

A STUDY ON FACTORS AFFECTING THE EXPORT PERFORMANCE OF HOME TEXTILE INDUSTRY IN KARUR DISTRICT

Dr. M. Gurusamy

Associate Professor, Department of Management Studies, Paavai Engineering College, Pachal, Namakkal, India.
Email: gurusamyphd@yahoo.com

Abstract— The Indian textile industry is one of the largest industries in the world with a massive raw material and textiles manufacturing base. Our economy is mainly depending on the textile manufacturing and trade in addition to other major industries. Textile Industry in India is the second largest employment generator after agriculture. The home textile products are bed linen, kitchen linen, toilet linen, table linen, curtains, and furnishing articles etc. Karur home textile industry is playing a vital role in boosting the economy of the country, how sustainable is the industry with a potential competition. It has been observed that Karur home textile industry is in same line with Cambodia, Singapore, Malaysia and Philippines, where the low cost labour is the comparative advantage. Therefore, this study examines factors affecting export performance of home textile products in Karur District with regard to firm characteristic factors, firm competency factors, economic factors, market factors and contextual environment factors. The sampling of this study is the home textile products exporting companies in Karur District. Stratified random sampling plan was adopted for selecting the home textile products exporters (mainly three types – large, medium and small) within the cluster. The sample size of this study is 254. A structured questionnaire was developed to collect data from the home textile export units who are involving in the international marketing of textile products. Structural Equation Modeling and Path Analysis are used to analysis of research data. The hypothesis related to impact of factors like Firm Characteristics, Firm Competency, Economic Factor, Market Factor and Contextual Environmental Factor leads to the export performance. The firm competency factor of the firm is the only dimension having a positive sign on the mediating dimension of economic factor leads to positive impact (0.578) on overall export performance. Based on the GFI and CFI indices, it can be concluded that there is a relatively good fit between the model and data. Correlation between the structural paths in the mediation model indicates a degree of less multicollinearity and positive relationship between the items supposed to be measuring different constructs and dimensions.

Keywords— Firm Characteristics, Firm Competency, Economic Factor, Market Factor and Contextual Environmental Factor

INTRODUCTION

The Indian textile industry is one of the largest industries in the world with a massive raw material and textiles manufacturing base. Our economy is mainly depending on the textile manufacturing and trade in addition to other major industries. About 27 percentage of the foreign exchange earnings are on account of export of textiles and clothing alone. The textiles and clothing sector contributes about 14 percentage to the industrial production and 3 percentage to the gross domestic product of the country. Around 8 percentage of the total excise revenue collection is contributed by the textile industry. The textile industry accounts for a large i.e., 21 percentage of the total employment generated in the economy. Around 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million.

HOME TEXTILE INDUSTRY IN INDIA

Textile Industry in India is the second largest employment generator after agriculture. It holds significant status in India as it provides one of the most fundamental necessities of the people. Home is the place where you spend the most of your time. So a lot of care and effort is needed while decorating or furnishing your home. Home furnishings don't have to be an expensive endeavour as there are various inexpensive and attractive items are available that can make your home very beautiful and attractive. Couches, chairs, roll top desks, lamps, etc. and many more items are here for your home furnishing. There are various different materials used to give the desired effect and look to your home. Home textiles are available in various colours, materials and textures. There is hand printed and special creations made from chiffon, embroidered fabrics with lace. Synthetic material is appropriate for kitchen as it is easier to clean. The utility

room can be enhanced by using durable textile. The living room can be look good with a little heavier home textile. Besides these items there are several other home décor accessories that you can find over the internet.

Home Textile Production in Karur

Karur is a small town in Southern India that specializes in the production of home textiles. It is especially known for the production of pillow covers, bedspreads as well as kitchen and table linen. Table Mats from Karur are world famous. Karur mainly produces Cotton Home Textiles by way of Hand Looms, while power looms are gradually being accepted. The traders of Karur are largely engaged in the supply of home textile raw material throughout India, the major markets being Delhi, Panipat and Mumbai among others. Some of them are engaged in exports.

On account of large scale production, Karur gets the benefit of reduced costs. This, together with the exceptional quality of its products, has enabled it to carve out a niche for itself in the production of home textiles. The turnover of the town was recently noted to be around Rs.3000 crore.

In spite of the obvious advantages that Karur has with respect to home textile production, it also has several limitations in this respect. The major drawbacks that the town faces are lack of proper roads, lack of availability of skilled manpower, lack of communication skills, shortage of good hotels and lack of organization, which limit growth to the full potential.

The home textile producers of Karur specialize in certain finishes, such as PVA, starch, stain repellent, water repellent and silicon finish. Some producers have begun the use of organic cotton and the use of different fabrics such as Polyester, Silk and Poly Cotton.

Broad Product Profile

Furnishing Fabrics

- *Bed Linen*— Bedspreads, Cushion covers, Quilt covers, Duvets, Throws.
- *Kitchen Linen*— Kitchen Towels, Aprons, Oven Gloves, Potholders.
- *Toilet Linen*— Bath Mats, Bath Robes, Bath Towels, Hand Towel.
- *Table Linen*— Napkins, Table Cloth, Table Runners, Table Cover, Table Set.
- *Curtains*— Café Curtains, Door Curtains, Lined Curtains, Long Curtains, Rod Pocket, Pillows, Semi Sheer, Shower Curtains, Sliding Door, Window Curtains, Chair Pads.
- *Other furnishing articles*— Wool Bankets, Cotton Blankets, Saddle Blanket, Carpets, Rugs, Floor Carpets, Knitted Poufs, Washing Machine Cover, Fridge Cover, TV Cover.
- *Other made ups*— Printing home furnishing, Embroideries, Jacquard Weaves, Voiles Fabrications.

REVIEW OF LITERATURE

Firm Characteristics Factors

Firm Size

In terms of life cycle stage, nature of product-consumer vs. industrial, nature of firm-manufacturer vs. intermediary have a significant effect on export sales (Shaoming Zou, Simona Stan). The age of the firm is expressed as numbers of years in business have a negative effect (Bodur, 1994; Das 1994) or insignificant effects on export performance. However, it is understood that younger firms are likely to be successful exporters.

