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# Perceptions of international trade barriers: Empirical study of small apparel firms

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# PERCEPTIONS OF INTERNATIONAL TRADE BARRIERS: EMPIRICAL STUDY OF SMALL APPAREL FIRMS

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**ABSTRACT:** *Perceptions of international trade barriers are important in the decision of firms to export. This study makes an empirical analysis of the perceptions with respect a particular sector. Two industrial hubs (locations) were chosen. The perceptions of the firms were very different in the two locations (in the same geographical region of the country). In one of these, lack of knowledge (in particular, lack of staff for export planning) was found to be the most important barrier as perceived by the firms, while competition was found as the most important barrier in the other. We also found further clusters within each of the two industrial 'clusters'. It is not just the firms which can be associated with some stages of internationalization but the clusters can also be in different evolutionary stages of internationalization, in view of the differences. Policy makers may note these and focus their export promotion and information dissemination plans based on cluster membership so as to improve perceptions.*

# PERCEPTIONS OF INTERNATIONAL TRADE BARRIERS: EMPIRICAL STUDY OF SMALL APPAREL FIRMS

## 1. INTRODUCTION

Internationalisations of firms through exporting and problems faced by firms to export (in particular, to start exporting) have been studied by several authors (Leonidou, Katsikeas, et al. 2007). However, the business context has been evolving significantly in the face of an information explosion on internet (increased knowledge) and spate of regional trading agreements. The motivation of this paper was to test empirically as to whether the problems identified by previous authors were still perceived by the firms of today in the context of small apparel exporting firms from India.

### 1.1 Context of textile and clothing exports from India

Exports have been increasingly become very important for the Indian economy. Not only is it fulfilling domestic demand but also building foreign exchange reserves to cushion for shocks and bad days. Table A provides the role of trade in the economy along with the build-up of the foreign exchange reserves.

The textile and clothing sector comprise about 11% of the exports. Clearly the sector is very important. The item-wise breakup of the Textile and Clothing exports is given in Table B.

Most countries consider exports as a top priority in order to drive growth. In particular, the story of fast-growing Asian Tigers is largely export-driven.

The basic trade strategies for development are (a) Import Substitution and (b) Trade Promotion (Todaro and Smith 2009). In the former, countries (particularly the Least Developed Countries) in the first stage, substitute domestic production of imported simple consumer goods. In the second stage, they substitute the wider range of more sophisticated manufactured items behind the protection of high tariffs and quotas on imports. In the strategy of trade promotion there is no trade protectionism but focus on incentivised production and large-scale exports. The advocates of Import Substitution cite balanced growth and learning by doing principles. The advocates of Export Promotion cite large markets, distorting effects of protection and successes of East Asian export-oriented countries as examples.

### 1.2 Export promotion in India

India followed the strategy of Import Substitution initially. This led to a strong public sector. The National Textile Mills is an example in the Textile and Clothing sector. Domestic industry was protected through tariffs (import duties) in several product lines.

India initiated major policy reforms in the early 1990s. This has been consistent, by and large. India's simple average tariff rate came down significantly from 128 percent in 1991 to about 34 percent in 2000. The trade weighted tariffs declined from 87 percent in 1997, having reached about 355 percent (Rajan and Sen 2002).

The last WTO Review (2011) summarizes the measure of Indian tariffs as follows: "India's tariff is announced in the annual Budget but individual tariff rates may be changed during the year. In addition to the standard tariff rate, importers are required to pay an additional duty ("countervailing duty") and a special additional duty instead of local taxes. To determine the "effective" applied tariff rate (i.e. basic duties and other customs duty) on a particular product, separate customs and excise tax schedules must be consulted, which adds to the complexity of the tariff. India's tariff comprises mainly ad valorem rates (some 94% of tariff lines), levied on the c.i.f. value of imports; and some alternate or specific duties (6.1% of all tariff lines). During the period under review, the average tariff rate declined: the simple average applied MFN tariff was 12% in 2010/11, down from 15.1% in 2006/07. This is reflected in a decrease in both agricultural and industrial average tariffs due to India's shift towards lower tariffs." (WTO 2011)

In the Foreign Trade Policy (FTP) of 2004-09, the objectives were (a) to double India's share of global merchandise trade within five years, and (b) to use trade expansion as a policy to promote economic growth and employment generation. The objective in the 2009-14 FTP was to reverse the declining trend of exports in the context of the global crisis. Presently, India's short term objective is to achieve annual export growth of 15%; the long term objective is to achieve export growth of 25% per annum and double India's share in global trade by 2020. The policies are a mix of tax incentives, export promotion, credit facilitation schemes, support to "neutralize" the cost of imported inputs used in exports, improvement in infrastructure, and promotion of market and product diversification.

The export promotion policies in India operate in the following framework (Foreign Trade Policy 2009-14 Chapters):-
1. Special Focus Initiatives (Chapter 1B)
2. Promotional Measures (Chapter 3)
3. Duty Exemption / Remission Schemes (Chapter 4)
4. Export Promotion Capital Goods Scheme (Chapter 5)
5. Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs) (Chapter 6)
6. Special Economic Zones (Chapter 7)
7. Free Trade & Warehousing Zones (Chapter 7A)
8. Deemed Exports (Chapter 8)

The most important measures are summarized below:-
1. Duty Drawback – A percentage of the value of exports is directly credited to the bank account of the exporter immediately after shipping, based on the shipping bill declaration. For cotton apparels it is about 7.9%.
2. Market Development Assistance – Subsidy from the Government is available for the participation in international fairs and exhibitions and other matters.
3. Market Access Initiative – Subsidy from the Government is available to export promotion councils and trade bodies for organizing events for trade promotion, carrying out research studies, setting-up ware-houses abroad and other matters.
4. Import Certificate – Duty-free import of about 3% of the export value for certain goods used as inputs.
5. Interest subvention – About 2% reduction in interest rate for trade credit from banks.
6. Technology Up-gradation Fund Scheme – Capital subsidy on up-gradation of plant and machinery.

