Department of Management

Factors Affecting Export Performance of Textile and Garment Industry: The Case of Hawassa & Bole Lemi Industrial Park.

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Statement of Certification

This is to certify that Hawani Eshetu has carried out her research work on the topic entitled Factors Affecting Export Performance of Textile and Garment Industry; the case of Hawassa & Bole Lemi Industrial park is her original work and is suitable for submission for the award of Master's Degree in International Business.

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Advisor: Asres Abitie Kebede (PhD)

January, 2022

Addis Ababa, Ethiopia

Statement of Declaration

I, Hawani Eshetu, hereby declare that the thesis entitled Factors Affecting Export Performance of Textile and Garment Industry; the case of Hawassa & Bole Lemi Industrial parks is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged in the document. This study has not been submitted for any degree in this University or any other University. It has been submitted for the partial fulfillment of the degree of MA in International Business.

Declared by:

Name: Hawani Eshetu

Signature: ----------

Acknowledgment

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Abstract

The objective of this study was to examine the factors Affecting Export Performance of Textile and Garment Industry in Ethiopia by focusing on the industrial parks with regard to Infrastructure, Foreign Direct Investment (FDI), Trade Openness/Market access and Policy and regulatory situation in the import export business. In the study both quantitative and qualitative research design approaches were used. Data were collected from primary sources and secondary sources. The primary data were collected through questionnaire and analyzed by using Statistical Package for the Social Sciences (SPSS) version 20. To achieve the objectives of the study conceptual model was formulated by reviewing previous related literatures. The mean shows that the independent variables have positive and significant effect on the performance of export with mean value of 4.1. Correlation between the independent and dependent variables indicates a degree of less multi-collinearity. According to the findings, Infrastructure, Foreign Direct Investment (FDI), Trade Openness/Market access and Policy and regulatory situation have positive effect on export performance. From all the variables FDI has the highest positive relation on export performance of the garment and textile industry. The qualitative data also supports the result of the quantitative data. Export performance was mainly influenced by FDI and Infrastructure with very high statistical significance. Furthermore, trade openness and policy environment has also significant impact for the growth of textile and garment export. Thus, the research recommends that to improve the textile and garment export, the government need to work on securing dependable market access through WTO rather than AGOA and work hard to attract quality foreign investors in the sector.

***Key words**: Export, Export Performance, Textile & Garment, Industrial Parks.*

Contents

List of Tables

Page

List of Figures **Page**

CHAPTER ONE

Introduction

1.1. Background to the Study

Garment and textile industries are labor-intensive sectors of the economy that offers entry-level jobs for unskilled labor in developed as well as developing countries. Considering the increasing domestic labor and material costs, most apparel companies in developed countries tend to cooperate with the textile and apparel manufacturers from developing countries for the purpose of reducing production costs. Global sourcing has become a growing trend in the textile and apparel industry, and products are often produced in developing countries, sometimes thousands of miles away from the point of consumption (Allen, 2020). Moreover, it is a sector where relatively modern technology can be adopted even in under developed and developing countries at relatively low investment costs. These technological features of the industry have made it suitable as the first step on the industrialization ladder in developing countries while generating large number of employment for the growing number of job seekers (Yared, 2010).

According to the WTO, the value of the world textiles and apparel exports totaled $305bn and $492bn in 2019. China and Vietnam continue to gain momentum in the growth of textile and garment export. China, European Union (EU) and India remained the world's top three exporters of textiles in 2019 contributing 66.9% of the value of world textile exports in 2019. The pattern of world apparel exports reflects fashion companies' shifting strategies to reduce sourcing from China. China, the EU, Bangladesh, and Vietnam unshakably remained the world's top four exporters of apparel in 2019. Altogether, these top four accounted for as much as 71.4% of world market shares in 2019, which, however, was lower than 74% from 2016 to 2018 primarily due to China's reduced market shares.

The determinants of export performance are classified into internal and external factors. Internal determinants are backed by the resource-based theory, while external determinants are supported by the industrial organization theory. The resource-based theory sees a firm as a unique bundle of tangible and intangible "resources" or instance, assets, capabilities, processes, managerial attributes, information, and knowledge which are controlled by a firm and that enable it to

conceive and implement strategies aimed at improving its efficiency and effectiveness (Barney, 1991; Daft,1983; Wernefelt, 1984).

Export performance is a complex and many-sided construct (Cavusgil& Zou, 1994; Matthyssens& Pauwels, 1996; Shoham, 1998, 1999). The success of a firm, division, or export venture cannot usually be communicated with a single metric; instead, numerous perspectives may have to be considered. Moreover, since performance objectives may be unsuited with one another, and improving on one dimension may come at the expense of another, success may be a matter of degree instead of just a yes or no question (Carneiro J. et al., 2011). Traditional economic measures may indicate whether a company has performed well in the past, but are no guarantee for continuing success (Barney, 1996).

The inter play among available resources and capabilities, competitive strategy decisions, and competitive intensity determines export venture positional advantages and performance outcomes in the theoretical model (Morgan et. al., 2004). Researchers (Conant, Mokwa, &Varadarajan, 1990; Matthyssens& Pauwels, 1996) have advocated the use of multiple dimensions to conceptualize performance. Venkatraman and Ramanujam (1986) investigated the advantages and disadvantages of financial vs. operational indicators as well as primary vs. secondary data sources. Fiegenbaum, Hart and Schendel (1996) proposed the use of several reference points: internal (strategic inputs and outputs) vs. external (competitors, customers, other stakeholders) as well as past vs. future.

Like many developing countries, Ethiopia embarks on the journey towards industrialization by taking textile and garment at the forefront of the industrial policy being implemented by developing giant industrial parks dedicated for textile and garment factories. Ethiopia's long history in textiles began in 1939 when the first garment factory was established in Dire Dawa. However the growth of the industry was full of ups and downs in different economic and political systems the country passed through except in the past few years. Based on current Ethiopian data, in the last 5 to 6 years starting from 2016, the textile and apparel industry have grown at an average of 51% and more than 70 international textile investment projects have been licensed for foreign investors mainly inside industrial parks. This step of the Ethiopian Government to prioritize designing incentives and policies to attract investment in view of worldwide competition has played a big role in the development of their economic status (Alliance expert, 2018).

Given this accepted narrative towards the current growth of export, this study targets to analyze the factors that determine export of textile and garment in the last few years. The study of export behavior has aroused great interest, both in academic and professional, and in public authorities. It will highlight the importance of exports from three perspectives. Firstly, for politicians who analyze exports as a way to accumulate foreign currency reserves, increase levels of employment, productivity and social prosperity. Secondly, for managers since exports are a form of corporate growth that imply an increase in production capacity, an improvement in financial results and business competitiveness, and also to ensure the survival of the company in a highly-globalized marketplace. And thirdly, for researchers, who consider exports as a changing but promising area to develop theories (Katsikeas et al., 2000).

The government of Ethiopia has two goals when deciding textile and garment as the driving force for industrialization. First, the government wants to diversify export commodities from the dominant agricultural product to strategic sectors like textile and garment manufacturing and secondly, it plans to generate the much needed job for the increasing youth population.

The growth in the textile industry is believed to be directly linked to the Government's move to set up an industrial development strategy which focuses on building industrial parks in addition to prioritizing and designing incentives and policies to attract investment in view of worldwide competition has played a big role in the development of their economic status (Alliance expert, 2018).

Although there are different export items in Ethiopia, this study focus on identifying the factors affecting the export performance of textile and garment industry in the country. Specifically, the industry parks who are becoming the main contributor for the export performance in this sector have not been investigated properly. When the government builds the parks it contains the entire necessary infrastructure, improved the regulation and introduced one-stop shop. Thus, this research focuses on the impact of these new developments for the growth of the sector.

1.2. Statement of the problem

For most developing nations like Ethiopia, export continues to be an important economic activity and a challenging macroeconomic variable threatening the total economic growth. Ethiopia's Industrial Development Strategy issued in 2002 emphasizes the need to follow export-led growth,

pursue Agriculture Development Led-Industrialization (ADLI), create linkages between internal and external investors with the purpose to develop the industrial sector and enhance its contribution to the overall economic growth. The strategy also depicts that the textiles and garments sector is one of the strategically selected priority export- oriented sub-sectors. However the Garment and textile industry has fall far behind the government plan of earning more than 1billion USD,(FDRE Strategy, 2002). After reviewing the failure the government adjusted the strategy in through introducing different strategies to attract investment promote production. After a continuous growth for consecutive years NBE 2020 report of export of textile and garment shows 170 million USD.

According to the study made by GIZ, "Ethiopia's textile industry is set to gain steady foothold in the international textiles and garment export market in the coming few years. The country now has a unique chance to enable sustainable development and inclusive growth of the sector. The industry aimed to export US$ 1 billion worth of garments every year by 2020 and has the potential to create jobs for more than 350,000 people. However it only reached not more than 170 million USD in 2020 which is very small compared to the plan but promising given its continuous growth. In the past five to six years, the textiles and apparel industry has growth at an average of 51%. 65 international textile investor projects have registered in the country. Growth is directly linked to the government's industrial development strategy. However, its textiles sector still faces many challenges. Efficiency in factories can often be slow, affecting between 40% and 45% of production volume. Processes need developing and the workforce requires more education. Cycle times can be up to 150 days due to lack of raw materials. Only 40% of the materials needed are available in Ethiopia, 60% are imported. Compared to other countries, manufacturing and production can take 45 to 60 days longer. Challenges also include restriction in technology, specifically in digital processing for transactions. Actors in the sector needed to address these challenges together, International buyers have raised social and environmental standards in past years, due to greater customer demand for fairly produced garments, growth in the sector and its establishment in Ethiopia need to be sustainable, adhering to international standards and regulations" (GIZ, 2010).

In his research on export performance of textile and garment, Alemayehu considered Africa's as well as Ethiopia's poor general export performance to its dependence on primary commodities (Alemayehu, 2006 and UNCTAD, 2004). Abay and Zewdu (1999) on their studies citing IMF and

World Bank, (2001) concluded that distinctive structural problems, weak policy frameworks and institutions, protection at home and abroad are the main factors for poor performance of export in general.

Ethiopia being third world country and dependent on foreign direct investment, remittance and export of primary commodities to earn foreign currency the growth of Ethiopia's textile and garment industries expected, for this the government of Ethiopia has put in place different incentives and engaged into economic, social and political reform activities that enable the country to attract textile and garment industry, although the performance of these sector is unsatisfactory.

The conclusions that can be drawn from the literature on export performance are often conflicting (Zou et al., 1998). A major cause of the conflict arises from the utilization of different measures of export performance Sousa and Katsikeas et al, (2004). There are different studies conducted on the same subject area were either econometrics model or qualitative method of data analysis was used, whereas this study is keen to employ mixed approach of qualitative and quantitative techniques of data analysis. That mixed data analysis was employed to analyze the data gathered using different data collection instruments including questionnaire and other kinds of data gathering instruments.

In conclusion the aim of this study is to systematically identify factors that affecting the export performance of Ethiopia's textile and garment industry based on recent available data's.

1.3. Research Question

To achieve the purpose of the study, the researcher formulated the research questions depending on the background and problem statement of the study. The main research question of this study is to analysis the factors affecting export performance of textile and garment industry in Ethiopia.

Specific research questions for the study are:

- Does FDI affect export performance of the textile and garment industry in Ethiopia?
- To what extent does market access affects export performance of textile and garment industry?
- To what extent does government policy and regulation affect export performance of textile and garment industry?
- How does infrastructure affect export performance of textile and garment industry?