Management Perception Toward Export

Aaby and Slater (1989) and Chetty & Hamilton (1993) indicated that management's attitudes and perceptions are very important determinants of financial measures of export performance such as export sales, profits and growth. It also influences non-financial measures of export performance like perceived export success, satisfaction and goal achievement.

Firm Experience on Export

It is found that the firm experience on export has positive relationship on export performance (Madsen 1989). It is understood that experiential knowledge about overseas markets and operations is driving force in the internalization of

the firm. The relationship between exporting experience and export performance lies in the issue of uncertainty and the way the firms cope with it (Erramilli, 1991).

The less experienced firms are likely to have considerable uncertainty, which affects their returns about overseas markets and operations (Agarwal and Ramaswami, 1992; Davidson, 1982). Nevertheless, the experience firms are likely to have better understanding of foreign markets, develop personal contacts and customers' relationship abroad and design effective export marketing programs (Madsen 1989).

Firm Strategy

Aaby and Slater (1989) stated that export performance is determined by export strategy. It is characterized by marketing mix employed in respect of export markets. It is a way by which firms respond to competitive market conditions. Marketing strategy has been into four elements of marketing mix i.e. product, pricing, place and promotion. In the previous research, there has been linkage between marketing strategy and export performance. However, the product differentiation has been the heart of the mix.

Burton and Schlegelmilch (1987) confirmed that there is a significant relationship between product attributes and export performance. Promotion has been assessed in terms of effectiveness relative to the campaigns of competitors. Pricing strategy is assessed in terms of willingness of the company to conduct export trade in currency other than home currency.

Commitment

The export commitment is a function of resource availability (Cavusgil and Nevin, 1981). When the export operations are successful there is more support from internal and external public. It is important to note that low performing firm's managers will have to be more committed because the opportunities are vital (Cyert, 1963). A firm has to be more committed and satisfy while exporting to developed markets, because of its educated and sophisticated consumers (Buzzell, 1968).

Firm Competency Factors

Technology

The technologies strengths are positively correlated to the export (Aaby and Slater, 1989). Almost all the research concludes that technology is best applied as a standard in the market worldwide (Christensen et al., 1987). If the respondents in these studies primarily export their products to the developed countries, technology could be an important source of competitive advantage over the local producers. In less developed countries, though, other sources of competitive advantage such as low cost could be more important. Thus, evidence on technology and export performance is mixed. However, there has been different school of thoughts, whereas, Reid (1986) stated that there is a weak relationship between technology and export performance. He stated and argues that only possessing specialized knowledge does not create a competitive advantage but depends upon how the firm takes advantage of it.

Marketing Knowledge

The inadequacy of the terminology is used to describe technical and industrial textiles. Historically, they have been described simply as industrial textiles. However, the broad and growing range of applications have led to recognition of the inadequacy of this term in describing textiles used in agriculture, construction and medical applications, among others. Therefore, the aim of this thesis is to provide a clearer definition and measure of the industrial and technical textile sector in the US in terms of its products, activities and markets. It will also provide an overview of industry development patterns, business drivers and supply chain characteristics. The research has involved a review of published resources, including academic and trade journals, research texts, and statistical publications by government agencies and industry associations. The approach taken has been to evaluate definitions, terminology and measures used to describe and quantify technical textiles in order to develop a more integrated perspective and an assessment of how it is defined and documented (Woon Chang, 2002).

Relationship/Connection

The logistical cost structures along the global textile and apparel supply chain and their relationship to competitive advantage, strategy, performance and overall economic competitiveness. The research focused on the supply chains within the US Bed-bath and Bottom weights markets with companies using purely domestic, global and mixed strategies. A sample group involving US retailers, US/US manufacturers, US/US-Offshore manufacturers and sourcing agents was chosen for each market. As part of a collaborative research study focusing on economic competitiveness, a questionnaire was developed and administered during information interviews to the selected sample (Lynsey Cesca, 2005).

With the advent of Internet and e-commerce, online sourcing has come into picture. Although the transparency in terms of sources and buyers on the web and their processes has increased and organizations are thinking of certifying sources, the role of agents' still exists. A total of 30 agents and apparel-manufacturing buyers were interviewed to assess the feasibility and role of agent certification in the global sourcing process. While the specific items to be certified were not confirmed, both types of subjects agreed that agent certification would assist in the transactions in the buyer-agent relationship. It was found that small and medium-sized buyers would find agent certification more useful than large-sized buyers because of small-size buyers' limited resources and potential to find trusted agents (Ashwajeet Garg, 2002).

The competitive nature of the sub-Saharan African countries specifically: South Africa, Mauritius, Kenya, Lesotho, and Madagascar. These countries' textile and apparel industries were examined with Michael Porter's Competitive Advantage of Nations theory model to assess the level of competitiveness. Using the Porter model along with an index adapted from Hunger and Wheelen's industry matrix, it was determined that South Africa and Mauritius possess a certain level of competitiveness in their respective textile and apparel industries. The following are recommendations for future research:

1. Refining the quantitative index used in comparing the sub-Saharan African country's level of competitiveness.
2. Examine Michael Porter's Competitive Advantage of Nations theory in comparison with other trade theories, especially the comparative advantage theory.
3. Expand the analysis of the sub-Saharan African countries to other countries that were not mentioned in this study, but are listed in the African Growth and Opportunity Act (McRee, Aaron Nathanael, 2002).

Adequacy of Infrastructure

Improvements in transportation services and infrastructure can lead to high positive impact in export performance. Limão and Venables (2001) shows that infrastructure is quantitatively important in determining transport costs. They estimate that poor infrastructure accounts for 40 percent of predicted transport costs for coastal countries and up to 60 percent for landlocked countries. Bougheas, Demetriades and Mamuneas (1999) have analyzed that infrastructure can promote specialization and long-run growth and its effect on trade through its reflect on resource costs. It requires resources to be taken away from the production of the final good and enhance economic growth through increased specialization.