7. Focus Product Scheme / Focus Market Scheme / Market Linked Focus Product Scheme – About 2% incentive is paid based on realisation of exports for listed countries and products.

Despite the slew of export promotion measures undertaken in India, the export turnover has been way behind that of China in the textile and clothing sector. China exported 80165 Mn USD of knitted Ready Made Garments (RMG) to the world in 2011 while for woven RMG the figure was 63074 Mn USD, which is about ten times the scale of Indian RMG exports.

The perceptions of the entrepreneurs in India regarding the export barriers would be a critical issue. The evaluation of the perceptions could be a measure of the effectiveness of the Indian export promotion policy.

## 2. LITERATURE REVIEW

Exporting is the common way to internationalise, particularly for small firms (Mittelstaedt, Harben and Ward 2003). Perception of export barriers has been found to be the fundamental reason for why firms fail to initiate, maintain or expand export activity (Zou and Stand 1998).

### 2.1 Internationalisation and behavioural theory of firms

The internationalization process of the firm has been studied from two major perspectives – a resource-based perspective and a behavioural perspective. The resource-based perspective is exemplified in identification of latent internationalization stages based on indicators of the firms' engagement and strategies in foreign markets over time, and the analysis of the firm's movement over time (Kamakura, Ramon-Jeronimo and Vecion Gravel 2012). In this dynamic model, four stages were proposed (Domestic, Early Exporter, Advanced and Global), and studied over a time period of 15 years. The behaviour-based perspective of the internationalization process has roots in behavioural theory of the firm (Aharoni 1966); (Cyert and March 1963). Studies proposed steps based on degree of control and degree of involvement (Wortzel and Wortzel 1981); (S. T. Cavusgil 1982).

A seminal work from the behaviour-based perspective on internationalization of firms is the Uppsala model (Johanson and Vahlne 1977) (Johanson and Wiedersheim-Paul 1975). The 1977 model proposed an evolutionary process of internalization of the firm. Prior to this model, literature would suggest that firms would choose the optimal mode for entering an international market through analysis of costs and risks associated with the market and of their own resources. The evolutionary process suggested in the 1977 Uppsala model based on Swedish companies was that firms would begin with 'ad hoc exporting', build 'establishment chains' through agents and thereafter through own sales organization and gradually enter other markets with more 'psychic distance' (environments). There are two change mechanisms in the model. First, firms change through learning from foreign markets. Second, they change through their commitment decisions product of the size of the investment times its degree of inflexibility) in the foreign market. This leads to more learning and the next level of commitment of resources and so on in a 'virtuous circle'. The 1977 model was revisited by the authors in 2009 to reflect globalisation and the networked firm (Johanson and Vahlne 2009). In this 'business network internalisation process model', partners share knowledge through a trust-building process coupled with learning of sources and capabilities of counterparts.

There is also the presence of 'born global' firms in literature (Knight and Cavusgil 2004). These are exceptions to the Uppsala model. Such firms have a global orientation from birth. They are small, often technology-oriented and led by internationally-experienced entrepreneurs, mostly (Madsen and Servais 1997).

The knowledge of international markets can be classified into objective knowledge and experiential knowledge (Johanson and Vahlne 1977). Experiential knowledge takes time and is more critical for the success of the firm in internationalization. Knowledge is considered to comprise two components – external and internal (Eriksson, Johanson, et al. 1997). 'Foreign business knowledge' (knowledge of foreign clients, markets and competitors) and 'institutional knowledge' (knowledge of foreign institutions, governments, rules, norms and values) comprise the external knowledge. The firm's capability for international operations is the internal knowledge. The internal knowledge can explained as the 'know-why' and the external knowledge can be explained as the 'know-how' (Hadley and Wilson 2003).

Some of the important shortcomings of the Uppsala model are that it treats firms as passive or reactive (ignoring risk-taking behaviour) (S. T. Cavusgil 1980), that it focuses only on the early stages of internationalization (Melin 1992) and that it does not provide the possibility of leap-frogging as in the case of 'born global' (Knight and Cavusgil 2004) firms (Elango and Pattnaik 2007).

With respect to literature on developing countries, one empirical study is on Hong Kong toy manufacturers (P. D. Ellis 2000). It points to parental ties with foreign networks for acquiring knowledge. Parental networks abroad facilitate the internationalization (Welch and Welch 1996). A study close to our work is one on Indian manufacturers, which emphasizes on foreign market knowledge (Elango and Pattnaik 2007). They studied secondary data of 794 firms and found that firms draw on parental networks to internationalize and that network scope (number of distinct industries in which each firm's parent network is involved) is beneficial to small or medium sized firms.

## 2.2 Perceptions towards trade barriers

A good literature review on perceptions of export barriers has been provided by Leonidou (Leonidou 1995). He classified the various export barriers as internal (barriers arising from within the organization, e.g. resources, strategy) and external (problems in external environment, domestic or foreign markets). He further classified the export barriers from the dimension of locus area as home country barriers and foreign market barriers. The important internal barriers were identified as Inability to offer competitive prices abroad, High risks / cots in selling abroad, Limited information to locate / analyse markets, Lack of managerial personnel / time etc. The important external barriers were identified as Keen competition in foreign markets, Lack of governmental assistance / incentives, Unfavourable / fluctuating foreign exchange rate, Imposition of high tariff / non-tariff barriers etc (Leonidou 1995).

