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Determinants of Export Performance in Textile Industries of Pakistan

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ABSTRACT

This research is a correlation study of export performance determinants to investigate the interdependency between independent (Increase of pricing strategy adaptation, Increase of export intensity, Firm's commitment to exporting, Export market development, Export market competition, Past Pricing Strategy Adaptation, Past Export Performance Satisfaction, Past Export Intensity, Export market distance) and dependent variables (i.e. Expected Short-Term Export Performance improvement) of export performance. The framework is tested via a survey through questionnaire from industrial exporters of textile in Pakistan. Findings reveals that the past export performance satisfaction with r value reported is positive r=54.2% and p=0.002 < 0.01, which states the result is significant, therefore there is a positive correlation between two variables. Past export performance satisfaction is the only important determinant of short-term export performance improvement in textile sector of Pakistan.

Introduction

Textile Industry has given a major contribution to the country's economy by providind the essential necessity to customer which holds importance to the growth of quality in life. Textile industry has a unique position as in self - reliant industry from raw material production to the delivey of finished products with substantial value - addition at each processing stage.. The Textile Guides website provides many links to industrial exporters of textile in Pakistan (http://www.textileguides.com/).

The study examines the export performance improvement of the textile sector in Pakistan. The research finds significant factor that is use for improvement of export performance, the study also investigate the interdependency of variables with each other. This research is based on primary data, the questionnaire acquired was already developed and used by Lages and Ana (2004) in investigation. The respondents of this questionnaire were Textile Exporter in Pakistan, the questions examined the responses of variables in year 2005, 2006, 2007, as how these respondents determine export performance in current year that is 2007. The study investigates the interdependency between dependent and independent variable for this correlation is being used to find the interdependency between variables. However very few researches were conducted, since, literature was very difficult to find. The limitation in this sort of research,, was the data collection. The research finds that, all the

factors are positively correlated with short term export performance improvement, the results of these findings shows that, past export performance satisfaction is significant factor in export performance improvement.

Literature Review

Short -term performance depends on the markets with low margins due to the high level of competition or market saturation which lacks in firms because of financial resources (Lages & Ana, 2004).

Lages and Sandy (2002) hypotheses of relationships regarding the current and the past period performance satisfaction, adaptation of strategy marketing, Internal and external forces of the firm are also included..

Lages and Ana (2004) study comprises of moderating variables of past export performance satisfaction and the past export intensity. The usage of such method is to gather the degree of performance which has reached the level of accomplishment and accounted its goals .This way the firm approached two different ways Satisfaction and Intensity method. f

Very few researchers have used expected export performance as measure. The study gives view of the managers perception about their short-term performance improvement, this way the managers will be able to count on their own expectitions of improvement from one year to another year while the same shall be conducted by the firm reference group.(Lages & Ana, 2004).

The firm's commitment to exporting in International markets should also directly impact performance because the firm's commitment will direct greater resources to the task, better enabling the organization to achieve its exporting goals (Lages & Sandy, 2002).

Research Methods

Since the data contains several independent variables and a dependent, the research was conducted and to find out the interdependency between independent and dependent variables correlation was used.

Primary data of three years comprised on year 2005-2007, collected from the source questionnaire filled by textile exporters in Pakistan.

The purpose of this research was to investigate the export performance factors that affect textile exporters. The data is comprised of ten variables, in these variables eight variables that are (Increase of pricing strategy adaptation, Increase of export intensity, Firm's commitment to exporting, Export market development, Export market competition, Past Pricing Strategy Adaptation, Past Export Performance Satisfaction, Expected Short-Term Export Performance improvement are scaled from 1-5 these variables have different numbers of factors, mean was calculated of each variable. Past Export Intensity is scaled by percentages, midpoint value is calculated. Export market distance country is being defined; here dummy variable is created as value 0 for "within Asia" and 1 for "outside Asia".

