ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATES STUDIES

DETERMINANTS OF THE EXPORT PERFORMANCE OF ETHIOPIAN TEXTILE AND APPAREL PRODUCTS

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BY

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ST. MARY'S UNIVERSITY COLLEGE SCHOOL OF GRADUATE STUDIES FACULTY OF BUSINESS

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I Mekdes Biadglgne, declare that this thesis entitled the determinants of the export performance of Ethiopian textile and apparel product is my original work,all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. This study has not been submitted for award of any degree or diploma program in this or any other institution and, I have fully cited, acknowledged and referenced all material and results that are not original to this work**.**

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Name   **Signature**

St. Mary's University, Addis Ababa June 2019

ENDORSEMENT

This thesis entitles the determinants of the export performance of Ethiopian textile and apparel product has been submitted to St. Mary's University College, School ofGraduate Studies for examination with my approval as a university advisor.

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Advisor   **Signature**

St. Mary's University, Addis AbabaJune 2019

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ACRONYMS

ADLI	Agricultural development led industrialization
AGOA	Africa Growth and Opportunity Act CMT cut-make-trim
COMESA	Common Market for Eastern and Southern Africa
CRGE	Climate Resilient Green Economy
EU	European Union
EAC	East African Community
EDRI	Ethiopian Development Research Institute
EiTEX	Ethiopian Institute of Textile and Fashion Technology
EPRDF	Ethiopian People's Revolutionary Democratic Front
ETGAMA	Ethiopian Textile and Garment Manufactures' Association
ETP	Effluent treatment plants
FDI	Foreign direct investment
FOB	Free on board FTA free trade area
GDP	Gross domestic product
GTP	Growth and Transformation Plan
GVC	Global value chain IDS Industrial Development Strategy
JV	Joint venture
LDC	Least developed country
LIC	Low- income country
PEETAP	Performance of Ethiopia export on textile and apparel products
SSA	Sub-Saharan African
T&C	Textile and closing
TIDI	Textile Industry Development Institute
TVET	Technical and vocational education and training
USD	United State dollar
VAT	Value added tax
WTO	World Trade Organization

Abstract

The textile and apparel industry is believed to be a bigger contribution to empower Ethiopia's Economy being the industries labor intensiveness aligned with the countries availability of labor force and duty free trade access to preferential markets. Despite the above and many other opportunities the countries' textile and apparel export performance is insignificant compare to other countries and underperforming towards the country target. The main purpose of this study is to investigate on the determinants of the export performance of Ethiopian textile and apparel product. The study has been conducted by taking factories which are located in Addis Ababa aspopulation and data was collected using structured questionnaires distributed to operational, middle and upper level managers in all twenty onefactories. The data at part was done using SPSS version 20 (Statistical Package for the Social Science). The researchers identified some of the major determinants that could challenge the export performance of Ethiopian textile and apparel products are poor human capital, low access to input, week international marketing capacity and infrastructure. The demographic variables were analyzed through descriptive statistics tools to determine the effect of the factors identified. The study revealed that the existence of strong relationship between the performance of Ethiopian export on textile and apparel products and the independent variables which are human capital, access to input, marketing capacity and infrastructure. The study is significant for researchers as it helps to improve the understanding of factors influencing performance of Ethiopian export on textile and apparel products. Finally this study recommend both the government and manufactures should work close to improve the skill of labor in the industry, attract FDI to invest in producing the input locally, invest more on infrastructure and trade related issues.

Key words:*performance of Ethiopian export on textile and apparel products, human capital, access to input, marketing capacity, infrastructure.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The trend towards globalization of trade and sales activities has increasingly highlighted the importance of understanding the behavior of firms in foreign markets. Exporting Represents a viable strategic option for firms to internationalize and has remained the Most frequently used foreign market entry mode chosen (Zhao and Zou 2002), as it provides the firm with high levels of flexibility and a cost-effective way of penetrating new foreign markets quickly (Leonidou 1995). This has resulted, over recent decades, inconsiderable attention being paid to the export performance of a firm.

Firm's survival and expansion, and the consequent economic growth of many countries, is strongly dependent on a better understanding of the determinants that influence their export performance. With the steady rise in global business and the emergence of global competition, an understanding of the determinants of export performance has become particularly important in today's business environment, and numerous studies have been concerned with identifying the key variables that affect it (Sousa et al., 2008).

Mapping the development of the apparel sector in Ethiopia

With the end of the war against the Derg regime in 1991 came a switch to market-led economic policy and political and economic stabilization. This, combined with the industrial policy focus implemented since the early 2000s allowed the textile and apparel sector begin to grow in Ethiopia. Substantial growth, however, only really took off in the last five years but data on the precise number of firms varies slightly. In a business opportunity report for investors from the Netherlands, Van der Pols (2015) states that there were less than 20 firms in 1991, which increased to above 80 in 2012 and nearly 110 in 2013, reaching around 130 medium and large scale factories today. ETGAMA talks about 115 to 120 medium and large-scale textiles. TIDI data (complemented by our interview data) shows that there are 127 textile and apparel firms in January 2016.

Subsequently, they climbed to around 12 million in 2010. Since then, they continued to rise substantially and accounted for around US$68 million in 2014. The following year, exports continued to climb — particularly to the US — reaching an estimated US$73 million.2

Although Ethiopia's share in the global apparel export market is still not visible, it is gradually emerging as an important newcomer amongst SSA apparel exporters.

Textile exports accounted for US$49 million in 2014, including US$20 million in made up textiles, US$18 million in cotton yarn, and US$6 million in knit fabric. Hence, in 2014, textile and apparel exports together accounted for US$117 million (Table 1). Despite the strong growth, textile and apparel exports still account only for 2.6 percent of total exports in 2014 — but are up from 0.7 percent in 2010. TIDI (2016) reports, however, that the export share of textile and apparel in total exports was 3.5 percent in 2015, and in total manufacturing exports 23 percent.

The current trend of the industry in Ethiopia

Over the GTP period (2010-2015), large amounts of foreign direct investment (FDI) flowed into Ethiopia as witnessed by the report from ETIDI. The majority of the FDI is foreign invested textile and garment factories that are supposed to export 100% of their products so as to enable the country earn the much needed foreign currency during the period. Initially the exports generated by **foreign-invested ent**erprises have increased rapidly for the short run. These factories have become important contributors behind the export growth of Ethiopia textile sector as shown in the table 1 below. However, the export performance of foreign-invested factories has not continued and is not earning the amount of foreign currency it was expected to bring in.

As stated in GTP1 evaluative reports, the share of export earned from the textiles sector is far below the government's expectation. Even though many internal and external factors contribute to the low performance of the export during the GTP1 period the major motivation of this study is to know whether the major factors, Human capital, Infrastructure, access to input and marketing capacity have significant role in determining the export performance of Ethiopian Textile and garment factories.

The study is expected to show the effect of Human capital, access to input, infrastructure and marketing capacity on the export performance of Ethiopian textile and apparel products.

1.2. Problem Statement

Ethiopia has every potential to become next sourcing destination of global textile and apparel market in sub Saharan countries.It has some competitive advantages like: 43 million cheap potential workforces, the potential of own raw cotton cultivation in 2.6 to 3 million hectares of land, out of which only 5-6% of the land is being used at present for cotton production, Cost factors of production like electricity, land leasing, water, etc. are much cheaper than other competing countries and Ethiopia has preferential trade agreements with USA, EU, COMESA and other 16 countries. .

Having above points as an advantage to the country it has been noticed that underutilization of capacity, low productivity, poor quality, unskilled workforce, and inadequate professional management staffs for marketing, merchandising, quality control, production, product design and product development were key barriers to growth. Most of the textile factories run below 40%-50% of their capacity and productivity is also very low as per international standard.

Ethiopian had built number of standardized Industrial park and attracted investors to engage in the textile and garment manufacturing aiming to earn $30Billion by 2025from the sector, but in spite of all this effortsEthiopian textile and apparel industry was only able to export 110 million USD in 2018 which is only eight years earlier from 2025.

Following the call and commitment of Ethiopian government to attract foreign direct investment a lot of foreign investors/Manufacturers have invested and set factories to produce textile and garment/apparel products in Ethiopia.

Though, multiple manufacturers started production they still are straggling to deliver/export products as expected.

This study tries to investigate factors affecting the performance of Ethiopian textile and apparel industry export.

1.3 Objective of the Study

1.3.1 General objective

The major purpose of this study is to investigate the external and internal factors that hinder the performance of Ethiopian textile & apparel export.

1.3.2. Specific objectives

The specific objectives of this paper have focus on:

- Identify factors influencing the performance of Ethiopia export in textile products.
- Measure the extent to which independent variable affect the dependent variable.
- Investigate the extent to which human capital affect PEETAP
- Examine the extent to which access to input affect PEETAP.
- Identify the extent to which marketing capacity affect PEETAP.
- Measure the extent to which infrastructure affect PEETAP.

1.4. Hypothesis

In this section, the hypotheses that were tested in this study are presented. The hypotheses were constructing on the basis of existing literature, Based on the review of existing literature:

H1.0Access to inputhas positive Effecton PEETAP.
H1.1Access to inputhas negativeEffecton PEETAP.

H2.0Human capital has positive Effecton PEETAP.
H2.1Human capital has negativeEffecton PEETAP.

H3.0Infrastructurehas positive Effecton PEETAP.
H3.1Infrastructure has negativeEffecton PEETAP.

H4.0Marketing capacityhas positive Effecton PEETAP.
H4.1Marketing capacityhas negativeEffecton PEETAP.