Leonidou, in a later work, has provided an aggregate ranking of the export barriers and compared the ranking of other authors. The export barriers with 'very high impact' are provided as Limited information to locate / analyse markets, Inability to contact overseas customers, Identifying foreign business opportunities, Difficulty in matching competitors' prices, Excessive transportation / insurance costs, Different foreign customer habits / attitudes, Poor / deteriorating economic conditions abroad and Political instability in foreign markets. The export barriers with 'very low impact' are provided as Developing new

products for foreign markets, Adapting export product design / style, Meeting export packaging / labelling requirements, Maintaining control over foreign middlemen, Difficulty over supplying inventory abroad and Unavailability of warehousing facilities abroad.

The Internal barriers were further classified into Informational, Functional and Marketing and External barriers were classified into Procedural, Governmental, Task and Environmental (Leonidou 2004).

The various perceptions of the barriers have been summarized under categories of Knowledge barriers, Resource barriers, Procedure barriers and Exogenous barriers as given at Table C (Ramaswami and Yang 1990, Orteaga-Ortiz and Fernandez-Ortiz 2010).

The measurement scales for the above variables have been tested by the authors (Orteaga-Ortiz and Fernandez-Ortiz 2010) and we draw our variables based empirical evaluation of this work.

## 3. METHODOLOGY

### 3.1 Method and instrument

Firm-level information was sought through a structured questionnaire (primary data) comprising of 26 questions. The variables are qualitative in nature. An ordered five point Likert scale was used to obtain responses on a scale ranging from "very significant barrier" (5) to "not an issue at all" (1). The questions were based on a standardised scale, summarised from extant literature (Orteaga-Ortiz and Fernandez-Ortiz 2010).

The sample size (random sample) was 100 for valid responses. All the respondents were at decision-level (owners or senior managers) and based in and around Surat and Ahmedabad, two major textile hubs in western India.

The reliability (internal consistency) of the scales has been tested earlier (Orteaga-Ortiz and Fernandez-Ortiz 2010). The applicability of the alpha values was kept in mind, particularly as the sample size was small (Schmitt 1996).

## 4. FINDINGS

### 4.1 Ahmedabad

Chart A (box plot) reveals that for firms based in Ahmedabad, the perception of importance of the barriers, in order were:-
    (a) Exogenous (Competition, Losing money, Forex variation)
    (b) Knowledge (Markets)
    (c) Resources
    (d) Procedure.

Table D (One Sample Test) reveals that all variables were found highly significant for firms based in Ahmedabad.

### 4.2 Surat

Chart B (box-plot) reveals that for firms based in Surat, the perception of importance of the barriers, in order were:-

    (a) Knowledge (Staff)
    (b) Resources (Time to recover money)
    (c) Exogenous (Forex variation).

Table E reveals that all variables were found highly significant for firms based in Surat.

### 4.3 Comparison between the two textile hubs

The perceptions of firms based in Ahmedabad and in Surat were, thus, different. The means were observed as given in Table F. An independent-samples test was done to check the difference in perception between Ahmedabad and Surat (given at Table G). Thus the two samples, from Ahmedabad and from Surat were very different in terms of perceptions.

### 4.4 Perceptions and clustering

We further explored the possibility of clustering within the two samples and found two clusters each (checked through the BIC criteria). The cluster centres are given at Table H. We also observe the declared turnover figures of the firms. We identify one cluster as "small firms with more turnover, having shortage in staff and skills for exporting but with some knowledge" and identify the other cluster as "smaller firms with less knowledge, less turnover and with little knowledge".

## 5. CONCLUSIONS AND POLICY IMPLICATIONS

We sought to make an empirical analysis of the perceptions to export barriers for a sector, based on extant literature. We use standardised scales for the purpose.

However, we discovered significant differences in perceptions for firms based in two different industrial hubs of the same region in the country. We also found the presence of clusters within each of the industrial hubs, from the perspective of perceptions towards export barriers.

From extant literature we find that firms are at different stages of internationalisation. From empirical evidence of perceptions towards trade barriers, we find that firms in the Ahmedabad industrial hub are in different stage of evolution than in the Surat industrial hub, in terms of internationalisation.

Policy makers value perceptions. An important policy implication is that rating of perceptions is valid only after due process of clustering, in view of the differences. A panel is best suited for the purpose because of the possible presence of other latent variables and causal factors for the perceptions. If panel is not possible, the cluster membership is important while evaluating perceptions.

## 6. CHARTS AND TABLES

TABLE A: OVERVIEW OF INDIAN ECONOMY 1950-51 TO 2010-11 (FOREIGN TRADE)

| | 1950 -51 | 1960 -61 | 1970 -71 | 1980-81 | 1990-91 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|---|---|---|
| I) Exports | | | | | | | | | |
| Rs Crore | 606 | 642 | 1535 | 6711 | 3255 3 | 655864 | 840755 | 845534 | 114264 9 |
| US $ Millio n | 1269 | 1346 | 2031 | 8486 | 1814 3 | 163132 | 185295 | 178751 | 251136 |
| II) Imports | | | | | | | | | |
| Rs Crore | 608 | 1122 | 1634 | 1254 9 | 4319 8 | 101231 2 | 137443 6 | 136373 6 | 168346 7 |
| US $ Millio n | 1273 | 2353 | 2162 | 1586 9 | 2407 5 | 251654 | 303696 | 288373 | 369769 |
| Foreign Exchange Reserves (excluding gold, SDR and reverse tranche with IMF) | | | | | | | | | |
| Rs Crore | 911 | 186 | 438 | 4822 | 4388 | 119602 3 | 123134 0 | 115077 8 | 122599 9 |
| US $ Millio n | 1914 | 390 | 584 | 5850 | 2236 | 299230 | 241676 | 254935 | 274580 |

