

Export Performance and Firms' Characteristics : Study Based on Transport Manufacturing Firms in India

REKHA MELWANI*

Abstract

Export plays a vital role in economic development of any country. Export performance helps in formulating the internationalization strategies for enhancing the financial health. Author's objective is to study the firms' characteristics and export performance of Indian transport manufacturing firms in recent past. Export Performance as a dependent variable has been measured by export intensity (EXINTY) and export earnings (EXEARS). The study is based on secondary source of data of Indian transport manufacturing firms which represented the transport manufacturing index in PROWESS data base of CMIE. The technique of correlation and multiple regression analyses has been applied after checking the autocorrelation and multicollinearity through SPSS 21.0. The results evidenced that export performance of transport manufacturing Indian firms had been influenced by firms' characteristics.

JEL Code : G30, G31, G41, L25, L62, O3

Keywords : Export Performance; Firm Size; Return on Assets; R&D; Manufacturing; India

I. Introduction

EXPORT HAS A prominent role in economic development of any country. In the era of globalization especially in developing countries exports are vital and one of the key objectives of liberalization reforms. Export contributes to the economic growth; improvement in trade balance hence improved the economic health of any nation. It also helps in promoting and improving indigenous production capacity, improving industrial productivity, increase foreign exchange reserves and new job opportunities (Guner, Lee and Luis. 2010)

The Indian export basket shows the exports of merchandise trade and services trade. The annual report (2017-18, GOI, Department of Commerce) had shown that the overall exports in both merchandise and services trade

* Associate Professor Shri Vaishnav Institute of Management, Sector B, Indore Scheme No. 71 Gumashta Nagar, Indore, Madhya Pradesh 452002 INDIA.

the sample of 103 Indian transport manufacturing firms; the empirical results evidenced that the firm specific variables significantly affect export performance of the firms. Among the firm specific variables; Size of the firm, age, R & D intensity, capital intensity and profitability indicator; size of the firm had shown negative impact on export performance. It indicated that size of the firms had been increased but parallel growth had not been reported in export performance. These firms are lagging behind in technological frontier and did not contributed in exports intensity of the firms as R & D intensity had shown negative impact on export performance. The older firms leverage the export advantage in international market and enhanced the performance of the firm. The category wise results concluded that the higher export intensity firms led to higher profitability. Size and age are two important variables which affect the export performance of Indian transport manufacturing firms.

6.1 Limitations and Future Direction of the Study

The study focused on the export performance of the Indian transport manufacturing firms and tried to measure that how it has been affected by firms' specific variables. It has found that the considered variables had impact on export performance of the firms. The further in-depth analysis on the basis of export intensity was an attempt to differentiate the high, medium and low exporter firms. The results are limited to the transport manufacturing firms and it has been found that the expenses on R& D should be qualitative so that firms can leverage the export market. The future research can be conducted to address more variables; macro as well as micro; to enhance the export performance of Indian manufacturing firms.

References

- Alexandre, N., A.C.T. Aurora and T.S. Sandra, (2016), "Exports-R&D Investment Complementarity and Economic Performance of Firms Located in Portugal", *Investigación Económica*, Vol. LXXV, No. 295, pp. 125-156.
- Ali, A. and P. Swiercz, (1991), "Firm Size and Export Behaviour Lessons from the Mid-West", *Journal of Small Business Management*, Vol. 29, pp. 71-78.
- Aw, B.Y., M.J. Roberts and D.Y. Xu, (2011), "R&D Investments, Exporting, and Productivity Dynamics", *American Economic Review*, Vol. 101, pp. 1312-1344.
- Bonaccorsi, A., (1992), "On the Relationship between Firm Size and Export Intensity", *Journal of International Business Studies*, Vol. 23, pp. 605-635.
- Çil, A. B. and F. Dülger, (2018), "Financial Constraints, Firm Characteristics and Exports: Evidence from Turkish Manufacturing Firms", *International Journal of Economics and Financial Issues*, Vol. 8, No. 1, vpp. 168-174.
- Constantine, S. Katsikeas and E.M. Robert, (1994), "Difference in Perceptions of Exporting Problems of Firm Size and Export Market Experience", *European Journal of Marketing*, Vol. 28, No. 5, pp. 17-35.