1.5. Scope of the Study

The study aims to examine the determinants of textile and apparel product export performance ofEthiopia which implies the scope of the research focus only in the textile industry. As data related to export is obtained at national level, the study was carried out within Addis Ababa and limited extent of other regional areas.

The result of this study data collected where from Ethiopiantextile and apparel companies where as data of other counties wheretaken from secondary source of data.

1.6. Significance of the Study

The study is useful for academician, practitioners and policy makers. For academicians it is to further improve the understanding of factors influencing the performance of Ethiopian export in textile and apparel industry. For practitioners it may help to solve the practical problems facing textile industry and policy makers to adjust their policy accordingly.

Further, the finding of this study will provide a great value in informing different stakeholders including donors and other development partners who are working on the sector's development and help them to adopt their intervention accordingly.

1.7. Definition of Basic Term

Textile – It is any type of material made from fibers or other extended linearmaterials such as thread or yarn. Classes of textiles include woven, crochet, knitted,knotted and non-woven fabrics such as felt (It is is a non-woven cloth that isproduced by matting, condensing and pressing fibers. The fibers form the structureof the fabric).

Apparel–it isa clothing product of a particular type when it's being finished and sold in a shop. And apparel can b made fabric from different fibers, plastics, lathe and etc.

Export performance – Is therelative success or failure of the efforts of a firm or country to sell domestically produced goods and services in other country.

Human capital _ is the stock of skill, knowledge; social and personality attribute embodied in the ability to perform labor so as to produce economic values. Human capital is needed for companies to achieve goals develop and remained innovative.

Access to input _is the range of accessibility of materials, information and components needed to produce the products or services.

Marketing capacity_is a capacity that measures the business process of creating relationship with and satisfying customers.

Infrastructure_ it's the term for the basic physical systems of a business of country_ transportation, communication, swage, water, electric systemand etc. these systems tend to be high cost investments and are vital to a countries economic development and prosperity.

1.8 Organization of the Study

The research have the following five chapters Chapter one Introduction that included background of the study, statement of the problem, general and specific objectives, Scope of the Study and significance of the study. Chapter two review of literature has been included, the relationship between the performance of Ethiopian export on textile and apparel products and human capital, access to input, marketing capacity and infrastructure, Chapter three Research methodology -consists of research design, sources of data collection, sample size and sampling procedures, method of data collection and data analysis are discussed, Chapter four and Chapter five is the analysis and findings from the survey result and general conclusions, possible recommendations to the problems that drawn from the survey data, major limitation of the study and indication of further studies in the area discussed respectively.

CHAPTER TWO

LITERATURE REVIEW

Global Trend of textile and apparel industry

The Textile and Apparel sector was the primary gateway to industrialization for a lot of countries in the world. Initially, although the Textile and Apparel industry was mainly concentrated in Europe and America, it has in recent times gradually shifted from developed to developing countries in Asia: primarily due to the gradual increase of production cost and rise in environmental pollution. In the late 70's and early 80's, China, India, Indonesia, South Korea, Thailand, Turkey and partially Pakistan were major players in the market to produce fabric and garments to meet global demand. Then, towards the 80's, Bangladesh entered the arena and gradually took over the 2nd place in the international garments exporting market, only to be bested by China. At present, the global market for textile and apparel stands for more than 1,100 billion USD and is expected to reach to 2,100 billion USD by 20251. Concerning positioning in the value chain, USA, EU and Japan take up the upper tier in the Textile and Apparel sectors in stages like designing, marketing, and distribution. On the other hand, manufacturing value chain is mostly concentrated now in China, Bangladesh, India, Vietnam, Pakistan and a few other new entrants. (*Innovision Consulting Private Limited, 2016)*

Textile and Apparel is a now a global industry, with multinational companies continuously searching for new sources of supply to have more competitive sourcing bases to sustain in the market and ensure a better profit. Geographical relocation is a continuous process in the quest for more competitive and sustainable sourcing. Due to the gradual increase in the cost of production in China, Bangladesh, India and other Asian countries on wages, energy, land, water, etc., global investors and buyers of Textile and Apparel sector are now focusing on sub-Saharan countries like Ethiopia as an alternative sourcing destination for their products.

It was in the early twentieth century that Ethiopia's cotton sector, and consequently the T & C sector, began to grow on a commercial scale. The Italians introduced the first garment factory in 1939, as well as the first modern, integrated textile mill. The sector continued to expand in line with the growing cotton production, and the 1960s saw the establishment of five large, private, integrated textile enterprises. While the socialist Government (1974 to 1991) nationalized textile and apparel companies, it also established additional enterprises to fulfill

domestic demand. Nonetheless, the sector eventually suffered under this regime: the lack of competition, limited investment, and reliance on outdated technology eventually left the T & C sector significantly handicapped. Indeed, it was unable to meet international standards and was operating well below capacity. Since the return to a market economy in 1991, the Government has identified the T & C sector as a priority for poverty reduction and economic development, given its labor intensity. From 2000 onward, the Government began to privatize state cotton farms and ginneries and to sell or lease state textile mills. However, it is only in the last few years that the sector has truly started to grow according to its potential as production costs in Asia continue to rise and Western buyers become more interested in ensuring ethical working conditions, a number of sourcing companies have turned away from Asia and towards Africa.

Brands including H&M, Tesco and Primark have all begun to source from Ethiopia over the last few years as they seek to increase control of the entire supply chain from cotton to garment. They are drawn not only by low labor costs but also by the availability of raw materials and by the geographical proximity; Europe can be reached easily via the Suez Canal, reducing delivery times by a third when compared with the Far East. In addition, many companies are drawn to the perceived social responsibility of the sector in Ethiopia; Ethiopian labor laws conform to International Labor Organization standards.

Nowhere is Ethiopia's potential more evident than in trade statistics since the turn of the century. Over the last decade, T & C exports have grown by a CAGR of 26 %, reaching US $ 82 million in 2014. During the same period, T & C subsector exports grew by CAGRs of 37 % and 19 % respectively. International trade center ITC(2016-2020)

The textile and apparel industry is the gate of choice for most developing countries in their quest to step into industrialization. The ease of entry into this field and the abnormally high wages in countries has created favorable conditions for the manufacturing and the exportation of textile and apparel derived products. At the same time, this unique situation has effected a cutthroat competition among the many actors while fueling an intense protectionism in many developed countries where the export markets are found. However, paradoxically, it is the U.S. trade policies that have been the common factor in the flourishing of the textile and apparel industry in many countries and regions around the world. From Asia, this generous openness has in time reached the Caribbean region and finally Sub-Saharan Africa.

The evolution of this fluid industry in developing countries is examined within the boundaries of the textile and apparel managed trade agreements. It is argued that successes in this field must come from the combined efforts of the local government's industrial and trade policies, the entrepreneurial prowess of the private sector and the flexibility and the work ethic of the labor force. From the SE Asia NICs, to the Caribbean states and the Sub-Saharan African region, the synergy created by the U.S. trade policies and the local capabilities is shown to be the major ingredient for the development of the textile and apparel sector in scores of developing countries.(J.O Kim, M.K. Traore, C. Warfield on their study "the textile and apparel industry in developing countries Jan 2006).

Ethiopian Export performance of the sector and Trade Deficit

The economic development of textile and garments sector is not very encouraging though it has huge potential.

The targets set in GTP-I from 2010/11 to 2014/2015 were as follows: Increase the gross value of production of textile and garment industry sector from USD 470 million in 2002. EFY (2009/2010) to USD 2.5 billion at the end of 2007 EFY (2014/15) Increase foreign exchange earnings from the textile and garment industry sector from USD 23.2 million in 2002 EFY (2009/10) to one billion at the end of 2007 EFY (2014/15).

Raise capacity utilization of the textile and garment industries from 40% in 2002 EFY (2009/10) to 90% at the end of 2007 EFY (2014/15). Attract new investors who will be interested in investing in the textile and garment industry sector and ensuring forty-eight projects start production by the end of 2007 EFY (2014/15). Create new job opportunities for about 40,000 citizens during the plan period.

The total export of this sector for yarn, grey fabric, garments and traditional handloom was USD 60 million in 2010/11 and has gone up to USD 160 million in 2014/1511. This translates to a 166.67% increase in export in the last five years, still falling short of the target of USD 1 billion by 2015 in GTP-1.