1.4. Objective of the study

1.4.1. General objective

The objective of this study is to identify factors that affect the export performance of textile and garment sector in Ethiopia and to draw implications for the export performance based on the empirical and descriptive findings.

1.4.2. Specific objective

- To evaluate the extent to which FDI affect export performance of textile and garment industry in Ethiopia.
- To analyze the extent to which market access affects export performance of textile and garment industry.
- To analyze the extent of government policy and regulation affect export performance of textile and garment industry.
- To determine the extent to which infrastructure affect export performance of textile and garment industry.

1.5. Significance of the Study

This study proposes and addresses the deep-rooted problems that are affecting the export performance of the textile and garment industry. The significance of this study is to enable textile and garment industry efficient and effective in the international market. It's my believe that the outcome of this research will presupposes to improve the export performance of textile and garment industry and the respective investors and the government will benefit more from the study in securing hard currency.

Considering that there is very little and fragmented research in this area, further this study will serve as an input for researchers and other interested people in related topic and to acquire broader knowledge about the subject matter under the study. And in conducting this study I think I am a beneficiary by getting experience of how to conduct research and this experience will help me in order to make other researches in the future.

Therefore the aim of this study is to provide an insight for textile and garment industry international marketers on subjective measurement factors which affect export performance. In addition, based on the findings, international marketers will design their marketing strategies in

efficient and effective manner so as to have sustainable competitive advantages. Moreover, the result will have paramount importance to be used as a baseline for further study.

1.6. Scope/Delimitation of the study

This study restricts itself to factors that affect the export performance of textile and garment Industry in Ethiopia. The researcher identifies export performance indicators of textile and garment industry in Ethiopia basing on different literatures. and from different and many indicators that may affect export performance of textile and garment industry the researcher chooses and believes these five variable have more effect and keen to put it under study, those indicators are 1, FDI 2, Market access/trade openness 3, Government policy and regulation and 4th Infrastructure.

There is, of course, great potential in the textile and garment industry that produce for the domestic market in improving the overall textile and garment company performance and in developing the country's economy. However, this study does not focus on the industry performance of the domestic market. The study mainly focuses on the textile and garment industry engaged in export market. The population size covers all textile and garment industry actors that have for export market.

1.7. Limitation of the study

This study is limited to such independent variables as FDI, Market access, government policy and Infrastructure that are supposed to impact on export performance. While conducting this research proposal it is assumed that the researcher faced a great problem in reaching all government and private textile and garment companies in which they engage themselves in the export market. Due to this the researcher is limited to reach all but main stockholders. To encompass the entire government and private textile and garment companies in the country is time consuming, cumbersome, and it needs a reasonable amount of budget to conduct the research. Not only that, the production areas of textile and garment companies are found dispersedly in the country, Therefore, this paper is limited only to the textile and garment manufacturing companies that are operating in Hawassa and Bole lemi industrial parks. The other limitation is that the researcher is not exposed to such kind of investigation before so there is lack of experience in putting things in their coherent and sequential order.

1.8. Definition of terms

- **Factors -** a circumstance, fact, or influence that contributes to a result.
- **Affecting –** have an effect on or a make a difference to
- **Export Performance** - relative success or failure of the efforts of a firm or nation to sell domestically-produced goods and services in other countries.
- **Textile-** generic term originally applied to woven fabrics or cloth.
- **Garment-** an item of clothing.
- **Industry-**economic activity concerned with the processing of raw materials and manufacture of goods in factories**.**

1.9. Organization of the Study

The research is organized into five chapters. The first chapter is an introduction which includes background of the study, problem statement, objective of the study, research questions, and hypothesis of the study, significance of the study and scope /delimitation of the study, and definition of terms.

The second chapter is review of related literatures which consists theoretical and empirical background and important findings from different literatures.

The third chapter is methodology; this chapter includes research approach, research design, population and sample data, source, type data collection method and ethical consideration. The fourth chapter presents the primary and secondary data and the detailed data analysis of the study. The last chapter concludes the research and put forward recommendations that should be considered regarding the garment and text sector in Ethiopia.

CHAPTER TWO

Review of Related Literature

2. Introduction

Various empirical and theoretical research of different scholars who have conducted on the subject matter are reviewed so that the study have its own side on the determinants of export performance of textile and garment industry in Ethiopia which can be further extended into the developing countries economy.

So far, no clear conclusion has been drawn on the factors affecting the export performance of textile and garment sectors in both developing and developed countries especially related the impact of industry parks. Different scholars have identified and used different variables to investigating the determinants of export performance depending on the type of model they applied and is also different from regions to regions. In the following sections, theories and empirics that are developed on the area are presented and discussed.

2.1. Theoretical Review

Economists have proposed several theories to explain international trade and for the longest of time the neoclassical Heckser-Ohlin model has been the dominant paradigm in outlining the variables that determine international trade. Heckser-Ohlin states that countries specialize in the production and export of products in which they have a comparative cost advantage on the basis of relative abundance of a certain factor of production. For a typical developing country with a relative abundance of labor and a shortage of capital, export in labor intensive goods such as textiles would be a good idea. On the other side, industrialized countries, would export capital-intensive goods. However, to reach to this settling the Huckster-Ohlin model requires very strict assumptions such as perfect competition, no economies of scale and costless availability of technology. In the 80s, so-called new or strategic trade theory loosened some of these rigorous assumptions to allow for other sources of comparative advantage. Various models were constructed in which imperfect competition and economies of scale determined international trade patterns (Helleiner, 1992).

Although the above theories are very wide and mainly used to explain trade patterns between countries, they also provide useful guidance in explaining export at a lower level of aggregation in

different countries. Earlier empirical research showed that comparative advantage in costs, scale economics, perfect competition and technology are also important determinants of export at the firm and sect oral level. Most theories are based on the premise that the lack of resources faced by small exporting firms constrains their ability to reach advanced stages of internationalization or export compared with larger firms who controlled the export market. Among these theoretical arguments, the resource-based view of the firm and international economies of scale theory still linger those most commonly used in the construction of export strategy and performance models.

The international economies of scale theory consider that small firms bump into substantial difficulties in their export expansion due to lack of resources. Firms are anticipated to incrementally enter geographically close markets with less cultural distance. Nevertheless, large firms have a larger amount of the necessary resources when entering new markets and exhibit scale advantages compared to smaller firms (Navarro et al., 2012).

Multinational Enterprises (MNE) are likely to export more citreous paribus because they enjoy certain benefits not available to locally owned firms. Ramstetter (1999) explains two mechanisms how this works. First, because of access to superior production technology and management know-how, MNEs can produce more efficiently and secondly, MNEs possess sophisticated (international) marketing networks that smooth the progress of exporting.

Export performance is seen as one of the key indicators of the success of a firm's operations. Research into export performance has grown significantly during the past few decades (Sousa, Martínez-López, and Coelho, 2008). While several studies have been conducted to explain export performance and its antecedents, there is no generally accepted conceptualization. Export performance represents the result of a firm's activities in export markets (Papadopoulos and Martín, 2010). Export performance can also be defined as the result of firm's international activities. From this perspective, export performance is the extent to which the firm attains its objectives when exporting a product to a foreign market (Navarro et al., 2010).

Economic measures without hesitation are relevant. Besides, some market and also strategic measures might be interesting in order to account for some broader, not just short-term oriented, aspects of the export practice. However, since strategic objectives may vary drastically among different firms, it would be difficult to devise common objectives that would enable comparison among companies. So, one could instead collect data on some overall aggregated measure that would, somehow, mirror strategic as well as other aspects of the export performance phenomenon (Jorge Carneiro et al., 2007).

The key role of exporting in national economies has resulted in export performance attracting substantial interest in many studies. Most research emphasized on the relationships between performance and organizational or environmental factors; less has been done into the specific factors that could hinder exporting (Hossein, 2012). While most research focusing on export performance has been undertaken in the United States and Europe, limited work has been done in developing countries. Enhancing export performance is vital for firms based in developing countries that view the global marketplace as a means to ensure growth, survival or competitiveness (Matanda and Freeman, 2009).

The Ethiopian government, through its agricultural led industrial economic development policy has implemented new policies and strategies for the well-being of the nation in general and for the textile and garment company in particular. One strategy is prioritizing the textile company, where the choice is made due to rich natural resources, as raw cotton, as well as a high population of youths. Additionally Ethiopia has a rich textile weaving and spinning history (TIDI, 2011).

In 2010 the government initiated the Textile Company Development Institution (TIDI) with the intention of supporting and strengthening the textile and garment company. Job creation is essential with its fast growing population needing job opportunities every year. The textile industry in Ethiopia is expanding rapidly and employs over 40,000 people in the country (Clara, 2014).

Compared to Sub-Sahara least developed countries (LDCs), Ethiopia has been placed at a lower rank on the utilization of developed countries' as well as regional market opportunities for textile and garment company, the like of AGOA, EBA and Common Market for East and Southern Africa (COMESA). This is because of Non-Tariff Barriers (NTB) and Technical Barriers to Trade (TBT), low preparation to utilize these privilege and some other challenges by the rules of origin (Yared, 2010).

Export performance has long been a construct of central interest in the international marketing literature. In this context, 'at the macro policy level, governments around the world are concerned about ways to advance their firms' performances in export markets, because export is considered as an engine of economic growth. At the micro level, there has been wide recognition. Success in the domestic market does not guarantee success in foreign markets and strategies are needed to succeed in export markets' (Zou et al., 1998).

Export performance is important for the firm to look at various ways to enter the foreign markets. As firms become more involved in exporting, they become more committed to chase after other international opportunities (JeeSu Lim et al., 2004). Exporting is also defined as shipping of goods

produced in the company's home country to other countries for marketing (Wheelen and Hunger, 2000). The market information is essential to firm success in both domestic and international contexts (Hart and Tzokas, 1999).

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

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

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

Most researchers accept the multidimensionality of export performance, but there is difference about which indicators should be used to measure the variable. Most researchers consider two

different dimensions; economic (objective) and strategic (subjective). It is believed that objective and subjective measures are complementary in nature and it is advisable to make use of both in an interrelated way in order to provide a broader picture of export performance (Stoian, Rialp and Rialp, 2011). This multidimensionality nature of export performance makes it hard to compare and contrast the findings from different studies (Sousa, 2004). In order to provide for a reliable assessment, the development, and subsequently, the validation of measures for different export performance dimensions as well as the use of multiple measures are necessary for capturing the entire story of a firm's export performance (Solberg and Olsson, 2010).

Before deciding whether to operate internationally, a company must carefully understand the international marketing environment. That environment has changed a great deal in the past two decades, creating both new opportunities and problems. The world economy has globalized. World trade and investment have grown quickly, with many attractive markets opening up in Western and Eastern Europe, China and the Pacific Rim, Russia, and elsewhere (Kotler and Armstrong, 2002).

Macro environmental factors affecting the clothing company are those which lie outside small companies and other competitors. Business owners have less control of these external factors, and their force in changing them is minimal. Instead, small companies must adapt to these macro environmental factors, which include consumer characteristics, technology, government influence and the economy. The way small companies accustomed to macro environmental factors determines both their ability to differentiate themselves from key competitors and overall success (Suttle, 2018).

