

The Impact of Export Promotion on the Merchandise Export Performance of Small and Medium Enterprises in Kerala.

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1. Introduction

Globalization has made it easier than ever before for small and medium-sized enterprises (SMEs) to launch worldwide expansion strategies. A nation's economic growth is greatly aided by its small and medium-sized enterprises. Nearly everywhere, a growing share of small and medium-sized enterprises' (SMEs') revenue comes from sales to customers outside of their home country.

If a small or medium-sized enterprise (SME) wants to expand internationally, it must develop its own set of distinctive, unique, and dynamic competencies in order to acquire competitive strategies that will allow it to compete against other firms, most notably larger, better-resourced multinational corporations (MNEs). In today's increasingly interconnected economy, it's becoming increasingly difficult to maintain competitiveness and grow a company abroad. The global marketplace is becoming increasingly competitive, and consumers throughout the world are demanding higher quality products and services as a result.

Small and medium-sized enterprises (SMEs) often have a hard time in the beginning stages of their development when it comes to securing necessary financial backing (Ahmed et al. 2002). Because of their financial constraints, they have had less opportunity to learn about and implement cutting-edge ideas and technology. As important as small and medium-sized enterprises (SMEs) are facilitating to the growth of the national economy, they often face financial constraints due to a lack of development support.

In today's ever-increasingly competitive marketplaces, the only way for SMEs to thrive is to become nationally and internationally competitive (Lee et al. 2020). Small and medium-sized enterprises (SMEs) that aspire to compete on a regional and global scale must build up sufficient resources and expertise (Lee et al. 2019; Kolarov and Georgieva 2020).

In the age of globalization, more and more businesses are trying to establish a foothold in the international market, despite the fact that doing so involves greater risks and difficulties (Zain and Ng 2006). Export also serves countries thrive for growth and development. so there exist different promotional bodies offering supports to boost export performance especially the performance of SMEs. The present work is an attempt to evaluate at what extent the various supports extended by these institutions affect the export performance of SMEs in Kerala.

2. Literature review

a. Theoretical framework

A firm become exporting firm after going through several stages. The term "internationalization of the firm" refers to the process through which an organization is more involved in global markets as a result of internal and external learning and experience. The Uppsala Internationalization model (Johanson and Vahlne 1990; Johanson and Wiedersheim-Paul 1975) suggests four stages of increasing foreign participation to being completely internationalised. No continuous export, export via traders, subsidiary office, and FDI for production. The Uppsala Internationalization model focuses specially on a firm's foreign market understanding and management commitment for export growth. This model believes management will allocate more resources to a market when they have unsolicited exporting experience. Government policies encouraging international markets will affect internationalisation's strategic decision to increase management commitment.

In the Innovation model (Bilkey and Tesar, 1977; Cavusgil, 1980; Crick, 1995; Naidu, and Rao, 1993; Reid, 1981), internationalization is seen as the firm's method of gradually gaining inventions. Then, like the Uppsala model, it will gradually acquire the necessary expertise.

b. Support mechanism to promote export

Lower taxes, export loans at lower than market rates, duty-free import/export arrangements, and cash incentives are all indicators of financial support, as stated by Durmusoglu et al. (2012). Knowledge and information about finances are crucial to a company's ability to adjust to a new market overseas (Cavusgil and Zou 1994; Morgan et al. 2004) boost export performance.

Small and medium-sized enterprises (SMEs) face a double whammy: a cost disadvantage when compared to larger organizations and a diminished ability to inspire a favorable market climate. Additionally, SMEs are unable to afford expensive support services such human resources, training, finance, and legal charges etc (Egena et al. 2014). Therefore, if a country wants to see its small and medium-sized enterprises (SMEs) thrive in today's more competitive and globalized business environment, it must provide financial support to those enterprises.

Research shows that SMEs are more conscious of financial help than non-financial assistance, as reported by Ahmad and Xavier (2002). Programs providing small and medium-sized enterprises (SMEs) with access to financial resources like these exist in a most of the nations.

Financial and marketing aid are the two types of export assistance identified by Gençtürk and Kotabe (2001). It is possible to receive either regular marketing assistance or personalised marketing support (Diamantopoulos and Hart 1993). General in scope, standardised information can be found in hard copy at specific government agencies, embassies, or trade missions, as stated by Gençtürk and Kotabe (2001). 2021 Economic Forecasts: Page 4 of 13 Next, industry-specific market information, such as competitors, firm-specific clients, and distribution channels, is a crucial asset for preemptive internationalisation.

Gençtürk and Kotabe (2001) divide export aid into two distinct types: monetary and marketing. In this way, marketing assistance can be categorized as either ordinary marketing or specialized marketing assistance (Diamantopoulos and Hart 1993). Standardized information, as defined by Gençtürk and Kotabe (2001), is broad in scope and can be found in tangible copies at certain government agencies, embassies, or trade missions. In addition, a crucial source of industry-specific knowledge for launching an early foray into foreign markets is data pertaining to competitors, firms' clients, and channels in the market.