Table 2 Export Performance of Ethiopian Textile and Apparel Sector
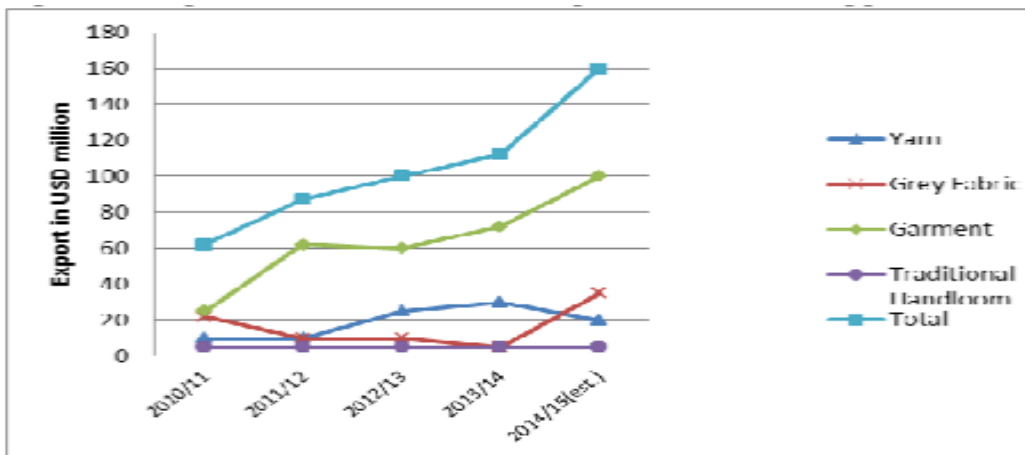
Source: Business Opportunity Report Ethiopia – Textile and Apparel Industry, 2014

Table 3 Major Export Destinations
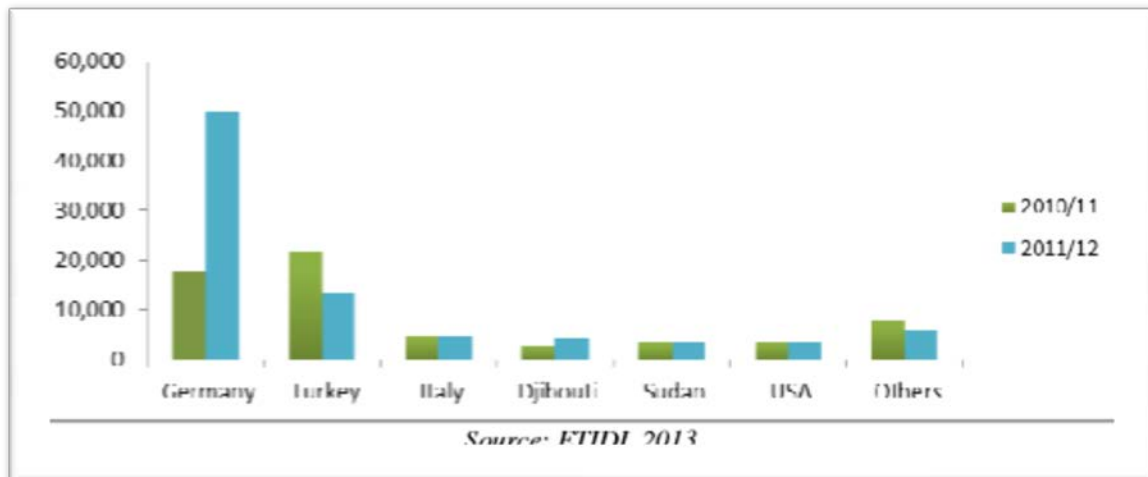
Source: ETIDI, 2013

Mapping the development of the apparel sector in Ethiopia

With the end of the war against the Derg regime in 1991 came a switch to market-led economic policy and political and economic stabilization. This, combined with the industrial policy focus implemented since the early 2000s allowed the textile and apparel sector begin to grow in Ethiopia. Substantial growth, however, only really took off in the last ten years but data on the precise number of firms varies slightly. In a business opportunity report for investors from the Netherlands, Van der Pols (2015) states that there were less than 20 firms in 1991, which increased to above 80 in 2012 and nearly 110 in 2013, reaching around 130 medium and large scale factories today. ETGAMA talks about 115 to 120 medium and large-scale textiles. TIDI data (complemented by our interview data) shows that there are 127 textile and apparel firms in January 2016.

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climb — particularly to the US — reaching an estimated US$73 million.2 Although Ethiopia's share in the global apparel export market is still not visible, it is gradually emerging as an important newcomer amongst SSA apparel exporters.

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With regard to exports, apparel exports were modest and remained largely flat at around US$1 million until the mid-2000s.

Table 1: Ethiopia's Apparel and Textiles Exports to the World

	2000	2004	2008	2009	2010	2011	2012	2013	2014
Apparel									
Total value ($, mio)	1	5	13	9	12	44	52	66	68
Annual growth rate (%)	-	115	116	-27	30	264	18	26	4
Textiles									
Total value ($, mio)	2	9	10	16	24	39	29	46	49
Annual growth rate (%)	-	-10	-28	66	48	63	-26	60	6
Cotton (raw & waste)									
Total value ($, mio)	3	11	11	6	8	1	5	5	0
A&T: Total value ($, mio)	3	14	23	25	36	83	81	112	117

Source: UN COMTRADE (2016).

2.1. TheoreticalReviews

The present study builds an integrated conceptual framework based oncomparative advantage theory (Kogut, 1985) and global value chain framework (Gereffi&Memedovic, 2003).

The theory of comparative advantage providesinfluential factors that determine the price of products and eventually determines export performance, which is helpful to examine the textileand apparel industry from a global perspective (Krugman & Obstfeld, 1999).

Theglobal value chain framework (GVC) explains how global sourcing works in the textile and apparel industry, and indicates the factors related to supply a country'sexport performance. The theory of comparative advantage directs where global valuechain activity should be located (Kogut, 1985**).**

It was in the early twentieth century that Ethiopia's cotton sector, and consequently the T & C sector, began to grow on a commercial scale. The Italians introduced the first garment factory in 1939, as well as the first modern, integrated textile mill. The sector continued to expand in line with the growing cotton production, and the 1960s saw the establishment of five large, private, integrated textile enterprises. While the socialist Government (1974 to 1991) nationalized textile and apparel companies, it also established additional enterprises to fulfill domestic demand. Nonetheless, the sector eventually suffered under this regime: the lack of competition, limited investment, and reliance on outdated technology eventually left the T & C sector significantly handicapped. Indeed, it was unable to meet international standards and was operating well below capacity. Since the return to a market economy in 1991, the Government has identified the T & C sector as a priority for poverty reduction and economic development, given its labor intensity. From 2000 onward, the Government began to privatize state cotton farms and ginneries and to sell or lease state textile mills. However, it is only in the last few years that the sector has truly started to grow according to its potential as production costs in Asia continue to rise and Western buyers become more interested in ensuring ethical working conditions, a number of sourcing companies have turned away from Asia and towards Africa.

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The textile and apparel industry is the gate of choice for most developing countries in their quest to step into industrialization.

The ease of entry into this field and the abnormally high wages in countries has created favorable conditions for the manufacturing and the exportation of textile and apparel derived products. At the same time, this unique situation has effected a cutthroat competition among the many actors while fueling an intense protectionism in many developed countries where the export markets are found. However, paradoxically, it is the U.S. trade policies that have been the common factor in the flourishing of the textile and apparel industry in many countries and regions around the world. From Asia, this generous openness has in time reached the Caribbean region and finally Sub-Saharan Africa.

The evolution of this fluid industry in developing countries is examined within the boundaries of the textile and apparel managed trade agreements. It is argued that successes in this field must come from the combined efforts of the local government's industrial and trade policies, the entrepreneurial prowess of the private sector and the flexibility and the work ethic of the labor force. From the SE Asia NICs, to the Caribbean states and the Sub-Saharan African region, the synergy created by the U.S. trade policies and the local ca] abilities is shown to be the major ingredient for the development of the textile and apparel sector in scores of developing countries.(J.O Kim, M.K. Traore, C. Warfield on their study "the textile and apparel industry in developing countries Jan 2006).

2.1.1. Theory of comparative advantage

Comparative advantages are location-specific competing advantages a countryprocesses in a particular industry relative to other countries (Kogut, 1985).

International trade is beneficial for all, if each country specializes in those productsfor which its "factors" of production (heterogeneous and immobile across countries) make it more efficient, compared with other countries. It need not have an absoluteefficiency advantage to produce any product over all countries; it need only be relatively more efficient in producing some products than other countries (Hunt &Morgan, 1995). Comparative advantage theory assumes labor costs,productivity,employment and lead time determine the price of products and eventually exportperformance (Krugman & Obstfeld, 1999). In the textile and apparel industry,comparative advantage needs examination in such a turbulent global competition. Comparative advantage is central to global competition, as it indicates where a globalvalue chain activity should be located

when many countries can conduct the whole orpart of the activity, for example, in those countries most competitive in completing it(Kogut, 1985).

2.1.2. Global value chain framework (GVC)

Globalization implies functional integration between internationally dispersed activities (Dicken, 1998). Buyer-driven value chains are common in a labor-intensive industry, such as textiles and apparel, footwear, toys, and handicrafts. Different from producer-driven value chains, which lie in technology, the critical asset ofbuyer-driven value chains is brand name (design, marketing) and an ability toorganize the decentralized and horizontal production system (Gereffi, 1994). In thispattern of trade-led industrialization, third-world contractors, who make finishedgoods for foreign buyers, complete production, while large retailers or marketers, whoorder the goods, supply the specifications. The global apparel value chain consists ofthe following components: textile materials supply; manufacturing of finishedproducts; transportation services and logistics; and marketing (Gereffi&Memedovic,2003.) This framework explains the process of global sourcing in the textile andapparel industry.

In the global value chain framework, marketing activities, a buyer-relatedcomponent, are characterized by higher value-added and greater market-control(Kogurt, 1985). Furthermore, in the apparel GVC, brand companies in developedcountries control the above activities, such as design, branding, retailing, and set-up dispersed production networks in a variety of locations, usually in developing countries (Gereffi& Frederick, 2010). They make sourcing decisions, based upon thesupplier-related components of textile materials supply, manufacturing of finishedproducts, and transportation services and logistics. The current trend is apparelproduction relocates from the U.S. and Western Europe to developing countries inSouth East and Southern Asia (Kilduff& Chi, 2007). Therefore, the countries, whichhave comparative advantages for these supplier-related components, could becomemore competitive in the global economy.

