Determinants of Export Performance in Textile Sector of Pakistan

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ABSTRACT

This research is an attempt to investigate the correlation of the various independent variables which include an increase of pricing strategy adaptation, Increase of export intensity, Firm's commitment to export, Export market development, Export market competition, Past Pricing Strategy Adaptation, Past Export Performance Satisfaction, Past Export Intensity, Export market distance) with dependent variable (i.e. Expected Short-Term Export Performance improvement). The framework is tested via a survey through questionnaire from industrial exporters of textile in Pakistan. Findings reveal that past export performance satisfaction is the only important determinant of expected short-term export performance improvement in textile sector of Pakistan.

Keywords: Export performance, past export satisfaction, textiles, exporter of
Pakistan

JEL Classification: F16, F18

Introduction

Textile Industry has given a major contribution to the country's economy by providing the essential necessity to customer which holds importance to the growth of quality in life (Cline, 1982). Textile industry has a unique position as in self - reliant industry from raw material production to the delivery of finished products with substantial value - addition at each processing stage (Faini, 1995).

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

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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 are significant factor in export performance improvement.

Literature Review

Short -term performance depends on the marketplace with small margins appropriate to the elevated level of competition or market diffusion 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, in-house 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 expectations of improvement from one year to another year while the same shall be conducted by the firm reference group (Lages & Ana, 2004; 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 rationale 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 Increase of export intensity, pricing strategy adaptation, Export market competition, Export market development, Past Pricing Strategy Adaptation, Past Export Performance Satisfaction, Firm's commitment to exporting, 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".

For finding the correlations between the outlined variables correction function (R) was used, which is stated as:

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

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

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

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

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

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

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

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

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

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

Results/Findings

Table 1:

	Expected short-term export performance improvement		
	Correlation coefficients	**Significance at ≤ 0.01**	**Conclusion for the associations**
Increase of pricing strategy adaptation	0.168	0.211	Not Associated
Increase of export intensity	0.276	0.9	Not Associated
Firm's commitment to exporting	0.01	0.477	Not Associated
Export market development	0.01	0.463	Not Associated
Export market distance	0.19	0.301	Not Associated
Export market competition	0.08	0.349	Not Associated
Export market competition	0.08	0.349	Not Associated
Past Export Performance Satisfaction	0.542	0.002	Associated
Past Export Intensity	0.082	0.348	Not Associated

Pearson Correlation was being applied to find the association between dependent and independent variable. Table 1 reveals that for the past export performance satisfactions and the Expected short-term export performance improvement, the coefficient of correlation is positive i.e. 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 as highlighted in table 2. Thus, past export performance satisfaction is the only significant factor which matters for short term export performance improvement for textile exporters in Pakistan.

Table 2:

Hypotheses	Empirical Conclusion
H1: Increase of pricing strategy adaptation and Expected Short-Term Export Performance improvement are positively correlated to each other**.**	**Not Accepted**
H2: Increase of export intensity and Expected Short-Term Export Performance improvement are positively correlated to each other**.**	**Not Accepted**
H3: Firm's commitment to exporting and Expected Short-Term Export Performance improvement is positively correlated to each other**.**	**Not Accepted**
H4: Export market development and Expected Short-Term Export Performance improvement are positively correlated to each other.	**Not Accepted**
H5: Export market distance and Expected Short-Term Export Performance improvement are positively correlated to each other.	**Not Accepted**
H7: Past Pricing Strategy Adaptation and Expected Short-Term Export Performance improvement are positively correlated to each other.	**Not Accepted**
H8: Past Export Performance Satisfaction and Expected Short-Term Export Performance improvement are positively correlated to each other.	**Accepted**
H9: Past Export Intensity and Expected Short-Term Export Performance improvement are positively correlated to each other.	**Not Accepted**

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, especially 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 researchers can analyze the export performance improvement of the company's and its impact from determinant of export performance.

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