Czinkota, M. R. and M. Ursic, (1991), "Classification of Exporting Firms According to Sales and Growth into a Share Matrix" *Journal of Business Research*, Vol. 22, pp. 243-253.

Daniele, B., N. Paolo and P. Emilio, (2018), "The role of R&D Investments and Export on SMEs' Growth: a Domain Ambidexterity Perspective", *Management Decision*, Vol. 56 No. 9, pp. 883-1903.

Deardoff, A. V. (1984), "Testing trade theories and predicting trade flows", *Handbook of International Economics*, Elsevier Science Publishers, Amsterdam, Vol. 1, pp. 467-517.

Dirk M. B., Q. Gongming and W.P. Mike, (2016), "Export intensity, Scope, and Destinations: Evidence from Brazil", *Industrial Marketing Management*, Vol. 57, pp. 127-138.

Felix S., S. and J. Gayathri, (2018), "Firm Size and Performance with Special Reference to Multinational Pharmaceutical Firms", *Pacific Business Review International*, Vol. 10, No. 8, pp. 33-38.

Fu, D., Y. Wu and Y. Tang, (2009), "The Effects of Ownership Structure and Industry Characteristics on Export Performance", Discussion Paper 10.09, The University of Western Australia, Australia.

Gabbitas, O. and P. Gretton, (2003), "Firm Size and Export Performance: Some Empirical Evidence" Productivity Commission Staff Research Paper.

Ganotakis, P. and J. Love, (2012), "Export propensity, Export intensity and Firm performance: the role of the Entrepreneurial Founding Team" *Journal of International Business Studies*, Vol. 43, pp. 693-718.

Girma, S., D. Greenaway and R. Kneller, (2004), Entry to Export Markets and Productivity: A Microeconomic Analysis of Matched Firms", *Review of International Economics*, Vol. 12, pp. 855-866.

GOI, (2018), "Annual report 2017-18", Ministry of Commerce and Industry, Department of Commerce, Government of India.

Gouveia A. F. and A.L. Correia, (2016), "What Determines Firm-level Export Capacity? Evidence from Portuguese firms", GEE Papers No. 57.

Gujrati, D. (2004), "Basic Econometrics", 4th Edition, Tata-McGraw Hill.

Guner, B., J. Lee and H. Lucius, (2010), "The Impact of Industry Characteristics on Export Performance: a Three Country Study", *International Journal of Business and Economics Perspectives*, Vol. 5, No.2, pp. 126-196.

Gupta A., I. Patnaik and A. Shah, (2018), "Exporting and Firm Performance: Evidence from India", *Indian Growth and Development Review*, Vol. 12, No. 1, pp. 83-104.

Ito, K. and V. Pucik, (1993), "R. & D Spending, Domestic Competition, and Export Performance of Japanese Manufacturing Firms", *Strategic Management Journal*, Vol.14, pp. 61-75.

Iyer, K. (2010), "The Determinants of Firm-Level Export Intensity in New Zealand Agriculture and Forestry", *Economic Analysis & Policy*, Vol. 40, No. 1, pp. 75-86.

Jieke, C., M.P.S. Carlos and H. Xinming, (2016), "The Determinants of Export Performance: A Review of the Literature 2006-2014. *International Marketing Review*, Vol. 33, No. 5, pp. 626-670.

Keshari K. P. and M. Sagar, (2013), "A Firm Level Study of the Determinants of Export Performance in Machinery and Transport Equipment Industry of India" MPRA Munich Personal Archive, MPRA Paper No. 47127.