2.2. Empirical Reviews

According Xinxin Wang, Case study ofthe determinants of textile and apparel export performance in Asian countries, and the determinates were included labor costs, number of production facilities, and number of employees, lead time, logistics performance, exchange rates, tariffs, and quotas. The study has alsoexplored the similarities and differences in the determinants of export performance among Asian developing countries.

Labor cost

The results of Xinxin Wangstudy indicated labor costs influenced textile and apparel export performance in different ways among Asian developing countries. Generally speaking,the Asian developing countries with higher labor costs are usually accompanied with poorer export performance. This supports the opinions that low labor costs affect buyers' decisions and influence the national textile and apparel industry's competitiveness and export performance (Abernathy, Abernathy, & Weil, 2006). However, there still are some countries, for example, China, with higher labor costs have excellent export performance. A possible explanation is the other comparative advantages, like high product quality and excellent logistics services, can make up the disadvantage of higher labor costs. Similarly, the number of production facilities and the number of employees influenced textile and apparel export intensity in different ways among Asian developing countries.

Lead time and logistics

Lead time and logistics performance are other critical factors that influenced export performance. Since differences in lead time among Asian developing countrieswere slight, lead time did not influence textile and apparel export performancesignificantly among Asian developing countries. In fact, among Asian developing countries, logistics performance had a closer relationship with textile and apparel export performance. This finding supports the opinions that a country's logistics andtransportation services have a significant impact on the country's comparative advantage and export performance in a global economy (World Bank, 2009).

Currency exchange

Among Asian developing countries, the currency exchange rates had different developing trends. The countries with currency exchange rates devaluation usually had an increase in textiles and apparel value. This demonstrates the currency exchange rate depreciation raises the profitability of export supply and improves a country's comparative advantage as well as export performance (Edwards & Alves, 2006; Kaplinsky& Morris, 2008).

However, among the countries with currency exchange rate appreciation, this appreciation caused an increase in textile and apparel export value, which is consistent with the opinion that an increase in the exchange rate shrinks income and then income's effect will lead exporters to

export even more to avoid the utility depression effect of a large reduction in their export earnings (Kasman&Kasman, 2005). Therefore, they conclude currency exchange rate had a different impact on textile and apparel export performances among Asian developing countries.

Tariffs and quota

Tariffs had a negative impact on textile and apparel export performance in Asian developing countries, especially after the elimination of the quota system. The reduction in tariffs will improve export performance since they raise the price received by exporters (Edwards & Alves, 2006). The tariffs influence textile and apparel export performance among Asian developing countries in the same way.

Another trade barrier, quota, has been the largest single expense in the total costs of ownership of imported textiles and apparel products (Christerson, 1994). The elimination of the quota system in 2005 significantly improved some Asianelimination of the quota system in 2005 significantly improved some Asian developing countries' textile and apparel export performances. However, the other countries' textile and apparel industry started to lose comparative advantages and had poorer export performances. A possible explanation for this phenomenon is the withdrawal of the quota system, which only contributes to nations' competitiveness in the global trade for most large, labor surplus export countries, such as China and India(Abraham &Sasikumar, 2011; Zhang &Hathcote, 2008).

In other studybyYoganandan.G, Jaganathan A.T, SenthilKumar .V and Saravanan. R conducted in the area of determinants of and factors affecting the export performance of textile industry. The tools used by the various researchers and their findings are studied in order to establish the academic contributions made by their studies to the existing body of knowledge, new models developed and also to highlight method adopted or suggested by researchers for conducting researches in the area of export performance of manufacturing industries with special focus on textile sector in developing countries. The article analyzed researches carried out in China, India, Sri Lank, Bangladesh and Pakistan. These economies are the dominant textile exporters in the international trade. The review highlights that most of the their studies have been carried out on establishing the relationship between GDP, exchange rate, labor, capital (FDI) and technology with export performance of textile industry. Most of the researchers found a positive relationship between the above said variables and textile exports.

Capital or foreign direct investment

Fast growing economies may not be able to support the fast growth with domestic capital alone and there is a strong need to attract Foreign Direct Investment (FDI) particularly those sectors that contribute maximum to the economic growth like the textile sector because the domestic capital may not be sufficient to enhance the production capacity and modernize the entire system (Chaudhary, 2011). Developing countries like India can be complacent with attracting and absorbing FDI, and especially in the textile sector, as the need for modern machinery is very well founded (Sharma, Manisha, Prashaant, &Anu, 2009). The gross capital formation appears as the most important determinant of the export supply of Bangladesh. So the enhancement of export supply of Bangladesh is largely depended of gross capital formation meaning that more investment in exportable sector could significantly contribute in this sector. (Moniruzzaman, Toy, & Hasan, 2011).

Free trade Agreement

Regarding the effects of Free Trade Agreement (FTA) on intra-industry trade in the case of Textile Sector in Turkey, it is found that Turkey's Free Trade Agreement (FTA) has had a positive impact on the Intra-Industry trade. Further, the study confirms that Turkey showing a high performance in textile export. Importantly, it could be observed that the agreements had a positive effect especially in textile imports (Guler, Erdal, Erdal, &Cicek, 2006). Garment industry in Sri Lanka has become Sri Lanka's largest export industry since 1986. It is also the country's largest net foreign exchange earner since 1992. One of the studies highlights the following key findings viz., phasing out of quotas will close down nearly fifty per cent of existing garment factories, as they loss that protection. However, some of the medium and large scale factories are expected to survive exploiting opportunities in the free market (Dheerasinghe, 2003).

Labor

Labor cost and labor issues (Taneja, 2012; Lal, 1999) played an important role in augmenting the export intensity of textile industry. The uncertainty of future on the eve of phasing out of quota and allowing open international competition has negatively influenced the Sri Lanka's garment industry, in the short-run there will be an adverse impact on employment (Dheerasinghe, 2003). In the case of India, the textile industry benefits from low wage rates

and access to a huge domestic market, an abundant supply of skilled labor, and a large production base for raw materials and intermediate inputs. However, low productivity and product quality, limited product diversification and differentiation, high energy and capital costs, and an underdeveloped infrastructure, especially as it relates to weaving and finishing fabrics, undermine the textile export industry' s competitiveness (Shetty, 2011). A study on labor productivity and exports found that domestic firms are more export oriented than foreign firms, and that private firms are more export oriented than public firms. Regarding the determinants of labor productivity at firm level, firm size and raw material intensity are found to be two significant determinants in this regard while the ownership status of the firms has no role here. (Deshmukh&Pyne, 2013).

Row material

The important contributor to the final cost of most of the products is the raw material cost. The firms usually face the quandary of cost or quality. It is well known that the cost and quality has direct relationship but inverse relationship to value addition. The value of products can be enhanced by either reducing the price or increasing the cost. Sometimes the cost and availability of raw material (Lal, 1999) is very much affected by the price and availability of substitutes. Taiwan's polyester fiber textile industry confronts a situation of price instability due to increased competition. The export of polyester are affected not only by the weather, but also by other causes such as the output of cotton, the price of petroleum, and market demand (Li, Yeh, & Li, 2008).

Technology

The quality of final product is determined by various factors especially two factors that contribute maximum are raw material and machine (technology). Especially in the case of exports, the firms' competitiveness depends on the ability to pay the cost of technology and access to technology (Taneja, 2012). A study conducted in Lao pointed innovations (product and production process innovations) are important factors in determining export performance and hence, firm profitability (Kongmanilaa& Takahashi, 2009). Information technology also has impact on the export performance. There is positive relationship between information technology and firms ability to achieve greater flexibility in garment designs and to

manufacture international quality products. The intensity of adoption of Information Technology (IT) was the most significant variable that influenced the export performance of firms (Lal, 1999). Contrary to many of the findings one research study found that capital and technology based factors did not have any effect on the export performance of Indian firms in the international market, supporting the view that the Indian Textile and clothing industry focused more on cheap products than premium product category (Abraham &Sasikumar, 2011). Vol. 2, No.4, August 2013.

Similarly study in Ethiopia by author name ShelimewSharewconductregarding Ethiopian textile industry suggested that Clothing industries willprovide a paramountcontribution to updating the economy of Ethiopia mainly due to availability of cheap labor, preferential market and an industrial development strategy. Despite the above opportunity clothing export in the country is insignificant compared with other African countries. The research objective of his study was to identify factors that affect export competitiveness of Ethiopian clothing industries. The research focuses on the sector wide external factors beyond individual firm. After collecting data and analyses the researcher identify loose suppliers integration, low access to input local, limited market linkage and high trade cost due to lack of port facility and complex customs procedures as factors that could challenge the export competitiveness of Ethiopian clothing industries.*Volume 10, Issue 3, 2018*

According to Cornelia Staritz, Leonhard Plank and Mike Morris, The challenge of Ethiopian textile and apparel industry remain, particularly in terms of limited local linkages of apparel exports, the focus on CMT/Cut, make and trim/ production, long lead times, low production and product flexibility, skill issues, and infrastructure. Most worryingly, backward linkages from apparel to textile and cotton remain quite limited in the export sector even though an integrated value chain approach through ALDI has been a main feature of the Ethiopian development strategy. Hence, despite important progress, it remains to be seen how sustainable the process will be. The jury is still out on whether the initial successful performance will achieve its industrialization and sustainable development targets. But it is already certain that this is a production location that differs from other LIC apparel producers in SSA. (*September 2016*)