(Source: Economic Survey, Govt. of India (2011-12); updated 18.04.2012)

TABLE B: TEXTILES EXPORT DURING APRIL-DEC'11 AND APRIL-DEC'12 (ITEMWISE)
(TWELFTH FIVE YEAR PLAN – 2012-13 TO 2017-18); VALUE: RS. CRORE

| S N | ITEM | 2011-12 (P) | APR-DEC'11 (P) | APR-DEC'12 (P) | % VARIA-TION |
|---|---|---|---|---|---|
| **A** | **Cotton Textiles** | **54234.89** | **36012.96** | **39417.82** | **9.45** |
| | % Share | 33.99 | 32.11 | 32.89 | |
| 1 | Cotton Raw Incl. Waste | 21623.06 | 12145.39 | 10430.67 | -14.12 |
| 2 | Cotton Yarn, Fabrics & Made-ups | 32611.83 | 23867.57 | 28987.16 | 21.45 |
| **B** | **Manmade Textiles** | **26974.13** | **20110.75** | **20286.37** | **0.87** |
| | % Share | 16.90 | 17.93 | 16.93 | |
| 1 | Manmade Staple Fibres | 2711.31 | 1933.88 | 1915.88 | -0.93 |
| 2 | Manmade Yarn, Fabrics & Made-ups | 24262.83 | 18176.86 | 18370.48 | 1.07 |
| **C** | **Silk Textiles** | **2265.88** | **1667.23** | **1648.40** | **-1.13** |
| | % Share | 1.42 | 1.49 | 1.38 | |
| 1 | Natural Silk Yarn, Fabrics & Made-ups | 949.02 | 730.12 | 648.44 | -11.19 |
| 2 | RMG of Silk | 1267.08 | 900.57 | 955.14 | 6.06 |
| 3 | Silk Waste | 49.77 | 36.54 | 44.82 | 22.66 |
| **D** | **Wool & Woolen Textiles** | **2434.16** | **1878.43** | **1806.64** | **-3.82** |

| | | | | | |
|---|---|---|---|---|---|
| | % Share | 1.53 | 1.68 | 1.51 | |
| 1 | Wool Yarn, Fabrics & Made-ups | 726.24 | 530.91 | 510.01 | -3.94 |
| 2 | RMG Wool | 1701.92 | 1347.51 | 1296.62 | -3.78 |
| **E** | **Ready Made Garments** | **62625.14** | **44157.61** | **47197.27** | **6.88** |
| | % Share | 39.25 | 39.38 | 39.38 | |
| 1 | RMG of Cotton including Accessories | 46117.11 | 32699.81 | 32004.21 | -2.13 |
| 2 | RMG manmade Fibre | 10429.49 | 7285.37 | 9589.01 | 31.62 |
| 3 | RMG of Other Textile Material | 6078.55 | 4172.43 | 5604.06 | 34.31 |
| | **Total Textiles (A-E)** | **148534.21** | **103826.98** | **110356.50** | **6.29** |
| | % Share | 93.08 | 92.59 | 92.07 | |
| **F** | **Handicrafts** | **5170.98** | **3919.34** | **4846.46** | **23.66** |
| | % Share | 3.24 | 3.50 | 4.04 | |
| 1 | Carpets (excluding Silk) Handmade | 4032.83 | 2988.41 | 3910.45 | 30.85 |
| 2 | Handicrafts (excluding Handmade Carpets) | 1118.94 | 914.94 | 920.74 | 0.63 |
| 3 | Silk Carpets | 19.21 | 15.98 | 15.27 | -4.47 |
| **G** | **Jute** | **2190.80** | **1639.66** | **1595.72** | **-2.68** |
| | % Share | 1.37 | 1.46 | 1.33 | |
| 1 | Floor Covering of Jute | 251.80 | 184.92 | 201.95 | 9.21 |
| 2 | Other Jute Manufactures | 736.46 | 567.73 | 550.64 | -3.01 |
| 3 | Jute Yarn | 282.01 | 202.34 | 196.04 | -3.11 |
| 4 | Jute Hessian | 920.52 | 684.67 | 647.09 | -5.49 |
| **H** | **Coir & Coir Manufactures** | **1020.62** | **739.10** | **794.96** | **7.56** |
| | % Share | 0.64 | 0.66 | 0.66 | |
| **I** | **Handloom Products** | **2653.95** | **2014.22** | **2262.01** | **12.30** |
| | % Share | 1.66 | 1.80 | 1.89 | |
| | **Grand Total Textiles Exports** | **1595870.56** | **112139.31** | **119855.65** | **6.88** |
| | **Total Exports** | **1459280.51** | **1066668.31** | **1152988.04** | **8.09** |
| | % Textile Exports | 10.93 | 10.51 | 10.40 | |
| | % Growth of Textiles over previous year | | | 6.88 | |

P: Provisional
(Source: DGCIS; updated 28.02.2013)