Laursen, K, and V. Meliciani, (2000), "The Importance of Technology-Based Intersectoral Linkages for Market Share Dynamics", *Review of World Economics*, Vol. 136, No. 4, pp. 702-723.

Lee J. and B.H. Giorgis, (2004), "Empirical Approach to the Sequential Relationships between Firm Strategy, Export Activity, and Performance in U.S. Manufacturing Firms", *International Business Review*, Vol. 13, No. 1, pp. 101-129.

Lee, C. S., and Y.S. Yang, (1990), "Impact of Export Market Expansion Strategy on Export Performance", *International Marketing Review*, Vol. 7, No. 4, pp. 41-51.

Majocchia, A., E. Bacchiocchib and U. Mayrhofer, (2005), "Firm Size, Business Experience and Export Intensity in SMEs: A Longitudinal Approach to Complex R relationships", *International Business Review*, Vol. 14, pp. 719-738.

Markides, C.C. (1995), "A Diversification, Restructuring and Economic Performance", *Strategic Management Journal*, Vol. 16, No. 2, pp. 101-118.

Naidu G. and V. Prasad, (1994), "Predictors of Export Strategy and Performance of Small and Medium Sized Firms" *Journal of Business Research*, Vol. 31, pp. 107-115.

Nayak, S., V. Aggrawal and P. Mann, (2013), "India's Manufacturing Export Dynamics: An Analysis of Technology Intensity Transition", Centre for WTO studies, Indian Institute of Foreign Trade, Delhi.

Parikh A. and L.G. Pascal, (2014), "Which firms export? An Empirical Analysis for the Manufacturing Sector in the MENA Region" *Journal of Economic Studies*, Vol.41, No. 5, pp. 672-695.

Rajshekhkar, G. J., W.D. Steven and L. Oscar, (2000), "Firm Characteristics Influencing Export Propensity: An Empirical Investigation by Industry Type", *Journal of Business Research* Vol. 47, pp. 217-228.

Ranjan P. and J. Raychaudhuri, (2011), "Self Selection vs Learning: Evidence from Indian Exporting Firms" *Indian Growth and Development Review*, Vol. 4, No. 1, pp. 22-37.

Roper, S. and J.H. Love, (2001), "The Determinants of Export Performance: Panel Data Evidence for Irish Manufacturing Plants" NIERC Working Paper No. 69.

Salvador B., G. Holger and S. Eric, (2003), "Explaining Firms' Export Behaviour: R &D, Spillovers and the Destination Market", *Oxford Bulletin of Economics and Statistics*, Vol. 64, No. 4, pp. 475-496

Samiee P. S. and G.P. Walters, (1991), "Influence of Firm Size on Export Planning and Performance", *Journal of Business Research*, Vol. 20, No. 3, pp. 235-248.

Sharma C. and R.K. Mishra, (2012), "Export participation and productivity performance of firms in the Indian transport manufacturing", *Journal of Manufacturing Technology Management*, Vol. 23, No. 3, pp. 351 - 369.

Smitha, F., (2015), "*India's Manufacturing Sector Export Performance During 1999-2013: A Focus on Missing Domestic Inter-Sectoral Linkages*", Institute for Studies in Industrial Development, Delhi, Working Paper no. 182

Sousa, C. M. P. and F. Bradley, (2008), "*Antecedents of International Pricing Adaptation and Export Performance*", *Journal of World Business*, Vol. 43, No. 3, pp. 307-320.

Tulin U. and K.A. Songul, (2006), "*The Effects of Firm's Strategic Factors on Export and Firm Performance: A Comparison of Permanent and Sporadic Exporters*", *Problems and Perspectives in Management*, Vol. 4, No. 4, pp. 42-62.

Zou, S. and S. Stan, (1998), "*The Determinants of Export Performance: A Review of the Empirical Literature Between 1987 And 1997*", *International Marketing Review*, Vol. 15, No. 5, pp. 333-356.