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“Determinants of Short-Term Export Performance in Pakistan”

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Abstract

This research investigates 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 revealed that the past export performance satisfaction is positively correlated with Past export performance satisfaction and it is the only important indicator that is associated significantly to short-term export performance improvement in textile sector of Pakistan.

Key Words: International Trade, short-term export performance, Past export performance satisfaction, textile sector of Pakistan.

Introduction:

Textile Industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of

finished products, with substantial value-addition each stage of processing; it is a major contribution to the country's economy (textile guides).

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 was used that was already developed and used by Lages and Ana;2004 in investigation. The respondent 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. There were very few researches being done, literature was very difficult to find. The limitation in this sort of research was the data collection. The research finds 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:

Firms that lack financial resources as well as those operating in markets with low margins (due to a high level of competition or market saturation) depend on short -term performance for survival (Lages and Ana, 2004). Lages and Sandy (2002) hypothesises regarding the relationships among current period performance satisfaction, marketing strategy adaptation, internal and external forces of the firm, and past performance satisfaction.

Lages and Ana (2004) study comprises both past export performance satisfaction and past export intensity in a specific year as moderating variables. to incarcerate the degree to which performance has matched the goals and aspiration levels of the firm in the past and to compare it across a variety of exporting firms two different approaches (satisfaction and intensity) are used.

Very few researchers have used expected export performance as measure. The study gave opinion of managers about the expected short-term performance improvement, managers being able to report on their expectations of improvement from one year to the next while taking into consideration their own perception of their firm's reference groups (Lages and Ana,2004).

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

Research Method:

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

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 effect 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, mid point 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 i.e.

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

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 investigated the export performance factors that effect textile exporters, for each scenario a hypothesis was developed. The results and their findings are as follows:

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 suggests 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 and other businessmen to re-formulate their policies and 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 may 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.

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Appendix

1-Questionnaire

Question: Regarding your main exporting venture, to what extent were the following factors changed from 2006 to 2007, when comparing the domestic market with the main Importing market?

Scale: 1=The year (2007) is much more similar between the two markets than it was in 2006;

5=the year (2007) is much more differentiated between the two markets than it was in 2006

Determination of pricing strategy
Concession of credit
Price discounts policy
Margins

Question: With regard to your main export venture, to what extent did the following change from 2005 to 2006?

Scale: 1= Large Decrease from 2005 to 2006; 5= Large Increase From 2005 to 2006

Percentage of exporting venture to total sales volume (unit sales)
Percentage of exporting venture to total sales revenue
Percentage of exporting venture to total profitability

Question: Consider the main export venture over the past year (2006). To what extent do you agree or disagree with the following statements?

Scale: 1=Strongly Disagree; 5=Strongly Agree

There was substantial planning for this export venture
There was a significant amount of human resources involved in the exporting activity
There was a significant degree of management commitment to exporting
There were more financial resources for exporting than those used for the domestic market

Question: Considering the main export venture over the past year (2006), how would you characterize the following aspects of the export market?

Scale: 1=None; 5=Substantial

Degree of country's development
Level of consumer education in the importing country

Question: Please indicate which was, in 2006, your company's main importing country of your main exporting product (or group of products): _____ (*please indicate one country only*)

Scale: The distance in *kms* was computed as the difference between Pakistan and the capital of the country.

Question: Considering the main export venture over the past year (2006), how would you characterize the following aspects of the export market?

Scale: 1=None; 5=Substantial

Extent of price competition in the industry
Competition in the accomplishment of delivery deadlines
Competition in the industry

Question: Considering the main exporting venture over the past year (2006). To what extent do the following factors differ in comparing the main exporting market with the domestic market?

Scale: 1=No Adaptation at all; 5=Extensive Adaptation

Determination of pricing strategy
Credit concession
Price discounts policy
Margins

Question: How satisfied are you with the 2005 results of your main export venture?

