SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF MBA

DETERMINANTS OF ETHIOPIAN EXPORT: AN EVIDENCE FROM ETHIOPIA HORSE BEAN

A Thesis work Submitted to Saint Mary University in Partial Fulfillment of The Requirements For The Degree of Master of Business Administration in Finance

By: Eskedar Asebe

July, 2021

Addis Ababa, Ethiopia

SAINT MARY UNIVERSITY

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STATEMENT OF CERTIFICATION

This is to certify that the thesis prepared by Eskedar Asebe entitled "Determinants of Ethiopian export: An evidence from Ethiopian Horse Bean" which is submitted in partial fulfillment of the requirements for the Degree of Masters of Business Administration in Finance, complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

Advisor: Mesfin Tesfaye (PhD)

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I Eskedar Asebe, hereby declare that this thesis work entitled, "**Determinants of Ethiopian export: An evidence from Ethiopian Horse Bean"** is an original work and it hasn't been presented for the award of any other Degree, Diploma and other titles of any other university or institution and that all source material used for the thesis has been duly acknowledged and hence adheres to the regulations of the university.

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Saint Mary University

School of Graduate Studies Department of MBA

DETERMINANTS OF ETHIOPIAN EXPORT: AN EVIDENCE FROM ETHIOPIAN HORSE BEAN

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School of Graduate Studies, Dean

ACKNOWLEDGEMENT

I would like to praise the lord for having always been by my side in every stride I had taken in life. What has been done for me has always been greater than what I asked for. Now; he made this possible, THANK YOU LORD. My family, thank you for your motivation and understanding through the time of my study.

Realization of this project work wouldn't have been possible without referring to the works of several scholars; my appreciation goes to them all. I would also like to thank my advisor for his resourceful comments that shaped this thesis.

ACRONYMS & ABBREVIATIONS

UNDP- United Nations Development Program

NBE-National Bank of Ethiopia

COMESA- Common Market for Eastern and Southern Africa

IGAD- Inter Governmental Authority for Development

ERCA- Ethiopia Revenue and Custom Authority

PCT- Product Cycle Theory

IIT- Intra Industry Trade

ECX- Ethiopia Commodity Exchange

SPSS- Statistical Package for Social Science

VIF- Variance Inflation Factor

DEFINITION OF KEY TERMS

- Horse Bean: fodder - coarse food (especially for livestock) composed of entire plants or the leaves and stalks of a cereal crop.
- Product Quality: means to incorporate features that have a capacity to meet consumer needs (wants) and gives customer satisfaction by improving products (goods) and making them free from any deficiencies or defects.
- Capital: defined as the wealth or financial strength of an individual or company
- Export knowledge: Its is the knowledge that is gained about the goods and services that are produced in one country and sold to buyers in another.
- Technological capability: An ability to apply knowledge into products and process to operate and to create technology.
- Global competition: is the services or products provided by competing companies that serve international customers.
- Export promotional support: to promote the goods and services from their companies abroad.
- Export performance: is the relative success or failure of the efforts of a firm or nation to sell domestically-produced goods and services in other nations.

ABSTRACT

The recent trend of horse bean export indicated that the export volume of horse beans was 34,153 tonnes and 39,326 tonnes during the periods 2006 and 2007 respectively. According to NBE 2007/08 annual report, out of 14.2% export market share of Africa, the three neighbouring countries Sudan, Somalia and Djibouti consists about 88.3%. (NBE, 2008). Most of the research works on assessment of factors influencing exports performance have been done so far focused on developed nations and other developing countries where their domestic exporters, policy, marketing and other environmental conditions are quite different from our country.

Quantitative approach was applied in conducting the study. To determine the factors that influence the export performance of domestic Horse bean manufacturing firms, the study used a descriptive and explanatory type of research design were employed. Primary data was used to attain the study goals. The primary data collection was obtained through questionnaire. The questionnaire was administered to the managers of horse bean exporting firms and employees. Convenience method is used to identify the areas of the study where sample exporters are residing. Hence Addis Ababa was selected as target using convenience method of sampling. A sample of 50 exporters, that is 57% of the target population, have been taken using random sampling technique as primary sources of information to be interviewed using structured questionnaire.

Correlation and a regression analysis were conducted to investigate the most important questions to the objectives of this study and to arrive at the core findings of the study with regards to the hypotheses forwarded. The finding confirmed that these independent variables are the determinant factors for the growth of export to local Horse bean exporting firms in Ethiopia. Product quality and capital are more determinant factors for the growth of export performance. On other hand, global competition has insignificant effect on export. The researcher recommends that to increase the competency of local Horse bean firms in the international market, it is recommended that firms have to improve their product quality, export knowledge, and technological capability on their side. On the other hand, the government has to introduce special incentives that promote the export exporting industry in terms of finance accessibility and promotional support

Key Terms: Horse Bean, Product Quality, Capital, Export Knowledge, Technological Capability, Global Competition, Export Promotional Support, Export Performance

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Like many African countries, Ethiopia's export is mostly dominated by agricultural commodities, as of 2018, data from UNDP, and agriculture accounts for almost 70% of the total export of goods of the country. Numerous other economic activities rely on agriculture, including marketing, processing, and export agricultural items. Production is overwhelmingly of a subsistence nature, and an enormous piece of commodity export are given by the smaller cash-crop sector. Exports are almost entirely agricultural commodities, with coffee as the largest foreign exchange earner followed by oil seeds and Chat. According to UNDP 2018 Ethiopia's coffee exports represented 28% of the total country export followed by oil seeds covers 16.2% and Chat 9.3%.

Ethiopia accounts for about 9 percent of the total world production of horse beans. But, its annual exports are minimal averaging to only around 88 Metric Tonnes (MT) during the period 1998-2000 (MoARD, 2003). The recent trend also indicated that the export volume of horse beans was 34,153 tonnes and 39,326 tonnes during the periods 2006 and 2007 respectively. According to NBE 2007/08 annual report, out of 14.2% export market share of Africa, the three neighbouring countries Sudan, Somalia and Djibouti consists about 88.3%. Most importantly, Ethiopia and Sudan have longer period historical and multi-sectorial relations (NBE, 2008).

In the trade agreement between Ethiopia and Sudan, which concluded in March 2000, both countries have agreed, among others, to make use of concessions provided in both Common Market for Eastern and Southern Africa (COMESA) and Inter Governmental Authority for Development (IGAD) treaties, facilitate freedom of transit of commercial goods from or destined to a third country. The two nations established a Joint Trade Review Committee to follow up the implementation of the agreement. Later in 2001, a Border Trade Protocol was signed which the signatories believed would help to avail basic tradable goods which people residing in border areas cannot easily get from their respective central regions. The agreement had provided for local petty-traders residing within 90 km radius of the border, to trade in a specific list of commodities with a value not exceeds Birr 2,000 or 61,404 Sudanese Dinar at a single trip once in a week provided they possess border trade licenses specifically designed for this purpose (ERCA, 1993; Alemayehu Eyasu, 2004).

As Kebede (2011) stated, exports generate foreign exchange reserves that are necessary to finance essential imports required for domestic production and capital formation. The increase in export earning can also improve the balance of payment of a country and plays a prominent role in creating employment opportunities for unemployed groups. Again, an expansion in exports may promote specialization in the production of export products, which in turn may boost the productivity of the export sector. Then, the improvement in productivity may lead to output growth by the policies and reforms undertaken, export-led growth has been given special attention in many countries. This is 2 so because exports generate foreign income that is necessary for import required for domestic production and capital formation as well as balance of payment.

Therefore, the government of Ethiopia has implemented different strategic plans that promote export trade in terms of quality and quantity of both agricultural as well as industrial products which will bring and increase the foreign reserve of the country. Therefore, this research paper attempted to examine the effect of determinant factors on export performance of Ethiopian local footwear manufacturing horse bean firms.

1.2. Statements of the Problem

Exporting is a strategy in which a company, without any marketing or production organization overseas, exports a product from its home base. Often, the exported product is fundamentally the same as the one marketed in the home market. The main advantage of an exporting strategy is the ease in implementing the strategy and risks are minimal because the company simply exports its excess production capacity when it receives orders from abroad. As a result, its international marketing effort is casual at best and it is very likely the most common overseas entry approach for small firms. Further, many companies employ this entry strategy when they first become involved with international business and may continue to use it on a more or less permanent basis (Onkvisit and Shaw, 2007).

Yet, exporting allows firms to acquire market knowledge, as it often requires them to compete in diverse and less familiar environments which can be applied in a local setting. On the other hand, exporting is also very important for any nation as it is an enabler for nations to accumulate foreign exchange reserves to finance their imports, increase their productivity and create job opportunities, thereby fostering economic and social prosperity. Hence researchers see it as a challenging and promising area or theory development in international marketing (Zou and Stan, 1998). Hence, such huge benefits of export as an economic sector has drawn lots of interest from researchers in determining the variables that impact export

performance. Yet despite notable progress in understanding of the drivers of export performance, knowledge on this topic is still limited and the export performance literature yields various inconsistent results (Sausa, MartinezLopez, and Coelh0, 2008) due to products covered, country studied, variable considered and other factors.

Specifically, Ethiopian firms which export horse-beans have internal and external challenges in marketing their products in their markets. Though a number of problems which can affect the overall trade performance could be mentioned, the problems that are associated to the actual marketing activities are also the major factors that impede local exporters not to get the desired market share from these markets. The marketing problems can broadly be classified as internal and external. This study focuses on the problems and pitfalls which adversely affect the local exporters from practicing the right international marketing in the mentioned target markets so that they fail to capture the available market opportunities from these markets. Specifically, the marketing issues could be associated to the following factors: foreign market-knowledge (i.e., knowledge related to foreign market structure, foreign marketplace, nice market identification, consumer perception and brand-image understanding of foreign buyers technical requirements); marketing communication (promotion, communication, foreign networking, cultural and language-related factors); external factors (competition in foreign market with other foreign suppliers, competition as related to product quality, price, competitors' marketplace knowledge capability, competition from local exporters, marketing channel related factors, foreign dealer related factors); institutional support-related factors (issues related to marketing and promotional support from preferential access providers, promotional agencies, government and EPOSPEA); and exporter's marketing-related factors (exporter's marketing competency, owners' marketing concept, owners' personal motivation for market expansion, owner's market orientation).

Hence, this study aims to study various factors effect on the international marketing performance of studied firms and add on the local academic composite.

Given all these potential determining factors, as to my knowledge is concerned, there is no any research effort done to identify the determinants of export performance of horse beans. In addition, most of the research works on assessment of factors influencing exports performance have been done so far focused on developed nations and other developing countries where their domestic exporters, policy, marketing and other environmental conditions are quite different from our country. The other reason for the research to focus on analysing the determinants of performance of horse beans export due to the very fact that its

export volume and value of earnings increased promisingly as it has a potential demand from Sudan.

Hence, this research attempted to analyse to what extent these potential determining factors affect the export performance of horse beans.

1.3. Research Hypothesis

- ❖ Would Product quality have a significant effect on export performance of domestic horse bean production in Ethiopia
- ❖ Would Capital have significant effect on export performance of domestic horse bean production in Ethiopia
- ❖ Would Technological capability have a significant effect on export performance of domestic horse bean production in Ethiopia
- ❖ Would Export knowledge have a significant effect on export performance of domestic horse bean production in Ethiopia
- ❖ Would Global competition have a significant effect on the export performance of domestic horse bean production in Ethiopia
- ❖ Would Export promotional support have a significant effect on the export performance of domestic horse bean production in Ethiopia?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to investigate and to undertake quantitative measures of the export performance and its determinants of the selected export commodities of Ethiopia. Particularly Ethiopian horse beans.

1.4.2. Specific Objectives

- To evaluate the effect of product quality on export performance of horse-bean export in Ethiopia.
- To examine the effect of finance/capital on export performance of horse-bean export in Ethiopia.
- To determine the effect of technological capability on export performance of horse-bean export in Ethiopia.
- To determine the export knowledge influence on export performance of horse-bean export in Ethiopia.

- To determine the impact of global competition on export performance of horse-bean export in Ethiopia.
- To evaluate the influence of export promotional support on export performance of horse-bean export in Ethiopia.

1.5. Scope of the study

Many problems need research or investigation regarding export performance. However, this study focused only on its effect on Horse Bean. The scope of the study is limited to many Horse Bean exporters. The geographical scope is restricted to exporters in Addis Ababa. The study will be better generalized; if one could see these factors with quantitative approach.

1.6. Significance of the Study

Academic contribution: Being an explanatory study, the main academic contribution of the study emanate from pointing the effect of internal and external factors in export marketing effectiveness. This study may have contributions to the area of marketing strategy research related to the oil seeds, pulses and spices sector of Ethiopia in posing numerous pertinent questions to guide future research. Meanwhile, it may add new knowledge to the existing literature and it may be a stepping stone for academicians to carry out further studies on the issue. Furthermore, this study may yield valuable methodological importance to both practitioners and academicians because it applied both qualitative and quantitative data integration on the issue of investigation.