2.3. Conceptual Framework

This sectionof the study indicates the relationship of variables that connect each other within a model to give a concrete understanding about the research objective. As can be seen from empirical analysis different factors have been examined by different researcher at different time. The study starts with the summery of those factors that other researches identify variables were used.
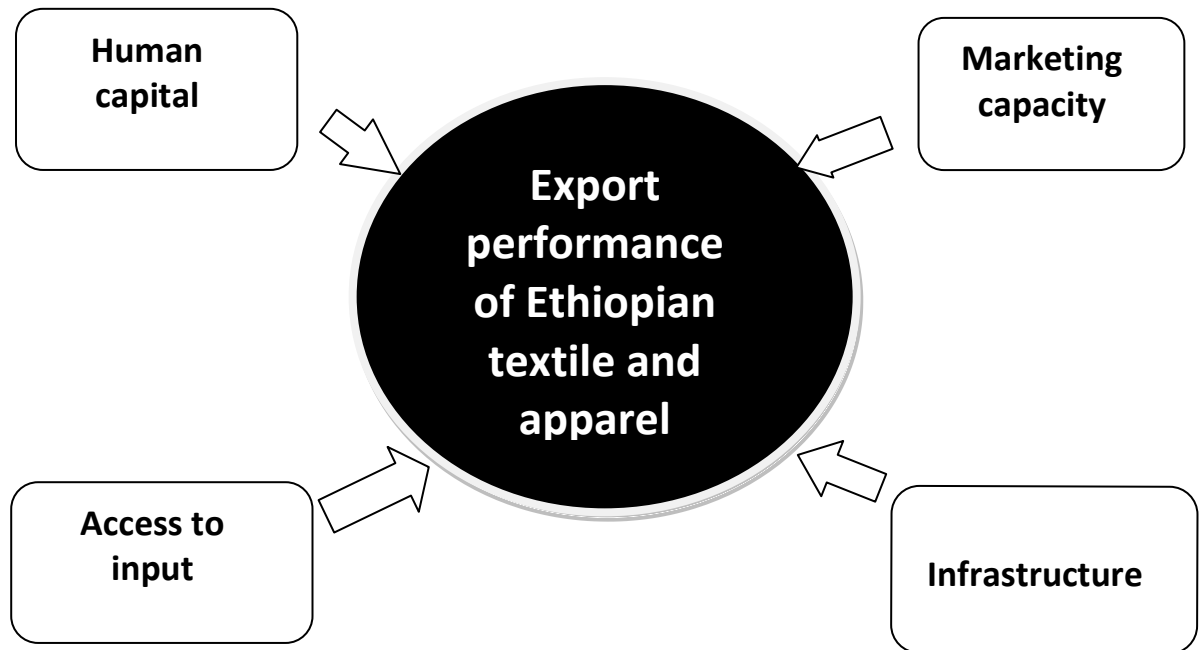

Figure 1: conceptual framework of determinates of the export of performance of Ethiopian textile and apparel industry

<center>**CHAPTER THREE**</center>

<center>**RESEARCH METHODOLOGY**</center>

3. Introduction

An important part of the research activity is to develop an effective research design which shows the logical link between the data collected, the analysis and conclusions to be drawn. This design satisfies the most suitable methods of investigation, the nature of the research instruments, the sampling plan and the types of data (De Wet, 1997). In this section the research design, sampling type, research instrument and finally the model specifications used for data analysis which are applicable and use in the study are included.

3.1. Research Area

This study focusedon those firms who are engage in exporting the textile and apparel product whichis 108. Out of which twenty three/23 of them are located in Addis Ababa, as a result of financial constraint my study focused onlyon those factories whose are located in Addis..

3.2. Research Approach

According to Kothari (2004), a research approach brings to light the fact that there are two basic approaches to research i.e. quantitative and qualitative approach. A quantitative approach helps the researcher to generate data in quantitative analysis in a formal rigid fashion. On the other hand, a qualitative approach helps the researcher for subjective assessment of attitude, opinions and behavior research. Furthermore, the data that has been used in this research is to be both primary and secondary data.

Here the study has usedboth qualitative and quantitative research approach. Accordingly, the study conducted by collecting data from primary and secondary sources. The primary data has been collected from questionnaire and secondary data has been gathered from reports, related literatures and other statistical documents.

3.3. Research Design

The study hasfocus on examining the determinants of Ethiopian performance on export of textile andapparel products and useddescriptive research design which hadutilized qualitativeand quantitativeresearch methods and hadalso used co-relation and regression

analysis to explain the determinatesof Ethiopian performance on export of textile and apparel products.

3.4. Population

The total number of companies that are engaged in manufacturing textile products in Ethiopia are one hundred eighty eight/188, f which one hundred eight/108 of them are exporting there product to abroad.(Ethiopian embassy, Belgium 2018), This study focusedon those firms who are engage in exporting the textile and apparel product whichis 108. Out of which twenty three/23 of them are located in Addis Ababa, as a result of financial constraint my study focused onlyon those factories whose are located in Addis.

3.5. Sample Size and Sampling Technique

After the definition of population of the study,due to financial constraints this study takes all companies who are located in Addis as a population. As we wanted to address our questioner to managersat different managerial position in a company i.e. upper, mid and operational managers in those factories who are familiar to the issue I used purposive judgmental selection method and asked managers of the companies to fill the questioners.

3.6. Source of Data

About the data collection both primary and secondary types of data are used. The primary data weregathered using questionnaires and those questionnaires were filled by operational, middle and upper level managers of manufacturers in this industry. The secondary data were obtained from previous studies and governmental reports.

3.7Questionnaire and Data Administered

Table 3.1 questionnaire and data administered

Total Number of Engaged in exporting textile and apparel product Factories in Addis	Questionnaires Distributed Classification of Data frame		
	Operational level manager	Middle level manager	Upper level manager
23	1	1	1
Total questioner Distributed	$23 \times 3 = 69$		

3.8. Data Collection Method

Both primary and secondary data collected using different methods. Primary data has been collected using both open and close ended questioners. To collect secondary sources of data, annual and monthly reports, articles, different books and the web-site source has been used. The questionnaires prepared in the form of five item Likert-Scale type, where the lowest scale represent strongly disagree and the highest scale represent strongly agree (Likert, 1932). Customized questionnaires were adopted from Al-Twaijry (2003), Cohen and Sayag (2010), Van Peursem (2005), ShewameneHailmariam (2014)

3.9. Methods of Data Analysis

The data analysis part is madeusing SPSS version 20 (Statistical Package for the Social Science). Regarding to demographic variables analyzed through descriptive statistics tools. Whereas, to determine the effect each independent variables on the performance of Ethiopian export of textile and apparel products this study used correlation and regression analysis.

3.10. Econometrics Model

The econometric model in the study set the following dependent variables: the performance Ethiopian export on textile and apparel products influenced by four independent variables such as human capital, access to input, marketing capital and infrastructure.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$

Y = the performance of Ethiopian textile and apparel industry

X_1 = Human capital

X_2 = Access to input

X_3 = Marketing capacity

X_4 = Infrastructures;

μ = coefficient of errors

β = unknown coefficients of the variable.

3.11. Validity and Reliability

In order to insure the validity and reliability of the instruments, the questionnaires were tested, whether the questionnaires is able to capture the required data and is easily understandable as well as whether there were any vague and confusing questions in the questionnaire.

The pre-test has been conducted in 4 factories in Addis Ababa. The purpose was to test for the significance of the items in the questionnaires. It was also to determine the reliability of the rating scales used for the study. The establishment of reliability will be accomplished by measuring the internal consistency of the instrument using a reliability coefficient, obtained by means of Cronbach's alpha.

To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value (α) greater than 0.600 is also acceptable.

The accepted limit of Cronbach's α is 0.70 in this paper, the Cronbach's α is computed used SPSS package 20 (Statistical Package for Social Sciences) and was found to be more than 0.70 that was 0.875. Therefore data obtained using these scales are highly reliable to do further analysis.

Table 3.2 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N_O of Items
.875	.875	5

Source: Survey data (2019)

3.11. Ethical Considerations

In order to keep the confidentiality of the data that was given by respondents; the respondents are not required to write their name and assured that their responses were treated in strict confidentiality. The purposes of the study were disclosed in the introductory part of the questionnaire. Furthermore, the researcher attempted its best to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants.

CHAPTER FOUR

DATA PRESENTATION AND ANALYIS

Introduction

In previous chapter, the research methodology has been discussed, and the methods adopted for the study to attain the objective have been stated. This chapter presents the result and analysis of various data collected use different method in context of the existing knowledge review in chapter two. Accordingly, the first section present general characteristics of respondent profile, the second section present the result of the study that has been collected through different methods adopted. The third section present analysis of the result in context of knowledge in the literature as reviewed.

4.1. Response Rate

The questionnaires were distributed to operational, middle and upper level managers of the industry manufacturers in Addis Ababa. Out of the total 23 factories set of questionnaires were distributed and21 factories responded, 91.3 yielding 91% response rates. The response rate was high because for the majority of respondent the researcher used self-administered method.

On the below chart and diagrams characteristics of the respondents is clearly presented.