Scale: 1=Not Satisfied at All; 5=Extremely Satisfied

Export sales volume (unit sales)
Export sales revenue
Export profitability
Market share in the main importing market
Overall export performance

Question: With regard to your main export venture in 2005, how do you assess the following?

Scale: 0-9%; 10-29%; 30-59%; 60-84%; 85-100%

Percentage of exporting venture to total sales volume (unit sales)

Percentage of exporting venture to total sales revenue

Percentage of exporting venture to total profitability

Question: How you expect the results for your main exporting venture to be for the current year (2007)?

Scale: 1= Worsen significantly; 5= Improve a lot

Objectives achieved for the main export venture

Satisfaction with main exporting venture

2- SPSS output

Correlations

		Increase of pricing strategy adaptation	Increase of export intensity	Firm's commitment to exporting	Export market development	Export market distance	Export market competition	Past Pricing Strategy Adeptation	Past Export Performance Satisfaction	Past Export Intensity	Expected Short-Term Export Performance Improvement
Increase of pricing strategy adaptation	Pearson Correlation	1	-.036	-.151	-.052	-.011	.308	.027	-.067	.126	.168
	Sig. (1-tailed)		.433	.235	.403	.479	.067	.450	.374	.274	.211
	N	25	25	25	25	25	25	25	25	25	25
Increase of export intensity	Pearson Correlation	-.036	1	.214	-.006	-.019	-.062	.298	.036	-.243	.276
	Sig. (1-tailed)	.433		.192	.489	.465	.402	.074	.435	.121	.091
	N	25	25	25	25	25	25	25	25	25	25
Firm's commitment to exporting	Pearson Correlation	-.151	.214	1	-.100	-.103	.192	.076	.060	-.112	.012
	Sig. (1-tailed)	.235	.192		.317	.311	.235	.369	.407	.297	.477
	N	25	25	25	25	25	25	25	25	25	25
Export market development	Pearson Correlation	-.052	-.006	-.100	1	.330	.157	-.371*	.162	.290	-.019
	Sig. (1-tailed)	.403	.489	.317		.053	.227	.034	.219	.080	.463
	N	25	25	25	25	25	25	25	25	25	25
Export market distance	Pearson Correlation	-.011	-.019	-.103	.330	1	.469**	-.308	.361*	.049	.109
	Sig. (1-tailed)	.479	.465	.311	.053		.009	.067	.038	.408	.301
	N	25	25	25	25	25	25	25	25	25	25
Export market competition	Pearson Correlation	.308	-.062	.192	.157	.469**	1	-.342*	.444*	.208	.081
	Sig. (1-tailed)	.067	.402	.235	.227	.009		.047	.013	.159	.350
	N	25	25	25	25	25	25	25	25	25	25
Past Pricing Strategy Adeptation	Pearson Correlation	.027	.298	.076	-.371*	-.308	-.342*	1	-.322	-.383*	.036
	Sig. (1-tailed)	.450	.074	.369	.034	.067	.047		.068	.029	.432
	N	25	25	25	25	25	25	25	25	25	25
Past Export Performance Satisfaction	Pearson Correlation	-.067	.036	.060	.162	.361*	.444*	-.322	1	.259	.542**
	Sig. (1-tailed)	.374	.435	.407	.219	.038	.013	.068		.106	.003
	N	25	25	25	25	25	25	25	25	25	25
Past Export Intensity	Pearson Correlation	.126	-.243	-.112	.290	.049	.208	-.383*	.259	1	.082
	Sig. (1-tailed)	.274	.121	.297	.080	.408	.159	.029	.106		.349
	N	25	25	25	25	25	25	25	25	25	25
Expected Short-Term Export Performance Improvement	Pearson Correlation	.168	.276	.012	-.019	.109	.081	.036	.542**	.082	1
	Sig. (1-tailed)	.211	.091	.477	.463	.301	.350	.432	.003	.349	
	N	25	25	25	25	25	25	25	25	25	25

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).