TABLE C: SOURCES OF VARIABLES

| EXPORT BARRIERS | Literature origins |
|---|---|
| KNOWLEDGE BARRIERS | |
| Lack of knowledge of potential export markets | (Bodur 1986) |
| Lack of knowledge of product-specific demand abroad | (Rabino 1980) |
| Lack of staff for export planning | (Rabino 1980) |
| Lack of knowledge of export assistance programmes | (Sullivan and Bauerschmidt 1988) |
| Lack of knowledge of financial and non-financial benefits of exports | (Schroath and Korth 1989) |
| Lack of knowledge of export procedures | (Bilkey 1978) |
| RESOURCE BARRIERS | |

| | |
|---|---|
| High cost | (Rabino 1980) |
| Long time to get payment realisation | (Bauerschmidt, Sullivan and Gillespie 1985) |
| Lack of production capacity | (Leonidou 1995) |
| Lack of bank support | (Ramaswami and Yang 1990) |
| PROCEDURE BARRIERS | |
| Transportation cost and shipping arrangements | (Bauerschmidt, Sullivan and Gillespie 1985) |
| Export documentation and red tape | (Rabino 1980) |
| Language differences | (Rabino 1980) |
| Culture differences | (Rabino 1980) |
| Product Usage differences | (Bauerschmidt, Sullivan and Gillespie 1985) |
| Cost of adaptation of product | (Bauerschmidt, Sullivan and Gillespie 1985) |
| Tariff barriers | (Ramaswami and Yang 1990) |
| Non-tariff barriers (quality standard of product, health standards etc) | (Rabino 1980) |
| Logistical difficulties | (Bodur 1986) |
| Distributor or distribution channels | (Bodur 1986, Kedia and Chhokar 1986) |
| EXOGENOUS BARRIERS | |
| Strong competition abroad | (Bauerschmidt, Sullivan and Gillespie 1985) |
| Adverse value of Indian Currency | (Ramaswami and Yang 1990) |
| Risk of foreign exchange fluctuation | (Bauerschmidt, Sullivan and Gillespie 1985) |
| Risk of realization of payment from buyers | (Rabino 1980) |
| Political instability abroad | (Mayo 1991) |

(Orteaga-Ortiz and Fernandez-Ortiz 2010)

Table D: Significance of variables for firms based in Ahmedabad

| Perceptions | t | Sig. (2-tailed) | 95% Confidence Interval of the Difference | |
|---|---|---|---|---|
| | | | Lower | Upper |
| KnowledgeMarkets | 33.732 | .000 | 4.93 | 5.55 |
| KnowledgeStaff | 28.441 | .000 | 4.78 | 5.50 |
| KnowledgeEP | 33.025 | .000 | 4.64 | 5.24 |
| KnowledgeBenefits | 27.144 | .000 | 4.37 | 5.07 |
| KnowledgeHow | 33.584 | .000 | 4.79 | 5.41 |
| KnowledgeProducts | 29.065 | .000 | 4.49 | 5.15 |
| ResourcePayMethod | 26.294 | .000 | 4.38 | 5.10 |
| ResourceRecoveryTime | 26.683 | .000 | 4.24 | 4.92 |
| ResourceProdCapacity | 25.356 | .000 | 4.36 | 5.12 |
| ResourceBanks | 26.630 | .000 | 4.38 | 5.10 |
| ResourceBankNetwork | 28.298 | .000 | 4.25 | 4.91 |
| ProcedureTptShipping | 26.182 | .000 | 4.21 | 4.91 |
| ProcedureUsage | 21.442 | .000 | 3.81 | 4.59 |

| ProcedureDocuments | 24.718 | .000 | 4.12 | 4.84 |
|---|---|---|---|---|
| ProcedureLanguage | 27.723 | .000 | 4.40 | 5.08 |
| ProcedureCulture | 33.434 | .000 | 4.66 | 5.26 |
| ProcedureTariff | 30.398 | .000 | 4.46 | 5.10 |
| ProcedureNonTariff | 34.561 | .000 | 4.35 | 4.89 |
| ProcedureDistributor | 29.779 | .000 | 4.51 | 5.17 |
| ProcedureCostAdaptation | 32.777 | .000 | 4.84 | 5.48 |
| ProcedureLogistical | 32.152 | .000 | 4.89 | 5.55 |
| ExogenousCompetition | 33.167 | .000 | 4.94 | 5.58 |
| ExogenousForexVariation | 36.917 | .000 | 5.03 | 5.61 |
| ExogenousForexLowValue | 42.279 | .000 | 5.05 | 5.55 |
| ExogenousLosingMoney | 33.727 | .000 | 4.98 | 5.62 |
| ExogenousPolitical | 35.693 | .000 | 4.91 | 5.49 |
| Overall | 65.333 | .000 | 5.43 | 5.77 |
| Turnover | 12.518 | .000 | 31.99 | 44.28 |

