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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.*

Keywords: International marketing, trade, barrier, perception, apparel

JEL: F10, F12, F14

## **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 35 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 be 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 / costs 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
<b>I) Exports</b>									
Rs Crore	606	642	1535	6711	32553	655864	840755	845534	1142649
US \$ Million	1269	1346	2031	8486	18143	163132	185295	178751	251136
<b>II) Imports</b>									
Rs Crore	608	1122	1634	12549	43198	1012312	1374436	1363736	1683467
US \$ Million	1273	2353	2162	15869	24075	251654	303696	288373	369769
<b>Foreign Exchange Reserves (excluding gold, SDR and reverse tranche with IMF)</b>									
Rs Crore	911	186	438	4822	4388	1196023	1231340	1150778	1225999
US \$ Million	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)	% VARIATION
<b>A</b>	<b>Cotton Textiles</b>	<b>54234.89</b>	<b>36012.96</b>	<b>39417.82</b>	<b>9.45</b>
	% 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>B</b>	<b>Manmade Textiles</b>	<b>26974.13</b>	<b>20110.75</b>	<b>20286.37</b>	<b>0.87</b>
	% 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
<b>C</b>	<b>Silk Textiles</b>	<b>2265.88</b>	<b>1667.23</b>	<b>1648.40</b>	<b>-1.13</b>
	% 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
<b>D</b>	<b>Wool &amp; Woolen Textiles</b>	<b>2434.16</b>	<b>1878.43</b>	<b>1806.64</b>	<b>-3.82</b>

	% 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
<b>E</b>	<b>Ready Made Garments</b>	<b>62625.14</b>	<b>44157.61</b>	<b>47197.27</b>	<b>6.88</b>
	% 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
	<b>Total Textiles (A-E)</b>	<b>148534.21</b>	<b>103826.98</b>	<b>110356.50</b>	<b>6.29</b>
	% Share	93.08	92.59	92.07	
<b>F</b>	<b>Handicrafts</b>	<b>5170.98</b>	<b>3919.34</b>	<b>4846.46</b>	<b>23.66</b>
	% 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
<b>G</b>	<b>Jute</b>	<b>2190.80</b>	<b>1639.66</b>	<b>1595.72</b>	<b>-2.68</b>
	% 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
<b>H</b>	<b>Coir &amp; Coir Manufactures</b>	<b>1020.62</b>	<b>739.10</b>	<b>794.96</b>	<b>7.56</b>
	% Share	0.64	0.66	0.66	
<b>I</b>	<b>Handloom Products</b>	<b>2653.95</b>	<b>2014.22</b>	<b>2262.01</b>	<b>12.30</b>
	% Share	1.66	1.80	1.89	
	<b>Grand Total Textiles Exports</b>	<b>1595870.56</b>	<b>112139.31</b>	<b>119855.65</b>	<b>6.88</b>
	<b>Total Exports</b>	<b>1459280.51</b>	<b>1066668.31</b>	<b>1152988.04</b>	<b>8.09</b>
	% 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

<b>EXPORT BARRIERS</b>	<b>Literature origins</b>
<b>KNOWLEDGE BARRIERS</b>	
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)
<b>RESOURCE BARRIERS</b>	

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)