The study finds the relationship between independent and dependent variables, for finding the interdependency between variables correction function (R) was used, the correlation function is:

$$R = \sqrt{\frac{n \sum x y - \sum x \sum y}{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

Scenario/preposition-1: Relation between Increase of pricing strategy adaptation and Expected Short-Term Export Performance improvement

H1: Increase of pricing strategy adaptation and Expected Short-Term Export Performance improvement are positively correlated to each other**;**

Scenario/preposition-2: Relation between Increase of export intensity and Expected Short-Term Export Performance improvement

H2: Increase of export intensity and Expected Short-Term Export Performance improvement are positively correlated to each other**;**

Scenario/preposition-3: Relation between Firm's commitment to exporting and Expected Short-Term Export Performance improvement

H3: Firm's commitment to exporting and Expected Short-Term Export Performance improvement are positively correlated to each other**;**

Scenario/preposition-4: Relation between Export market development and Expected Short-Term Export Performance improvement

H4: Export market development and Expected Short-Term Export Performance improvement are positively correlated to each other;

Scenario/preposition-5: Relation between Export market distance and Expected Short-Term Export Performance improvement

H5: Export market distance and Expected Short-Term Export Performance improvement are positively correlated to each other;

Scenario/preposition-6: Relation between Export market competition and Expected Short-Term Export Performance improvement

H6: Export market competition and Expected Short-Term Export Performance improvement are positively correlated to each other**;**

Scenario/preposition-7: Relation between Past Pricing Strategy Adaptation and Expected Short-Term Export Performance improvement

H7: Past Pricing Strategy Adaptation and Expected Short-Term Export Performance improvement are positively correlated to each other;

Scenario/preposition-8: Relation between Past Export Performance Satisfaction and Expected Short-Term Export Performance improvement

H8: Past Export Performance Satisfaction and Expected Short-Term Export Performance improvement are positively correlated to each other;

Scenario/preposition-9: Relation between Past Export Intensity and Expected Short-Term Export Performance improvement

H9: Past Export Intensity and Expected Short-Term Export Performance improvement are positively correlated to each other;

As the study predicts a positive correlation, this indicates a direction. Thus prediction is therefore one-tailed.

Results/Findings

Correlation was being applied to find the interdependency between dependent and independent variable. Each scenario investigates the export performance factors that affect textile exporters, for each scenario a hypothesis was developed. The results and their findings are as follows:

Table 1:

Expected short-term export performance improvement	Correlation coefficients	Significant level ≤ 0.01	Empirical Conclusion
Increase of pricing strategy adaptation	0.168	0.211	Rejected
Increase of export intensity	0.276	0.9	Rejected
Firm's commitment to exporting	0.01	0.477	Rejected
Export market development	0.01	0.463	Rejected
Export market distance	0.19	0.301	Rejected
Export market competition	0.08	0.349	Rejected
Export market competition	0.08	0.349	Rejected
Past Export Performance Satisfaction	0.542	0.002	Accepted
Past Export Intensity	0.082	0.348	Rejected

As the results for the past export and the current exports shows r value reported is positive r=54.2% and p=0.002 < 0.01, which states the result is significant, therefore there is a significant correlation between two variables. Hence, the Hypothesis (H8) "Past export performance satisfaction and Expected Short-Term Export Performance improvement are positively correlated to each other" is accepted. Thus, Past export performance satisfaction is the only significant factor in export performance improvement for textile exporters in Pakistan.

Conclusion/Recommendations

The study clearly indicates with the empirical evidence that past export performance satisfaction is the only significant factor in export performance improvement for textile exporters in Pakistan. The investigation suggest that the past performance satisfaction is the only important determinant for expected short-term performance improvement. The anticipated findings of this research could help both the Government, Exporters & other businessmen to re-formulize their policies & strategies, specially in case of in order to make the textile exports in better position, as from few years textile sector of Pakistan which is the most important sector in terms of GDP and total exports of Pakistan is having a negative trend.

Since this study used primary data for analysis of effectiveness. Further research can be conducted using the same study by using the secondary source (i.e. data from company's balance sheet) for data collection and analysis. The secondary source will help to find the accurate profit of company from exports and the ratio of their total sales and exports. From this, the researcher can analysis the export performance improvement of the company's and its impact from determinant of export performance.

References

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