Table E: Significance of variables for firms based in Surat

| Perceptions | t | Sig. (2-tailed) | 95% Confidence Interval of the Difference | |
|---|---|---|---|---|
| | | | Lower | Upper |
| KnowledgeMarkets | 14.372 | .000 | 4.39 | 5.81 |
| KnowledgeStaff | 74.612 | .000 | 6.31 | 6.65 |
| KnowledgeEP | 15.026 | .000 | 4.16 | 5.44 |
| KnowledgeBenefits | 14.599 | .000 | 4.07 | 5.37 |
| KnowledgeHow | 14.241 | .000 | 4.24 | 5.64 |
| KnowledgeProducts | 17.078 | .000 | 2.21 | 2.79 |
| ResourcePayMethod | 31.244 | .000 | .99 | 1.13 |
| ResourceRecoveryTime | 14.710 | .000 | 4.40 | 5.80 |
| ResourceProdCapacity | 13.434 | .000 | 3.81 | 5.15 |
| ResourceBanks | 17.041 | .000 | 1.31 | 1.65 |
| ResourceBankNetwork | 17.041 | .000 | 1.31 | 1.65 |
| ProcedureTptShipping | 14.624 | .000 | 1.26 | 1.66 |
| ProcedureUsage | 51.000 | .000 | .98 | 1.06 |
| ProcedureDocuments | 15.804 | .000 | 3.11 | 4.01 |
| ProcedureLanguage | 51.000 | .000 | .98 | 1.06 |
| ProcedureCulture | 51.000 | .000 | .98 | 1.06 |
| ProcedureTariff | 13.928 | .000 | 1.45 | 1.95 |
| ProcedureNonTariff | 14.312 | .000 | 3.99 | 5.29 |
| ProcedureDistributor | 14.517 | .000 | 3.96 | 5.24 |
| ProcedureCostAdaptation | 31.244 | .000 | .99 | 1.13 |
| ProcedureLogistical | 21.587 | .000 | 2.16 | 2.60 |
| ExogenousCompetition | 161.000 | .000 | 6.81 | 6.99 |
| ExogenousForexVariation | 81.049 | .000 | 5.48 | 5.76 |

| | | | |
|---|---|---|---|
| ExogenousForexLowValue | 18.406 | .000 | 1.10 | 1.38 |
| ExogenousLosingMoney | 21.397 | .000 | 3.59 | 4.33 |
| ExogenousPolitical | 15.030 | .000 | 3.19 | 4.17 |
| Overall | 21.820 | .000 | 3.69 | 4.43 |
| Turnover | 4.677 | .000 | 132.71 | 332.69 |

Table F: Comparison of means

| Perceptions | City | Mean | Std. Deviation |
|---|---|---|---|
| KnowledgeMarkets | Surat | 5.10 | 2.509 |
| | Ahmed | 5.24 | 1.098 |
| KnowledgeStaff | Surat | 6.48 | .614 |
| | Ahmed | 5.14 | 1.278 |
| KnowledgeEP | Surat | 4.80 | 2.259 |
| | Ahmed | 4.94 | 1.058 |
| KnowledgeBenefits | Surat | 4.72 | 2.286 |
| | Ahmed | 4.72 | 1.230 |
| KnowledgeHow | Surat | 4.94 | 2.453 |
| | Ahmed | 5.10 | 1.074 |
| KnowledgeProducts | Surat | 2.50 | 1.035 |
| | Ahmed | 4.82 | 1.173 |
| ResourcePayMethod | Surat | 1.06 | .240 |
| | Ahmed | 4.74 | 1.275 |
| ResourceRecoveryTime | Surat | 5.10 | 2.452 |
| | Ahmed | 4.58 | 1.214 |
| ResourceProdCapacity | Surat | 4.48 | 2.358 |
| | Ahmed | 4.74 | 1.322 |
| ResourceBanks | Surat | 1.48 | .614 |
| | Ahmed | 4.74 | 1.259 |
| ResourceBankNetwork | Surat | 1.48 | .614 |
| | Ahmed | 4.58 | 1.144 |
| ProcedureTptShipping | Surat | 1.46 | .706 |
| | Ahmed | 4.56 | 1.232 |
| ProcedureUsage | Surat | 1.02 | .141 |
| | Ahmed | 4.20 | 1.385 |
| ProcedureDocuments | Surat | 3.56 | 1.593 |
| | Ahmed | 4.48 | 1.282 |
| ProcedureLanguage | Surat | 1.02 | .141 |
| | Ahmed | 4.74 | 1.209 |
| ProcedureCulture | Surat | 1.02 | .141 |
| | Ahmed | 4.96 | 1.049 |
| ProcedureTariff | Surat | 1.70 | .863 |
| | Ahmed | 4.78 | 1.112 |
| ProcedureNonTariff | Surat | 4.64 | 2.292 |
| | Ahmed | 4.62 | .945 |
| ProcedureDistributor | Surat | 4.60 | 2.241 |
| | Ahmed | 4.84 | 1.149 |
| ProcedureCostAdaptati | Surat | 1.06 | .240 |

| | | | |
|---|---|---|---|
| on | Ahmed | 5.16 | 1.113 |
| ProcedureLogistical | Surat | 2.38 | .780 |
| | Ahmed | 5.22 | 1.148 |
| ExogenousCompetition | Surat | 6.90 | .303 |
| | Ahmed | 5.26 | 1.121 |
| ExogenousForexVariation | Surat | 5.62 | .490 |
| | Ahmed | 5.32 | 1.019 |
| ExogenousForexLowValue | Surat | 1.24 | .476 |
| | Ahmed | 5.30 | .886 |
| ExogenousLosingMoney | Surat | 3.96 | 1.309 |
| | Ahmed | 5.30 | 1.111 |
| ExogenousPolitical | Surat | 3.68 | 1.731 |
| | Ahmed | 5.20 | 1.030 |
| Overall | Surat | 4.06 | 1.316 |
| | Ahmed | 5.60 | .606 |
| Turnover | Surat | 232.70 | 351.844 |
| | Ahmed | 38.14 | 20.209 |