Availability of Natural Resources and Capability

Natural resource availability is a kind of Ownership advantage. In the case of resource-based MNE activity, the firms are assumed to venture abroad to acquire resource necessary for their domestic production. Dunning (1981a: p.44) demonstrated the impact that natural resources have in the expected pattern of Foreign Direct Investments & export. For any level of development, resource-rich countries receive consistently higher levels of foreign direct investment. On the other hand, scarce natural resources can be a push factor to the internationalization of domestic firms, transforming the country into a net foreign investor at early stages of development.

Labour Cost and Labour Skill

The importance of labour costs as a determinant of export is almost self-imposing. Contrarily to capital and technology, labour has very low mobility. Multinational Enterprises can reduce production costs by transferring the more mobile production factors to areas where labour is cheaper. Labour skills were also associated with other countries' imitation ability, and even in mature industries minimum skills are required to obtain a productivity level that allows economic production (Fibre2fashion, 2009).

Economic Factors

Economic Growth

Government spending, money supply and the exchange rate contain much more information than export growth or economic growth regarding future movements in export growth or export performances. International trade theory suggests that export growth contributes positively to economic growth which is measured by output growth by the following; facilitates the exploitation of economies of scale for small open economies (Helpman and Krugman, 1985). Relieving the binding foreign exchange constraint to allow increase in imports of capital goods and intermediate good (McKinnon, 1964). Enhancing efficiency through increased competition (Balassa, 1978) and promoting the diffusion of technical knowledge in long run through foreign buyer's suggestions and learning by doing (Grossman and Helpman, 1991).

Economic Policy

Rapid modernization and highly sustained economic growth are results of the exchange rate and judicious use of monetary policies (Yong U. G & Aie R. L). Recently, a number of industry and trade policy development have directed attention to costs and possible benefits of export concession schemes (Donald F, Alan M. & William C.). Focusing on trade policies is not a good measure of trade orientation since additional domestic policies can have an important influence on trade orientation of a country. Inflation, tax rates and the tax structure of the host country are examples of economic policy factors. Several studies have shown that the rate of corporate taxation has a negative effect on export decisions, meaning that the higher corporate taxes the fewer export are conducted (Liumingliang, 2010).

Inflation

There is a disagreement among the researchers, about how quantitatively important are the growth depressing effects of inflation and at what levels of inflation these effects begin to appear. Mallik and Chowdhury (2001) showed that low inflation is positively correlated to economic growth in a particular country. Lim (2004) on the other hand, highlighted the need for inflation management in order to attain short run stabilization as well as long-term inflation goals. Given the importance of sound macroeconomics fundamental in the economy, it is an essential to identify the important variables that could influence the performance of the economy. In this sense, both inflation and export plays an important role in determining the economic growth of a particular country.

Exchange Rate

Different exchange rate regimes give rise to different tendencies for exchange rate misalignments and exchange rate volatility. There are two reasons why the exports of developing countries may be subject to more severe consequences of exchange rate misalignments and exchange rate volatility than exports of developed countries. Exporters in developing countries is expected to be more vulnerable to exchange rate misalignments since developing countries export are often made of raw materials and agriculture products., where the exporters have the little market power. In this context, the exporter has to change export quantity rather than the export price to respond to misalignment of the exchange rate. The other reason is the developing countries usually have underdeveloped financial markets; exchange rate volatility is more harmful for them in terms of export due to limited hedging possibilities. It is very important to manage a country's exchange rate policy that secures internal and external equilibrium in the economy thus, avoiding misalignment of the exchange rate. Two main common strategies for exchange rate management used in literature review are the real target approach and the nominal anchor approach.

Market Factors

Market Attractiveness

Internationalization theory and contributions on export performance show that knowledge about markets drives performance. Kaynak and Kua (1993) found that export market attractiveness has a positive effect on export performance whereas the other research stated that there is a negative or insignificant effect on export performance.

These areas have not been developed, and yet they are growing markets. Also niche strategies have not been fully examined. Zara with its ultra-fast fashion has identified ways they can compete. While their strategies seem to go against the industries ideas of good business practices (such as intentionally running out of merchandise to create scarcity and not operating many stores outside of Europe, which is in close proximity to their manufacturers in Spain), Zara has developed their strategies and has become successful because of them. In some areas of the world, they have cornered the market for fast fashion. Companies need to step outside the box of what is considered good business practices, and they need to identify strategies that will set them apart from other companies and help them thrive in this industry (Hartman, Lisa Marian, 2006).

Market Competitiveness

The role of the small and medium sized export trading companies (SMETCs) is in the transition of Taiwan's economy under its export – oriented policies. Taiwan's SMETCs not only acted as intermediaries between manufactures and international buyers in the export channels but also provided strategic information relating to the global market and acted as an agent in changing the focus and direction of Taiwanese industries. Under this manufacturing system, SMETCs helped to develop Taiwan's economy first from the stage of agricultural and processed products into labour-intensive light industry, then into the skilled labour-intensive industries of electronic and electrical assemblies, and finally into the capital-intensive high technology industries. The SMETCs have played a significant role in the staged development of the Taiwanese economy (Juliana Tsao, 2004).

Industry has been defined as a group of firms manufacturing products that directly or indirectly competes with each other. It is implied that no nation can be competitive in manufacturing all goods and services. Hence, industry competitiveness of an entire nation is not quite meaningful. Instead, since it is the firms who compete in international markets, the entire framework of competitiveness would revolve around the study of the firm. "... industrial success was founded on behaviour of firms, not on the decisions of governments" and clothing sectors. Because Indian textile and clothing sector is predominantly cotton based, this study would focus mainly on the cotton textile and apparel, considerable weight in the Indian export basket on the basis of recent performance of Indian exports of textile and clothing sectors in the US and EU markets (Samar Verma, 2002).