Export performance is a complex and many-sided construct (Cavusgil& Zou, 1994; Matthyssens& Pauwels, 1996; Shoham, 1998, 1999). The success of a firm, division, or export venture cannot usually be communicated with a single metric; instead, numerous perspectives may have to be considered. Moreover, since performance objectives may be unsuited with one another, and improving on one dimension may come at the expense of another, success may be a matter of degree instead of just a yes or no question (Carneiro J. et al., 2011).

Traditional economic measures may indicate whether a company has performed well in the past, but are no guarantee for continuing success (Barney, 1996). As for market measures, an increase in market share might express such distinct facts as greater acceptance of a product, buying market share by cutting off prices, or investing greatly in promotions. The metric itself however does not tell whether a company's revenues and profits increased more or less than its competitors' or whether performance, defined in broader terms, actually enhanced. Furthermore, when a firm is

starting or entering a new market, it may accept short-term financial losses as it gains experiential knowledge or develops brand awareness, which may later be vital drivers of performance (Carneiro J. et al., 2011).

Both the size and the rapid growth of global exporting have focused the attention of marketing researchers on the factors associated with firms' export performance. However, knowledge of this is increasingly important domain of marketing activity that remains limited. The inter play among available resources and capabilities, competitive strategy decisions, and competitive intensity determines export venture positional advantages and performance outcomes in the theoretical model (Morgan et. al., 2004). The export development factors and their economic impact as well as efficiency of export performance tools up to now have not been thoroughly examined enough from the view point of marketing strategy (Purlys, 2007).

Researchers (Conant, Mokwa, &Varadarajan, 1990; Matthyssens& Pauwels, 1996) have advocated the use of multiple dimensions to conceptualize performance. Venkatraman and Ramanujam (1986) investigated the advantages and disadvantages of financial vs. operational indicators as well as primary vs. secondary data sources. Hirschey and Wichern (1984) recommended that accounting measures do not reflect the same underlying profitability phenomenon as captured by market measures. Fiegenbaum, Hart and Schendel (1996) proposed the use of several reference points: internal (strategic inputs and outputs) vs. external (competitors, customers, other stakeholders) as well as past vs. future.

2.1.1. Foreign Direct Investment and Export Performance

The link between FDI and export performance can be traced and hypothesized by applying the flying-geese model, the product lifecycle theory and the new growth theory.

The flying-geese model provides a migratory image where Japan is the leading country in industrialization Asia, while other countries are behind and follow the Japanese model. It portrays that a country's shifting competitiveness with time lags by paying attention to the dynamic changes in the endowment of factors such as labor, capital and entrepreneurship (Tung, 2006).

In far-east Asia and ASEAN countries, the flying-geese type of FDI played a dominant role in the emergence of new industries (Ozawa, 2010). The necessary factors in the FG model are labor cost and trade openness, because they can be used as the comparative advantage tool for stimulating trade. This model pointed out that MNC has been shifted from higher cost home country to the lower cost nations to achieve their profit goal. Similarly, there is dynamic changes of the industrial

structure in these countries like the shift from the textile industry to the chemical industry and then to the steel and automobile industry and this leads to shift of industries across countries on finding cost advantage. The changing location of FDI reveals the catching up process of industrialization. Flying-geese model suggests that increasing exports performance of the host country due to increasing FDI which is motivated host's country factor endowment for lower production and brings technology, capital and expertise; stimulate the local firm exports ability.

Ethiopia owning abundant and cheap labor attracted FDI in labor intensive industries and light manufacturing industries in the last 10 years (van der Pols, 2015). Increase the inflow of FDI in the textile and garment industries defunct until the Ethiopia cost advantage on the factor endowment turn down.

The Product lifecycle theory highlights the changes in the production process over time. In this theory, production has four stages including the stage of innovation, growth, maturity and decline. The same firms that initiate a product for consumption in home markets will undertake FDI to produce a product for consumption in foreign markets. Again, the theory enlighten that the phenomenon of an increasing number multinational corporations (MNCs) in advanced countries shift to developing countries when product standardization and market saturation give rise to price competition and cost pressures. The first stage production, MNC and other companies inclined produce the new innovative product for the home consumption and foreign market without undertaking FDI. At the stage of growth, companies begin to commence FDI and incline to joint venture investment with the home countries industry to set up production. In the maturity stage, the main focus of the produce is looking the cost minimization, the flow investment shifted from advanced countries to the lower cost countries. However, in this stage the output which is produced by the MNC provide to the local market and the rest of the world (Charles W. L. Hill, 2011).

The new growth model sees FDI as a means for technological progress which is a product of economic activity, and help to stimulate productivity in the recipient countries. This technological progress and productivity increase the return in the production function, the return leads economic growth (Shan, 1998).

FDI is anticipated to augment knowledge transfer by increasing the existing stock of knowledge in the host country through labor training, acquisition of skills, introduction of alternative management practices and organizational arrangements. Innovation by domestic firms is expected to increase due to competitive pressure and knowledge transfer (Mello, 1999). The new growth

theory predicts that if the FDI involves in the knowledge transfer, the ability of exporting of firms motivated within the host country.

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 utmost 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 Ethiopia can be complacent with attracting and absorbing FDI, and especially in the textile sector, as the need for modern machinery is very well founded.

It is concluded that FDI promotes exports by augmenting domestic capital for exports, help convey of technology and new products for exports, facilitating access to new and large foreign markets and providing training for the local labor force and upgrading technical and management skills. However, there is some arguments against that FDI may lower or replace domestic saving and investment, transfer technologies which are wrong for the host country's factor proportions, target primarily the host country's domestic market and in facts does not increase exports and others (Zhang, 2006).

H1; FDI has positive effect on export performance of textile and garment industry.

2.1.2. Trade Openness and Export Performance

As it is stipulated in the works of Zakaria (2014), over the past sixty years, particularly in the last three decades, one of the distinct characteristics of the world economy has been that developing countries have experienced rapid trade liberalization either unilaterally or as part of multilateral initiatives with the World Bank, WTO and the IMF. The simplification of import procedures, the reduction or elimination of quantitative restrictions and the rationalization of the tariff structures are the most well-known reforms (Cherkos, 2017). These trade liberalization reforms have important connotations for exports, imports and trade balance of the developing countries. Many developing countries are still reluctant to liberalize their economies as it will weaken their trade balance as imports will increase more than exports after liberalization.

Theoretical literature has developed mainly three approaches to investigate the effect of trade liberalization on trade balance of an economy namely the elasticity approach, the absorption approach and the monetary approach. The elasticity approach is mainly concerned with exploring the effects of trade liberalization on export and import price elasticity's. The case for analyzing the

relationship between trade liberalization and exports is that the reduction or elimination of trade policy distortions reduces anti-export bias, and therefore improves export competitiveness.

Some scholars such as (Taneja, 2012, Kongmanilaa& Takahashi, 2009) strongly acknowledge that the more open economy to the external world the higher will be its foreign exchange earnings from export. The implication is that a country needs to integrate to the world market by diversifying its trading countries.

H2; Market access/trade openness has direct and positive effect on export performance of textile and garment industry.

2.1.3. Policy and Regulation and Export Performance

Economic barriers are the institutional barriers in general and legal and political constraints in particular. Politics is the combinations of effort by the government and other institutions, fields, and special interest groups to give prospect directions to the country considering the value and interest that people hold in addition to carrying on governmental and state affairs (Daunton, 2011). Generally, the government of a particular country develops the rules and procedures for the day to day life through legal and political system. Business is considered as the vital part of this daily life. Therefore, business could not be conducted avoiding the legal and political system (Sethi et al., 2012). There are many ways that the legal and political environment might influence the business environment. Legal and Political systems of each and every country influence the business environment directly by changing existing (or by introducing new) policies, regulations and law.

Government determines the monetary and fiscal policies that directly influence the way of doing business. The situation of political constancy has great impact on the ease of doing business. Political forces might assist the internationalization of firms, such as, removing the barricades to international trade or even by setting up export processing zone where the firms can produce and trade under favorable condition. Similarly some of the legal and political factors might also become barriers to entering foreign markets, such as, political instability, legal procedural barriers, corruptions and inadequate legal supports (Bhatti and Awais, 2012). Therefore, the decision to go for international market expansion should only be taken after understanding the unobserved nature of political and legal environment of the target country.

Each and every country has some legal systems both for the organizations and the people. To carry on life or business, people need to go through these legal procedures, such as filing tax, registering property, applying for permission to start a business and carrying on the business legally. Based on

the number, days and requirements of these procedures, ease of doing business is observed. Ease of doing business differs from country to country due to these legal processes. In the case of international business, firms may need to face additional legal restrictions than the domestic firms, such as, currency restrictions, quotas or tariffs. Based on the country of origin of the foreign partners, additional formalities may also need to uphold, for example, product standards, compliance procedures, health and safety requirements, and patent and trademark issues (OECD, 2006).

H3; Government policy and regulation have direct and positive effect on export performance of textile and garment industry.

2.1.4. Infrastructure and Export Performance

Both the quality and quantity of physical infrastructures are expected to play important roles in export performance. Important elements of supply ability at the early stage of development of the export sector are infrastructure, foreign direct investment (FDI) and macroeconomic stability. These elements are significantly determining the performance of export at all levels (UNCTAD, 2004).

Infrastructure development is a key element of a countries' capability to produce and move goods. O'Rourke and Williamson (1999) argue "... all of the commodity market integration in the Atlantic economy after the 1860s was due to the fall in transport costs between markets..'' Weak infrastructure is a major obstruction to trade, competitiveness and sustainable development in most African countries, particularly land-locked and small island countries. Recent literature has highlighted the dependence of trade costs on infrastructure. The literature has inspected the importance of transport costs and infrastructure in explaining trade and access to markets. Much of the historical literature has emphasized reductions in trade costs specifically those arising from endogenous changes in commercial policy and exogenous changes in transport technology (O'Rourke and Williamson, 1999).

Enhancement in transportation services and infrastructure can lead to greater positive impact in export performance. Lim˜ao and Venables (2001) demonstrate that infrastructure is quantitatively important in determining transport costs. They estimate that poor infrastructure accounts for 40 percent of forecasted transport costs for coastal countries and up to 60 percent for landlocked countries.

Bougheas, Demetriades and Mamuneas (1999) have analyzed that infrastructure can promote specialization and long-run growth and it influences on trade through its effect on resource costs. It requires resources to be taken away from the production of the final good and enhance economic growth through increased specialization.

H4; Infrastructure has direct and positive effect on export performance of textile and garment industry

2.2. Empirical Review

This subdivision evidently presents the works of different scholars that explores the impact of the variables stated above on the international trade of the country by using various methodological procedures. It is understood that researchers have used different techniques and different proxies for export performance and also for the explanatory variables.

Saravanan and Etal (2013) have explored the determinants of and factors affecting the export performance of textile industry. The tools used by this and other various researchers and their findings are studied in order to establish the academic contributions made by these studies to the existing body of knowledge, highlight method adopted or suggested by researchers for conducting researches in the area of export performance of similar industries with special focus on textile sector in developing countries. The article analyzed researches carried out in Africa and East Asia who are prominent in export of textile and garment. These economies are the dominant textile exporters in the international trade in the last few decades. The review highlights that most of the studies have been carried out on establishing the relationship between FDI, infrastructure, labor, government policy and technology with impact in export performance of textile and garment industry. Most of the researchers found a positive relationship between the above said variables and textile and garment exports.