Significance to subject exporters: The study outputs may benefit existing member exporters to craft their marketing strategy based on the identified challenges and enhance their competitive position in the target markets in particular and potential international markets in general. It may also encourage non-exporting growers to engage themselves in the export of oil seeds, pulses and spices sectors.

The study may ultimately magnify the contribution of standardizing and practicing the right export marketing to Ethiopian exporters as specifically related to the international marketing concepts by showing ways that may enhance the effectiveness export marketing to exporters. As a result, the findings of this study may help the exporters to improve their strategies and better meet the needs of both domestic and international customers.

Significance to institutional supporters and policy makers: Institutional supports can have deeper understanding and recognition on the intensity of the problem the exporters are facing so that they can devise ways based on comprehension of the situations. The researcher also

hopes that stakeholders and institutions which give export support services on oil seeds, pulses and spices sectors would take some lessons from the research in question. The key recommendations will be vital inputs for policy makers so that they assess policies and regulations so that they can make workable policies and suitable regulations which can enhance the performance of the sector. In relation to this, the study may be taken as policy inputs for designing and promoting export development and in improving international marketing performance of firms in these sectors. Furthermore, the study is also important in identifying crucial areas of intervention and also plays a major role in adding valuable information for interested researchers and academicians for further analysis in the sector.

1.5. Organization of the Study

A total of five chapters will be covered in this paper. It will start with introductory part on chapter one consisting background of the study, statements of the problem, objectives of the study, significances of the study, scope of the study, limitation of the study and definition of terms followed by the second chapter dealing with related literatures that contain theoretical review, empirical review and the conceptual framework. Chapter three is about details of research methodology used in the study. In chapter four, data Presentation, analysis and interpretation of the data collected was analysed. At last, summary of findings, conclusion and recommendations by researcher based on the result obtained from the data collected.

CHAPTER TWO

LITERATURE REVIEW

5.1. Introduction

This chapter presents the review of theoretical framework on export performance and its measurements. The framework is developed by examining the existing literature through reviewing the past and current empirical studies on the determinants of export performance. Over the past decades, considerable attention has been paid to the determinants of export performance for both micro and macro levels. Micro level research revolves their attention to specific firm level variables since firm attributes lead to performance differences and have significant influences on firms export performance.

Some factors identified include managerial perceptions towards exporting, firms' resources, and firms' capabilities. At the macro-level, several researchers have examined variables including exchange rate fluctuations, comparative advantage, government policies, and domestic market characteristics.

2.1 Theoretical Framework

The principal objective of any theory of international trade is to explain the cause and pattern of trade. Two other objectives of a theory of international trade are to explain the composition and volume of external trade. A theory, which explains these three issues: cause, composition (structure) and volume of trade is conventionally said to be a "complete" theory of international trade (Appleyard, Field and Cobb, 2010). Two theories dominate international trade analysis namely the Classical and Neo-classical theory.

2.1.1 The Classical Theory of International Trade

David Ricardo, the 18th century British economist, was the author of the classical theory of international trade and the doctrine of comparative advantage. Ricardo was the first to demonstrate that external trade arises not from difference in absolute advantage but from difference in comparative advantage. By "comparative advantage" is meant by "greater advantage" Thus, in the context of two countries and two commodities, trade would still take place even if one country was more efficient in the production of both commodities (provided the degree of its superiority over the other country was not identical for both commodities).

The theory assumed the existence of two countries, two commodities and one factor of production, labor. Labor was fully employed and internationally immobile and that the product and factor prices were perfectly competitive. There are no transport costs or any other impediments to trade. According to Ricardo, differences in climate and environment tend to result in differences in comparative advantage; differences in comparative advantage lead to trade. In the context of a model of two countries, two commodities and one factor of production, Ricardo obtained the result that a country will tend to export the commodity in which it has a comparative advantage and to import the commodity in which it has a comparative disadvantage. Since comparative costs are the other side of comparative advantage, the classical theory is easily couched in terms of comparative costs. Specifically, the theory now states that a country will tend to export the commodity whose comparative cost is lower in autarky and import the product whose comparative cost is higher in pre-trade isolation.

2.1.2. Neo-Classical Theory of International Trade

The Neo-classical theory of trade evolved in an attempt to modify some assumption of the classical theory. The, Neo-classical theory, also called the modern theory, advanced a more satisfactory explanation for the existence of comparative cost differences between countries. The theory introduced capital as a second factor of production; and allowed for international differences in the pattern of demand. The Neo-classical theory is therefore a 2*2*2 model, that is, it assumes the existence of two countries, two commodities, and two factors of production. The introduction of a second factor of production turns out to its important as it explains the relationship between factor allocation, income distribution and international trade. For example, the basic insight of the Heckscher-Ohlin-Samuelson H.O.S Model is that traded commodities are really bundles of factors (land, labor, capital).The exchange of commodities internationally is therefore indirect factor arbitrage, transferring the services of otherwise immobile factors of production from the locations where these factors are abundant to a location where they are scarce. Under some circumstances, this indirect arbitrage can completely eliminate factor price differences. The most important implication of the H.O.S Model is that option to sell factor services externally (through the exchange of commodities) transforms a local market for factor services into a global market. As a result derived demand for inputs becomes much more elastic and also more similar across countries Appleyard, Field and Cobb. (2010).

The framework of trade proposed by Heckscher (1919) and Ohlin (1924) departs from the Ricardian model in that it emphasizes the roles of land, labor and capital in both agricultural and industrial production and attempts to explain how variations in the availability of these factors of production determine a country's nature of specialization and patterns of trade. Paul Samuelson added elegance to this framework by developing a two-factor, two-sector and two country version of the Heckscher-Ohlin model that became the cornerstone of modern theory of international trade. According to the Heckscher-Ohlin-Samuelson theory of trade, a country should specialize in and export a product that uses more intensively the factor of production with which the country is well endowed. Therefore, a capital-rich country like the United States should export the capital-intensive products while a labor-rich country like Bangladesh should export various labor-intensive products. While this theory offers a more logical way to think about trade among nations than the Ricardian approach, it also exclusively focuses on the supply side of the economy and suggests that differences in factor endowments can explain specialization patterns and the volume of trade between countries. The demand side is muted through the assumptions of *and homothetic preferences* of consumers and that countries trade in *homogeneous products*. The refinement of the H-O-S trade model continues along with the development of empirical implications of the factor content of net trade flow. (Helpman 2019)

Therefore based on this theory, it is expected that since Tanzania has plenty land and a big portion of her people are employed in agriculture sector in order to expand its trade it should produce and export labor intensive commodities. In turn it should import capital intensive commodities including machines to be used in construction of processing industries which will add value agriculture commodities to be exported. This will further increase GDP and excess of it to be exported.

2.1.3. Post – Heckscher-Ohlin Theories of Trade

The imitation Lag hypothesis in international trade theory was formally introduced in 1961 by Posner. The theory relaxes the assumption of the Hackscher-Ohlin theory about identical technology. It assumes that the same technology is not always available in all countries and that there is a delay in the transmission or diffusion of technology from one country to another. Consider countries I and II. Suppose that a new product appears in country I due to the successful efforts of research and development teams. According to the imitation lag theory, this new product will not be produced immediately by firms in country II.

Incorporating a time dimension, the imitation lag is defined as the length of time (For instance, 15 months) that elapses between the product's introduction in country I and the appearance of the version produced by firms in country II. The imitation lag includes a learning period during which the firms in country II must acquire technology and know-how in order to produce the same products. In addition, it takes time to purchase inputs, install equipment, process the inputs, and introduce the finished products to market, and so on Appleyard, Field and Cobb. (2010).

In this approach, a second adjustment lag is the demand lag, which is the length of time between the product's appearance in country I and its acceptance by consumers in country II as a good substitute for the products they are currently consuming. This lag may arise from loyalty to the existing consumption bundle, inertia, and delays in information flows. This demand lag also can be expressed in a number of mouths, say, four months.

A key feature in the Posner theory is the length of the imitation lag with the length of the demand lag. For example, if the imitation lag is 15 mouths, the net lag is 11 months that is, 15 months less4 months (demand this 11 –months) period. Country I will export the product to Country II. Before this period, country II had no real demand for the product; after this period, firms in country II are also producing and supplying the product so the demand for country I's product diminishes. Thus, the central point of importance in the imitation lag hypothesis is that trade focuses on new manufactured products. How can a country become a continually successful exporter? By continually innovating! This theory has considerable relevance for present-day concerns about the global competitiveness of U.S. firms. Further, it seems to be capable of handling "dynamic" comparative advantage than are the Heckscher-Ohlin and Ricardo models Appleyard, Field and Cobb (2010).

2.1.4. The Product Cycle Theory

Vernon (1966) developed the Product Cycle Theory (PCT**)** of trade which builds on the imitation lag hypothesis in its treatment of delay in the diffusion of technology. The PCT relaxes several other assumptions of traditional trade theory and is more complete in its treatment of trade patterns. The PCT is concerned with the life cycle of a typical "new product" and its impact on international trade. Vernon emphasizes that manufactured goods and the theory begins with the development of a new product in the United State. The new product will have two principal characteristics: (i) it will cater for high-income demands because the United State is a high-income country; and (ii) it promises, in its production

process, to be labor-saving and capital-using in nature (It is also possible that the product itself e.g. a consumer durable such as a micro ware ovenwill be labor saving or the consumer). The reason for including the potential laborsaving nature of the production process is that the United States of America is widely regarded as a labor-scarce country. Thus, technological change will emphasize production process with the potential to conserve this scarce factor of production Appleyard, Field and Cobb. (2010).

The second stage of the life cycle is called the maturing-product stage. In this stage, some general standard for the product and its characteristics begin to emerge, and mass production techniques start to be adopted. With more standardization in the production process, economies of scale start to be realized. This feature contrasts with HeckscherOhlin and Ricardo, whose theories assumed constant returns to scale. In addition, foreign demand for the product grows, but it is associated particularly with other developed countries, because the product is catering to high-income demands. This rise in foreign demand (assisted by economies of scale) leads to a trade pattern whereby the United States of America exports the product to other high-income countries.

Other developments also occur in the maturing-product stage. Once U.S firms are selling to other high-income countries, they may begin to assess the possibilities of producing abroad in addition to producing in the United States of America. If the cost picture is favorable (meaning that production abroad coasts less than production at plus transportation costs). Then U.S firms tend to invest in production facilities in the other developed countries. If this is done, export displacement of U.S.-produced output occurs.

The final stage is the standardized-product stage. By this time in the product life cycle, the characteristics of the product itself and of the production process are well known; the product itself and the production process to producer. Vernon (1996) hypothesized that production may shift to the developing countries. Labor costs again play an important role, and the developed countries are busy introducing other products. Thus, the trade pattern is that the United States of America and other developed countries may import the product from the developing countries Appleyard, Field and Cobb. (2010)

In summary, the PCT postulates a dynamic comparative advantage because the country source of exports shifts throughout the life cycle of the product. At the early stages, the

innovating country exports the goods but then it is displaced by other developed countries-which are ultimately displaced by developing countries. A casual glance at product history yields this kind of pattern in a general way. For example, electronic products such as television receivers were for many years a prominent export of the United States of America. But Europe and especially Japan emerged as competitors, causing the U.S. share of the market to diminish dramatically. More recently, Japan has been threatened by South Korea and other Asian producers. The textile and apparel industry is another example where developing countries (especially China, Taiwan, Malaysia, and Singapore) have become major suppliers on the world market, displacing in particular the United States of America and Japan. Automobile production and location also relatively from the United States of America and Europe to Japan and later still to countries such factor mobility and economies of scale, make the product cycle theory an appealing alternative to the Heckscher-Ohlin model (Appleyard, Field and Cobb. (2010).

2.2. Concluding Comments on Post-Heckscher-Ohlin Theories

From the preceding discussion, it is clear that trade theory is moving the directions previously neglected by traditional trade theory. The newer approaches enhance our understanding of the causes and consequences of trade beyond the insights provided early in by the Heckscher-Ohlin model. We have looked principally at theories that allow for lags in diffusion of technology, demand considerations, supply chains, economies of scale, international capital mobility, dynamic comparative advantage, and imperfect competition. There is considerable theoretical analysis in this area, for example, there is a growing literature on government policy and trade between countries. Further, yet another approach Krugman (2013) explores the role of location of production in the determination of comparative advantage and consequent trade patterns.