(Ortega-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

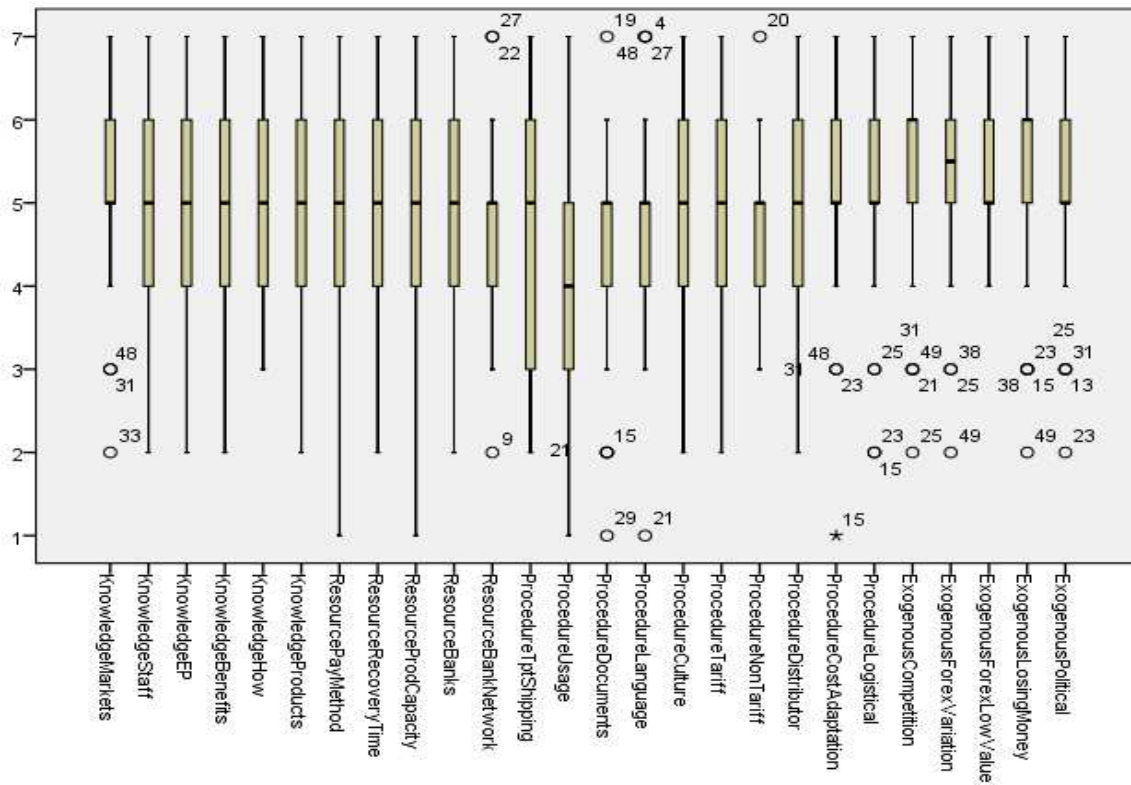
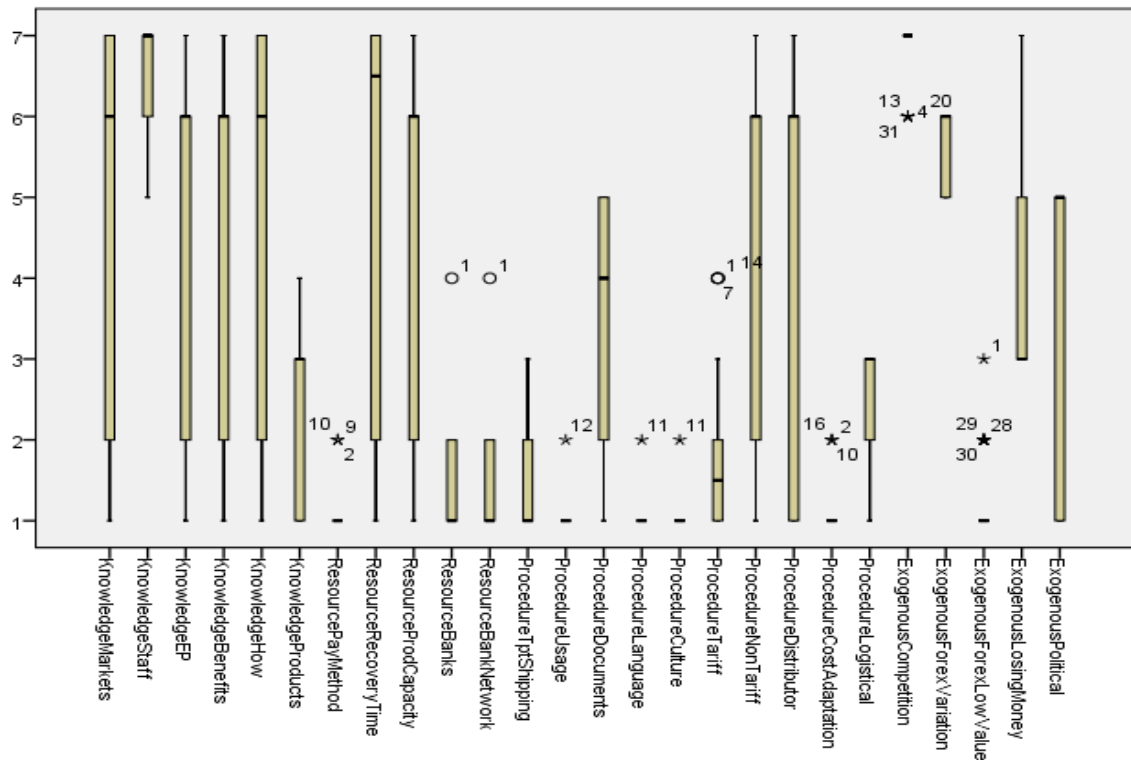


Chart B: Box plot for perceptions of firms based in Surat



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