Table 4.1Characteristics of respondents

Respondent Filed of study   **Respondent level of Education**
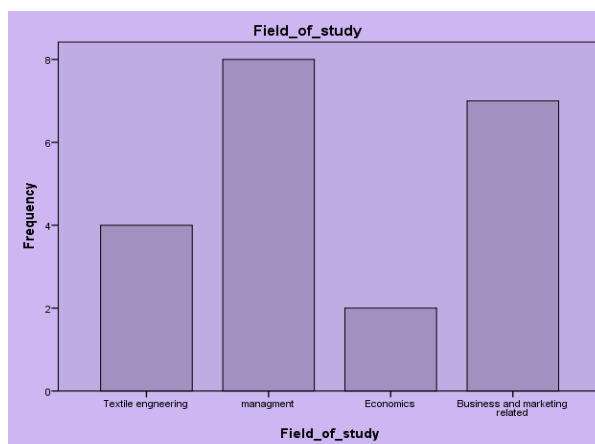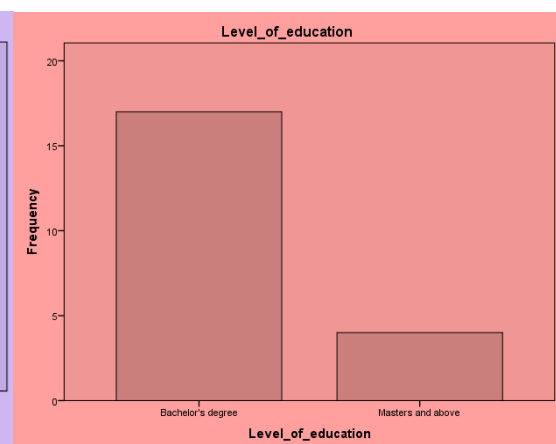
Respondent current position   **Respondent year of experience**
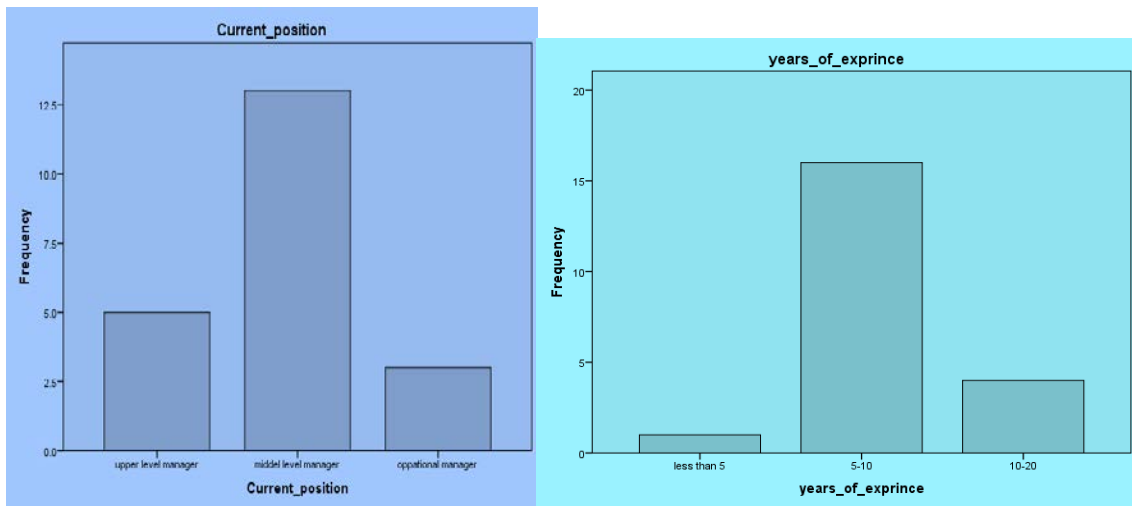
Source: Survey data (2019)

As it can be seen from the above diagrams 76% of the respondents are a degree holder and the other 24% are a master degree hold which can be taken as those respondents highly qualified for the job. In years of experience 76% of respondents have an experience of more than 5 years and 19% of them are even more than 10 years of experience, the respondents current position 19% of them are upper level managers, 67% middle level managers and 14% of them are operational manager which explains the respondent are highly experienced are highly potential for the position to answer the question.

The graph indicates the importance of performance measurement evaluation for decision making in the company is high
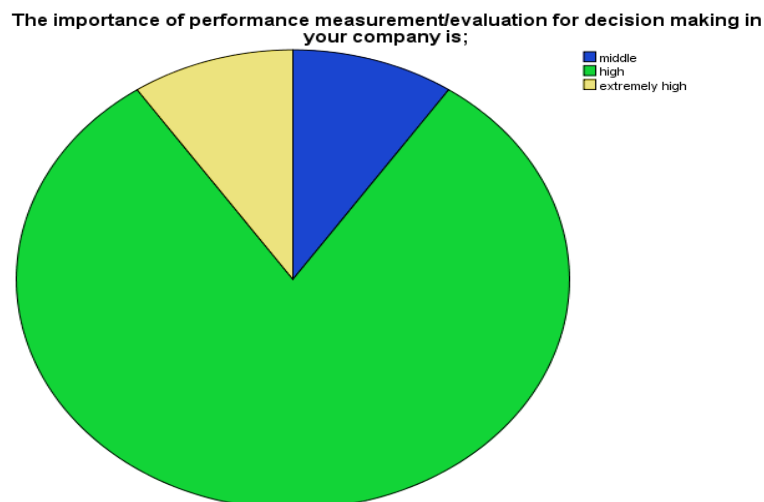
The Graph indicatesthe degree of alignment and linkage between strategic performance measures and strategic goals

The degree of alignment & linkage between strategic performance measures and strategic goals is

■ high
■ extremely high

How often is the performance evaluation being reported

■ monthly
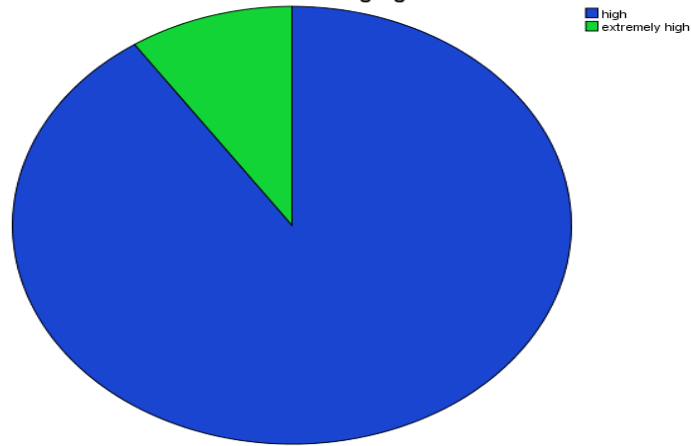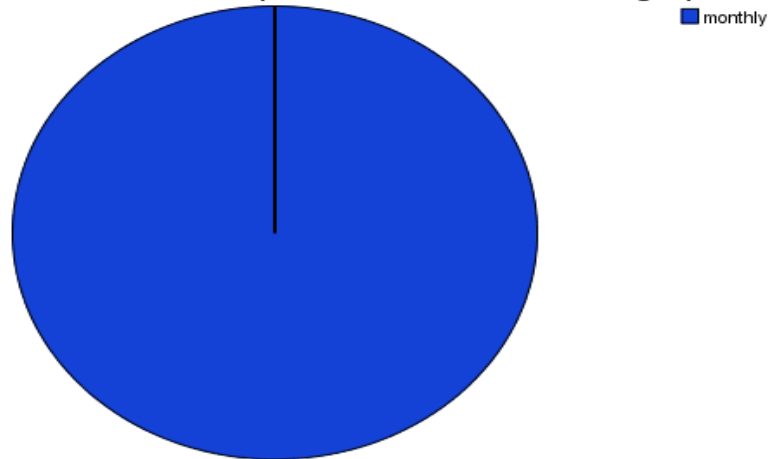
Source: Survey data (2019)

The above graph show that 90% of respondentsbelieves it is importance to measure performance and adjusts decision making in company and make alignment & linkage between strategic performance measures and strategic goal, which can be interpreted that the majority of the respondents believe the importance of measuring performance and adjusting strategy is highly relevant. Finally as it can be seen in the above diagram all respondents' measure performance in monthly bases.

4.2. Ethiopian Performance on Exporting Textile and Apparel Products

Table 4.2.Ethiopian performance on exporting textile and apparel products

Ethiopian performance on exporting textile and apparel products	N	Mean
Your company have utilized its full capacity	58	1.619
Your company workers have achieved the productivity/efficiency level of production output set by the international benchmark?	58	1.7143
Your factory accepts a minimum order quantity for each style/order?	58	1.852
Your company scored a high sales growth	58	1.523
Total average mean		**1.692**

Source: Questionnaires and SPSS output (2019)

The above 58 questionnaires was distributed to measure the PEETAP in Addis Ababa and utilized a Likert scale with five items. In the five items Likert scale the58 overall averages mean score resides between 1 and 5. As shown in the above table the overall average mean score for the performance of Ethiopians export on textile and apparel products is 1.7 which is around the lower-point i.e. 2, Therefore, it can be concluded that PEETAP is lower.

This shows that both stakeholdersi.e. government andtextile manufactures should work together to enhance the industry performance as desirable. This study tries to measure hiding factors affecting the industry to performs as its.

4.3. Human Capital

Table 4.3 Human capita

Human capital	N	Mean
The workers in your company have accumulated skills that gives your factory a competitive advantage	58	1.6143
The factory has training policy that is implemented regularly	58	2.0152
Your company has an improved quality management of skill	58	1.719
Your workers can handle any including complicated styles/products.	58	1.6714
Total average mean		**1.78**

Source: Questionnaires and SPSS output (2019)

Meanwhile measuring the human capital of the textile and apparel industry, the overall average mean score resides between 1 and 5 and the average mean score is 2.5. Thus overall average means score of human capital is 1.78which showsa lower value; from this we can infer that the quality of human capital is poor. As we can see in the above table human capital as a very significant factor in terms of export performance oftextileindustry, the industry stakeholders focus on building a great human capital is expected to have best competitive advantage internationally.