What are the implications of the newer theory for the developing countries exports? The imitation lag hypothesis and the product cycle theory do not lead to particularly optimistic conclusions about the future export performance of developing countries because they suggest that developing countries may be confined to exporting older products rather than new high-technology goods. On the other hand, these theories suggest that a potential exists for moving away from exporting principally primary products toward exporting more manufactured goods, as Taiwan and South Kores and other developing countries have now done. However, theories such as those of (Linder and Krugman, 1998) imply that trade may increasingly take place between countries of similar income levels. This forecast may not

bode so well for developing countries who wish to break into developed-country markets, although the analyses suggest that they may beneficially trade more among themselves in the future. Finally, economies-ofscale models indicate the difficulty of predicting future trade pattern but suggest potentially large gains from trade.

2.3. Intra – Industry Trade

Countries that export and import items in the same product classification are engaging in intra industry trade (IIT). A characteristic of a country's trade that has appeared in many new theories and is increasing recognized as important in the real world is intra-industry trade (IIT). IIT occurs when a country is both exporting and importing items in the same product classification category. This trade differs from inter-industry trade, where the country's exports and imports are in different product classification categories. Traditional trade theory dealt only with inter-industry trade, but intra-industry trade clearly constitutes an important segment of international trade. Intra Industry Trade is more important in manufactured goods than in non manufactured goods. It can also be noted that IIT is typically the highest for more sophisticated manufactured goods such as chemicals, machinery, transport equipment, and electronics, where scale economies and product differentiation can be important Appleyard, Field and Cobb (2010)

2.4. Reasons for intra-Industry Trade in Product Category

Unfortunately, comparative advantage based on factor endowments is of little or no help in predicting intra-industry trade, in fact, intra-industry trade will be relatively greater (compared with inter-industry trade) the more similar are the capital and labor endowments of the countries being examined. In view of this deficiency of the Heckscher-Ohlin model, we now look at several possible explanations for the occurrence of intra-industry trade.

2.4.1. Product Differentiation

This explanation for IIT was outlined earlier. Briefly, many varieties of a product exist because producers attempt to distinguish their products in the minds of consumers to achieve brand loyalty or because consumers themselves want a broad range of characteristics in a product from which to choose. Thus, U.S. firms many produce large automobiles and non-U.S producers may produce smaller automobiles. The consequence is that some foreign buyers preferring a large car may buy a U.S product while some U.S consumers may purchase a smaller, imported car. Because consumer tastes differ in innumerable ways, more so than the varieties of products manufactured by any given country, some intra-industry trade emerges because of product differentiation.

2.4.2. Transport Costs

In a physically large country such as the United States of America, transport costs for a product may play a role in causing intra-industry trade, especially if the product has large bulk relative to its value. Thus, if a given product is manufactured both in the eastern part of Canada and in California, a buyer in Maine may buy Canadian products rather than the California products because the transport costs are lower. At the same time, a buyer in Mexico may purchase the California product. The United States of America is both exporting and importing the goods.

2.4.3. Dynamic Economies of Scale

This reason is related to the product differentiation reason. If IIT has been established in two versions of a product, each producing firm (one in the home country, one in the foreign country) may experience "learning by doing" or what has been called dynamic economies of scale. This means that per-unit cost reductions occur because of experience in producing a particular good. Due to these cost reductions, sales of each version of the product may increase over time. Because one version was an export and the other an import for each country, intra-industry trade is enhanced over time because of this production experience.

2.4.4. Degree of Product Aggregation

This explanation rests on the observation that IIT can result merely because of the way trade data are recorded and analyzed. If the category is broad (such as beverages and tobacco), there will be greater intra-industry trade than would be the case if a narrower category is examined (such as beverages alone or, even more narrowly, wine of fresh grapes). Suppose a country is exporting beverages and importing tobacco. The broad category of "beverages and tobacco" [a category in the widely used Standard International Trade Classification (SITC) system of the United Nations] would show IIT, but the narrower categories of "beverages" and "tobacco" would not. Some economists think that finding IIT in the real world may be mainly a statistical artifact because of the degree of aggregation used, even though actual calculations use less broad categories than "beverages" and "tobacco" Nevertheless, most trade analysts judge that IIT exists as an economic characteristic of trade and not primarily as a result of using aggregative classification categories.

2.4.5. Differing Income Distributions in Countries

Even if two counties have similar per capital incomes, differing distributions of total income in the two countries can lead to intra- industry trade. For instance, consider the hypothetical income distributions of two countries. County 1 has a heavy concentration of households with

lower incomes, while country II has a more "normal" or less skewed distribution. Producers in country I will be concerned primarily with satisfying the bulk of country I's population, so they will produce a variety of the product that caters to consumers with incomes, for their level, producers in country II will cater to the bulk of country II's households, Therefore, country II's firms produce a variety of the good with characteristics that satisfy that group. What about a household in country I with a high income? What about a household in country II with a low income? These consumers will purchase the good from the producers in the other country because their own home firms are not producing a variety of the good that satisfies these consumers. Hence, both countries have intra-industry trade in the product. This explanation can be applied in the context of the Linder model to help in predicting the pattern of intra-industry trade Grubel (2015).

2.4.6. Differing Factor Endowments and Product Variety

In a work that attempts to marry intra-industry trade with the Heckscher-Ohin approach, Falvey R and Kierzkowski, H. 2017 developed a model in which different varieties of a good are exported by countries with different relative factor endowments. Assuming that the higher-quality varieties of a good require more capital-intensive techniques, the model produces the result that higher-quality varieties are exported by capital abundant countries and lower-quality varieties are exported by labor-abundant countries. In a related work, and building on the assumption that the higher-quality varieties require greater capital intensity in production, Jones, Ronald W, H. Beladi, S.Marjit, (2019) hypothesized that a labor abundant country such as India) may export capital –intensive varieties of a good to high-income countries (such as the united Kingdom or the United State) and keep the lower-quality, labour-intensive varieties for the home market.

2.5. Determinants for Performance of Export

Many elements have been identified as predictors of export performance by various studies researching how organizations perform in exporting (Aaby and Slater 1989; Zuo and Stan, 1998). These determinants have been classed in a variety of ways, but one of the most common classifications is controllable and controllable. Internal firm-level variables are controllable, while external environmental drivers are uncontrollable (Aaby and Slater, 1989). External, operational, internal, and informational barriers were established by Siringoringo (2009), but Leonidou et al. (2002) moved away from the core distinction between internal and organizational barriers. exterior hurdles relating to the firm's home and host environments, as well as resources/capabilities and the country's export policy. The

distinction between internal and external factors as determinants of export success is conceptually valid because the two categories correspond to different theoretical frameworks. External determinants are supported by the industrial organization theory, whereas internal determinants are justified by the resource-based theory. The resource-based approach views a company as a unique collection of tangible and intangible resources (assets, capabilities, processes, management characteristics, information, and knowledge) that are managed a company's ability to devise and implement strategies targeted at increasing its efficiency and effectiveness. The resource-based approach claims that a firm's internal organizational resources are the most important factors of its export success and strategy.

The industrial organization (IO) theory, on the other hand, contends that external variables shape a country's strategy, which in turn shapes its economic performance. The theory goes that the external environment places forces on a company that it must adapt to in order to survive and thrive (Julian and Ocass, 2002). As a result, we'll talk about the conclusions of this review in terms of internal vs. external, and controllable vs. uncontrollable The distinction between external and controllable dimensions vs uncontrollable ones is both theoretically and practically relevant.

As a result, those drivers of export performance relevant to the topic identified from various literatures, including both internal and external aspects of exporters, more specifically government support services and export related facilities, are evaluated in this study.

2.5.1.1. Internal Determinants for Performance of Export

Internal export barriers are inherent to the firm and are usually linked to a variety of firm-level determinants, including: firm specific characteristics and product characteristics (Julian and Ocass, 2002); firm structural characteristics, market orientation, market characteristics, managerial attitudes (Chetty et al., 2004; Madsen, 1989); competencies, market orientation, firm characteristics (Julian and Ocass, 2002); competencies, market orientation, firm characteristics (Julian and Ocass, 2002); competencies, market orientation (Zou and Stan, 1998).

Knowledge

Firms' export market knowledge is a vital ability that influences export performance (Aaby and Slater, 1989), and it has a positive impact on export performance. However, (P, Carlos M, 2004) discovered only a weak link between the two.

Knowledge theory claims that knowledge can be found at both the individual and organizational levels. For a successful export marketing campaign, two sorts of expertise are

required. The first is export market knowledge, which includes understanding of the market's micro- and macro environment, infrastructure, and purchasing behavior. Second, you'll need to know how to deal with export procedures including finance and paperwork. Knowledge of export marketing is measured as a second-order construct with three sub-constructs that capture distinct levels and types of knowledge (Freeman and Lawley, 2005).

Lack of awareness of possible export markets and difficulties identifying opportunities in overseas markets are examples of knowledge obstacles (P, Carlos M, 2004). One of the primary impediments is a lack of knowledge about the international prospects for a country's products/services. It's also worth remembering that obtaining information about overseas markets is typically complicated and expensive.

Muhammad Suhail (2009) has shown that the international performance of exporting firms is affected by the extent to which they take a systematic approach to selecting export markets: the more systematic the selection, the better the firm’s performance. Constraints associated with market research also fall within this category.

Simone (2004) also contrasted objective information from experiential knowledge, which originates from subjective personal experience and can be formally taught, learned through books or reports, and communicated to others. The terms refer to explicit (objective) and implicit or tacit (experiential) knowledge, respectively (Okpara and Nicholas, 2008). The latter refers to the knowledge embodied in hunches, ideals, and abilities, all of which is difficult to impart. In contrast to the development and sharing of experiential knowledge, Okpara and Nicholas (2008) ascribe the orientations of exporting enterprises in developing economies to the development and sharing of experiential information Western preoccupation with objective, typically quantifiable, information.

Marketing expertise and information are two export issues that revolve around a lack of understanding of foreign markets, business processes, and rivalry, as well as a lack of management to produce international sales. A key hurdle to developing-country enterprises exporting is a lack of understanding about how to find international possibilities and prospective markets. Furthermore, multiple articles reveal that both experienced and inexperienced exporters in developing nations consider that a lack of knowledge of possible markets impedes their ability to export (Siringoringo, 2009).

The firm's marketing knowledge is based on the relevance and depth of marketing data provided. Companies that use relevant, accurate, and timely data are better able to respond to export issues. The most important challenge that manufacturing enterprises in developing

countries have is access to information about exporting and, more specifically, market information (Siringoringo, 2009).

Amount of capital

An organization's capital requirements for entering a certain market are a crucial factor. Following market research, the business will provide a cost-benefit analysis for each individual country, as well as the capital requirements for the initial implementation of a global orientation in that country. The findings of which will be evident and assist management in determining which markets they will enter, even though the potential for profit is large, because the cash required may be too high for them (P, Carlos M, 2004).

Tylecote (1987) outlines three areas in which an organisation can raise the necessary capital requirements for such a venture. To begin, the company should assess its liquidity and capital costs. This comprises the time rate of discount, projected interest rates, and expected inflation rates. Second, Tylecote (1987) suggests that an organization consider alternative options besides borrowing at interest, such as self-financing using retained earnings, which is the most appealing strategy if there is enough profit left over after meeting shareholders' minimal dividend needs. The stock market, in the form of ordinary share capital, is the third way to gain capital. For countries seeking to raise funds, this has traditionally been an important source of funding. Because the new shares were issued at the same price as existing shares, this strategy appeals to companies that are currently profitable (Tylecote, 1987).

According to Carole Maurel, resources have a beneficial impact on export performance, which is justified by the fact that a larger company has more resources. Larger companies can take use of economies of scale and the experience effect to boost their export performance. Because internationalization necessitates enough resources, business size is a significant predictor of export propensity. Larger companies can increase resources and absorb risks more easily than smaller companies, and they may have more bargaining power. They also have specialized managerial resources and can take advantage of economies of scale. Larger enterprises, with more capital, have an export advantage as long as their size is connected with lower average or marginal costs (P, Carlos M, 2004; Caparas, 2006).

A crucial element determining the success or failure of export projects has been recognized as a lack of financial resources. These roadblocks include a lack of funds or credit to fund export sales and a lack of funding for market research, as well as issues dealing with foreign currencies and collecting payments from outside (Siringoringo, 2009).

Larger companies, on average, have greater resources that can be applied to new markets and are less vulnerable to market risk. These variables make it easier to build competitive export advantages (Siringoringo, 2009).

Product Strengths or Quality

One factor that determines a product's export competitiveness is its quality. The exporter must supply goods that meet the importer's country's technical criteria. Technical rules and standards, as well as sanitary precautions, are, nonetheless, substantial impediments. Developed countries sometimes impose severe technical standards on exports from developing countries; these standards are frequently higher than those in place in developing countries, and they are commonly viewed as an effective measure/barrier against exports from other countries. The inconsistency of technical standards between trading partners, as well as the abuse of technical measures, have a negative impact on developing-country businesses' capacity to become international suppliers (Peng Bin).

One of the most significant prerequisites for entering and remaining in international markets is quality. It is concerned with packing, meeting the quality standards of importers, and developing an appropriate design and image for export markets. In underdeveloped countries, there are several quality standards (Christensen et. al., 1987).