Market Structures

Market structure (also known as market form) describes the state of a market with respect to competition. It affects the nature of competition and pricing but it is important not to place too much emphasis simply on the market share of the existing firms in an industry. The causal relationship between local competition and export performance is not definite however; Cortes (2005) finds that export share leads to more rivalry among domestic firms, urging them to be more efficient and productive. In previous research by Kim and Marion (1997) provided empirical support that the degree of domestic competition positively affects exports in the U.S. food sector, and Hamilton (1997) who shows that New Zealand industries which are more concentrated (less competitive) are also more successful internationally. More recently, in a study of seven countries, Hollis (2003) finds that the higher the domestic industrial concentration, the lower the country's net exports.

Marketing Diversification

Market diversification and an improved economic outlook in key export destinations will see Mauritius's textile sector return to positive growth this year. The sector is seen shrinking by 4% this year, compared with growth of 8.5% in 2007, as consumers abroad spend less on clothing. 'We are diversifying our market in Europe and also in Asia, so we expect the textile sector to grow by more than 1% Mauritius Industry Minister Mr. Dharam Gokhool said. A traditional cornerstone of the Island's economy, textiles contributed 5.4% of gross domestic product in 2008 compared to 6.5% in 2007, according to Mauritius Chamber of Commerce and Industry data. (Dharan Gokhool, 2010).

Contextual Environmental Factors

Trade barriers, cultural differences and physical distance to export markets have been found to play an important role in export development and success (Casvugil, 1984; Kaynak and Erol, 1989).

Trade Barriers

To overcome trade barriers requires significant investment in both time and resources. As a result, an export industry may be unable or unwilling to fully engage and take advantage of available government consultation mechanisms and strategies for dealing with barriers in foreign markets (Barbara Fliess and Carlos Busquets). In line with other trends of globalization, export industry is increasingly involved in international business. They not only account for a significant share of exports but also import and link up to global production networks. As they attempt to internationalize, it often encounters substantial barriers. These barriers are complex and can be both internal to a particular firm or emanating from the larger business environment in which it operates, including trade policy barriers. Export barriers are important because of their impact on the behaviour of exporters at different stages of internationalization. Perceptions of barriers are important because they influence managerial behavior in international markets. (Aviv Shoham Gerald S. Albaum).

'The end of the quota system will create an unlimited relationship. The United States and the European Union have officially notified the W.T.O. that they are moving ahead with the final phase-out by the end of this year, and a coalition of American and European Union retailers has campaigned enthusiastically for the scheduled ending. Though Indian garment and textile makers are crossing their fingers for all to go as planned, recognition of the stiff competition from China and the fragmented state of India's textile and garment industry is tempering the optimism a bit. Under the current W.T.O. agreement, annual quotas to the United States and the European Union fill up months in advance, with limits on clothing like jeans, T-shirts and sweaters as well as on fabrics. The end of the quota system may prompt large global brands to look at countries like India as markets as well as sources (Saritha Rai, 2008).

The quota system, whose ending was devised nearly a decade ago by the World Trade Organization's predecessor, has protected the textile and garment industry in the United States and Europe by limiting imports from low-cost manufacturing countries like India. Under the Agreement on Textiles and Clothing, the restrictions were subject to elimination in several stages over the 10-year period but the biggest impact has been left for last, and the impending end has unleashed great expectations on both sides of the Atlantic. "Quotas have been the biggest hurdle for growth". India's

garment and textile exporters are hoping to grab new opportunities right away. The Indian government had long been a stumbling block to the expansion of India's textile and garment industry. Until four years ago, it provided incentives like tax exemptions and special interest rates to small apparel units, thus discouraging investment in large machinery and the creation of more capacity (Saritha Rai, 2008).

Cultural Differences (Cultural Distance)

Cultural difference is also termed psychological or psychic distance (the terms are used interchangeably, but cultural distance is used in this regard). Cultural distance between the home and the foreign markets affects barriers to entry and operation in a foreign market (Johanson and Wiedersheim, Paul 1975). This distance is derived from different languages, forms of art, values, etc. (Hallen and Wiedersheim-Paul 1989; Johanson and Vahlne 1990). Cultural distance influences the perceived importance of export barriers. It is also based on variability at the national e.g., language, history, etc., organizational e.g., values and orientations, and individual levels (Reid 1986). Cultural distance is the extent of perceived dissimilarity on dimensions that have an effect on how business is conducted including language, business habits, marketing infrastructure, and legal environment (Hallen and Wiedersheim-Paul, 1989; Jain, 1989). Bilkey and Tesar (1977) argue that firms should export initially to culturally close markets and move to more distant markets as they gain experience.

Larger the cultural distance between the home and host markets, more learning is required for successful marketing. The more culturally distant the markets, the more difficult it is to operate in them because of increasingly different cultural environments (Root, 1987).

Physical Distance

In an era of globalization and falling trade barriers, businesses across the world are increasingly seeking out export markets as a means of sustained growth. Despite the significant and growing importance to national economic welfare, service sector trade has been a relatively neglected subject until recently (Madan Annavarjula, 1989) Physical distance has been defined by (Bhlne and Norstrom, 1992) as 'the factors preventing or disturbing firms learning about and understanding of a foreign environment'. It represents a transaction cost of doing business between countries physical distance costs is expected to vary between any two countries according to the nature of the economic activity (Dunning, 1993). Papanastassiou and Pearce (1990) found negative association with physical distance.

Export Performance

Export performance is important for the firm to explore various ways to enter the foreign markets. As firms become more involved in exporting, they become more committed to pursue other international opportunities (Jee Su Lim, Thomas W. Sharkey and John H. Heinrichs, 2004). Exporting is also defined as shipping of goods produced in the company's home country to other countries for marketing (Wheelen and Hunger, 2000). The market information is vital to firm success in both domestic and international contexts (Hart and Tzokas, 1999).