Table G: Independent Samples Test

| | | Levene's Test for Equality of Variances | |
|---|---|---|---|
| | | F | Sig. |
| KnowledgeMarkets | Equal variances assumed | 46.935 | .000 |
| | Equal variances not assumed | | |
| KnowledgeStaff | Equal variances assumed | 18.277 | .000 |
| | Equal variances not assumed | | |
| KnowledgeEP | Equal variances assumed | 42.171 | .000 |
| | Equal variances not assumed | | |
| KnowledgeBenefits | Equal variances assumed | 31.303 | .000 |
| | Equal variances not assumed | | |
| KnowledgeHow | Equal variances assumed | 44.735 | .000 |
| | Equal variances not assumed | | |
| KnowledgeProducts | Equal variances assumed | .001 | .980 |
| | Equal variances not assumed | | |
| ResourcePayMethod | Equal variances assumed | 49.825 | .000 |
| | Equal variances not assumed | | |
| ResourceRecoveryTime | Equal variances assumed | 52.620 | .000 |
| | Equal variances not assumed | | |
| ResourceProdCapacity | Equal variances assumed | 49.164 | .000 |

|  | | | |
|---|---|---|---|
|  | Equal variances not assumed | | |
| ResourceBanks | Equal variances assumed | 19.478 | .000 |
|  | Equal variances not assumed | | |
| ResourceBankNetwork | Equal variances assumed | 18.115 | .000 |
|  | Equal variances not assumed | | |
| ProcedureTptShipping | Equal variances assumed | 23.846 | .000 |
|  | Equal variances not assumed | | |
| ProcedureUsage | Equal variances assumed | 106.274 | .000 |
|  | Equal variances not assumed | | |
| ProcedureDocuments | Equal variances assumed | 4.046 | .047 |
|  | Equal variances not assumed | | |
| ProcedureLanguage | Equal variances assumed | 67.421 | .000 |
|  | Equal variances not assumed | | |
| ProcedureCulture | Equal variances assumed | 53.817 | .000 |
|  | Equal variances not assumed | | |
| ProcedureTariff | Equal variances assumed | 4.233 | .042 |
|  | Equal variances not assumed | | |
| ProcedureNonTariff | Equal variances assumed | 73.842 | .000 |
|  | Equal variances not assumed | | |
| ProcedureDistributor | Equal variances assumed | 38.757 | .000 |
|  | Equal variances not assumed | | |
| ProcedureCostAdaptation | Equal variances assumed | 43.188 | .000 |
|  | Equal variances not assumed | | |
| ProcedureLogistical | Equal variances assumed | 2.591 | .111 |
|  | Equal variances not assumed | | |
| ExogenousCompetition | Equal variances assumed | 60.158 | .000 |
|  | Equal variances not assumed | | |
| ExogenousForexVariation | Equal variances assumed | 13.542 | .000 |
|  | Equal variances not assumed | | |
| ExogenousForexLowValue | Equal variances assumed | 23.364 | .000 |
|  | Equal variances not assumed | | |
| ExogenousLosingMoney | Equal variances assumed | 2.901 | .092 |

| | | | |
|---|---|---|---|
| | Equal variances not assumed | | |
| ExogenousPolitical | Equal variances assumed | 22.670 | .000 |
| | Equal variances not assumed | | |
| Overall | Equal variances assumed | 48.340 | .000 |
| | Equal variances not assumed | | |
| Turnover | Equal variances assumed | 80.526 | .000 |
| | Equal variances not assumed | | |

Table H: Cluster Centres for the four clusters

| | Cluster | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| KnowledgeMarkets | 5 | 7 | 5 | 1 |
| KnowledgeStaff | 5 | 6 | 5 | 7 |
| KnowledgeEP | 5 | 6 | 5 | 1 |
| KnowledgeBenefits | 5 | 6 | 4 | 1 |
| KnowledgeHow | 5 | 6 | 5 | 1 |
| KnowledgeProducts | 5 | 3 | 4 | 1 |
| ResourcePayMethod | 5 | 1 | 4 | 1 |
| ResourceRecoveryTime | 5 | 6 | 4 | 2 |
| ResourceProdCapacity | 5 | 6 | 4 | 1 |
| ResourceBanks | 5 | 1 | 4 | 2 |
| ResourceBankNetwork | 5 | 1 | 4 | 2 |
| ProcedureTptShipping | 5 | 2 | 4 | 1 |
| ProcedureUsage | 5 | 1 | 3 | 1 |
| ProcedureDocuments | 5 | 5 | 4 | 1 |
| ProcedureLanguage | 5 | 1 | 4 | 1 |
| ProcedureCulture | 5 | 1 | 4 | 1 |
| ProcedureTariff | 5 | 2 | 5 | 1 |
| ProcedureNonTariff | 5 | 6 | 5 | 1 |
| ProcedureDistributor | 5 | 6 | 6 | 1 |
| ProcedureCostAdaptation | 5 | 1 | 6 | 1 |
| ProcedureLogistical | 5 | 3 | 5 | 1 |
| ExogenousCompetition | 5 | 7 | 5 | 7 |
| ExogenousForexVariation | 5 | 6 | 5 | 5 |
| ExogenousForexLowValue | 5 | 1 | 5 | 1 |
| ExogenousLosingMoney | 5 | 3 | 6 | 6 |
| ExogenousPolitical | 5 | 5 | 5 | 1 |