4.4 Access to Input

Table 4.4access of input

Access of raw materials	N	Mean
Raw materials required for your industry are available in Ethiopia with required quality.	58	1.235
Those row materials available in the Ethiopia are variable and accessible.	58	1.34
The system of banks while importing raw materials from abroad is reliable and mature.	58	1.28
Foreign currency is easily available at banks to import raw materials.	58	1.26
Total average mean		1.18

Source: Questionnaires and SPSS output (2019)

In measuring the access to input for the textile and apparel industry, the overall average mean score resides between 1 and 5 of Likert scale and the average mean score is 2.5. But overall average mean score of access to input is 1.18 which is significantly low; from this we can say that the access of input for the industry is very is poor. It's very well know that in any manufacturing business input plays a major role in any industry, as per the above result shown in the table, the availability and optionalaccess to input has to receive a crucial attention from government side for the success of the industry.

4.5. Marketing Capacity

Table 4.5marketing capacity

Marketing capacity	N	Mean
Your company is very familiar or experienced to the international market.	58	2.032
Your firm participates in international trade fair and exhibition	58	2.376
Other than those provided by your buyers, your firm designs & develop its own styles, specification & features of a product for export market.	58	2.474
Your factory has a well-developed website.	58	2.048
Factory's production quality hit rate is acceptable compared to international benchmark.	58	3.730
Your factory usually pass client quality inspections.	58	2.051
Your buyers are satisfied with the production lead time you offer.	58	2.072
Your customers have canceled orders because of poor quality executions.	58	1.783
Total average mean		**2.48**

Source: Questionnaires and SPSS output (2019)

The other independent variable used in this study is marketing capacity. The average mean score is 2.5. As shown on the above table, but overall average mean score of access to input is 2.5 which is moderate; for the industry success to the manufacturing companies has to work more on developing a strong marketing capacity.

4.6 Infrastructures

Table4.6Infrastructures

Infrastructures	N	Mean
There is consistent and reliable power supply.	58	1.233
Telecom services provided in Ethiopia is reliable service and fairly priced.	58	1.183
The banking and customs system is efficient	58	1.084
Inland and transportation cost is fair.	58	1.036
Total average mean		**1.123**

Source: Questionnaires and SPSS output (2019)

The other main independent variable of this is study was theinfrastructure section. As show in the above table the total average mean of infrastructure is 1.12 which way far from the average mean I.e. 2.5, which indicate that there is a bad infrastructure for the industry which a hidden factor for the low performance of the industry, as a result the government should give a due attention to improve the infrastructure.

4.7 Correlation Analysis

4.7.1Autocorrelation

Data were assessed to ensure that the autocorrelation is not a threat for the use of OLS for analysis. This assumption can be tested with the Durbin-Watson test which test for serial correlation between errors and the value closer to 2 are acceptable (Field, 2009). If the DurbinWatson is substantially less than 2, there is evidence of positive serial Correlation.The DurbinWatson statistics value are 1.626 suggests that there is no severe autocorrelation among error terms.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.927[a]	.859	.848	.18011	.859	80.488	4	53	.000

a. Predictors: (Constant), MARKETINGCAPACITY, ACESSTOINPUT, INFRUSTRACTURE, HUMANCAPITAL

Pearson Correlation/ Correlation Coefficient (r) measure how well the regression equation truly represents the set of data. The quantity r, called the linear correlation coefficient, measures the strength and the direction of a linear relationship between two variables. The value of r is such that $-1 < r < +1$. The + and – signs are used for positive linear correlations and negative linear correlations, respectively. Positive correlation: If x and y have a strong positive linear correlation, r is close to +1. An r value of exactly +1 indicates a perfect positive fit.

Positive values indicate a relationship between x and y variables such that as values for x increase, values for y also increase. Negative correlation: If x and y have a strong negative linear correlation, r is close to -1. An r value of exactly -1 indicates a perfect negative fit.

Negative values indicate a relationship between x and y such that as values for x increase, values for y decrease. No correlation: If there is no linear correlation or a weak linear correlation, r is close to zero.

A value near zero means that there is a random, nonlinear relationship between the two variables. The correlation factors in table 4.8 indicate that all are above zero and below one. This in turn indicates that there is linear correlation between independent variables and the dependent variable.

Table 4.8 Pearson Correlation Matrix

	Performance	Human capital	Access to input	Marketing capacity	Infrastructure
Pearson Correlation Performance Sig. (2-tailed)	1				
Pearson Correlation Access to input Sig. (2-tailed)	.702** .000	1			
Pearson Correlation Human capital Sig. (2-tailed)	.821** .000	.508* .000	1		
Pearson Correlation Infrastructure Sig. (2-tailed)	.274* .037	.324* .013	.106 .427	1	
Pearson Correlation Marketing capacity Sig. (2-tailed)	.266* .043	.-005 .972	-.011 .061	.248 .061	1

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

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

c. List wise N=58

Source: Survey data (2019)

As indicated in the above table the Pearson correlation coefficient indicate that there is a positive significant relationship between the dependent Variable/Performance of the industry and all independent variables/human capital, access to input, marketing capacity and infrastructure. As of the relationships between the dependent variables and independent variables findings are significant. In addition to this there were strong correlations between the dependent variable PEETAP and independent variables Access to input (r = 0.702), Human capital (r= 0.81), Infrastructure (r = 0.274), Marketing capacity (r = 0.266) with (P<0.01) level of significant. This mean that all independent variables are positively affect the performance of Ethiopian textile and apparel products.

Therefore, both the government and manufacturers should work intensively together in developing mature infrastructure, attracting investors to invest in manufacturing inputs/materials locally,building the skill of human capital and promote the industry for more buyers to consider Ethiopia as their sourcing destination.

4.7.2. Assessment of Ordinary Least Square Assumptions

Test the Normality

In order to test the normality of data, Kolmogorov- Smirnova and Shapiro-Wilk tests of normality were used and conducted on SPSS 20. According to Field (2009), when the test is non-significant ($p > 0.05$) it shows that the distribution of the sample is not significantly from a normal distribution or If the **Sig.** value of the Shapiro-Wilk Test is less than 0.05, the data is normal. If it is above 0.05, the data significantly deviate from a normal distribution. Accordingly, the result of test showed in table 4.8 below that all variables were found to be normal and the presence of normality was accepted at $p > 0.05$.

Table 4.9 **Assessment of Normality**

Variables	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Access to input	.233	58	.000	.903	58	.000
Human capital	.228	58	.000	.838	58	.000
Infrastructure	.286	58	.000	.832	58	.000
Marketing capacity	.173	58	.000	.934	58	.004

a. Lilliefors Significance Correction

Source: Survey data (2019)

Test of Heteroskedasticity

For the regression output of the model Breusch-Pagan/Cook-Weisberg test for Heteroskedasticity was conducted on stata 12 to test for homogeneity of variance and a P-value of greater than 0.05 were acceptable. As the result revealed in table 4.6.1 below and p value (=0.7404) for the model is greater than 0.05 the critical value, shows homogeneity of variance across the model.

Table 4.10.Test of Homeskedasticity

. estathottest
Breusch-Pagan / Cook-Weisberg test for Heteroskedasticity
Ho: Constant variance
Variables: fitted values of PEETAP
chi2 = 0.1800
Prob> chi2 = 0.7404

Source: Survey data (2019)

Multicollinearity

In order to identify the unique contribution of each variable in predicting the dependent variables a multicollinearity analysis were done. Multicollinearity exists when tolerance value below 0.10 and Variance Inflation factor (VIF) greater than 10 in the correlation matrix are the causes for the multicollinearity existence (Field, 2009; Myers, 1990; Pallant, 2007). Tolerance is a statistics used to indicate the variability of the specified independent variable that is not explained by the other independent variables in the model. However, table 4.8.3.Shows that there is no multicollinearity between different variables.

Table 4.11.Collinearity Statistics

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	1.490	.257		5.794	.000	2.005	.974		
Access to input	.587	.099	.377	5.937	.000	.389	.786	.663	1.508
Human capital	.630	.060	.631	10.487	.000	.509	.750	.738	1.356
Infrastructure	.030	.095	.018	.316	.754	-.160	.220	.829	1.207
Marketing capacity	.299	.059	.271	.271	.000	.180	.417	.931	1.075

a. Dependent Variable: performance of Ethiopian textile and apparel products

Source: Survey data (2019)

4.7.3. Regression Analysis Result

Table 4.12 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.927	.859	.849	.18011		

a. Predictors: (Constant), Human capital, access to input, marketing capacity, infrastructure

Source: Survey data (2019)

As shown in the above table the overall independent variables to the Performance of Ethiopia export on textile and apparel products for 85.9% of the variation in the performance of Ethiopian textile and apparel products, which is very acceptable. Therefore, we can conclude that the model is best fit and significant at P=0.000 and F=80.48which implies that there were strong relationship between the predictors and the outcomes of the regression variable.