Many of the quality issues, on the other hand, are the result of a lack of understanding of market demands, product features, and production technology. Product quality was a critical competency for exporters, according to Siringoringo (2009). A product that sells well in a developing country may not sell at all in a developed country. Rosane Gertner et alresearch .'s identified low product quality and fashion sensitivity as issues for Brazilian exporters. Manufacturers in nations such as Venezuela, Argentina, and Chile, according to P, Carlos M (2004), are experiencing product quality issues. The profile of Brazilian enterprises that finally stopped exporting is characterized by a lack of emphasis on research, product service, and quality. As undifferentiated marketers with poor substance, they faced direct competition from any low-cost competitor that appeared on the scene. Christensen and colleagues (1987).

Product issues are related to the targeted export market segment's quality and technical requirements, such as export product design, style, quality, packaging and labeling requirements, and product adaptation or modification. Product strengths (e.g., product uniqueness, patents, market exposure, etc.) have a beneficial impact on the firm's export performance. Export product uniqueness (Zou and Stan, 1998) its quality and design (Leonidou et. al., 2002) are positively correlated with firm’s export performance. The firm's

ability to offer a complete product or brand mix in export markets is positively correlated with export performance (Leonidou et. al., 2002)

2.5.1.2. External Factors as Determinants of Firm's Export Performance

Researchers have paid the least attention to external, uncontrollable elements. When a company's overall export is the emphasis, the environment might be difficult to describe because the same company can export to a variety of markets with distinct characteristics. Differentiated foreign consumer preferences, unfamiliar business protocols and practices, the imposition of tariff barriers and regulatory import controls by foreign governments, fierce competition, exchange rate fluctuations, and limited hard currency for international trade are all examples of external export barriers. The aforementioned issues are divided into three categories: industry, export markets, and macroenvironmental restrictions (Zou and Stan, 1998).

The context, or the environment in which the company operates, has an impact on its export performance (Carole Maurel). Several components of the external environment, according to Carole Maurel, must be considered. It refers to the public export promotion programs offered by governments to exporters on a global scale. The exchange rates and their volatility are part of the financial environment. They have sway over exporters since most of them lack the essential capabilities to manage exchange risk and limit its impact on their bottom line.

The majority of studies that looked into the effects of external uncontrollable factors looked at how they affected financial measures of export performance like sales, earnings, and growth. The quality of the institutional framework is a crucial component in supply capacity, according to Peng Bin's analysis in his study of Asian export competitiveness through trade facilitation. The lack of institutional frameworks, on the other hand, is a recurrent concern in Asia's developing countries. This is represented in, among other things, government assistance and related services such as:

A. inappropriate and unpredictable trade policies and regulations;
B. inefficient trade and customs administration systems;
C. cumbersome trade procedures and documents; and
D. Rent-seeking and unofficial payments.

Firms in developing countries are often unaware of their own inefficiency. Such firms attribute too much of their inability to export to external factors and too little to their lack of efficient production. Import restrictions creating protected domestic markets have given entrepreneurs a false sense of competence. These entrepreneurs are only slowly aware of the

critical roles that quality control, price and on-time delivery plays in international markets. Once their eyes are opened to the importance of these factors, access to buyers and technical support focused on production constraints can provide them with the means for lowering costs and raising quality (Cressida S. McKean, 1999).

Lack of similarity of legal and regulatory frameworks of the exporting and importing countries and lack of familiarity with market export procedures are also mentioned as export market barriers. These factors are regrouped into customer and procedural barriers. Customer barriers stem from the customer's perception of product characteristics. An important issue here is that in addition to specific quality problems, exporters from developing countries face the poor reputation of their country, as stated in the research of (Siringoringo, 2009).

External barriers are those arising from uncertainties in international markets that cannot be controlled by firms since they are the result of the actions of other market players, such as governments and competitors. For example, strong competition in foreign markets is a relevant barrier. Poor economic conditions and unfamiliar business practices can be further important barriers to export.

Government support services

Direct export restrictions can be erected by government authorities and agencies. Tariff and non-tariff barriers may be addressed by government restrictions, such as domestic government export regulation, insufficient diplomatic support, and protectionist barriers, as well as transportation costs, service, and infrastructure (Siringoringo, 2009). Furthermore, absence of government-sponsored export promotion and support programs, as well as foreign exchange allocation, were cited as export issues by developing-country exporters. Exporters frequently suffer as a result of insufficient government export promotion strategies. This includes lack of gathering and provision of information on available export opportunities and ineffective promotion of the country's exports overseas (Siringoringo, 2009).

The government can help exporters with a variety of services, including developing export policies and strategies, providing appropriate export financing/credit, and foreign currency exchange services, reviewing existing export development plans, facilitating export-related services such as customs, quality assurance, and quarantine, and promoting exporters' capabilities through training and supervision. (FDRE Proclamations No 132/1998, 249/2001, 622/2009).

The laws and principles that nation states perceive as binding on themselves can be identified as a country's legal environment/regulations. The regulatory or legal environment is an

important aspect to consider in international company and, as a result, one of the reasons preventing export success. The time and paperwork required to comply with foreign and domestic market laws is one of the most frequently mentioned barriers to exporting. These procedural restrictions are not imposed only by governments. Also independent organizations such as banks, shipping organizations and insurance companies, have their own procedures (Phadett Tooksoon, 2008; Siringoringo, 2009).

According to Phadett Tooksoon (2008) It can be seen from the regression model's results that two dimensions of financial institutions' and business associates' networking resources and services are statistically significant and have a positive relationship with export performance, whereas government agencies' dimension is significant but has a negative relationship with export performance.

The Centre for Development Information and Evaluation (CDIE) According to findings from a survey in Latin America and the Caribbean, service use appears to be linked to excellent export performance of enterprises in outward-oriented economies. In Guatemala, the Dominican Republic, and Costa Rica, assisted enterprises (those receiving assistance from aid-supported intermediaries) had a much higher rate of export and employment development than unassisted firms. (Cressida S. McKean, 1999).

Cressida S. McKean (1999) explained that export services also appear to have a positive impact on export growth and employment. According to him, the survey evidence suggests that service use seems to correlate with strong export performance of firms in outward-oriented economies.

Designing export promotion strategies, policies, and support services favourable to promoting competitiveness remains vital, according to Kagnew W. (2007) in his study on export performance and economic growth in Ethiopia. Targeted and concrete export support services, product-specific export market research, active participation in international trade fairs, and the establishment of publicly supported trade missions are all examples of what can be done. To urge businesses to participate in the export diversification policymaking process, the government must work with them to foster an atmosphere of mutual trust and confidence. (Kagnew Wolde, 2007).

2.6. Empirical Review

2.6.1. Review of the Export policy in Ethiopia

The Emperor Regime (Pre -1974/75)

Prior to 1974/75, the trade sector was dominated by a largely open market economy, with the private sector, primarily foreign capital, accounting for the vast majority of both exports and imports (Brook Kebede, 1999). There were three stages to the development plan. The first five-year development plan (1957/58-1961/62) was primarily concerned with import substitution, industrial development, and infrastructure improvements like as road construction. The strategy also included diversification of the export structure by utilizing the enormous livestock population and agro-processing industry products. (Brook Kebede, 1999; Kagnew, 2007).

Structure transformation and export diversification were prioritized in the second five-year development plan (1962/63-1966/67). New industrial export products and mining products were expected to play a vital role in the second phase. In addition, the establishment of government foreign trade corporations, revisions to existing customs tariffs to protect domestic products and stimulate exports, directing credit and subsidy policies toward the production and promotion of exports, the conclusion of a series of bi-lateral and multilateral agreements, and improved participation at international trade fairs were among the major policy issues. (Brook Kebede, 1999; Kagnew, 2007).

The third five-year growth plan (1968/69-1973/74) emphasized geographic diversification of conventional export items (coffee, livestock, and oilseeds) as well as non-agricultural export development. Overvaluation of the exchange rate, high tariff rates, a broad range of foreign exchange controls, and non-tariff obstacles such as limitations on certain commodities and a substantial tax on exports are among the measures taken. (Brook Kebede, 1999).

The Dergue Regime (1974/75- 1990/91)

Kagnew (2007) Overall policies favored the expansion of collective and state firms, while private enterprises were kept at bay for an extended period of time. The development plan was an inward-looking policy based on high tariffs and quantitative constraints. The government created a ten-year strategic plan that addresses the following important policy problems. Aims to reorient the country's export structures toward high-value-added items, increase the number and composition of manufactured exports, increase foreign exchange profits, and socialize the export industry.

- Particular attention was given to state owned export companies heedless of their inefficiency.
- Geographic diversification of exports towards the markets of socialist countries and neighbouring African countries.
- To reduce the share of all traditional exports (coffee, hides and skins, pulses and oilseeds).
- to rise the share of other export products (live animals, meat products, fruits and vegetables, spices, sugar and molasses, natural gum, chat and others).
- The key policy issues were the provision of favourable tax, tariffs and foreign exchange rate measures, improving exports in terms of quality, quantity and variety and providing current information on world market prices and other factors in international market to exporters and producers.

The Current Period (Post 1991)

Ethiopia has experienced liberalization and intensified Structural Adjustment Programs (SAPs) to restrain internal and external imbalances of the economy under the present government since 1992, with the help and guidance of the IMF and the World Bank. One of the fundamental reforms of the new policy regime is to open the economy to more outside competition in order to gain from larger markets. (Kagnew, 2007; Brook Kebede, 1999).

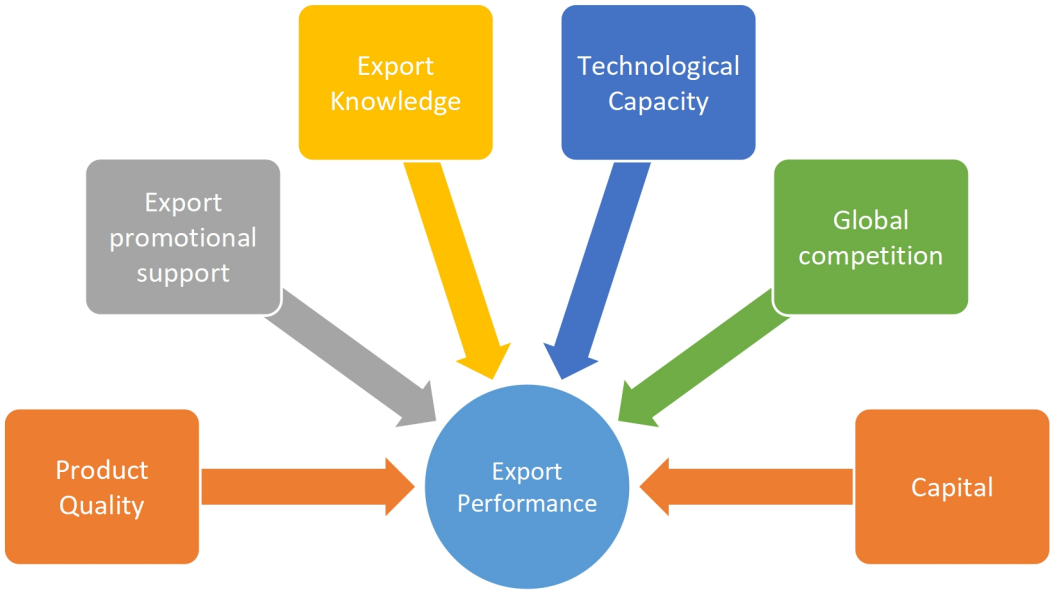
Devaluation of the Birr, streamlining the import and export licensing system, tariff reductions and incentives for exporters, abolishing export taxes and subsidies to parasternal exporting enterprises, encouraging export-oriented investment, introducing a duty drawback and foreign exchange retention scheme, and minimizing administrative burdens are some of the policy tools used in the reform. (C.T. Mwalwanda, 1999; Kagnew, 2007).

Creating an enabling environment for exporters, establishing effective partnerships between government and the private sector, establishing appropriate institutions in support of the export sector, such as Investment and Export Promotion Agencies, Banks and Financing Institutions, Customs, Quality and Standard Authority; improving infrastructure, and appreciating differences are some of the key policy variables. (Kagnew, 2007; Brook Kebede, 1999; C.T. Mwalwanda, 1999).

The Export Development Strategy, which was published in February 1998, emphasizes the provision of all-round support services and incentives to exporters, such as market information, credit priority, priority in the provision of working premises, warehousing, and

other services, as well as the establishment of an Ethiopian Export Promotion Agency to coordinate export promotion efforts and utilize technology. (Brook Kebede, 1999).

2.7. Conceptual Framework



Source: Geofrey A. Rwenyagila, 2013

2.8. Summary of the Review of Literatures

Different authors argue differently on each of the discovered facto2.rs that impact export performance when it comes to the important variables that have been discussed in the review of literatures. As a result, an attempt has been made to summarize these arguments on those elements in order to connect them to the study's conceptual framework.