Export performance is defined as the outcome of a firm's activities in export markets (Soham, 1996). There has been understanding that performance is a multidimensional construct comprising effectiveness, efficiency, and adaptability respond to environmental changes (Katsikeas, 2000). Export performance is also defined as a firm's export performance as its degree of economic achievement in its export market (John, 2004). Export performance is determined by internal and external factors: former are the product and managerial and organizational characteristics such as planning abilities, technology, size etc. While the later are domestic and target market characteristics.

Export performance has been variously defined as export effectiveness, export efficiency, and continuity of export activities (Aaby and Slater 1989; Madsen 1987; Shoham 1998). Previous research found that the construct of export performance has more than one dimension. Shoham (1998), building on an earlier conceptualization by Madsen (1987), presents the argument that export performance has a sales, profit, and change dimension. Operational definitions for each of these include export sales volume, export profitability, and changes in export sales or profitability.

Measurement of Export Performance

Previous research carried by Shoham (1998) identified 29 measures of export performance found in the literature. Sousa (2004), who reviewed 43 empirical studies concerning export performance published between 1998 and 2004, identified 50 different operational aspects of export performance. Katsikeas, Leonidou, and Morgan (2000), who reviewed more than 100 empirical investigations dealing with export performance, contend that export performance is one of most investigated issues in international marketing and quite possibly the most controversial.

There is no agreement on how to measure the export performance, though several approaches have been used (Cavusgil & Zou 1994; Schlegelmilch & Ross 1987; Walter & samiee 1990). The most frequently used measures in the previous studies reviewed were order of frequency, export intensity (export proportion of sales), sales volume, export market share, and export profit contribution. Six additional measures were also found, but each was used in only one study like return on investment, export satisfaction, perceived success, perceived export growth, perceived profitability, and perceived market share. These performance measures have been grouped in a variety of ways. The aforementioned Shoham (1998) study divided performance measures into three categories: sales, profits, and change. Cavusgil and Zou (1994) used a composite measure consisting of four parts: the extent to which strategic goals were achieved; the perceived success of the export venture; the annual percentage change in sales growth over five years; and the overall profitability over five years. Whereas, Matthyessens and Pauwels (1996) organized export performance variables into financial, non-financial, and composite scales.

The determinants of export performance are classified into internal and external factors. Internal determinants are backed by the resource-based theory, while external determinants are supported by the industrial organization theory. The resource-based theory sees a firm as a unique bundle of tangible and intangible “resources” or instance, assets, capabilities, processes, managerial attributes, information, and knowledge which are controlled by a firm and that enable it to conceive and implement strategies aimed at improving its efficiency and effectiveness (Barney, 1991; Daft, 1983; Wernefelt, 1984).

The resource-based theory contends that the principal determinants of a firm’s export performance and strategy are the internal organization resources (Barney, 1991; Collis, 1991). Whereas, the industrial organization (IO) theory argues that the external factors decide the firm’s strategy, which in turn determines economic performance (Scherer and Ross, 1990). The logic is that the external environment imposes pressures to which a firm must adapt in order to survive and prosper (Collis, 1991).

STATEMENT OF THE PROBLEM

Karur home textile industry is playing a vital role in boosting the economy of the country, how sustainable is the industry with a potential competition. It has been observed that Karur home textile industry is in same line with Cambodia, Singapore, Malaysia and Philippines, where the low cost labour is the comparative advantage. Therefore, this study examines factors affecting export performance of home textile industry in Karur District with regard to firm characteristic factors, firm competency factors, economic factors, market factors and contextual environment factors.

OBJECTIVES OF THE STUDY

- To analyse the factors affecting the export performance of home textile industry in Karur District.
- To provide the suggestions on business strategies to enhance the export performance of home textile industry.

SCOPE OF THE STUDY

The study aimed at finding out the various factors affecting the export performance of home textile industry in Karur District, Tamil Nadu in relation to its production and export efficiency and capabilities with a view to identify the major factors affecting the export performance of the home textile industry. This study has covered full-fledged the home textile products manufacturers as well as job work units and exporters. In the present scenario, the home textile industry has got a wider dispersal in Karur District, such primary data collection had representation from most of the cluster centres in the district. In addition to the data at the level of primary home textile units, a representative sample of home textile products manufacturers as well as exporters.

LIMITATION OF THE STUDY

- There is no comparison of the key determinant factors of Indian home textile industry with other countries in the world.
- This study has used only factors affecting the export performance of home textile industry. Therefore, a further study could add some other related factors as well.

RESEARCH METHODOLOGY

The quantitative approach was employed for the purpose of this study. Operationally, this research had been undertaken in two major phases, the first phase was reviewing similar research conducted previously. The second phase is basically the collection of primary data through structured questionnaire.

Population and Sampling Design

The sampling of this study is the home textile products exporting companies in Karur District, based on the exporters list generated from Karur Textile Manufacturer Exporters' Association, Karur. There are 695 home textile export companies in Karur District.

Sample Size

Yamane (1973) recommended the formula for random sample as below:

$$n = \frac{N}{1 + Ne^2}$$

Where, n: is size of sample,

N: is population of sample, and

e²: is probability of error.

The sample size for the study has been calculated with e=5% i.e. 95% confidence level.

Therefore, the sample size for the study is computed as shown below:

$$n = \frac{695}{1 + 695 (0.05)^2}$$

Therefore, n = 254 respondents.

Sampling Procedure

Though the home textile units are widely dispersed, there is area-wise specialization in the products being manufactured be it for the domestic market and for exports. The home textile products have been manufactured in Karur District.

Sampling Plan

Stratified random sampling plan was adopted for selecting the home textile products exporters (mainly three types – large, medium and small) within the cluster.

Questionnaire Design

Factors affecting export performance consists of internal and external factors that affect the export performance of Karur home textile industry. Firm characteristics factor, firm competency factors, economic factors, market factors, contextual environmental factors are the major factors affecting the export performance of the industry. The questionnaire is attached in Appendix A for reference.