The study of van Dijk (2002) attempted to determine the factors affecting export performance for Indonesian firms engaging in export of manufactured goods. It highlighted the importance of sectorial variation in determining export activities and concluded that relative size, foreign ownership and age were significant factors across all sectors while skilled labor differs according to the industry which the firm belongs. The study also demonstrated that research and development activities in Indonesia only benefit exports in relatively mature industries while capital intensity (FDI) does not influence export behavior in scale-intensive firms.

Siddiqi et al. (2012) examined the determinants of export demand of textiles and the clothing sector of Pakistan using annual data for the period 1971–2009 and the Johansen and Juselius methodology of maximum likelihood co-integration technique. As discussed in their paper, income level in different part of the world is the major determinant of export demand for textiles and the clothing sector of Pakistan. Trade openness which is used as a proxy of trade restrictions is the second major determinant of export demand. Other factors such as the price of textiles in the export market and the exchange rate were also found to be significant determinants of export demand.

Niluka E. (2015) has evaluated the determinants of export demand for textiles and garments of Sri Lanka, by using data from 1999 to 2013. He found a long run relationship between export demand and explanatory variables. The empirical results reveal that the depreciation of the real exchange rate does not increase the demand for Sri Lanka's textiles and garments, as this industry is found to be dependent on long value chain. World GDP which proxies the income of buyers is also a major determinant of export demand. It is also found that the Generalized System of Preferences-plus and Multi-fiber Arrangement had a positive and significant impact on the demand for textiles and garments of Sri Lanka as they provided duty free access to major textile and garment markets such as USA and EU particularly when the global financial crisis and debt crisis had a negative impact on world demand for textiles and garments. It is surprising to observe that trade openness which proxies the level of trade restrictions between Sri Lanka and the rest of the world shows an inverse relationship with export demand for textiles and garments from the country.

Daniel T. (2016) has investigated factors affecting the performance of garment exporting industries in Ethiopia particularly the case of Addis Ababa. He used interview and questionnaires to statistical analysis the factors under study. The information obtained through self-administered questionnaire from a sample of 16 operators and face-to-face interviews with respondents in the sector was conducted on industries under investigation. Interview questions were analyzed using descriptive narrations through concurrent triangulation strategy. The empirical study extracted major factors which seem to affect export performance of garment industries which include: unavailability of raw material, incapability of management, technological, poor institution, lack of capital, availability of skilled labor force, marketing problems, inadequate infrastructures, and between industry relation and lacking government regulation and incentives. The findings further indicate that, the availability of raw material, shortage of capital, absence of marketing personal

skilled labor force, and infrastructure being the most critical factors impeding garment industries engaged in export.

Carneiro and eta al (2011) has conducted a study on the impact of the external environment, firm characteristics and firm strategy has effect on export performance. For the study, a survey was administered to 448 large Brazilian exporters of manufactured products. A structural equation modeling (SEM) approach was used to fit the conceptual model to empirical data. An extensive set of procedures for the validation of measurement models was used. Export performance exhibited a multidimensional structure and the model explained that 76.6% and 40.1% of the observed variance of past export revenues and of past export profitability, respectively among firms.

Mamo Mihretu and Gabriela Llobet (2016) conducted a research on the industrial parks future prospects by using Hawassa Industriy park and PVH (world well-known brand) as a case study. Hawassa Industry Park was inaugurated in 2016 which was a model for other industry parks. They have done a case study and narrative report on the strategy of the government and performance of the park as well as future prospects. They found out that a host of factors have forced leading global apparel companies shift their focus and explore new opportunities to source, manufacture, and do business in emerging countries outside their traditional sourcing bases which is in East Asia. An increase in labour cost in east Asia means many countries are not as competitive sourcing a location as before. Furthermore, securing compliance in areas such as human rights, labour regulations, safety standards, quality and the environment is a vital concern for the industries, and a top criterion when analyzing sourcing markets and suppliers.

The success in construction of a world-class industrial park featuring state-of-the-art, environmentally friendly technology to attract and host companies helped the country attract FDI which will be translated in to export performance. In their study they found out that FDI makes an important contribution in terms of investment, employment, and foreign exchange and neither tax investment nor incentives or specific concessions were critical factors. To keep the momentum the recommend addressing systemic trade policy issues, such as Ethiopia's WTO membership negotiation and membership in different trade agreements in the region. Similarly, they believe that the establishment of industrial parks will accelerate urbanization of the surrounding region, implying that "beyond the fence" infrastructure issues such as housing, water, and transport issues will become urgent development priorities.

2.3. Conceptual framework and Research Hypothesis

2.3.1. Conceptual framework

As the study aims to find factors affecting export performance of textiles and garment industry of Ethiopia by establishing a relationship of FDI, Market access/trade openness, Government policy and regulation and Infrastructure, which are independent variables that affects export performance (dependent variable)

The Conceptual framework is depicted as under mentioned framework.

Independent variables **Dependent variable**

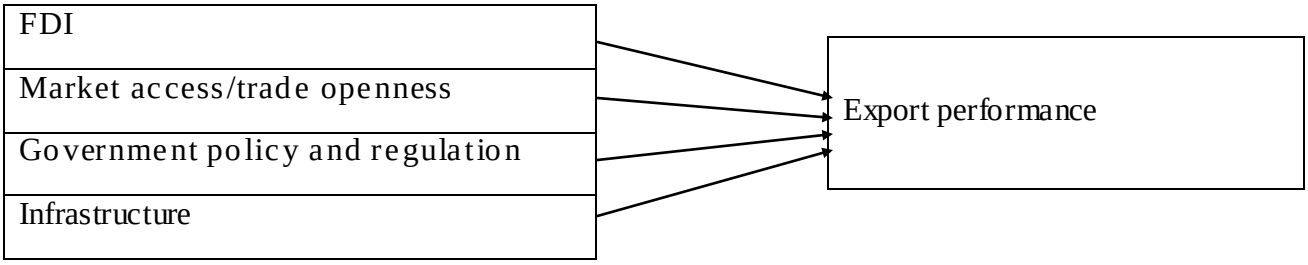


Figure 2.1.Proposed conceptual model of factors affecting export performance of textiles and garment industry in Ethiopia.

CHAPTER THREE

Research Method and Approach

3. Introduction

In this chapter the research methods used in order to answer the research questions and accomplish the purpose of the research are presented. Also, it gives an overview of research approach, research design, population, sampling frame and sampling technique, data source and data types, sources and methods of data collection, ethical consideration, and methods of data analysis.

3.1. Research Approach

There are two methods that provide in the research method such as quantitative and qualitative, where one of them is not considered better than the others, all of this depends on how the researcher desires to-do a research of study (Ghauri and Kjell, 2005). To achieve the aforementioned objectives, the study adopted a mixed research approach. The quantitative approach helps to use questionnaire to collect the necessary quantitative data from respondents and different secondary sources.

A quantitative research enables the researcher to collect objective and numerical data to apply statistical tools and to set up the relationships of the variables used in this study. A qualitative data on the other hand helps to capture wide area of data available over the internet and government depository.

3.2. Research Design

This research applies both descriptive and explanatory research design. Descriptive research is research which describes exist phenomena. It is used to identify and attain information on the characteristics of a particular problem or issue. The data collected is regularly quantitative and statistical techniques are usually used to summarize the information. Explanatory research is a continuation of descriptive research. Saunders et al. (2007), defines research design as the general plan of how the research questions would be answered. Since data were collected at one point of time to evaluate the relationship between independent variables and dependent variable, the research design for this study used a cross-sectional field survey method. In cross-sectional field

surveys, independent and dependent variables are measured at the same point in time using a single questionnaire (Anol, 2012). It aims to understand phenomena by discovering and measuring causal relations among them. An important element of explanatory research is identifying and, possibly, controlling the variables in the research activities, since this permits the critical variables or the causal links between the characteristics to be better explained. Jill and Roger (2003), based on this, this research describes the general information of the respondents and seeks to explain and identify the causal relationship between independent variables and understand the depth of effect that independent variables have on dependent variable, which is export performance. The study used co relational in design because there were intended to establish the relationship between dependent and independent variable of the study. Co relational research aims to establish if there is a significant association between two variables (Reid, 1987).

3.3. Population, Sampling Frame and Sampling Technique

3.3.1. Target Population

The target population for this study was all the textile and garment industries found inside Bole Lemi Industry Park in Addis Ababa and Hawassa Industry Park in Hawassa, the industrial park development corporation, and the Ethiopian Investment commission and the ministry of trade. Currently, there are 21 exporters of textile and garment in Hawassa Industrial park and 12 industries in Bole Lemi industrial park. All of them are part of the target populations

Collecting data from these diverse sources of companies and government institutions help the researcher to have the wider view of the challenges and determinants of textile and garment export in Ethiopia.

3.3.2. Sampling Technique

Since all the companies engaged in textile and garment manufacturing in Hawassa and Bole Lemi Industrial park are included in the study sampling method is not necessary in selecting the companies from both industrial parks. When we come to EIC and Industrial park development Corporation (IPDC), the sampling technique used for this study is purposive sampling where it enabled to target the most suitable personnel in the company to answer question under study. This method of sampling is selected because it enables to save cost and time apart from finding the right candidate to answer the questions properly. According to Saunders, Lewis and Thornhill, (2009)

the sample selection process is suitable to reach the most suitable sample representation with a short time.

Researcher conducting a sampling study has a variety of probability and non-probability sampling methods to choose from. Probability sampling is an objective procedure in which the probability of selection of each population element is known (Parasuraman et al., 2007) However, Aaker et al. (2007) highlight that in most probability sampling methods, a sampling frame is essential and information on the sampling units is necessary before starting the sampling process. Probability sampling methods consist of simple random sampling, systematic sampling, stratified sampling and cluster sampling.

In non-probability sampling, the probability of selection of each sampling element is not known; accordingly, the selection of sampling elements is based on some type of insightful judgment or knowledge (Hair et al., 2000). Non-probability sampling consequently relies to a large degree on the discretion of the researcher which eliminate the cost and trouble of developing a sampling frame and this ensures operational ease. The method includes judgmental sampling, quota sampling, snowball sampling and convenience/purposive sampling.

3.3.3 Sample size

To effectively address the issue under study, the research covered all the 21 exporters of textile and garment in Hawassa Industrial park and 12 industries in Bole Lemi industrial park. The research identifies three people (one higher and two middle level managers) from each industry engaged in textile and garment as well as six middle and high level managers from the IPDC and 5 Middle and high level managers from EIC. This makes the total sample size 110.

3.4. Data Types, Sources and Methods of Data Collection

3.4.1. Types and Sources of Data

The main source of this study is primary and secondary data. Primary source was collected from garment and textile exporters inside Bole Lemi Industrial park, Hawassa Industrial Park, IPDC and EIC. Primary data was collected based on structured questionnaires. The data that was collected through questionnaire was described in numerical figures is the quantitative data types that have been used in this study, the main sources of primary data are respondents from the factories and institutions stated above. Secondary data has been collected from different sources including the NBE report, Ministry of trade and other data sources.

3.4.2. Methods of Data Collection

According to Catherine (2007), data may be collected as either primary or secondary. For the purposes of gathering primary data for this research report, questionnaires has been prepared, Fixed response questionnaire has been used to collect primary data from respondent, by focusing on the research objective. For the fixed response questionnaire five-point Likert-scale ranging from Strongly Disagree (1) to Strongly Agree (5) was used. A five-point Likert type scale ranging from 1 (one being strongly disagree) to 5 (five being strongly agree) is a widely used rating scale which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements or questions (Albaum, 1997). The secondary data that is relevant to the study was collected from different written document, and internet access etc.