A key hurdle to developing-country enterprises exporting is a lack of understanding about how to find international possibilities and prospective markets. Knowledge theory claims that knowledge can be found at both the individual and organizational levels. Export market knowledge is a vital competence for a firm's export performance (Aaby and Slater, 1989), and it has a favorable impact on export performance. However, (P, Carlos M, 2004) discovered only a weak link between the two. Thus, from these points it can be concluded that knowledge of exporters can be one of the key factors which can positively affect performance of export, in which this study has been considering it as one of the key determinants of horse beans export performance.

International activity, according to Leonidou (2002), necessitates some organizational expertise, as organizations that expand internationally are those that are successful in their native markets. A company's experience serves as the foundation for the values, rituals, and traditions that govern its current and future strategy, supporting worldwide activity

(Siringoringo, 2009). P, Carlos M (2004) discovered a link between export propensity and intensity and export experience. It has been found that a firm's exporting experience has a positive effect on export performance (Madsen, 1989), the degree of internationalization and attitudes towards future exports. Thus, in this study, it has been deduced that the experience of exporters was the one which can influence performance of export of horse beans positively. An organization's capital requirements for joining a given export market are a crucial issue. Following market research, the business will provide a cost-benefit analysis for each individual country, as well as the capital requirements for the initial implementation of a global orientation in that country. According to Carole Maurel, resources have a beneficial impact on export performance, which is justified by the fact that a larger company has more resources. Larger companies can take use of economies of scale and the experience effect to boost their export performance. A lack of financial resources has been identified as a key factor influencing the success/failure export ventures. These barriers are associated with a lack of capital or credit to finance export sales were also considered as major factors that potentially affect performance of export positively.

Quality of the export products is one determinant of a product’s export competitiveness. Quality is often indicated as one of the most important conditions for entering and remaining in foreign markets. There are different quality standards in developing countries (Christensen et. al., 1987).

Export product distinctiveness (Zou and Stan, 1998), quality, and design (Leonidou et al., 2002) are all linked to a company's export performance. Export performance is positively connected with the firm's capacity to deliver a complete product or brand mix in export markets (Leonidou et. al., 2002). As a result, it can be stated that the higher the product's quality standards, the better its export success is likely to be. As a result, the quality of horse beans was predicted to have a considerable impact on the performance of horse bean exports.

Exporters in developing nations have complained about a lack of government-sponsored export promotion and assistance programs, as well as a lack of foreign exchange allocation. Exporters frequently suffer as a result of insufficient government export assistance services and policies. This involves a lack of information collecting and dissemination about available export opportunities, as well as inefficient promotion of the country's exports abroad (Siringoringo, 2009). Export services, according to Cressida S. McKean (1999), appear to have a favorable impact on export growth and employment. According to him, the survey evidence suggests that service use seems to correlate with strong export performance of firms in outward-oriented economies.

As a result, it can be concluded that the more government support services offered to exporters, the better their performance will be. As a result, government support services were identified as one of the primary predictors of export performance. To summarize, the following conceptual framework can be used to explain the aforementioned principles in relation to some of the most important aspects that influence export performance.

CHAPTER THREE

3. METHODOLOGY OF THE STUDY

3.4. Introduction

The researcher has conducted a literature review in the previous chapter. This chapter aims to describe the research methods and procedures used to implement the experimental part of this thesis. It includes different sections which covers approach of the research, research design, data type and method of data collection, sample and population of the study, method of data analysis procedures, validity of the study and ethical considerations.

3.5. Research approach

Based on the type of data used there are types of research approach. These are quantitative, qualitative and mixed approaches. Although qualitative and quantitative approaches are seen as separate and polar opposites to the other, they are interlinked and represent a different end to a continuum. (Newman & Benz 1998) as cited by (Croswell 2009). Qualitative research is a way to explore and understand the meaning that individuals or groups attribute to a social or human problem. Qualitative studies are seeking descriptive data through a holistic viewpoint and examine several variables, but only in a small population. In qualitative research data's are usually collected in participant's setting and data analysis process build inductively from details to general topics, and a researcher makes interpretations of the meaning of data (Croswell 2009) . This study aims at making comparison between two practices in ECX in which the data was collected using and secondary documents. Therefore the student researcher applied quantitative approach in conducting the study.

3.6. Research design

A research design is a blue print for collection, measurement and analysis of data. It links the data to be collected to the research question in the study (Kathari 2004). It is a research plan and procedure that extend decisions from general assumptions to detailed methods of data collection and analysis. The choice of research design is also based on the nature of the research problem or issue being addressed, the personal experiences of researchers, and the masses of the study (Croswell 2009).

In order to determine the factors that influence the export performance of domestic Horse bean manufacturing firms, the study used a descriptive and explanatory type of research design were employed. The descriptive research design is used to describe the characteristics of factors and for this the questionnaire as the main part of a survey design uses to collect data from the population.

Descriptive types of research enable flexible research approach by using multiple sources of data involving document review, interview, and questionnaires and to use both qualitative and quantitative analysis techniques.

Explanatory research design is used to see causal relationships between variables. The researcher used explanatory research to study the relationship between the dependent variable (export performance) and the independent variables (capital, product quality, export knowledge, technology, and global competition and export promotional support) of domestic Horse bean industry in Ethiopia. The primary data collected from quantitative survey through structure Questionnaires were analyzed by using statistical package for social science software and tools like correlation and multiple regressions was applied.

3.7. Data type and data source

Primary data was used to attain the study goals. The primary data collection was obtained through questionnaire. The questionnaire was administered to the managers of horse bean exporting firms and employees. It is going to be conducted to gather detailed information from general managers of horse bean exporting forms. The secondary data that was assed is ECX commodity exchange practice guide line and reports of approved commodity exchanges. Different literatures were also assessed; journals and articles that are published associated with commodity exchange practice of ECX, related documents, books and other secondary data's was included.

3.8. Sample and Population of the study

Sampling is a way to choose individuals or a subset of a group from population. It enables the researcher to study a relatively small number of units rather than whole entire population, and to obtain data that is representative of the target population (Croswell 2009).The idea behind qualitative research is to purposely choose sample of target population that help the researcher understand the problem and the research question being investigated.

According to the information from the ECX, there are about 148 registered and licensed exporters who export horse beans to Sudan via the Metema Gelabat cross-border. About 100 of those exporters are found in Addis Ababa and the rest of them reside particularly in Metema, Gondar, Dabat, Chilga, Koladiba, Bahir Dar and Merawi and Tigray regions. In this study, a convenience method is used to identify the areas of the study where sample exporters are residing. Hence Addis Aaba was selected as target using convenience method of sampling. This method is preferred for the sake of convenience and ease of data collection as it is difficult to find those horse beans exporters living in Tigray and Bahir Dar. In addition, this method is more suitable to this study due to time and financial constraints to manage the

study as the researcher did not find any financial assistance from other bodies to conduct the research.

Therefore, in this study, those 87 horse beans exporters residing in Addis Ababa have been taken as population of the study. A sample of 50 exporters, that is 57% of the target population, have been taken using random sampling technique as primary sources of information to be interviewed using structured questionnaire. According to the preliminary discussions made with key informants (at the start of research proposal phase) from ECX and industry experts and Ethiopian customs staff members, the level of heterogeneity of horse beans exporters is minimal. Therefore, this sample can be taken as representative of the population because of the facts that exporters are assumed to be having similar characteristics.

3.9. Methods of data analysis

For the analysis of the primary data, descriptive and inferential statistical analysis technique was employed. With regards to the descriptive analysis percentages, means, standard deviations and frequencies were calculated by using SPSS version 20. With regards to inferential statistics, correlation and a regression analysis was conducted to investigate the most important questions to the objectives of this study and to arrive at the core findings of the study with regards to the hypotheses forwarded. The correlation analyses indicate the magnitude and direction of relationships between variables in the study. The variables are six independent variables and one dependent variable (export performance)

A Multiple regression model was applied in explaining the relationship between the dependent variable, i.e. Export performance and the explanatory variable product quality, capital, technology, export knowledge, global competition and export promotional support.

A multiple regression analysis was employed in order to investigate the impact of the hypothesized factors on export performance of Horse Bean exporters in Ethiopia. The analysis was used to know which of the hypothesized independent variables have statistically significant influences on export performance in each of the six independent variables. The data analysis and interpretation presented by using figures and tables. Finally, data interpretation was made and conclusion was drawn from the interpretation of the data.

3.10. Validity of the Instrument

Validity is whether our assumptions, inferences or propositions are valid. This involves the degree to which we calculate what we are expected to do and, more precisely, our calculation accuracy (John et al, 2010). Kumar (2005) and Ndegwa (2013) stated that the validity is about degree to which the researcher measured what he set out to measure on the study. It is

about measuring the exact target or content of the question and that it is the amount to which a measuring instrument offers adequate coverage of the subject under investigation. A criterion-related validity, called a correlation coefficient, is going to be used in this study to measure the extent to which the instrument scores correspond to an external criterion (i.e., usually another measure from another instrument) either at present (current validity) or in the future (predictive validity).

3.11. Reliability of the Instrument

Reliability estimates the continuous calculation or, more precisely, the extent to which an instrument calculates the same as it is used each time under the same conditions for the same subjects. Trustworthiness is essentially about consistency. That is, if we measure something many times and the result is always same, then we can say that our measurement instrument is reliable (John et al., 2010).

In order to test the internal consistency of variables in the research instrument Cronbach alpha coefficient was calculated. Cronbach-alpha is widely used in educational research when instrument for gathering data have items that are scored on a range of values, i.e. different items have different scoring points or attitude scales in which the item responses are in continuum (Oluwatayo, 2012). This coefficient varies from 0 to 1, and a value of 0.6 or less generally indicates unsatisfactory level of internal consistency (Malhotra& Birks, 2003). This coefficient was calculated for all items under each variable and the results showed an acceptable level of reliability.

Reliability Test Result:

As it is indicated in the table below, the reliability test result for the questionnaire is between 0.73 and 0.844 and the overall reliability is 0.788. Therefore, the scale reliability for this study is acceptable and reliable.

Reliability Test Result

Dimensions of variables	Number of items	Cronbach's Alpha
Product quality	3	0.727
capital	4	0.713
Technological capability	3	0.816
Export knowledge	4	0.788
Global competition	4	0.844
Export promotional support	3	0.811
export performance	8	0.819
Overall reliability	29	0.788

Source: - Own survey result, 2021

3.12. Ethical considerations

According to Resnik (2015) many of the ethical norms help to ensure that researchers can be held accountable to the public. Therefore, this research will take this in to account & be responsible to keep the interests of the public it dealt with. Participants was asked if they are voluntary to participate in the study. In addition, Anonymity of individuals who participated in filling of the questionnaires will remain anonymous throughout the study. Information collected from the customers was kept confidential and not to be used for any

Chapter Four

Results, Discussions and Interpretations

4.1. Introduction

In this chapter data was presented and discussed to address the research questions and objectives. The data obtained from the primary source using structured questionnaires. To analyse the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out. The results and discussion part of the study has been presented in different parts in line with the research questions. The following are the main headings: response rate, reliability and validity test, respondents' general information, descriptive statistics results, Pearson correlation and multiple regression analysis; and discussions were carried out.

4.2. Response Rate

A total 126 questionnaires were prepared and distributed to the 14 medium and large Horse bean exporting firms, each getting 9 questionnaires. From this 12 firms have completed and returned the questionnaires, while 2 firms did not complete the questionnaires and didn't return them. From the total 126 questionnaires, 108 completed questionnaires are collected. This indicated that the response rate was 85.7%.Therefore; the response rate is found very well for further analysis of the data.14.3% of the respondents didn't return the questionnaires due to one firms sent the filled questionnaires lately and the other firm didn't volunteers to response.

Table 4.1. Response Rate

Questionnaires	number	Response rate (%)
Total sample size	126	100
Returned/collected	108	85.7
Unreturned	18	14.3

Source: - Own survey result, 2021

4.3. Demographic Profile of the respondent

In this section variables that show demographic and socioeconomic characteristics of respondents were presented, including gender, age, marital status, education and years of service with their frequencies and percentages in the sample.