Location of Study

Karur a tex-city is famous for its home textiles. Karur has a niche in five major product groups — bed linens, kitchen linens, toilet linens, table linens and wall hangings. Overall Karur generates around Rs.6000 crores (\$300 million dollars a year) in foreign exchange through direct and indirect exports. Allied industries like ginning and spinning mills, dyeing factories, weaving etc. employs around 300,000 people in and around Karur.

On the international textile map Karur has become synonymous with hand-loom “made-ups” like Tirupur is known for the hosiery product. Hand-loom Exports from Karur began on a modest scale with just 15 exporters in 1975 and today Karur has thousands of exporters and the products are supplied to world leading chain stores like WalMart, Target, IKEA, JC Penny, Ahlens etc...

The study was conducted in Karur District, essentially to overview the export performance. The sampling of home textile units has been made to represent the different major product groups in specified clusters. The following cluster areas were identified for the above coverage of home textile products export units:

- Karur
- Thanthoonrimalai
- Paramathi
- Gandhi Gramam

Data Collection

A structured questionnaire was developed to collect data from the home textile export units who are involving in the international marketing of textile products. The most fundamental and important issue in any survey procedure is to test the questionnaire for the purpose.

Primary Data

The required numbers of questionnaires were 254 respondents. Target area for distribution of questionnaires was home textile exporters in Karur District. The questionnaires were explained to individuals working in these factories. In certain cases, author along with some assistants helped fill up the questionnaires based on response of respondents.

It was ensured that the questionnaires were distributed to only those individuals who have considerable knowledge about the firm. In this context, they would be in the better position to rate the questionnaire. A proper direction and guidance was provided to the respondents so that the concepts of study are understood as intended.

Secondary Data

The available information on home textile industry from Ministry of Textiles and other Government departments, different Federations and Associations, Research Institutions etc. were collected and made use for the analysis of these issues. This report uses three types of data sources: (i) Quantitative data available from official sources such as Ministry of Textiles, ERMIU/ED, DGCI&S. and (ii) discussion with textile associations. The information from these sources was cross-checked with each other. Further, books, journals related to textile were referred by the researcher.

Statistical Tools Used for Data Analysis

- *Structural Equation Modeling (SEM)* is a statistical technique for testing and estimating causal relations using a combination of statistical data and qualitative causal assumptions. SEM allows both confirmatory and exploratory modeling, meaning they are suited to both theory testing and theory development. Confirmatory modeling usually starts out with a hypothesis that gets represented in a causal model. The concepts used in the model must then be operationalized to allow testing of the relationships between the concepts in the model. The model is tested against the obtained measurement data to determine how well the model fits the data. The causal assumptions embedded in the model often have falsifiable implications which can be tested against the data
- *Path Analysis* a statistical method of finding cause/effect relationships.

DATA ANALYSIS

Testing of Hypothesis

The hypothesis related to impact of factors like Firm Characteristics, Firm Competency, Economic Factor, Market Factor and Contextual Environmental Factor leads to the export performance. Among the five factors, one of the variable will act as a mediating variable leads to the positive or negative effect on the export performance, which is having low Root Mean Square Approximately (RMSEA) value. For checking the data originality or real applications, convergence is assessed by applying Maximum Likelihood Estimate with a large data set. The Bayesian Analysis is applied for determining the convergence statistic value.

During the iteration of bayesian estimation, *Unhappy Face (Red)* is appeared in the bayesian window due to the large value of Convergence Statistic (C.S). Reflecting the satisfactory convergence, AMOS displays "*Happy Face (Yellow)*" a value of C.S is smaller are sufficient and it is conservative. Judging that the MCMC chain has converged by this criterion does not mean that the summary table will stop changing. As the overall convergence statistic (C.S.), C.S. value on the toolbar approaches 1.000. Finally, the posterior dialog box displays a frequency polygon (like normal distribution) of the distribution shows that samples collected for the structural model is more precision.