3.5. Methods of Data Analysis

The data collected through the questionnaires has been analyzed by using descriptive statistics such as mean, standard deviation, frequency distribution and reliability analysis. The findings and conclusion of the study was done with full utilization of statistical data collected and analyzed using SPSS. Based on this, percentages have been computed: tabulation presentations have been done. Data analysis has been done by categorizing data in to meaningful groups and interpreting specific occurrences. Data collected from secondary sources was analyzed by using qualitative analysis techniques by creating detailed relationship with the main thought under study.

3.6. Reliability and Validity

Reliability and Validity tests were undertaken to insure if the measurements are taken from true sources. Validity is directly related with accuracy or correctness. The modality of a measuring instrument is defined as the extent to which differences in scores on it reflect true differences among individuals on the characteristic of the variables rather than constant or random errors. The similarity of results provided by independent but comparable measures of the same objects in the study, trait, or construct is called reliability (Churchill and Iacobucci, 2004).

3.7. Ethical Consideration

Information provided by the respondents are confidential and respondents has been informed before completing the questionnaire that the information, they provide were used for academic purposes only and that their participation is voluntary; thus, no information provided by respondents could pose any harm to their work or their home. Anonymity were ensured in that the

questionnaires filled by respondents were linked to respondents, as respondents were required to submit filled questionnaires with no names and names hasn't been used when using the data.

Chapter Four

Data analysis, Interpretation and Discussion

4. Introduction

In the next sections the data presentation, interpretation and discussion on the result has been presented in two subsections as follow;

Section one: Performance of the macroeconomic of the country is discussed with trend of economic growth, overall trade performance, export performance of textile, garment sectors and the performance of industrial parks for the total textile and garment export.

Section two: presents empirical results of the primary data collected through questionnaire including the result of the regression analysis and discussion on the model.

4.1. Qualitative analysis

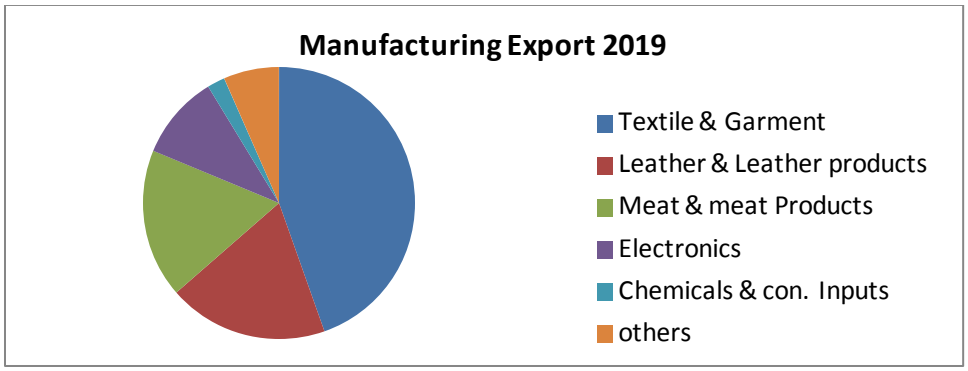
4.1.1. Ethiopian Textile and Garment export

Based on NBE report the total export of the country is around three billion USD in 2019. The export sector is dominated by agricultural commodities. The share of manufacturing export is very small, only around 380 million USD. However, Positive developments in recent trends have been seen in the textile and garment export which becomes the main manufacturing export in the country.

Ethiopia's textiles and clothing industry is undergoing major development, aided by the presence of a cheap, skilled and highly-motivated workforce. This surge has been supported by the country's economic growth over the past decade and development of industrial parks. Ethiopia's enormous export potential is made possible by the wide availability of raw cotton and other natural fiber and Ethiopia's access to domestic, regional and international markets (UNCTAD, 2020). This gives the country a comparative advantage over other countries and regions. The government is also actively promoting the further modernization of the textile sector with the aim of attracting foreign investors that can penetrate the global market.

In recent years, due to various opportunities, the global market has become increasingly accessible to countries such as Ethiopia even if the country is in risk of losing the African Growth and Opportunity Act (AGOA) because of the strain of relationship between the USA governments. The Common Market of Eastern and Southern Africa COMESA and the many bilateral trade agreements concluded with Western countries, including the Netherlands, Belgium and Luxembourg. Ethiopia is also part of the "Everything but Arms" program that has been set up to provide access to the E.U is additional benefit. Most of all the newly established African Continental Free Trade Area (AfCFTA) is another big opportunity in the horizon for the textile and garment industry.

Figure 4.3: Manufacturing export in 2019



Source: NBE annual report

The graph shows that the textile and garment sector is the main export commodity in the manufacturing sector. The textile and garment sector expands from 40 million USD in 2015 to around 170 million USD in less than five years almost half of the 380 million USD country's export of manufactured goods. This growth is attributed to the expansion of industrial parks in different parts of the country. From the ten industrial parks that have started operation, most of them focus on textile and garment, the total export of manufactured good reached 165 million USD in 2019. Based on the report of Cepheus capital Hawassa Industry parks the leading source of export.

Table 4.1: Export from Industrial Parks in 2019.

	Export (USD)	**%Share**
Hawassa IP	72,988,852	44%
Bole Lemi IP	44,228,520	27%
Easterb IP	15,391,531	9%
Kombolcha IP	9,096,234	6%
Mekelle IP	5,407,193	3%
Huajian shoes city IP	4,897,561	3%
Adama IP	4,443,708	3%
DBL IP	3,999,518	2%
George shoe IP	2,587,009	2%
Velocity IP	1,928,360	1%
Total	**164,968,485**	**100%**

Source: Cephus Capital report on industrial parks, 2020 (pa.12)

In terms of products, textile and garment are the main export commodities and export from the industrial parks covers around 43 percent of the country's total manufacturing goods export. This is in one side because of the focus the government has given for the building of industrial parks and large numbers of foreign investors have invested inside industrial parks because it contains infrastructures that are suitable for operation (Cephus Capital, 2020).

Table 4.2: Composition of Export Items from Industrial Parks

	FY 2017-18	**FY 2018-19**	**FY 2019-20**
Total manufactured exports	436	437	379
Textile & textile products	104	153	169
Leather & leather products	132	117	72
Meat & meat products	102	89	67
Electronics	35	31	38
Chemical & construction inputs	25	16	8

Other	38	31	25
Industrial park exports	45	141	165
Ind parks share of total manufactured exports	10%	32%	43%

Source: Cephus Capital report on industrial parks, 2020 (pa.15)

4.1.2. Trade Performance of Ethiopia

Whenever there is a shock in the economy either by internal or external factors, the productivity of the economy automatically decline (Willenbockel eta'al, 2008) and that is why huge amount of Ethiopian people are adversely affected by the Covid-19 crisis which in turn results in a fall in the economic growth in the past two years. Succeeding to the previous long term policies implemented by Ethiopia, the country has currently adopted the Ten Year Plan with a goal to pave the way to secure the medium income level in the next ten years (The Ten Plan, 2020) .

As it is shown in the below figure, the economy of the country is growing with time with the exception of the beginning of 2000s. In the early periods, the economy growth declines and reaches a negative figure in 2002. These declines in the growth are mostly associated with Ethio-Eritrea war which caused a lot of damages in human life as well as in materials. However, the economy started to grow in an increasing rate and showed a positive growth for the consecutive 15 years.

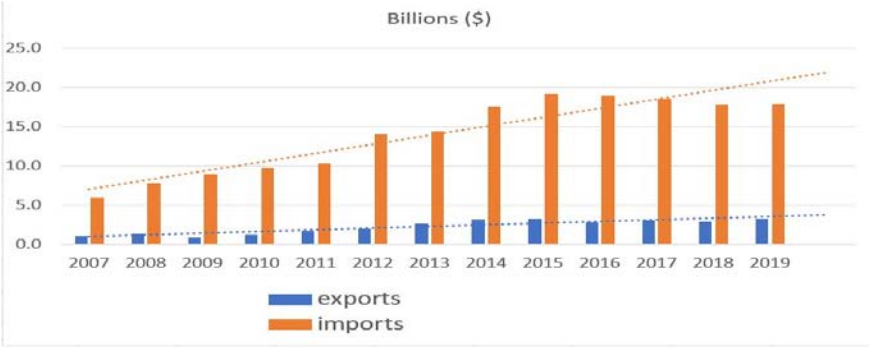
Figure 4.1: GDP growth of Ethiopia

As it is discussed in the previous section, the degree of openness to the international trade shows how much ones' economy is exposed to international relationship or the degree of integration with the external market. Developing countries exports primary products (agricultural products) for cheap international prices and imports in turn capital goods including machineries, chemicals,

automobiles and etc in higher prices which makes their trade balance to be in deficit most of the years. The case for Ethiopia is not different from that circumstance where the trade balance of the country is being in deficit for the last indefinite periods.

The past ten years shows a very slow progress in the growth of the countries international trade. The countries total merchandise export in 2019 is almost as equal as it was in 2012 fiscal year around 3 billion USD. On the other hand there was a growth of export the year between 2002 and 2011 were the country's export increased six fold from less than 500 million USD to more than 2.8 billion USD. The sluggish performance of the past ten year happened despite a double-digit economic growth and transformations in many sectors of the economy. On the other side import of merchandise goods almost doubled and reached more than 18 billion USD in the last ten year which created a big impact of the trade balance of the country.

Figure 4.2: Import & export from (2007-2019)



Source: world Bank

The National bank of Ethiopia report shows that after 2002/03 export started to increase in higher rate which reached a billion marks for the first time in 2005/6 from less than half a billion and 1.4 billion by 2007/8. This was mainly attributed to an increase in the price of coffee in the international market. Besides, gold export was growing in amount and price in the same year. Even though the international financial crisis of 2008 stagnated export growth in 2008 /9 it have recovered and reached 2.8 billion USD in 2010/11 which is the biggest in the country's history. This becomes the tipping point in Ethiopian export which is dancing around for the next ten year to touch the 3 billion mark until 2019/20.

Looking back the years from 2002 up to 2011, the price of goods in the international market was stable and going up contentiously. On the other hand, the business environment in Ethiopia was in a good shape and momentum after a long instability. The country was out of the tragic past and the government was establishing itself as the main player in the politics and the economy. Besides product like coffee, gold, oilseed and chat were abundant in the market combined with low domestic price and demand. This helped the export of these agricultural products very productive. The export then expanded 6 fold in ten years to reach more than 2.8 billion. Other than increase in price of gold, cut flower and livestock and other commodity export was rising which resulted a diversification in agricultural export. (ITC, 2014)

On the other hand, when we see the past decade after 2012 it was totally different. The price of commodities in the international market was stagnant if wasn't decreased. Domestic consumption was rising that created in the rise of the domestic price of commodities up to the level it becomes higher than the international price. Domestic production of commodities like coffee and oilseed, Gold has reached the highest achievable level in the existing traditional form of production. Thus, the only way to push the number could have been the diversification of the country's export towards manufactured products and to add value in the export of coffee, livestock and other raw commodities which fetch small price. But all this have proven to be difficult to achieve because of many reasons like technology (Arkebe Oqubay, 2018).

After ten years the country reached to the level where domestic price of many exportable products including coffee, meat are better than international market price. To change this reality, the government tried almost every available tool to push this number including diversification, control of export through Ethiopian commodity exchange (ECX), cutting of export tax, and introduction of industry parks. But the continuous dwindling of the price of commodities in the international market, staggering level of inflation and an increase in the number of population with better income in the domestic market made export of commodities difficult (Arkebe Oqubay, 2018).