Table 4.13 Regression result

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.490	.257		5.794	.000
Access to input	.587	.099	.377	5.937	.010
Human capital	.630	.060	.631	10.487	.000
Infrastructure	.030	.095	.018	.317	.032
Marketing capacity	.299	.059	.271	5.054	.000

a. Dependent Variable: performance of Ethiopian export on textile and apparel products

Source: Survey data (2019)

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$

Y = performance of Ethiopian export on textile and apparel products

X1 = Human capital;

X2 = Access to input

X3 = Marketing capacity;

X4 = Infrastructure;

μ = coefficient of errors

β = unknown coefficients of the variable

Access to Input PEETAR

As clearly indicated in the above table the beta and P value of access to input is $\beta = 0.377$, $P<0.05$ from this we can infer that there is a positives and significant relationship between access to inputand performance of export on textile and apparel.The findings of other studiesYoganandan.G&Jaganathan A.T and Saravanan, 2013, R,Shalemushiferawhailemariam, 2018 and Cornelia Staritz, 2016) also shows that insufficient inputs due to poor quality of access and lack of relationship with suppliers affect export performance of the textile and apparel industry

Therefore,H1.2: There is no positive relationship between access to input and PEETAP effectiveness is rejected.

Human capital effect on PEETAP

The beta sign of access to input is$\beta = 0.631$, $P <0.05$ showsaccess to input affects the performance of export in the apparel and textile industry, XinxinWangandYoganandan.G&Jaganathan A.T and Saravanan, 2013 human capital influenced textile and apparel export performance in different ways. Generally speaking, the countries with higher human capital asset are usually accompanied with great export performance..

Therefore,H2.2: There is no positive relationship between human capital and PEETAP effectiveness is rejected.

Infrastructure impact on PEETAP

In order to see the effect of Infrastructureon the Ethiopian performance of export of textile and apparel products a regression analysis was done and its output shows a beta value of $\beta = 018$, $P < 0.05$; With the results showing a significantly positive relationship between infrastructure textile and apparel export performance.In similar studies indicate positive relation of

infrastructure and EPETAP (Cornelia Staritz, Leonhard Plank and Mike Morris, 2016) Infrastructure, particularly the high costs and inefficiencies of transport, logistics, and customs remain a problem leading to high trading costs. Most firms stated that this nearly eliminates the Ethiopia's wage advantage. It further prevents firms from entering the high value time-sensitive segments of the export market given the related high lead times for importing and exporting.

Therefore,H 3.2: There is no positive relationship between infrastructure and PEETAP effectiveness is rejected.

Marketing capacity effect PEETAP

As clearly shown in the above table the beta value of marketing capacity variable is β = 0.271, with a significant P value of< 0.05, from this we can infer that the marketing capacity is positively and significantly impacted EPETAP.

Therefore, H4.2: There is no positive relationship betweenmarketing capacity and PEETAP effectiveness is rejected.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Major Findings

As per the data collected both from primary sources and secondary source, four major variables have been established to have determinant effect on export performance of Ethiopian garment and textile factories. Namely Access to input, Infrastructure, Human capital and Marketing capacity have been subcategorized in different common factors. These are Employee's skill, Employee's production efficiency, product quality raw material available, raw material quality, production lead-time foreign currency availability, Power supply, Transportation, banking and customs system, communication, familiarity to international market, promotion, product development and so on.

All those factors under the main variables were assessed to see how each of them relate or affect the export performance of Ethiopian textile and apparel products.

The data analysis of this study was conducted using SPSS correlation and regression.

The data collected was analyzed to measure the relationship between the independent variables and dependent variable, and the results confirmed that human capital, access to input , marketing capacity and infrastructure have a positive relation and are strongly affecting the performance of Ethiopian export on textile and apparel products,

5.2. Conclusions

While Ethiopia is trying different options to attract investors to come to the country and contribute to develop the textile and apparel industry, the export performance of the apparel and textile sector is still at the infant stage where the labor productivity, access to input, production capacity utilization, infrastructures, product development and knowledge to international market , capability to meet buyers requirement in order quantity, production lead time and delivery dates are among the main issues which need to be addressed and improved.

Though the country has a lot as potential and competitive advantages to stand as a winner in the industry the current scenarios doesn't allow the sector to fully utilize the advantages and export the products to the international market at full capacity.

This study confirms that the textile and apparel product export is poor due to limitations mainly related to human capital, access to input, marketing capacity and infrastructure.

Comparing the results of the study with previous literatures, it can be general argued that all independent variables i.e. human capital, access to input, marketing capacity and infrastructure proved to have positively associated with the export performance of Ethiopiantextile and apparel products.

5.3. Recommendations

To enhance the performance of Ethiopian export on textile and apparel products all stakeholders has to work close to overcame barriers of the industry.

Saying above the government has to:-

- Develop an educational and training system in building best human capital that overcame the headache of the manufacturers.
- Facilitate the growth of textile industry by crating institutions' to achieve sustainable source of input.
- Attract FDI that has more potential forlocal linkages/embeddedness.
- Invest more on infrastructure that can help the industry and other trade related issues faced by the manufacturers.
- Minimizebureaucracies and corrupted service in public sector to facilitate trade totransaction cost.
- Focus on end market diversification andregional markets: Export end markets are split between the EU and the US. But there are large export opportunities in emerging and large developing country markets that have not been tapped.

The manufacturers have to:-

- Concentrate on product development skill and capacity utilization to improve quality of products and products differentiation.
- Conduct a research and development on timely bases to understand new ways of production with minimum cost.
- Develop workers skill in improving efficiency and implement internationally accelerated production systems.
- Working closes with both suppliers and customers to be achieving the industry objectives and satisfied all.

Limitation Of the study

The results of this study focuses on the data collected from Ethiopian textile and apparel product manufacturers which was only limited to factories located in Addis Ababa due to financial constraints where us other countries case is only seen from secondary source. Generalization of the factors to the countries context might be misleading.

Direction for future research

As the research was conducted only considering the factories located in Addis Ababa it may not cover the view of factories in Ethiopia in General. Therefore, it is recommended that other researchers to consider/include all factories at national level while conducting advance research.

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APPENDIX

St. Mary's University School of Graduate studies
Department of Marketing Management

Determinant of the performance of Ethiopian export on textile and apparel products

Dear Participant:

The intent of this questionnaire is to explore information regarding the Determinants of Ethiopian performance in exporting textile and apparel products: and to conduct Master Thesis (Research) for the partial fulfillment of Master's Degree in Marketing and management at St. Mary's University. The questionnaires are distributed mainy in the Addis Ababa city and some other regions of Ethiopia. The results of the study are expected to contribute to identify the determinants. The conclusions of the study will be drawn in aggregate terms, without any reference to specific office or individual respondents.

Please, do not write your name on the questionnaire. I would also like to assure you that the information you provided will be treated as strictly confidential and used only for the purpose of this research only.

Your honest and thoughtful response is valuable Thank you in advance for your support and participation.

With best regards,

Mekdes Biadglgne, Mobile: +251- 912 04 8004,

 Email:mekdes.biadglgne@yahoo.com

Please tick (√) or circle the appropriate scale (point) that indicates your opinion in the below questions

Performance	strongly agree (5)	Agree (4)	Neutral (3)	Disagree (2)	strongly disagree (1)
1. Your company utilizes its full capacity					
2. your company workers has achieved the productivity/efficiency level of production output set by the international benchmark					
3. Your factory accepts minimum order sizes					
4. your company scored a high level of sales growth					
5. Ethiopian have a mature infrastructure convenient to the textile and apparel industry					
Human Capital					
1. The workers in your company have accumulated skills that gives your factory a competitive advantage					
2. The factory has training policy that is implemented regularly					
3. Your workers can handle any including complicated styles/products.					
Access to input					
4 Raw materials required for your industry are available in Ethiopia with required quality.					

5.	Those row materials available in the Ethiopia are variable and accessible.					
6	The system of banks while importing raw materials from abroad is reliable and mature.					
7	Foreign currency is easily available at banks to import raw materials.					
Marketing capacity						
8.	Your company is very familiar or experienced to the international market.					
9.	Your firm participates in international trade fair and exhibition					
10.	Other than those provided by your buyers, your firm designs &develop its own styles, specification & features of a product for export market.					
11.	Your factory has a well-developed website.					
12.	Factory's production quality hit rate is acceptable compared to international benchmark.					
13.	Your factory usually pass client quality inspections.					
14	Your buyers are satisfied with the production lead time you offer.					
15.	Your customers have canceled orders because of poor quality executions.					

	Infrastructures capacity					
16.	There is consistent and reliable power supply.					
17.	Telecom services provided in Ethiopia is reliable service and fairly priced.					
18.	Inland and transportation cost is fair.					
19.	The banking and customs system is efficient					

I ask you to tick (√) or circle the appropriate scale (point) that indicates your opinion in the below table. The values of scales are 5 = strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = strongly disagree.

Performance (Efficiency and Effectiveness) evaluation practices in the Company

1. The importance of performance measurement/evaluation for decision making in your company is;

   □ Extremely Low   □ Low   □ Middle   □ High   □ Extremely High

2. How often is the performance evaluation being reported?

   □ Monthly   □ Quarterly   □ Twice a Year   □ Yearly   □ other ----------

3. The degree of alignment & linkage between strategic performance measures and strategic goals is

   □ Extremely Low   □ Low   □ Middle   □ High   □ Extremely High

The personal profiles General Instruction: Please indicate your choice by putting "√" mark in the bracket.

1. Your field of study:

1. Textile engineering (_____) 2. Management (_____) 3. Economics (_____) 4. Economics (_____)

    5. Other specify_____

2. Level of education:

1. Diploma (_____) 2. Bachelor's Degree (_____) 3.Master's Degree and above (_____) 4. others specify_____

3. Current position in your office/sector_____

4. Number of years of experience you work as an textile industry:_____

    1.Below 5 years (___) 2. 5 to 10(___),   3. 10 to 20(_____),   4.above 20 (____)