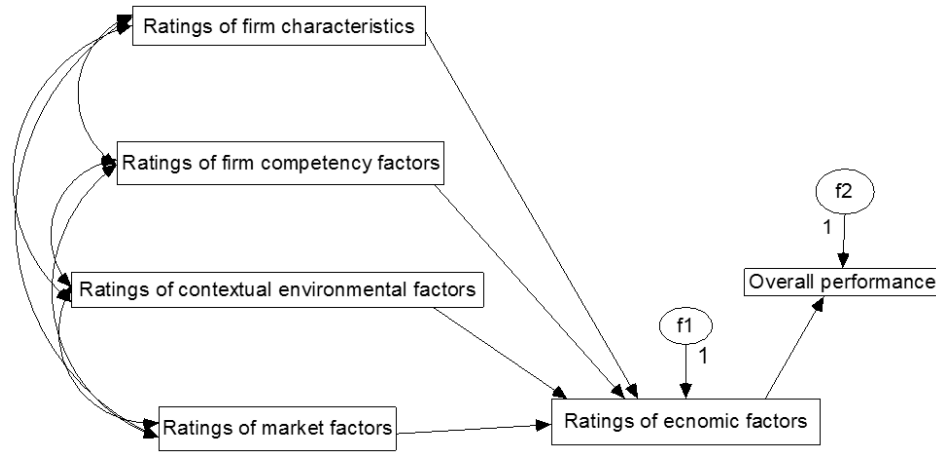


Fig. 1: Proposed Conceptual Model

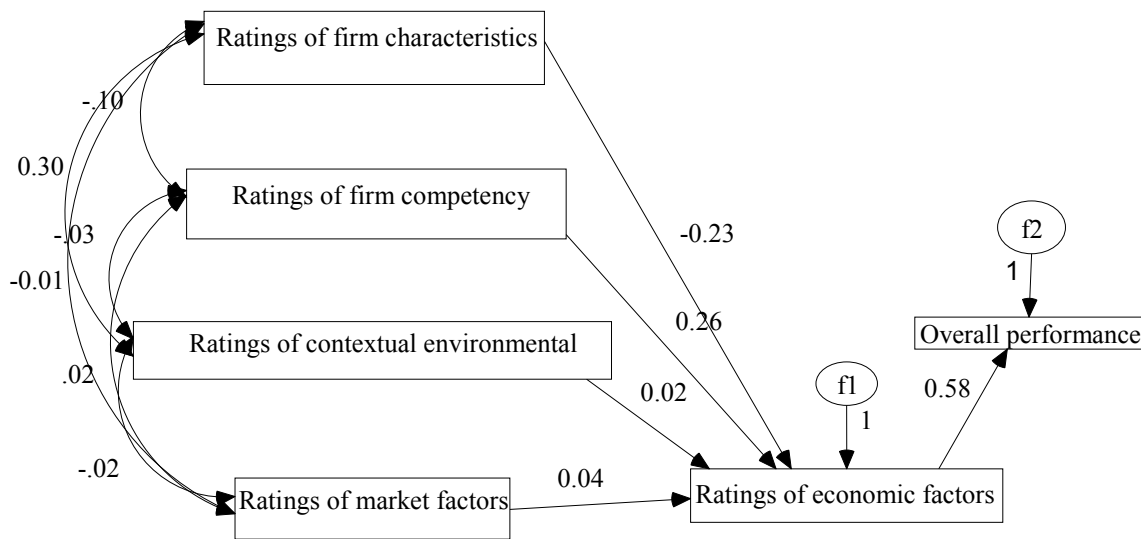


Fig. 2: Proved Empirical Model By Path Analysis

Where, f1, f2 – Disturbance Error Terms

Table 1: Regression Weights: (Group Number 1 - Default Model)

Structural path(s)		Estimate	C.R.	P
Economic factors	<--- Firm characteristics	-0.235	-3.411	0.000
Economic factors	<--- Firm competency	0.263	16.211	0.000
Economic factors	<--- Contextual environmental	0.017	0.668	0.504
Economic factors	<--- Market factors	0.040	1.630	0.103
Overall export performance	<--- Ratings of economic factors	0.578	16.444	0.000

The Structural Representation of Mediation Model (see figure no.1) is conceptually designed and explained in this chapter. The above table represents AMOS text output for unstandardized maximum likelihood estimates of the structural paths. Three significant structural paths among the exogenous and endogenous latent variables are found to be significant. The probability of getting a critical ratio as large as firm competency factor (0.263) and the absolute value is less than 0.001.

In other words, the regression weight for firm characteristics are having a negative impact on economic factor, which is also one of the predictions of export performance, which is significantly different from zero at the 0.001 level (two-tailed). The other factors like contextual environmental and market factors are not significantly level. The firm

competency factor of the firm is the only dimension having a positive sign on the mediating dimension of economic factor leads to positive impact (0.578) on overall export performance.

In model estimation output, CMIN/DF value, for the Default model, the discrepancy divided by degrees of freedom is $158.826 / 3 = 52.94$, hence chi-square value is 52.94. Assuming that the Default model is correct, the probability of getting a discrepancy as large as 158.826 and it is significant at $p < 0.001$ level.

Table 2: Comparative Fit Indices for Path Analysis

<i>Statistics</i>	<i>Suggested Value</i>	<i>Actual value</i>
CMIN (Chi-Sq)		52.94
Chi-square/ df (Wheaton et al 1977)	≤ 5.00	2.871
Goodness of Fit Index (GFI) (Joreskog and Sorbom 1988)	≥ 0.90	0.941
Adjusted Goodness of fit Index (AGFI) (Joreskog and Sorbom 1988)	≥ 0.80	0.830
Comparative Fit Index (CFI) (Bentler 1990)	≥ 0.90	0.997
Root means square of approximate (RMSEA) (Hu and Bentler 1990)	≤ 0.08	0.045

The CFI of 0.997 indicates the adequate fit between the structural model and sample data. The GFI of 0.941 and RMSEA of 0.045 suggest a good fit. Based on the GFI and CFI indices, it can be concluded that there is a relatively good fit between the model and data.

Table 3: Correlation between the structural paths in the mediation model

<i>Structural path(s)</i>		<i>Estimate</i>
Firm Characteristics	<--> Firm Competency	-0.10
Firm Characteristics	<--> Contextual Environmental	0.30
Firm Characteristics	<--> Market Factors	-0.01
Firm Competency	<--> Contextual Environmental	-0.03
Firm Competency	<--> Market Factors	0.02
Contextual Environmental	<--> Market Factors	-0.02

Hence the model indicates a degree of less multicollinearity and positive relationship between the items supposed to be measuring different constructs and dimensions.

Bayesian Analysis for Estimation of Mediation Model

AMOS provides several diagnostics that help to check convergence. Notice the value will be 1.0149 on the toolbar of the Bayesian SEM window. AMOS displays an “*Unhappy Face*” (see figure no.3) when the overall C.S. is not small enough.

Reflecting the satisfactory convergence, AMOS now displays a “*Happy Face*” (Yellow) in figure no.4. The value of C.S will be 1.0016 and overall C.S. value on the toolbar approaches 1.000, there is more precision to be gained by taking additional samples, so it might stop as well. The Posterior dialog box now displays a frequency polygon of distribution of economic factor acts as mediation for firm characteristics, firm Competency, market factor and contextual environmental factors of export performance across the samples is proved.