However, it seems the export of manufacturing sector mainly the export of textile and garment has showed some promising progress different from other sectors. Recent studies have given the credit to the industrial parks the government has built in the past few years (Cephus Capital, 2019).

4.2. Findings of Quantitative Analysis

To collect the quantitative data 110 questionnaires has been distributed to the middle and higher level managers of the target companies in the industrial parks, EIC and Industrial Development Corporation. From the questionnaires, 82 respondents were complete, valid and appropriate for analysis, which represent 74.5% valid response rate.

4.2.1. Reliability Test

After coding and entry of data into SPSS version 20 software, reliabilities of the scales were checked. To determine the internal consistency and reliability of the instruments used in the study, Cronbach's coefficient alpha was computed for each scale. According to Malhotra & Birks (2007), when the value of the coefficient is 0.60 it is considered as in the lower limit of acceptability for Cronbach's alpha. As depicted in Table below, all variables in this study had alpha values above 0.60 and the overall alpha value is 0.852 which shows highly acceptability of the scales used.

Table 4.3: Summary of Reliability Analysis

	N	Cronbach's Alpha if Item	Number of items
Infrastructure	82	.789	5
Trade Openness	82	.861	5
FDI	82	.827	5
Policy and regulation	82	.829	5
Export performance	82	.852	10

Source: S*urvey Result (Dec, 2021)*

4.2.2. Demographic Characteristics

As it is indicated in Table below, out of 82 respondents, 20 (24.39%) of them were females and the rest 62 (75.61%) of the respondents were males which shows a relatively fair gender composition given low level of gender equality in management position.

Table 4.4: Demographic Characteristics: Sex, Educational Level, Position and Experience

Items	Frequency	Percent
Respondents Gender		
Male	62	75.61
Female	20	24.39
Educational Background		
Degree	48	58.54
Masters & above	34	41.46
Job Position		
Middle Level Managers	30	26.59
Higher Level Managers	52	63.41
Experience		
Below 3 years	30	36.59
3 to 5 years	22	26.83
Above 5 years	10	12.18

Source: Survey Result (Dec, 2021)

Regarding the educational background, 48 (58.54%) of the respondents are BA degree holders, whereas the rest 34 (41.46%) of the respondents are holders of master's degree and above. With respect to job position most of them are in the higher level management post of target companies which represents 46 (63. 41%) respondents whereas the rest is in the middle level management position. Regarding job experience most of the respondents have an experience of less than five years. This is due to the recentness of industrial parks as well as the corporation. The researcher believes the relatively low experience can be compensated by the job position they hold and the responsibilities they are handling in the export of the companies.

4.3 Descriptive Statistics

The descriptive statistics mainly covers the means and standard deviations which have been obtained from the independent and dependent variables of the study. It has been used to look at the data collected and describe the information, mean value being used to get the idea about the central tendency of the values of a variable while Standard deviation provides data about the dispersion of the values of a variable from its mean value.

All variables which include Infrastructure, FDI, Market Openness and policy and regulations have mean score above average and it shows export performances were considered all independent

variables while companies decide to engage in international market. The mean score shows that almost all the respondents agree that FDI is strongly related to export performance of the textile and garment sector with a mean score of 4.63.Infrastracture all has strong relationship with export performance with a mean of 4.46. With an overall mean of 4.17 the respondents agreed that all the variables have a positive influence on the export performance.

Table 4.5: Descriptive Statistics of the variables

Descriptive statics result

	N	Mean	Std. Deviation
Infrastructure	82	4.46	.7749
Trade Openness	82	3.65	.7125
FDI	82	4.63	.7965
Policy and regulation	82	3.95	.7239
Export performance	82	4.17	.747

Source: S*urvey Result (Dec, 2021)*

Furthermore, trade openness and policy and regulatory environment have a strong impact for the performance of garment and textile export with a mean value of 3.65 and 3.95 respectively. When we see the variables in detail, the response of respondents shows that the impact of FDI and infrastructure is very high because the industrial parks provided the state of the art technology which attracted many investors from abroad. The interrelationship of these variables helped improve the performance of textile and garment export.

4.4 Inferential Analysis

4.4.1 Pearson Correlation Analysis

In order to determine the association between the independent variables (Infrastructure, Trade Openness/Market Access, FDI and Policy and regulation) and the dependent variable (export performance), the researcher used Pearson correlation. According to (Robert & Richard, 2008), Pearson correlation coefficients ranges between -1 and +1, when 0 indicates no relationship between variables, -1.00 indicates a perfect negative relationship and +1.00 indicates a perfect positive relationship. A result less than 0.1 indicate weak correlation, small correlation for value

0.1 to 0.29; medium/moderate for 0.3 to 0.49; while larger correlation covers a result of between 0.50 and 1.00.

Table below summarizes the overall Pearson correlation coefficient with level of significance and sample size (N) for each of the dependent and independent variables. As can be inferred, the table below shows a Pearson correlation coefficient r for all independent variables that is positively associated to Performance of export in the garment and textile sector.

A Person correlation between FDI and export performance is the strongest and positive relation among all variables. FDI is significantly and positively correlated with export' performance (r=.912, n=82, P<0.01) at significant level 0.000, 2-tailed.

Table 4.6: Correlation between the independent variables and the dependent variable

		Infrastructure sum	Trade Openness sum	FDI sum	Policy & regulation sum	Export performance
Infrastructure sum	Pearson Correlation	1	.756**	.854**	.795**	.895**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	82	82	82	82	82
Trade Openness sum	Pearson Correlation	.756**	1	.758**	.748**	.887**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	82	82	82	82	82
FDI sum	Pearson Correlation	.854**	.758**	1	.854**	.912**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	82	82	82	82	82
Policy & regulation sum	Pearson Correlation	.795**	.748**	.854**	1	.825**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	82	82	82	82	82
Export performance	Pearson Correlation	.895**	.887**	.912**	.825**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	82	82	82	82	82

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

Likewise, from the above table we can see that infrastructure has a positive and strong correlation with (r=.895, n=82, P<0.01), the association is significant at 0.000, 2-tailed. Also as illustrated in the above table the third independent variable Policy & regulatory environment is significantly and

positively correlated with export Performance in a magnitude of Pearson correlation coefficient r=.825 with p value less than 0.01, 2- tailed.

The table also denotes there is a significant, strong and positive correlation among trade openness and export performance r=.887. Here the association is significant at p value less than 0.01, p=0.000, 2-tailed, n=82.

To sum up, though the Pearson correlation coefficient magnitude is differ, the study shows there is a significant positive relationship between predictors (Infrastructure, FDI, Trade openness and Policy & regulation) and textile and garment export performance; in essence an increase in the predictors will improve export performance.

4.4.2 Assumption Testing for Multiple Regressions

Addressing the assumptions of regression analysis is necessary to confirm that data collected was truly represented the sample and the researcher has obtained the best results (Hair, Anderson, Tatham, and Black, 1998). Three assumption tests were checked before regression analysis was undertaken. These are Multi-collinearity, linearity and Normality Test.

4.4.2.1 Multi-Collinearity

The two most important conditions to be fulfilled before conducting regression analysis are the adequacy of the sample size and non- existence of correlation among the independent variables included in the study (Ho, 2006) The size of the sample has a direct effect on the statistical power of the significance testing in multiple regressions to identify statistically significant R-square or a regression coefficient at a specified significance level. Ho (2006) also suggested that the sample size should be at least 20 times more than the number of independent variables in order to get the desired level of statistical power. Given this rule of thumb, the number of respondents used for this study 82 is over the required criteria.

According to HO (2006), the existence of multi- collinearity can be checked using the “Tolerance” and “Variance Inflation Factor (VIF)” values for each predictor. The tolerance value is an indication of the percentage of variance in one predictor that cannot be accounted for by the other predictors. The value of tolerance should be above 0.10 and any value lower than this indicates the existence of multi-collinearity. On the other hand, VIF is computed as “1/tolerance,” and a VIF value greater than 10 indicates the existence of multi- collinearity (Saunders, Lewis, & Thornhill,

2009). For this particular study, as it can be seen from the table below shows that both the values of tolerance and VIF for each independent variable on both regression analyses fulfills the criteria discussed above and prove non- existence of multi-collinearity.

Table 4.7**:** Multi-collinearity problem test of VIF and Tolerance

Coefficients

Model	N	VIF	Collinearity Statistics
Infrastructure	82	2.976	.506
Trade openness	82	3.371	.425
FDI	82	4.665	.576
Policy & Regulation	82	3.410	.434

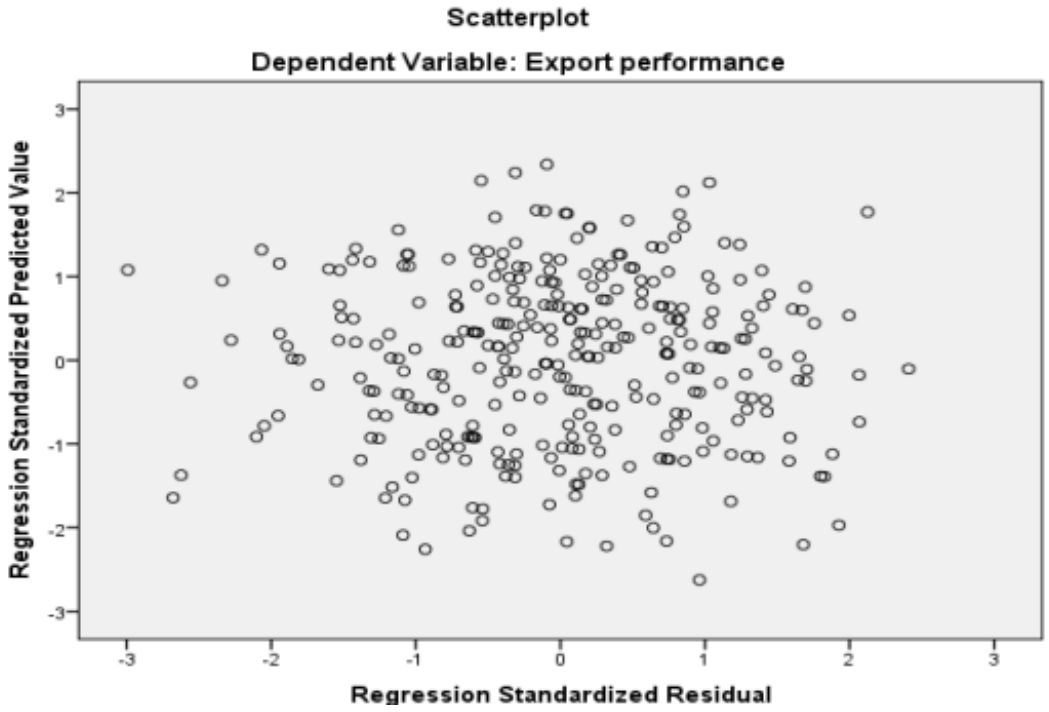
Dependent Variable: Export performance

Source: Survey Result (Dec, 2021)

4.4.2.2. Linearity

According to Hair, et al. (1998), the linearity of the relationship between the dependent and independent variable represent the degree to which the change in the dependent variable is associated with the independent variable. In a simple sense, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable. Conventional regression analysis will underestimate the relationship when nonlinear relationships are present, i.e., R2 underestimates the variance explained overall and the betas underestimate the importance of the variables involved in the non-linear relationship (Malhotra, and Birks, 2007). The scatter plot of standardized residuals versus the fitted values for the regression models is as follows:

Figure 4.3: Linearity scatter plot of regression standardized residual



Source: Survey Result (Dec, 2021)

4.4.2.3. Normality of the Error term Distribution

Normality refers to the shape of data distribution for an individual metric variable, and its correspondence to the normal distribution of result of variables (Hair et al., 2003). For estimating normality, skewness and kurtosis information values were observed, and probability plots were also drawn. Skewness 'provides information regarding the symmetry of the distribution, and Kurtosis provides information regarding peakedness of the distribution (Pallant, 2005). According to Hair (2010), the most commonly acceptable value for (kurtosis/skewness) distribution is ±2.58. As table below shows, all values of skewness and kurtosis for the transformed and standardized values have been found to be within the acceptable range.