Table 4 2. Demographic Characteristics of respondent (N=108)

No.	Characteristics	Description	Frequency	%
1	Gender	female	25	23.1
		male	85	76.9
2	Age	18-25	1	0.9
		26-34	41	38
		35-43	61	56.5
		44-52	4	3.7
		53-60	1	0.9
3	Marital status	single	34	31.5
		married	53	49.1
		divorced	21	19.4
4	Educational background	primary	2	1.9
		secondary	20	18.5
		diploma	45	41.7
		degree	24	22.2
		masters	17	15.7
5	Current position/title	Owner/general manager	10	9.3
		Department manager	35	32.4
		Supervisor/team leader	63	58.3
6	Years of service	Less 5	17	15.7
		5-10	45	41.7
		10-15	31	28.7
		More than 15	15	13.9

Source: - Own survey result, 2021

In the sample survey, the general information of the respondents of Ethiopian domestic Horse Bean exporting firms is presented in Table 4.2 .The gender of the respondent in the study consists of 25(23.1%) female and 83 (76.9%)) male. This shows that the majority of the

respondents were males as they are involved in the sector. Age of the respondents in the sample, 41(38%) of being between 26-34 years of age ,4 (3.7%) between 44-52 years old , 61(56.5%) are between 35-43 years of age, and the remaining 1 (0.9%) respondents are between 18-25 and 53-60 years of age in each range. From the data the respondents between 35-43 years old is dominated (56.5%) and we can say that majority of respondents were well matured.

From the total 108 respondents involved, the marital status of the respondents are 53 (49.1%) are married, 34 (31.5%) are single and the other 21 (19.4%) are divorced and the educational status of respondents are 17 (15.7%) of the respondents holds master's degree, 24(22.2%) first degree, 45(41.7%) diploma holders,20 (18.5) secondary and 2 (1.9%) primary certificate holders. The results showed that majorities of respondents which are participating in the study were well educated and have the ability to understand the questionnaire easily. In terms of the current occupational position of the respondents in the company, majority of 63 (58.5%) the respondents are supervisors/team leaders, followed by department mangers 35 (32.4%) and owners/general managers 10 (9.3%).

With regards to years of service in the firm, 45 (41.7%) respondents had an experience of from 5 to10 years,17(15.7%)of the respondents worked for less than 5 years, whereas 31(28.7 %) and 15(13.9 %) of the respondent worked for 10 to 15 years and more than 15 years respectively in the sector.

4.4. Descriptive Statistics Results

In this sub-topic descriptive statistics, mean and standard deviation are presented to illustrate the level of agreement of the respondents. The responses of participants for the items in each variable were measured in five point Likert scale: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5=strongly agree. All the items used to measure the effect of product quality, capital/finance, export knowledge, technological capability, and global competition and export promotional support on export performance of domestic Horse bean firms.

Table 4.3. Descriptive Statistics Result (N=108).

variables	Mean	Std. Deviation
Product quality	2.64	.779
capital	2.75	.692
Technological capability	2.81	.958
Export knowledge	2.84	.844
Global competition	2.91	.810
Export promotional support	2.85	.871
export performance	2.68	.594

Source: - Own survey result, 2021.

As presented in the above table, the product quality mean is (M=2.64) with a standard deviation of (Std. Deviation= 0.779), capital with mean (M=2.75) and standard deviation (Std. Deviation =0.692), technological capability with mean (M=2.81) and standard deviation (Std. Deviation=0.958), export knowledge with mean (M=2.84) and standard deviation (Std. Deviation=0.844), export promotional support with mean(M=2.85) and standard deviation (Std. Deviation=0.871),global competition with mean (2.91) and standard deviation (Std. Deviation=0.810) and export performance with mean (M=2.68 and standard deviation (Std. Deviation=0.594) .

NB: The standard deviation is a measure of how well the mean represents the data and the data with small standard deviation (relative to the value of the mean itself) indicates that the data points are close to the mean. Whereas, larger standard deviation (relative to the mean) indicates that the data points are distant from the mean i.e. the mean is not an accurate representative of the data (Ephrem, 2017). Similarly, high standard deviation means that the data are wide spread, which means that the respondents give variety of opinion and the low deviation means that the participants express close opinion. Therefore from the above table we can understand that respondents seem to express a close opinion and the mean is a good fit of the data.

4.5. Correlation Analysis

Correlation analysis deals with relationships among variables and helps to gain insight into the direction and strength of relation between the variables. Correlation coefficients take values between -1 and 1 ranging from negatively correlated (-1) to uncorrelated (0) to positively correlated (+). The sign of the correlation coefficient defines the direction of the relationship. The absolute value indicates the strength of the correlation.

According to Member (2017) states that a correlation result which is 0 indicates zero correlation, a result which is between 0.1 and 0.3 indicates a weak correlation among variables, a result which is between 0.4 and 0.6 shows a moderate correlation, a result between 0.7 and 0.9 indicates a strong correlation among variables, while a result which is equal to 1 indicates perfect correlation.

Therefore to determine the relationship between independent variables (product quality, capital, export knowledge, technological capability, global competition and export promotional support) and dependent variable (export performance), Pearson correlation was computed.

Table 4.4 Pearson Correlation

		export performance
product quality	Pearson Correlation	.651**
	Sig. (2-tailed)	.000
capital	Pearson Correlation	.605**
	Sig. (2-tailed)	.000
export knowledge	Pearson Correlation	.658**
	Sig. (2-tailed)	.000
technological capability	Pearson Correlation	.463**
	Sig. (2-tailed)	.000
The mean of global competition	Pearson Correlation	.180
	Sig. (2-tailed)	.063
export promotional support	Pearson Correlation	.499**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS output

As it shown in Table 4.6, there was a significant positive correlation between the independent variables (product quality, capital, export knowledge, technological capability and export promotional support) and dependent variable (export performance) at significant level of ($P<0.01$) except the global competition. The global competition is insignificant on export performance since ($P>0.05$) and it has a weak relationship with export performance with $r=0.18$. As it is indicated in the above table, the correlation coefficient between independent

and dependent variables of product quality is r= 0.651, capital r=0.605, export knowledge r=0.658, technological capability r=0.463 and export promotional support r=0.499 at p value less than 0.01(P<0.01).All the five independent variables have positive moderate relationship with export performance whereas global competition is weak relationship with export performance. Therefore, these results supported the previous hypothesis that there is a positive correlation between the independent and dependent variable except the global competition variable.

4.6. Diagnostic Tools Assumption for Regression

4.6.1. Normality test

The normality of the data should be tested before running the regression analysis because multiple regressions require the independent variables in the analysis be normally distributed Normality test is used to determine whether sample data has been drawn from a normally distributed population or the population from which the data came is normally distributed. Normality was checked by two terms i.e. kurtosis and skewedness. As a rule of thumb, the data is normally distributed the skewness and kurtosis should be fall within the range of -2 and 2. As can be seen from the table below, the result is within the range; hence, the data is normally distributed.

Table 4.5.Skewness and Kurtosis test result

	Skewness		Kurtosis	
variables	Statistic	Std. Error of Skewness	Statistic	Std. Error of Kurtosis
Product quality	0.313	0.233	0.576	0.461
capital	0.791	0.233	1.466	0.461
Technological capability	0.596	0.233	0.118	0.461
Export knowledge	0.572	0.233	1.174	0.461
Global competition	0.516	0.233	0.864	0.461
Export promotional support	0.556	0.233	0.793	0.461
export performance	0.522	0.233	-0.225	0.461

Source: SPSS output

Another normality test was checked in histogram graph .According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell shaped and thus this study implemented graphical methods to test the normality of data. From the Histogram figure seen on the appendix it can be noted that the distribution is normal curve, demonstrating that the data witnesses to the normality assumption.

The normal probability plots were also used to test the normality assumption as shown on the appendix it is normal P P-Plot figure. It shows the residuals were normally distributed around its mean of zero which indicates that the data were normally distributed and it was consistent with a normal distribution assumption. The P-Plot figures confirmed the normality assumption of the data and imply that inferences made about the population parameters from the sample statistics tend to be valid.

4.6.2. Multicollinearity test Diagnostics

Before conducting the multiple regression analysis, one should check the problem of multi collinearity which resulted in high correlations among the independent variables. Multicollinearity test in multiple regression analysis refers to the correlation among the independent variables (Kline, 1998). The two common multicollinearity tests are tolerance and variance inflation factor (VIF).Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula 1–R2 for each variable and the Variance Inflation Factor (VIF) is the influence of correlations among independent variables on the precision of regression estimates. According to (Dormann-et-el-2013), multicollinearity is not a threat if a tolerance value is not less than 0.1 and variance inflation factor (VIF) is greater than 10. The researcher checked both tolerance and VIF among the independent variables and found out that the value of tolerance is greater than 0.1 and VIF is less than 10, as shown in table 4.7. Therefore, the result confirmed the absence of multicolinairity according to collinearity Statistics table below.

Table 4.6. Collinearity Test result.

Independent variable	Collinearity Statistics	
	Tolerance	VIF
product quality	0.782	1.279
capital	0.634	1.577
technological capability	0.831	1.204
export knowledge	0.673	1.486
global competition	0.847	1.180
export promotional support	0.770	1.299

Source: SPSS output.

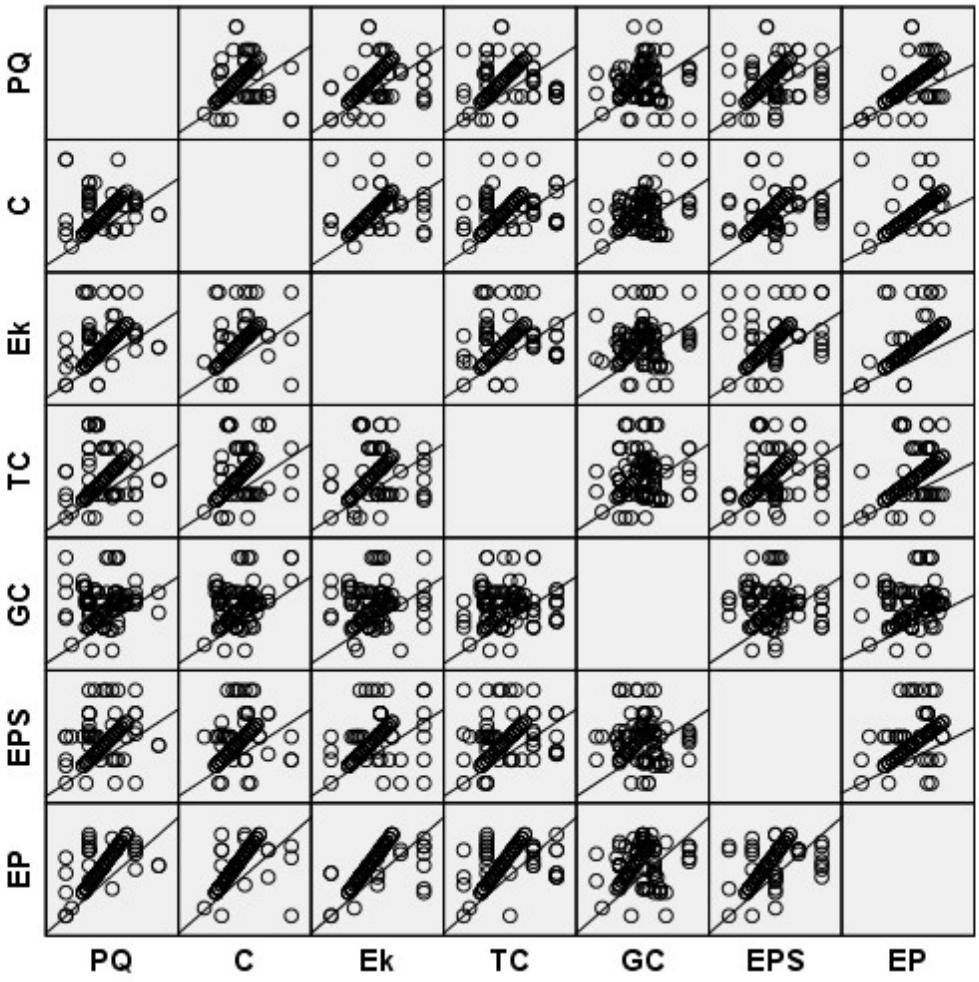
From the table above, the VIF values of all independent variables are less than 10 and the tolerance statistics are above 0.2; therefore, we can conclude that there is no multi collinearity treat within the data.

4.6.3. Assumption of Linearity of the model diagnostics

The matrix scatter plot below shows the relationship of dependent variable to each independent variable. As shown on the diagram we can say that the outcome variable is linearly related to each predictor variable.

Using the standardized residuals and standardized predicted variable the residuals are plotted which cantered on 0. The points are scattered and no obvious pattern is recorded therefore, the plots support the assumption of linearity.