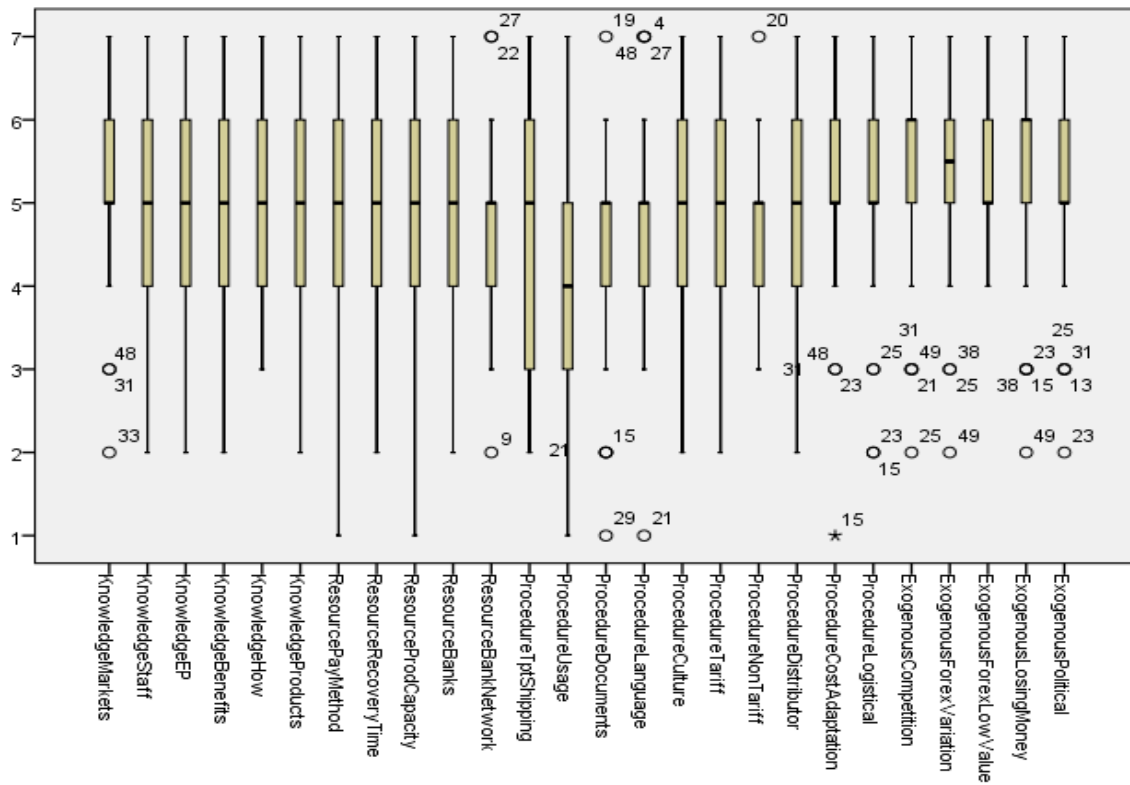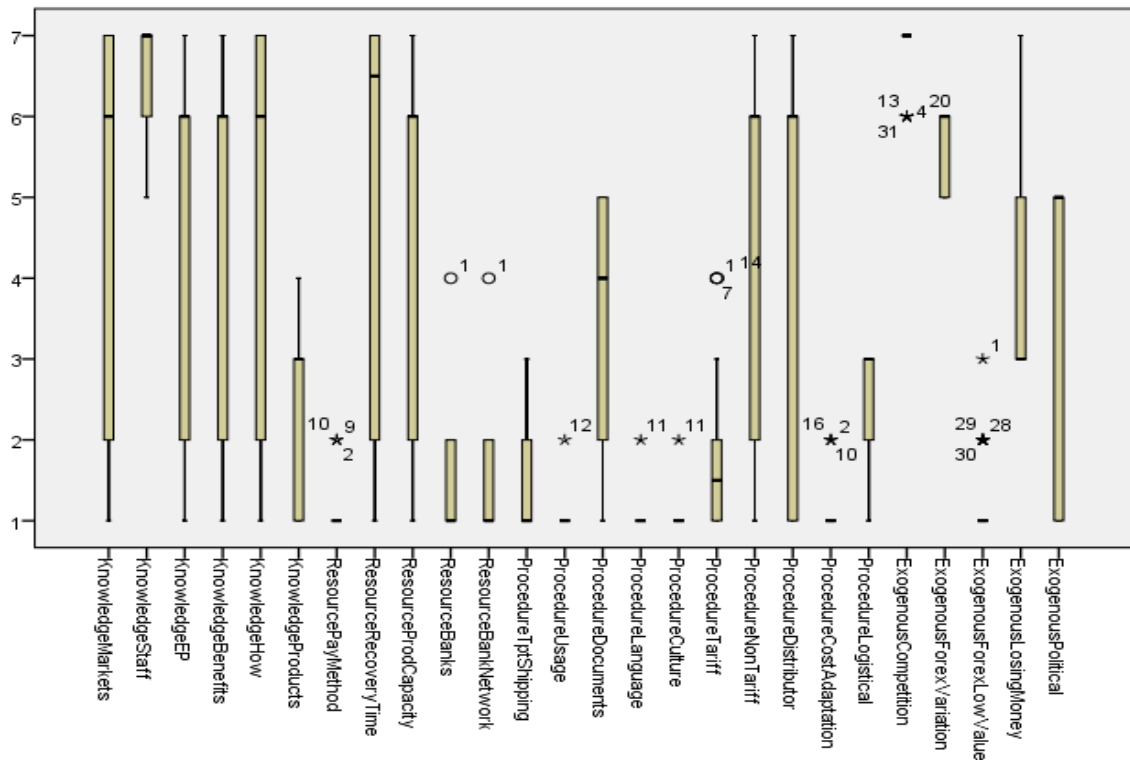Chart A: Box plot for perceptions of firms based in Ahmedabad



Chart B: Box plot for perceptions of firms based in Surat

## 7.  REFERENCES

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