If a distribution is normal, the residual line will closely follow the diagonal graph structure (Hair, 1998). The following graphs show that the P-P plots is a straight line which justifies the residuals has a reasonably normal distribution.

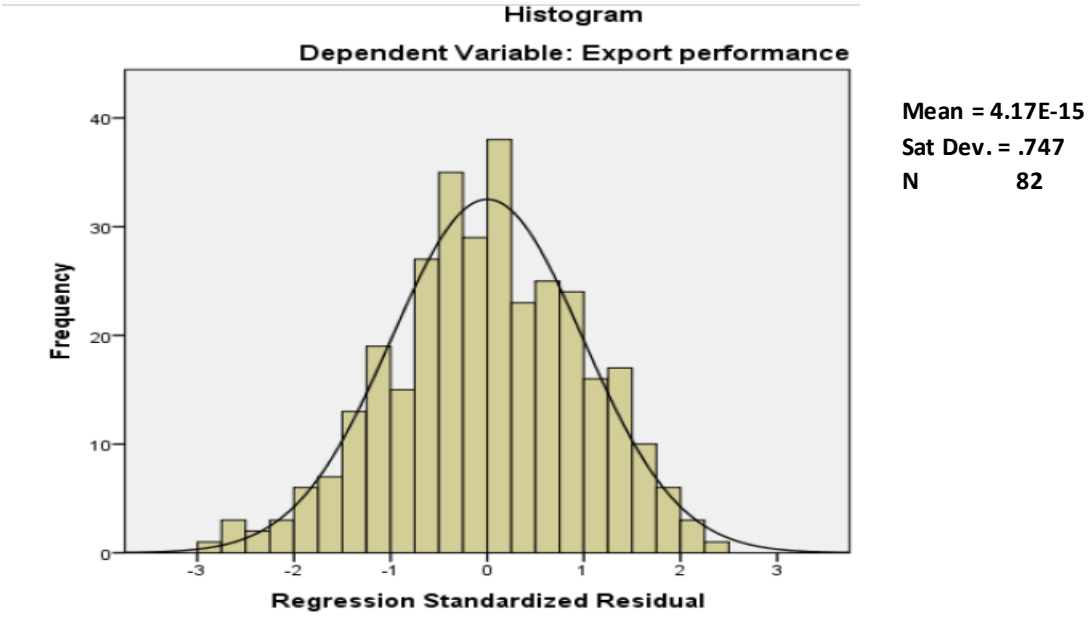
Table 4.8: Skewness and Kurtosis

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistics	Std. Error
Infrastructure	82	-.260	.136	-.235	.271
Trade Openness	82	-.218	.136	-.573	.271
FDI	82	-.137	.136	-.570	.271
Policy and regulation	82	-1.249	.136	2.586	.271
Export performance	82	-.161	.136	-.579	.271
Valid N (list wise)	82				

Source: *Survey Result (Dec, 2021)*

Figure 4.4: Histogram plot for regression standardized residual



Source: Survey Result (Dec., 2021)

4.5 Multiple Regression Analysis

According to Marczyk, and Festinger (2005), linear regression is a method of estimating or predicting a value on some dependent variables given the values of independent variables. Like correlations, statistical regression examines the association or relationship between variables. Different from correlations, the primary purpose of regression is prediction.

Multiple R is a correlation between the observed values of Y while the value of Y is being predicted by multiple regression models. Therefore, large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. Adjusted R square was used to measure the percentage of variance in the dependent variable explained by the independent variables. From the multiple regression equation, the standard regression coefficient (beta weight) was determined to compare the effect of each independent variable had on the variability of the overall export performance.

The model summary table shows the relationship between the independent and the dependent variable and its strength. When the overall export performance was regressed on overall the four independent variables, the independent variables contribute to statistically significant relationship ($p < 0.01$) between the dependent variable.

The coefficient of determination R2 is a measure of how good a prediction of the dependent variable we can make by knowing the independent variables. Accordingly, 86.5% of the variation accounted for the dependent variable is due to the combined effect of the independent variables. But, sometimes R square tends to somewhat over-estimate the success of the model when applied to real world. Therefore, to see the success of our model in the real world, adjusted R square is more preferable than R square. Therefore, the variation explained by the regression of all the predictor variables on export performance is 86.4%.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882[a]	.865	.864	.138

a. Predictors: (Constant), Infrastructure, FDI, Trade Openness, Policy & regulation,

b. Dependent Variable: Export performance

Source: Survey Result (Dec, 2021)

On the other hand the B- values depicted in table below tell us the relationship between export performance and each predictor included in the research. When the value is positive we can tell that there is positive relationship between predictor and the outcome, whereas a negative coefficient represents negative relationship. The standardize beta value for FDI is 0.700. This indicates that this variable has relatively strong degree of importance for export performance than others. The p values of all independent variables are less than 0.01. This indicates that there is a positive and significant relationship between the independent variables (Infrastructure, Trade Oppeness, FDI and Policy and Regulation) and dependent variable (export performance). Since, coefficient of the independent variables were statistically at <5% level of significance, alternative hypotheses related with all the independent variables were accepted.

Table 4.10: Regression Analysis of Independent and Dependent Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)		-.080	.060	-1.345	.180
	Infrastructure	.360	.020	.364	18.308	.000
	FDI	.608	.012	.700	51.400	.000
	Trade Openness	.332	.015	.230	15.466	.000
	Policy & regulation	.285	.016	.088	-5.306	.000

a. Dependent Variable: Export Performance

Source: Survey Result (Dec., 2021)

4.5.1 Analysis of Variance

ANOVA table below shows that the combination of variables significantly predicts the dependent variable. ANOVA tests whether the model is significantly better at predicting the outcome than using the mean as a best guess; specifically, the F-ratio represents the ratio of the improvements in prediction that results from fitting the model, relative to the inaccuracy that still exists in the

model. For these data, F is 1443.386, which is significant at p<0.001. This result tells us there is less than a 0.1% chance that an F-ratio would happen by chance alone. Therefore, it implies that the regression model results in significantly better prediction of export performance than if we used the mean value of export performance.

Table 4.11: Anova

Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	164.254	3	27.376	1443.386	.000b
	Residual	5.99	316	.019		
	Total	170.247	322			

a. Dependent Variable: Export performance

b. Predictors: (Constant), Infrastructure, FDI, Trade Openness and Policy & regulation

Source: Survey Result (Dec, 2021)

The objective of the regression in this study is to find such an equation that could be used to find the impact of predictors on dependent variable. The generic form of regression equation takes the following form:

$\beta 0 + \beta 1x$

The specified regression equation for this study takes the following form;

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

In the above equation, predictor variables X1-4 may represent independent variables or covariates (control variables). Covariates are variables that are not of theoretical interest but may have some impact on the dependent variable y and should be controlled, so that the residual effect of the independent variables of interest are detected more precisely. Covariates capture systematic errors in a regression equation while the error term (E) captures random errors (Bhattacherjiee, 2012).

Equation;

$Y = \alpha + \beta 1\ (IF) + \beta 2\ (FDI) + \beta 3\ (TO) + \beta\ 4\ (PR) + \varepsilon$

Where:

Y = Export Performance (EP)

IF= Infrastructure

FDI= Foreign Direct Investment

TO = Trade Openness

PR = Policy & Regulation

ε= Error Term

4.6 Discussion of Findings

This study was carried out to answer the four main research questions stated in the first chapter which revolves around the impact of FDI, infrastructure availability, market access and Government policy and regulations on the performance of the textile and garment export in Ethiopia.

When we start with the first variable, export market access/trade openness, it has a positive and significant effect on export performance of companies engaged in the textile and garment sector. It is found in other research too that market access on export has positive relationship on export performance given the importance of cost advantage and predictability it resulted from easy access (Madsen 1989). It is understood that market access on overseas markets and operations is driving force in the internalization of the firm and their performance. The relationship between market access and export performance lies in the issue of uncertainty and the way the firms cope with it (Erramilli, 1991). Different research papers have supported the positive impact of export market knowledge on export performance of firms.

Research on export performance has discovered several influencing variables including market access, but the type and magnitude of the impacts have not been determined (Chetty & Hamilton, 1993; Theodosiou & Leonidou, 2003). The picture gets more complex when considering that the

impact of a given factor may depend on the specific measure of performance used, but none of the existing measures has reached universal acceptance. In addition, there are many simultaneous relationships and reciprocal effects, not only between influencing factors and export performance but also among the independent factors themselves (Jorge Carneiro et al., 2011).

When discussing market access, it can be argued in the context of any industry intending to engage in the export market (international market) should be aware of the cultural values, rules and policies (such as AGOA, Everything But Arms, AfCFTA and other in the case of Ethiopia), comparative advantages, marketing behavior, and language of nations in the international market so as to benefit from the opportunity. This is an important factor because it is the initial step companies do before even setting up their factory (Lages (2000). In the case of Ethiopia, market access through AGOA, Everything but arms opportunity by the EU and other opportunities under COMESA are the driving forces why companies invest in industrial parks. Many have attested to this in their different interview about their motive on why they invested in Ethiopia.

Infrastructure has strong correlation on export performance with a mean value of 4.46. This research has proved that its influence on export performance is significant. Different literatures also support the impact of infrastructure on export performances. According to UNCTAD study, both the quantity and quality of physical infrastructures play important roles in export performance of firms. Important elements of supply capacity at the early stage of development of the export sector are infrastructure, foreign direct investment (FDI) and macroeconomic stability of the country. These elements are significantly determining factors for the performance of export at all levels (UNCTAD, 2004).

In the case of Ethiopia the impact of infrastructure seemed very high which is related to the impact of industrial parks who are contributing the lion share in the export of textile and garment in recent years. Especially the construction of industrial parks that shows the clear commitment of the Ethiopian government to the textile and garment sector as a strategic area of investment attracted many investors. Mamo Mihretu and Gabriela Llobe, in their assessment of the impact of Hawassa industrial park, they pointed out that the development of infrastructure and land influenced different companies' decision to setup a factory in the industrial park and engage in export of texile and garment (Mamo Mihretu and Gabriela Llobe, 2016)

From all the variables considered in this study, FDI has the highest mean value of 4.63. This strong relationship is understandable given the current situation of the country where most of the exporters of garment and textile are foreign investors many of them operating in different industrial parks.