Figure 4.1 Matrix scatter



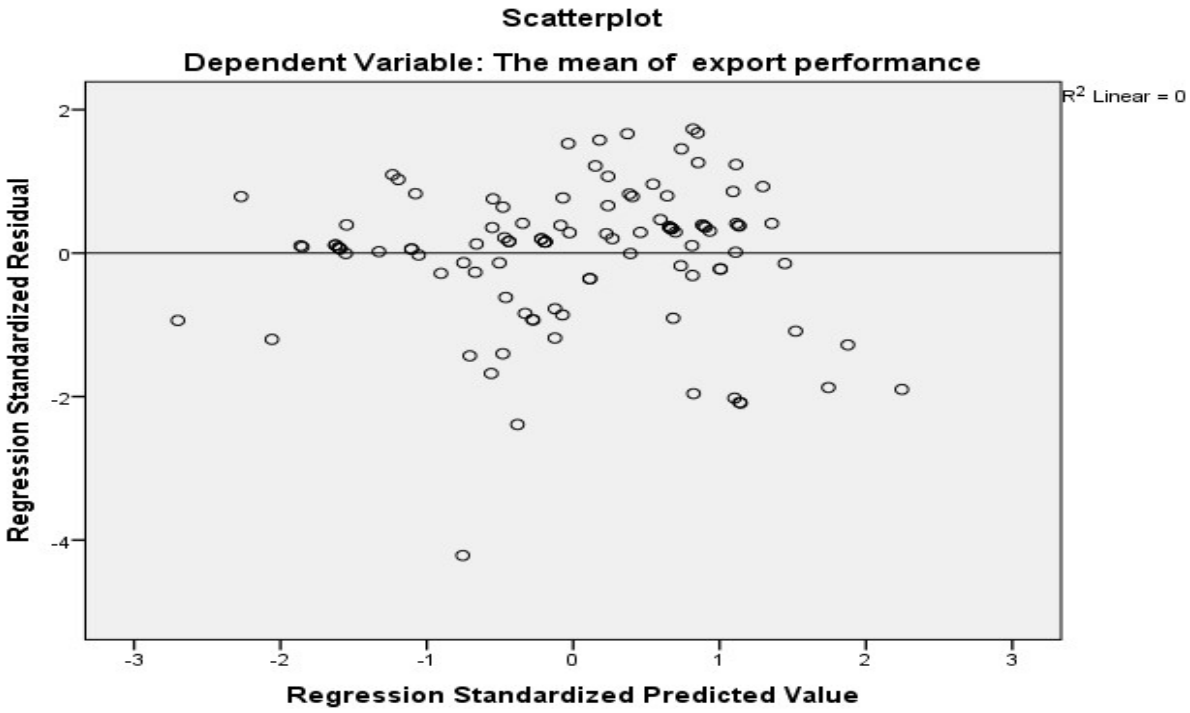
4.6.4. Assumption of Homoscedasticity diagnostics

Homoscedasticity is an assumption in regression analysis that the residuals at each level of the predictor variables have similar variances. At each point along any predictor variable, the spread of residuals should be fairly constant. We first plot *ZRESID (Yaxis) against *ZPRED (X-axis) on SPSS because this plot is useful to determine whether the assumptions of random errors and homoscedasticity have been met (Field, 2009). The graph of *ZRESID and *ZPRED should look like a random array of dots evenly dispersed around zero. If this graph funnels out, then the chances are that there is heteroscedasticity in the data. If there is any sort of curve in this graph, then, the chances are that the data does not fulfil the assumption of linearity (Field, 2009). The scattered plot shows the residuals at each level of Explanatory variables are evenly dispersed around zero and that the graph is not scattered and cone shaped. Therefore, this study has no homoscedasticity problem.

The requirement for this assumption is that the variation about the predicted values is constant regardless of whether the predicted values are large or small. As can be seen above,

because the dots are scattered it indicates that the variances of the residuals are constant.

Figure 4.2. Scatterplot graph



4.6.5. Assumption of independent errors diagnostics

This assumption similarly states that successive residuals should be independent and there must be no pattern to the residuals. Therefore, as can be seen above both positive and negative residuals are displayed which indicates that there is a random distribution of positive and negative values across the entire range of the variable plotted on the horizontal axis which support the assumption.

4.7. Multiple Linear Regression Analysis

Multiple regression analysis is a statistics technique used to investigate the relationships between a dependent variable and two or more independent variables (Kothari, 2007). The regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (product quality, capital, export knowledge, technological capability, global competition and export promotional support) explained the dependent variable (export performance). The results of the regression analysis are as follows.

4.8. Model summary

Multiple R is the correlation between the observed and predicted values of outcome by the multiple regression models. The large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. A multiple R of 1 represents a situation in which the model perfectly predicts the observed data. R square (R^2) is the coefficient of determination that indicates the proportion of variance in one variable explained by a second variable. And the adjusted R^2 tells us how much variance in the outcome would be accounted for if the model had been derived from the population from which the sample was taken (Field, 2009).

Table 4.7. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sift Change
1	0.866a	0.750	0.735	0.306	0.750	50.519	6	101	0.000

a. Predictors: (Constant), export promotional support, global competition, technological capability, product quality, export knowledge, capital

From the model summary table 4.7, R has the value 75 % which represents the overall correlation between the independent variables (product quality, capital, export knowledge, technological capability, global competition and export promotional support) and dependent variable (export performance) of Ethiopian local Horse bean exporting firms. The predictor variables (R^2) have accounted for 75% and the adjusted R square of 73.5% with estimated standard error deviation of 0.306. Thus, 75% of the variation in export performance could be explained by the six independent variables. The other 25 % are presented by other variables out of this model.

4.9. ANOVA Results

Table 4.8. ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.293	6	4.715	50.519	.000b
	Residual	9.427	101	.093		
	Total	37.720	107			

Dependent Variable: export performance

Predictors :(Constant), export promotional support, global competition, technological capability, product quality, export knowledge, capital

The above table 4.8 shows that the F-ratio in the ANOVA tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, F (6,101) = 50.519 at p <0.05, thus the regression model is a good fit of the data

Table 4.9. Regression Coefficients of determinant factors of export performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.168	.170		.987	.326
	product quality	.293	.043	.385	6.837	.000
	capital	.237	.054	.277	4.433	.000
	technological capability	.114	.034	.184	3.369	.001
	export knowledge	.197	.043	.281	4.629	.000
	global competition	-.021	.040	-.028	-.523	.602
	export promotional support	.092	.039	.134	2.372	.020

A.Dependent Variable: export performance.

Based on the unstandardized coefficients we obtain the regression equation:

EP= 0.168 + 0.293 PQ + 0.237 C + 0.114 TC+0.197 EK+.092EPS

Where: EP=export performance, PQ=product quality, C=capital, TC=technological capability, EK=export knowledge, GC=global competition and EPS=export promotional support.

From the multiple regression tables 4.9, product quality, capital, export knowledge, technological capability and export promotional support are significantly determined and predicted for export performance, since their p-value is 0.000, 0.000, 0.000, 0.001 and 0.020 respectively which is less than the level of significance 0.05.They are significant and have a positive relationship with dependent variable of export performance. However, global competition does not significantly predict the export performance of the Ethiopian local Horse bean exporting export firms since the p-value(0.602) is greater than the level of significance 0.05.

As it is indicated in the table 4.9, the product quality has a positive significant effect on export performance with b coefficient of 0.293 and beta coefficient 0.385. It means that a product with a required quality increases the export performance of the Horse bean firms i.e. a quality determines 29.3% of export performance. Many previous studies also supported this

findings that improvements the dimensions of product quality lead to increased sales and large market share as the result increased the export performance of the firms Garvin (1984), Christensen and Da Rocha (1994), Samir and Lirim(2016) and Gebreyohannes(2016).

Capital is a significant and positive influence on export performance of the firms with b coefficient of 0.237 and beta coefficient 0.277 shows that.23.7% of export is significantly affected by capital. It means that the accessibility of capital to local Horse bean firms increases the export performance. The finding is supported by Lee and Pennings (2001), Wiklund (1999) and Bikenesh (2012). Finance specially the foreign currency is a determinant factor for export market to purchase raw materials, in research overseas markets, visiting foreign customers, adapting the export marketing strategy etc. (Al-Hyari *et al.,* 2012).

Technological capability also has a significant and positive impact on export performance with b coefficient of 0.114 and beta coefficient 0.184.The result indicated that the presence of the technological capability in the firm, the export of the firms will increase indicated that a technological capability determines export performance by 11.4%. This finding is in line with the finding of Flor and Oltar (2005) that technological capability plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets but it contradicts with the finding of kifelew (2018) that he found technological capability is insignificant effect on export competitiveness.

From the table shown above, export knowledge has a positive significant effect on export performance of firms with b coefficient of 0.197 and beta coefficient 0.281.The result indicated that firms which have international export knowledge information can effectively identify potential markets or foreign opportunities. This increases the export performance of the firms. Hence an improvement in export knowledge will determine 19% of export performance. This finding is consistent indirectly with Albaum, Strandskov and Duerr (1998) explained that market opportunities abroad might use strong pressure upon a firm's willingness to begin and expand exports.

Export promotional support from the government and no-government incentives are found to have a significant and positive effect on a firm's export performance. This empirical finding implies that export promotional support incentives can help the products exporting firms to be competitive in the world market. The support helps the firms to find markets for their products, as well as provide them with a better understanding of products demanded in different export markets. In other words, government and nongovernmental export promotion programs through financial support and non-financial support (e.g., management

and technical assistance, and training support) is necessary to promote the export participation of industry as well as their export competitiveness. From the table above shown export promotional support to the firms determines export performance by 9.2%.

This result is consistent with the finding of Wu and Cheng (1999) and kifelew (2018) that promotional support finds are significantly determined industry export competitiveness.

Global competition is found to be insignificant predicator for export performance of the industry since the p-value is greater than the level of significance ($p>0.05$).It means that global competition has not much contribution for export performance of local Horse bean firms in Ethiopia.

4.10. Hypothesis Testing and Interpretation of Results

From the six independent variables of this study only one variable such as global competition is insignificant and has a negative impact on export performance. All the other five independent variables are found to be a significant determinates and they have a positive effect on export performance.

H1: Product Quality (PQ) has a significant and positive effect on export performance of domestic Horse Bean industry in Ethiopia.

Based the above regression analysis result, product quality has a positive significant effect on export performance with a coefficient of 0.293 at the significance level $p<0.05$.It means that a 1 % change of product quality, there is a 0.293% change of export performance. Thus, H1 is accepted.

H2*: Capital(C) has a significant and positive effect on export performance of domestic Horse Bean industry in Ethiopia*.

From regression analysis, capital has a positive significant effect on export performance with a coefficient of 0.237 at the significance level $p<0.05$. It means that a 1 % change of product quality, there is a 0.237% change of export performance. Thus, H2 is accepted.

H3: *Export Knowledge (EK) has a significant and positive effect on export performance of domestic Horse Bean industry in Ethiopia.*

The third hypothesis test result provided that export knowledge has a positive and significant relationship with export performance, where the coefficient value of 0.197 at p value < 0.05. It means that a 1 % change of technological capability, there is a 0.197% change of export performance. Thus, H3 is accepted.

H4: *Technological capability (TC) has a significant and positive effect on export performance of domestic Horse Bean industry in Ethiopia.*

The fourth hypothesis testing confirmed that technological capability has a positive and significant relationship with export performance, where the coefficient value of 0.114 at p value < 0.05. It means that a 1 % change of technological capability, there is a 0.114% change of export performance. Thus, H4 is accepted.

H5*: Global Competition (GC) has a negative impact on export performance of domestic Horse Bean industry in Ethiopia.*

This hypothesis testing result indicated that global competition is found to be insignificant predicator for export performance of the industry since the p-value is greater than the level of significance (p>0.05). Therefore, the alternative hypothesis (H5) is rejected and null hypothesis (H0) is accepted.

H6: *Export promotional support (EPS) has a significant and positive effect on export performance of domestic Horse Bean industry in Ethiopia.*

The last hypothesis testing of the regression analysis provide that export promotional support has a positive and significant relationship with export performance, where the coefficient value of 0.092 at p value < 0.05. It means that a 1 % change of technological capability, there is a 0.092% change of export performance. Thus, H6 is accepted.

4.10. Summary of Hypothesis Test and Interpretation Results.

Hypothesis	Independent Variable	Dependent Variable	Relationship	Data analysis method	Result
H1	product quality	Export performance	Positive	Correlation & Regression	Supported
H2	capital	Export performance	Positive	Correlation & Regression	Supported
H3	technological capability	Export performance	Positive	Correlation & Regression	Supported
H4	export knowledge	Export performance	Positive	Correlation & Regression	Supported
H5	global competition	Export performance	Negative	Correlation & Regression	rejected
H6	export promotional support	Export performance	Positive	Correlation & Regression	Supported

Source: - Own survey result, 2021.

4.11. Discussion of the Results

The discussion part of the study provides a clarification of the above results in line with the research questions.

From the correlation analysis result, product quality (r=0.651), capital (r=0.605), export knowledge (r=0.658), technological capability (r=0.46), global competition(r=0.018) and export promotional support (r=0.499) are positively correlated with export performance but the global competition correlated weakly with export performance among the other variables which are correlated moderately.

