that a large number of respondents belong to medium and high turnover categories.

Overall, the demographic profile shows that the respondents are mainly experienced, educated, and operate well-established businesses, which may influence how they understand and use Free Trade Agreements.

Table 2: Awareness Level of Exporters about FTAs

Awareness Level	No. of Respondents	Percentage
Highly Aware	20	20%
Moderately Aware	45	45%
Slightly Aware	25	25%
Not Aware	10	10%
Total	100	100%

The table shows that 20 percent of the exporters are highly aware of Free Trade Agreements, while 45 percent are moderately aware. This means that most exporters (65 percent) have at least some understanding of FTAs. However, 25 percent are only slightly aware, and 10 percent are not aware at all. This indicates a need for more awareness programs and support to help all exporters understand and benefit from FTAs.

Table 3: Awareness Level of Exporters about FTAs with Ranking

Awareness Statement	Mean Score	Standard Deviation	Rank
I am aware of the concept and purpose of Free Trade Agreements (FTAs).	3.9	0.85	1
I know which countries India has signed FTAs with.	3.4	1.00	2
I understand the tariff benefits that FTAs offer to exporters.	3.2	1.10	3
I am familiar with the documentation and procedures needed to claim FTA benefits.	2.9	1.20	4
I have received official training or guidance on using FTAs.	2.6	1.15	5

The analysis of exporters' awareness levels about Free Trade Agreements (FTAs) was based on five key statements rated on a five-point Likert scale. Among these, the highest mean score of 3.9 was recorded for the statement related to awareness of the concept and purpose of FTAs. This indicates that most exporters have a good basic understanding of what FTAs are. The next highest mean score was 3.4 for the statement regarding knowledge of the countries with which India has signed FTAs, suggesting moderate awareness in this area. The third-ranked statement, with a mean score of 3.2, showed that exporters have some understanding of the tariff benefits offered under FTAs. However, awareness begins to decline when it comes to practical aspects. The statement on familiarity with FTA documentation received a lower mean score of 2.9, indicating that many exporters are not well informed about the procedures required to claim benefits. The lowest mean score of 2.6 was for the statement about receiving training or guidance on FTAs, showing that very few exporters have been formally trained or supported in this area. Overall, the ranking highlights a noticeable gap between general awareness and detailed, practical knowledge, suggesting the need for more structured guidance and training initiatives to help exporters fully benefit from FTAs.

Table 4: Correlation between Exporters' Awareness, Experience, Difficulties, and FTA Usage

Variables	Correlation with FTA Usage
Awareness Score	+0.68
Years of Experience	+0.45
Difficulty Level	-0.55

Interpretation:

- There is a strong positive correlation between awareness and FTA usage ($r = 0.68$), meaning exporters with higher awareness tend to use FTAs more frequently.

- Years of experience also has a moderate positive correlation ($r = 0.45$), indicating experienced exporters are more likely to use FTAs.
- Difficulty level has a moderate negative correlation ($r = -0.55$), meaning higher difficulties are associated with lower usage.

Table 5: Regression Analysis Showing the Impact of Awareness, Experience, and Difficulties on FTA Usage

$$\text{FTA Usage} = \beta_0 + \beta_1(\text{Awareness}) + \beta_2(\text{Experience}) + \beta_3(\text{Difficulty}) + \varepsilon$$

Predictor Variable	Coefficient (β)	p-value	Significance
Awareness Score	+0.52	0.001	Significant
Years of Experience	+0.28	0.019	Significant
Difficulty Level	-0.41	0.005	Significant
R^2 (Model Fit)	0.63		

The regression model explains 63% of the variation in FTA usage ($R^2 = 0.63$), which is quite substantial.

- Awareness has the highest positive influence ($\beta = +0.52$), showing that better-informed exporters are much more likely to use FTAs.
- Experience also positively affects usage, though to a lesser degree ($\beta = +0.28$).
- Difficulty level negatively affects usage ($\beta = -0.41$), indicating that as exporters face more challenges (e.g., complex paperwork, lack of support), their usage of FTAs drops.

All variables are statistically significant ($p < 0.05$), meaning these findings are reliable.

Suggestions for the Study:

- Government trade departments and export promotion councils should conduct regular awareness programs and workshops to educate exporters, especially MSMEs, about the benefits and procedures of FTAs.
- Simplification of FTA documentation and procedures is essential to encourage more exporters to utilize them effectively.
- A centralized digital platform should be developed to provide real-time information on available FTAs, eligible tariff lines, partner countries, and rules of origin.
- Customs and trade officers should be trained to guide exporters at the grassroots level on FTA-related queries and claims.
- Exporters' associations can play a key role by offering consulting services or guidance cells dedicated to FTA usage.
- Incentives or recognition could be provided to exporters who successfully utilize FTAs, encouraging others to follow.
- Policymakers should focus on feedback mechanisms where exporters can report challenges faced in using FTAs, to help in improving trade facilitation policies.
- There is a need to integrate FTA knowledge into export-related certification courses and business education curricula to build long-term capability among future entrepreneurs.

Conclusion:

The study reveals that while exporters, particularly larger firms, have a basic awareness of Free Trade Agreements, their actual utilization remains limited due to challenges such as complex procedures, lack of training, and limited access to clear information. Small and medium enterprises face greater difficulties, which hinders their ability to benefit from the trade advantages offered by FTAs. The analysis shows that factors such as awareness, experience, and training significantly influence the extent of FTA usage. Increased support from government agencies, simplified documentation, and more focused outreach efforts are essential to improve the effective use of FTAs by Indian exporters. By addressing these barriers, the full potential of trade agreements can be realized, contributing to increased export competitiveness and global market access.

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