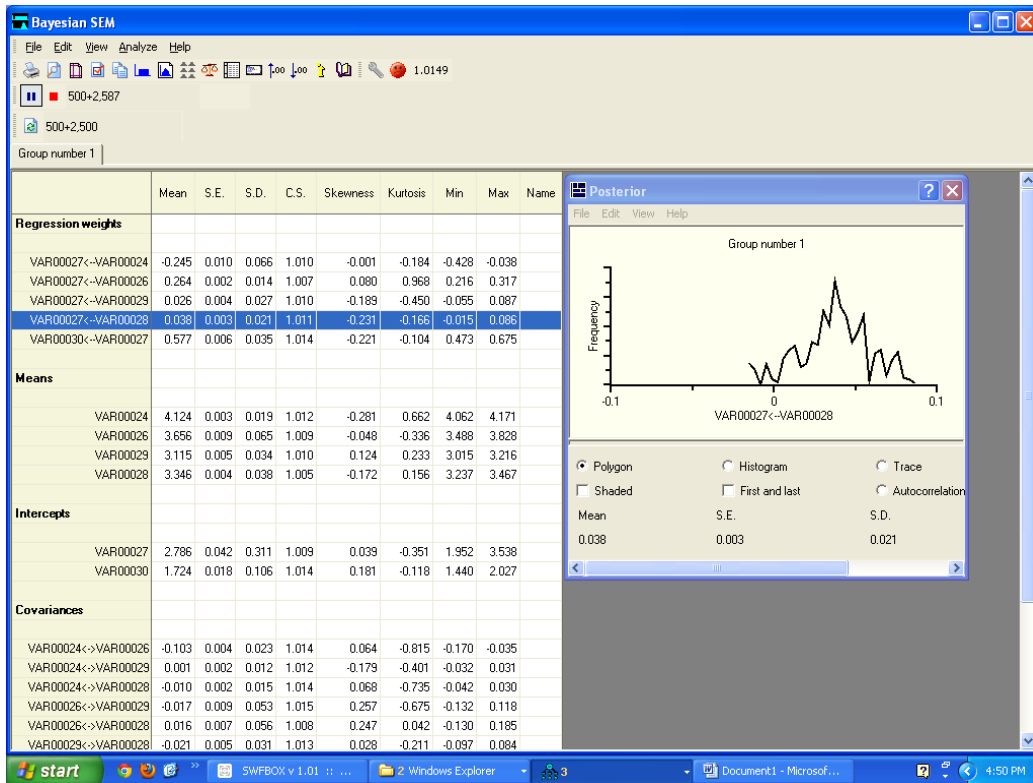


Fig. 3: Unhappy Face

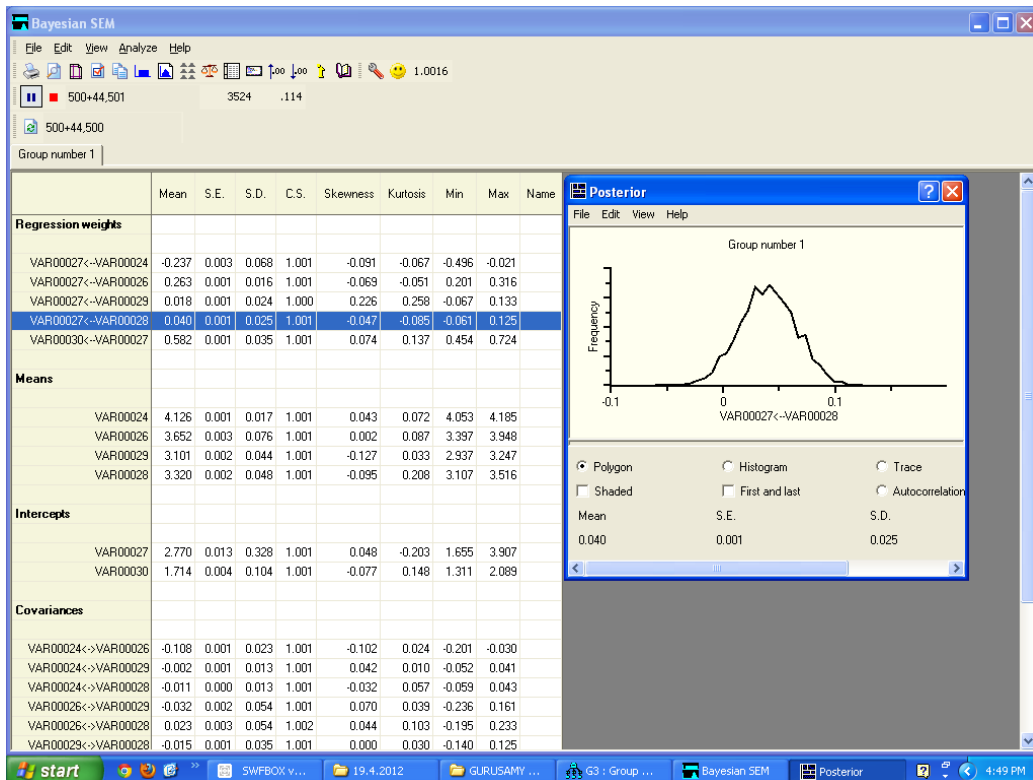


Fig. 4: Happy Face

FINDINGS

The firm competency factor of the firm is the only dimension having a positive sign on the mediating dimension of economic factor leads to positive impact (0.578) on overall export performance. Based on the GFI and CFI indices, it can be concluded that there is a relatively good fit between the model and data. Correlation between the structural paths in the mediation model indicates a degree of less multicollinearity and positive relationship between the items supposed to be measuring different constructs and dimensions.

SUGGESTIONS

The home textile export units in Karur, being small and new, have considerably less expertise in the field of international marketing and because the volume of exports is low, per unit cost of trade promotion expenditure tends to be high. India has to raise higher resources for development which has to be done through a number of indirect levies which tend to push up the overall cost of production.

- The difference between the market rate and the official rate would provide enough incentives to the exporters.
- This would introduce a self-balancing mechanism for the balance of trade, because only that much import could be made which could be financed through the market, i.e., the resources available through the 60 per cent account.
- The government should arrange the market and commodity research programmes, provide export publicity and dissemination of market information.
- The government should encourage the exporters to participate in foreign trade fairs and exhibitions
- The government should facilitate to establish the offices and branches abroad for the benefit of the exporters.

CONCLUSION

The home textile industry is now in a good position, and also it is helpful to activate and facilitate the developments in the overall textile industry. The home textile industry is more protective because its products have used for long standing. This industry has good opportunities for expanding its market, so they may be ready and willing to accept the competition to prove their performance in global market.

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