With a similar manner, a multiple regression analysis result showed that the coefficient of determination (R^2) is 75%. It means that 75% of the variation in export performance could be explained by the six independent variables of product quality, capital, export knowledge, global competition, technological capability and export promotional support and other unexplored variables may explain the variation in export performance accounts for about 25%. The analysis results also indicated that the product quality, capital, export knowledge, technological capability and export promotional support are significantly determined and predicted for export performance at the level of significance p value< 0.05.The result of these findings confirmed and in lined with the proposed hypothesis in the literature. However, the remaining variable such as global competition is not significantly predict the export performance of the Ethiopian local Horse bean exporting export firms since the p value(0.602) is greater than the level of significance 0.05 which contradicts the proposed hypothesis of this study.

The product quality has a positive significant effect on export performance with unstandardized Coefficients (b) coefficient of 0.293. It means that a one unit of quality improvement, the there is a 0.293 unit of export performance improvement. The result proved that firms produce a product with a required quality increases their export performance. Many previous studies also supported this findings that improvements the dimensions of product quality lead to increased sales and large market share as the result increased the export performance of the firms Garvin (1984),Christensen and Da Rocha (1994),Samir and Lirim(2016) and Gebreyohannes (2016).Hence product quality is an important factor for export performance.

From the analysis result, Capital is a significant and positive influence on export performance of the firms with unstandardized coefficient (b) of 0.237 shows that a one unit capital increase there is 0.237 units of export increase. The finding is supported by Lee and Pennings

(2001), Wiklund (1999) and Bikenesh (2012). Finance specially the foreign currency is a determinant factor for export market to purchase raw materials, in research overseas markets, visiting foreign customers, adapting the export marketing strategy etc. (Al-Hyari et al., 2012). The finding indicated that the accessibility of capital to local Horse bean firms is a determinant factor for the export performance.

From the regression analysis result showed that technological capability also has a significant and positive impact on export performance with unstandardized coefficient (b) of 0.114.The result indicated that the improvement of the technological capability in the firm will increase firms' export. It means that a unit improvement in technological capability, export performance will improve by 0.114 units. This finding is in line with the finding of Flor and Oltar (2005).They argued that technological capability plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets. But it contradicts with the finding of kifelew (2018) that he found technological capability is insignificant effect on export competitiveness. The result indicated that technological capability is an important determinant factor for export performance of domestic Horse Bean industry in Ethiopia.

The finding indicated that export knowledge has a positive significant effect on export performance of firms with unstandardized coefficient (b) of 0.197.The coefficient indicates that a unit improvement in export knowledge, the export performance will change by the unit of 0.197.The result indicated that firms which have international export knowledge information can effectively identify potential markets or foreign opportunities and increases their export sales. This finding is consistent indirectly with Albaum, Strandskov and Duerr (1998) explained that market opportunities abroad might use strong pressure upon a firm's willingness to begin and expand exports.

Export promotional support from the government and no-government incentives are found to have a significant and positive effect on a firm's export performance with unstandardized coefficient (b) of 0.092. From the table above shown a unit change in export promotional support of the firms, export performance will change positively by 0.092 units .This empirical finding implies that export promotional support incentives can help the and products exporting firms to be competitive in the world market. This result was supported with the finding of Wu and Cheng (1999) and kifelew (2018) that promotional support significantly determined industry export competitiveness.

Global competition is found to be insignificant predicator for export performance of the industry since the p-value is greater than the level of significance ($p>0.05$).It means that global competition has not much contribution for export performance of local Horse bean firms in Ethiopia.

Chapter Five

Summary, Conclusion and Recommendation of the Study

5.1. Introduction

This is last chapter of this study that covered the major findings of the study, the conclusion and recommendation based on these findings. In addition to this, the limitations of this study and suggestions for further research related to in these areas are also highlighted in this chapter.

5.2. Summary of findings

The main objective this study is to examine the effect of determinants on export performance of local Horse Bean exporting firms in Ethiopia. In order to determine the factors that influence the export performance of domestic Horse bean exporting firms, descriptive and inferential statistical techniques were used to analyse the primary quantitative data collected through structured questionnaires from Horse bean firms. Appropriate tests were also undertaken in order to check the validity and reliability of questionnaires and the normality of the data. Descriptive statistics, correlation and multiple Regression analyses were carried out by using SPSS version 20 programs and the result is summarized as follow.

From the total 126 questionnaires distributed, 108 completed questionnaires were collected indicated that the response rate was found 85.7%.

In descriptive statics result, Horse Bean product quality scored an overall mean of 2.64 with a standard deviation of 0.779, capital mean 2.75 with standard deviation 0.692, technological capability mean 2.81) with standard deviation 0.958), export knowledge mean 2.84 with standard deviation 0.844, export promotional support mean 2.8 with standard deviation 0.871,global competition mean 2.91 with standard deviation 0.810 and export performance mean 2.68) with standard deviation 0.594.All the standard deviations of independent and dependent variables were found to be small relative to the value of the mean itself(less than 1) indicated that the data points(observations) are close to the mean and low deviation means that the participants express close opinion. Therefore, we can understand that respondents gave a close opinion and the mean is a good fit of the data.

With regard to the Pearson correlation analysis results, there was a significant positive relationship between the independent variables (product quality, capital, export knowledge, technological capability and export promotional support) and dependent variable (export performance) at significant level of ($P<0.01$) except the global competition. They have a

moderate positive relationship with dependent variables. The global competition has a weak relationship with export performance.

In the multiple regression analysis, the model summary output indicated that the value of R is 75 % which represents the overall correlation between the independent variables (product quality, capital, export knowledge, technological capability, global competition and export promotional support) and dependent variable (export performance). It means that 75% of the variation in export performance is explained by these six independent variables. The other 25 % are explained by other variables out of this model.

The results of regression analysis indicated that product quality, capital, export knowledge, technological capability and export promotional support have a positive significant effect on export performance having a regression coefficient of 0.293, 0.237, 0.197, 0.114 and 0.092 respectively. The finding confirmed that these independent variables are the determinant factors for the growth of export to local Horse bean exporting firms in Ethiopia. Product quality and capital are more determinant factors for the growth of export performance. On other hand, global competition has insignificant effect on export performance since the p-value is greater than the level of significance ($p>0.05$).

5.3. Conclusion

The finding of this study shows that the growth of export performance of local Horse bean companies in Ethiopia is determined by product quality, capital, export knowledge, technological capability, global competition and export promotional support.

Product quality has become the determinant of the export of firms as it ensures adaptability to increasingly dynamic market requirements. The finding of this research confirmed that a firm can increases its export performance by producing a quality product to international market.

A firm who has an access to finance/capital can increase its export in the international market. The finding confirmed that capital is the key determinant factors of export performance.

Export knowledge and information are one of the most significant sources that enable exporting firms to be successful. The research finding indicated that capital has a positive significant effect on export performance local Horse bean exporting firms in Ethiopia.

Technological capability has positive significant effect on export performance of firms. Firms with better technological capability can secure greater efficiency gains by pioneering process innovations and can achieve higher differentiation by innovating products in response to the changing market environment. It plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets.

From the result of finding, the researcher concluded that export promotional support is an important factor for export performance of local Horse bean companies in Ethiopia especially for small and medium firms. Export promotion support helps to the exporters (firms) to find markets for their products, as well as provide them with a better understanding of products demanded in different export markets.

From the above analysis result, it is possible to conclude that global competition has insignificant effect on export performance for local Horse bean companies in Ethiopia.

Generally, it can be conclude that the five export determinants namely product quality, capital, export knowledge, technological capability and export promotional support are positively related whereas global competition negatively related to export performance of local Horse bean companies in Ethiopia

5.4. Recommendation

Based on the findings of the study and conclusions drawn from them, the following possible and plausible recommendations are suggested for actions to be undertaken by each stakeholder at different levels:-

In order to improve export performance through increased sales and market share in the international market, firm has to produce a quality product according to the customer's specification. Another important point is that Ethiopian local firm has to implement a quality management system as a tool.

Local firms must have a skilled manager or hire a manager who has international marketing export knowledge in order to know dynamic world market information.

With the current Ethiopian financial shortage and the banking system procedures, exporters cannot produce and deliver their products to the customers on their contractual date. Hence, government has to device an easy access of financial system procedures for local firms in order to enter in the international market.

Ethiopia and product exporting industries have a limitation in technological capability to compete their competitors in the international market. It is advisable that local firms share and acquire a technological know-how from foreign company in Ethiopia and in abroad making a partnership with them. In addition to this, government has to support the industries to have a technological capability through ministry of science and technology (MOST) and institutions.

Currently there is no any export promotional support for export firms from government and non-governmental organization. Local firms require a help and guidance to identify potential

export opportunities, to do market research, to participate in foreign trade shows etc. Therefore, the governmental and nongovernmental institutions should have support local exporting firms in export promotions in the international market.

Generally, in order to increase the competency of local Horse bean firms in the international market, it is recommended that firms have to improve their product quality, export knowledge, and technological capability on their side. On the other hand, the government has to introduce special incentives that promote the export exporting industry in terms of finance accessibility and promotional support

5.5. Limitations and Suggestions for further study

The limitation of this study was that it focused only specific determinant factors of export performance but there are many other factors that affect export performance along the value chain in the sector. This research can be further explored by adding more determinant factors like logistics, inputs/raw materials, managerial capability and others which could influence the export performance of Horse bean firms.

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Annex

Questionnaire to be filled by domestic Horse Bean export companies in Ethiopia

Dear Respondent,

This questionnaire designed to collect data about the "**determinants of export performance of domestic Horse Bean export firms in Ethiopia**". The information that you offer me with this questionnaire used as a primary data in my case study which I am conducting as a partial fulfillment of the Requirements for the Award of Degree of Masters of Business Administration. The information gathered will be used fully and with due attention for academic purpose only. I, therefore, would like to assure you that the data collected would not be misused in any way.

Finally, I would like to express my deep appreciation for your generous time, honest and prompt responses.

General Instructions

1. No need of writing your name.
2. Please fill the answer by putting "√" mark.
3. Please return the completed questionnaire as much as possible.
4. If you need further explanation, you can contact me through the address mentioned above.

PART I: Socio-demographic Information

	Male		**Female**		
Gender					
	18-25	26-34	35-43	44-52	52+
Age					
	Primary education	Secondary education	Diploma	Degree	Masters
Education level					
	Owner (general manager)	department manager	Supervisor		
position in the					

organization					
	<5	5- 10	11-15	15+	
service in the company (years)					

Part II. In the following box, there are the lists of expected determinant factor that affect the export performance of Horse Bean industry in Ethiopia. Please show the factors by selecting and putting a tick mark in the box of your choice.

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

SN	Internal Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Product Quality						
7	Your firm produces according to customers specifications					
8	Most of the time your firm faced problems to comply customers request.					
9	Your firm offered Range of quality products to export market					
Capital						
10	There is difficulty in timely obtaining working capital or foreign currency from financial institutions					
11	The collateral requirement from lending institutions is a serious constraint for the industry.					
12	Loan processing procedures of banks and other lending institutions are too complicated and time consuming.					
13	The costs of loans for export finance are high for your firm.					
Export knowledge						
14	The company has updated customer information					
15	The company has current market information					

16	The company has current Competitor information in international market.					
17	The company has Supply chain channels information					
External Factors		Strongly Disagree	Disagree	Neutral	Agee	Strongly Agree
Technological capability						
18	The company frequently modifies production process with upgrading technology.					
19	Your firm modifies products according to export market demand by using upgrading technology.					
20	The company develops and test new product design generated from our own.					
Global competition						
21	The competitive environment in our main export country requires us to increase the quality of our existing product					
22	A new competitive move almost every day in our main export country					
23	Our competitors are relatively weak in our main export country.					
24	Price competition is a hallmark of our Horse Bean					
	industry in our main export country with substitute products(non-Horse Bean products)					
Export **promotional support**						
25	There is frequent communication with suppliers and customers, foreign visit and participation in trade fair and promotion activities to reach and maintain market.					
26	There is strong government and nongovernmental support for export promotion to participate in the international trade fair/exhibition to promote your products, business to business (B2B or B2G) meeting etc.					

27	There are enough supporting institutions and associations that promote the sector in the international market.					

PART IV: EXPORT PERFORMANCE

The intention of this section is to obtain your opinions, feelings, or beliefs about the export performance of your firm. Please indicate the extent to which the following statements are true of your firm's achievement on exporting objectives, over the last 5years. Please show the factors by selecting and putting a tick mark in the box of your choice.

Export Performance		**strongly disagree**	**disagree**	**neutral**	**agree**	**strongly agree**
28	Our quality product improved the firm's export and international competitiveness.					
29	Our export has strengthened due to governmental support in terms of international market information					
30	Global competition affected our export.					
31	Our firms became profitable through export because of the accessibility of finance.					
32	Through exporting, the firm has generated a high volume of sales as the result of marketing knowledge and information					
33	The firm's exports have achieved rapid growth due to technological capability					
34	Our firm's export increased as a result of government incentive in export promotion.					
35	Institution & association support in technology and market research increased our export.					