With the growing of interconnectedness of the international economy, the new growth model perceives FDI as a means for technological progress which is a product of economic activity, and help to stimulate productivity in the recipient countries. This technological progress and productivity increase the return in the production function, the return leads economic growth and eventual expansion of export. The impact is relatively high in developing countries because of lack of capital and technology in developing countries (Shan, 1998).
FDI is expected to augment knowledge transfer in the host country through labor training, introduction of alternative management practices, acquisition of skills, and organizational arrangements even if it is different in different countries. Innovation by domestic firms is expected to increase due to competitive pressure and knowledge transfer (Mello, 1999). FDI promotes exports by expanding domestic capital for exports, introduce new products for exports, help transfer of technology and facilitating access to new and large foreign markets and providing training for the local workforce and upgrading technical and management skills.(Zhang, 2006).

Like the other variables, policy and regulation of the government has a positive and significant effect on export performance with mean value of 3.95. Economic barriers are the institutional barriers in general and political and legal constraints in particular that hinder the business environment.

The government of a particular country develops the rules and procedures for the day to day life through political and legal system. Business is considered as the integral part of this daily life. Therefore, business could not be conducted avoiding the political and legal system (Sethi, 2012). There are many ways that the political and legal environment might influence the business environment. Political and legal systems of each and every country influence the business environment directly by changing existing policies, regulations and law.

The positive relationship is partially related to the Ethiopian government effort to reform the investment climate in the past few years. A board of advisors has been established under the Prime Minister chairs, which has its member's senior ministers from key supporting agencies with direct

or indirect roles in investment decision. The board grants incentives to investors, addresses policy and regulatory barriers to investment, designates new Industrial parks, and opens new investment areas to FDI including textile and garment inside industrial parks. The government then adopted a new strategy of targeted investment promotion focused on the manufacturing sector that covers textile and garment as the main strategic pillar for the manufacturing activity. This have improves the policy and regulatory environment and improving performance in FDI and export.

Table 4.12: Summary of the overall outcome of the research hypothesis

Hypothesis	**Result**	**Reason**
Infrastructure has direct and positive effect on export performance of textile and garment industry	Accepted	B .360 P<0.05
Market access/trade openness has direct and positive effect on export performance of textile and garment industry.	Accepted	B .332 P<0.05
FDI has positive effect on export performance of textile and garment industry.	Accepted	B .608 P<0.05
Government policy and regulation have direct and positive effect on export performance of textile and garment industry.	Accepted	B .285 P<0.05

CHAPTER FIVE

Summary of finding, Conclusion and Recommendation

5.1. Summary of Findings

The study explored the impact of Infrastructure, FDI, Market Access and Policy and Regulation environment on export performance by taking Hawassa and Bole Lemi Industrial Parks as a case in point. To understand the impact of this variables the research employed primary and secondary data and undertaken a quantitative and qualitative analysis.

The finding shows that all four variables have strong and significant impact on export performance in the sector. When we start from export market access/trade openness, it has a positive and significant effect on export performance of companies engaged in the textile and garment sector with a mean value of 3.65. Even though it is the least among the four variables, the value shows a strong correlation. The outcome of the quantitative analysis is supported by the qualitative analysis where the investors main motivating factor to invest in Ethiopia is a free trade opportunity in the USA and Europe through AGOA and Everything But Arms respectively.

The other factor, Infrastructure has a strong correlation on export performance with a mean value of 4.46. This result shows that influence of infrastructure for export performance is significant. This result is also supported by the qualitative analysis where the deployment industrial parks attracted many of the investors. Since the establishment of industrial parks in different parts of the country the investors in the textile and garment industry has been more than tripled. Most of the investors that have setup a factory started exporting their product which pushed the country's export from less than 40 million to around 170 million in less than five years.

On the other hand FDI has the highest mean value from all the variables considered in this study with a mean value of 4.63. This strong relationship is understandable given the current situation of the country where most of the exporters of garment and textile are foreign investors many of them operating in different industrial parks. This shows that the qualitative data is in support of the outcome of the qualitative result

The last variable, policy and regulatory environment of the government have a positive and significant effect on export performance with mean value of 3.95.

5.2. Conclusion

This study was focused on examining the impact of Infrastructure, FDI, Market Access and Policy and Regulation on export performance by taking Hawassa and Bole Lemi Industrial Parks as a case in point. To achieve these objectives a conceptual model was formulated by reviewing previous related literatures, hypotheses were developed, tested and the following conclusions were reached.

As per the finding, all the variables have positive and significant effect on export performance of the countries textile and garment export. Thus, export performance from the industrial parks was mainly determined by the existence of infrastructure, level of FDI, availability of market access and the development of adequate policy and regulatory environments.

The governments of Ethiopia decision to develop industrial parks improved the infrastructure deficiency for investors which were constrained by long and bureaucratic process to acquire land and other utilities necessary for the factory. This is in addition to the additional resources and time needed to develop industries by themselves. The foreign investors who want to invest in Ethiopia are established in the industrial parks which have improved their hustle to establish a factory. The government's hard work to promote the countries investment climate also helped attract many investors most of them engaging in export of textile and garment. This resulted significant impact on the growth of textile and garment export.

The market access the country able to access through AGOA and Everything But Arms are the pillars of the country's export performance. Furthermore, different reforms introduced by the government in the last few years have also supported the relatively fair progress in the export of textile and garment. These regulations include import of raw materials duty free, special allocation of forex for the export sector, tax heavens and other supports.

5.3. Recommendation

Textile and Garment sector in Ethiopian have huge potential for domestic and foreign investors. The country has tremendous cultivable lands (arable lands) in the low land areas that can provide cotton as a raw material for the sector. The state of the art industrial parks provide readymade infrastructure to invest in the sector. However, up to now a very small portion of this potential has been exploited and the sector passed through many challenges. This is because of myriads of problems which include unpredictable policy and regulatory environment, reciprocal market access

opportunity which makes it difficult to depend on, lack of effective promotion and security challenges to attract foreign investors. Infrastructure on the other hand becomes the main driving force to promote the textile and garment sector. Thus, failures in tackling these problems and constraints using systematic and interconnected approach will dwarf the recent momentum in the growth of the textile and garment sector. This study identified important elements that require proper attention. Based on the findings and conclusions made, the following main recommendations are made:

- It would be better for the government and all stakeholders to work with equal commitment and sense of urgency to diversify the market access to different parts of the world. The current market access opportunities are not dependable for an investor to bring his capital with full trust. This has been shown when the government of UAS removed Ethiopia from AGOA free trade opportunity with the disguise of human rights abuse in the country. This is expected to spark a big shadow on the sector on the coming years due to the dependence of many investors in the industrial parks on this opportunity. This shows us that reciprocal market accesses are only short term opportunities.
- Many investors require long term market access opportunities that are dependable and guided by international law. However, due to many factors Ethiopia is one of the biggest economies who is not member of WTO or other multilateral trade agreements that provide dependable market access in the international market Thus, the government should work hard to secure market access through multilateral and regional trade agreements like COMESA and AfCFTA in addition to WTO who are becoming the main prospect for the continent to expand inter African trade..
- The government of Ethiopia also needs to work hard to attract investors that can invest in different industrial parks. From the 15 industrial parks that has been completed many of them are operation in less than full capacity. The experience of Hawassa and Bole Lemin industrial parks that are operating in full capacity shows that industrial parks are suitable for investment and can be source of large forex for the country. the experience of this parks should be shared as lesson learned to investors and administrators to improve the level of investment.

- Regarding the policy and regulatory environment of the country predictability of policy is very important for companies investing in the sector. Thus, he government should consult investors before any policy change and engage them in the process.

5.3 Directions for Future Research

The findings of this study should augment top level management understanding on how to identify such export performance influencing factors as FDI, infrastructure, market access and the policy and policy environment. This study has the following future research directions:

- First, the findings help the policy making organs diagnose the existence and level of export market knowledge gap and export market performance strategies.
- Second, further research should be undertaken to identify factors associated with the above variables by including the whole industrial parks in the country that are participating in the textile and garment sector. Furthermore, factors outside the industrial park like the overall value-chain of garment and textile in the country and its impact on export in the industrial parks should be assessed.

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Appendix

Master's Thesis Research Questionnaire

Addis Ababa University

School of Business and Economics

Graduate Studies

International Business Program Unit

Name: Hawani Eshetu

Email: Hawwani@gmail.com

Dear Executives and Managers,

I am currently pursuing my Masters degree at Addis Ababa University College of Business and Economics, major in International Business. The purpose of my study is to learn more about factors that influence the export performance of textile and garment industry in particular case of garment and textile companies operating Hawassa and Bole Lemi Industrial Parks. I believe the results will not only be value to individual firms but will also help the Ethiopian foreign trade and companies better identify the kind of information, incentives, and assistance essential to exports. The company and you are part of a representative sample of textile and garment companies that target the export market. Your attitudes and opinions and the export behavior of the company are critical to the success of my study. I recognize the value of your time, and sincerely appreciate your efforts. Individual responses are anonymous and all company level data will be held in confidence. Please take your precious time to complete this questionnaire and submit it at your earliest convenience.

If you would like further clarification and information about the study, or have any problem in completing the questionnaire please contact me via;

Mobile No: **0911320614.**

Thank you for your time.

Sincerely,

For the following questions, please CIRCLE or put √ mark as your opinion for each item below on a 1 to 5 scale with 5 being strongly agree, 4 agree, 3 neutral, 2 disagree and 1 strongly disagree.

Part-1 Demography of the respondents

1. Gender					
Male			Female		
2. Age					
18-25	26-35	36-45	46-55	56-65	Above 65
3. Education					
Primary School		Secondary School		College/University	

No	**Items**	**Scales**				
	Policy and Regulations	**5**	**4**	**3**	**2**	**1**

Part-2 policy and Regulations

1.	Policy and Regulation of the country towards the export market is conducive (helpful).					
2	Policy of tax and regulation of tariffs gives much support to the textile and garment firms.					
3	Textile and garment policy of the country creates special benefit to the firms under question.					
4	Loan policy of Banks support and treats specially textile and garment exporters.					
5	Import Policy of the country encourages (allows) textile and garment exporters to introduce new technologies, dye items, and spare parts etc.					

Part-3 Infrastructure

No	Items **Infrastructure**	Scales 5	4	3	2	1
1.	The textile and garment firm performs under comfortable working environment (water, light, and the like.					
2	The textile and garment firm delivers its product to Djibouti port or any outlet in time.					
3	The textile and garment firm has easy access to the main gates of export market.					
4	The textile and garment firm has easy access to raw materials with respect to transport.					
5	The textile and garment firm has infrastructure development with respect to store, warehouse, etc.					

Part-4 Market access

No	Items **Market access**	Scales 5	4	3	2	1
1.	Textile and garment products from Ethiopia have enough market access in major importing countries and the like.					
2	AGOA, EBA and others duty free opportunities promote textile and garment export.					
3	Lack of membership to the WTO and other free trade regime affected textile and garment export.					
4	Tariff imposed on textile and garment products exported from Ethiopia is fair.					

Part-5 Foreign direct investment (FDI)

No	Items	Scales

	FDI	5	4	3	2	1
1.	Foreign Firms are the major exporters of textile and garment from Ethiopia.					
2	The existence of foreign firms in the sector positively affected domestic firms to expand their export.					
3	Foreign firms are more likely to export their product than domestic firms.					
4	Market and raw material access is simpler for foreign firms than domestic firms.					

Part-6 EXPORT PERFORMANCE

	EXPORT PERFORMANCE					
1.	Textile and Garment Export performance is affected by infrastructure					
2	Textile and Garment Export performance will be affected by policy and regulation.					
3	Textile and Garment Export performance will be affected Market Access.					
4	Textile and Garment Export performance will be affected by FDI.					