Two types of export help are distinguished by Gençtürk and Kotabe (2001): monetary and promotional aid. The two main types of marketing assistance are standard and specialized (Diamantopoulos and Hart 1993). Standardized information, as described by Gençtürk and Kotabe (2001), is broad in scope and printed copies of it can be obtained from specific government institutions, embassies, and trade missions. Secondly, a crucial source of industry-specific knowledge for launching an early foray into foreign markets is the market data pertaining to competitors, firms' clients, and channels in the sector.

2. Objective

a. To the study the impact of institutional support to export performance of SMEs

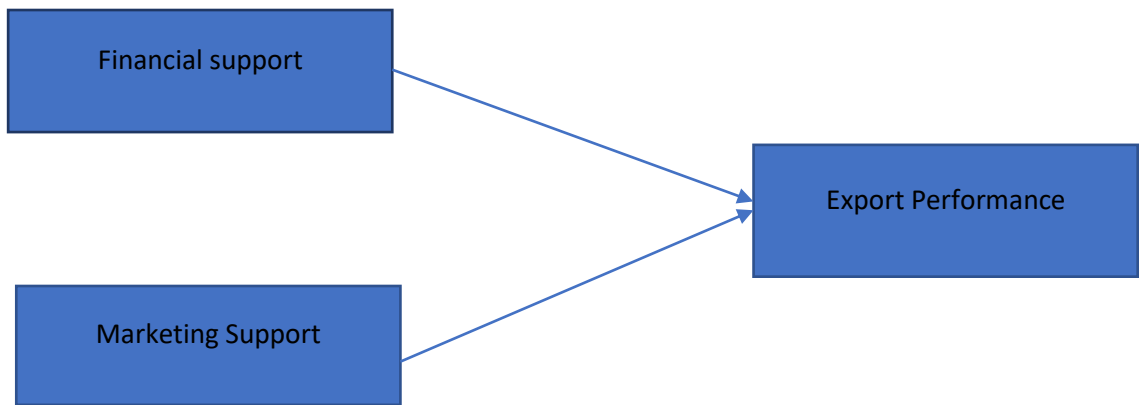
3. Hypothesis's

- a. Financial support positively influence export performance (Morgan et al., 2004)
- b. Marketing support positively influence export performance (Vorhies & Morgan, 2005)
- c.

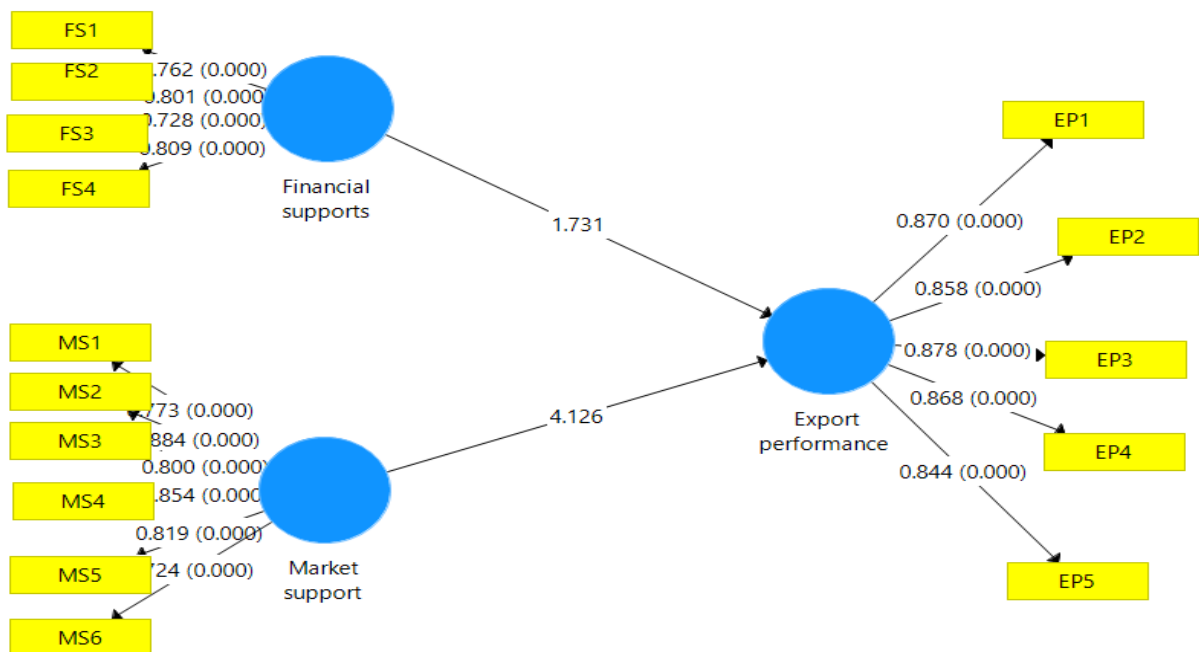
4. Variables and labels

Variables	Label
FS1	Tax benefits aids export performance
FS2	Export loans at concessional rate aids export performance
FS3	Duty free imports aids export performance
FS4	Financial aids through schemes aids export performance
MS1	Conducting Buyer seller meetups aids export performance
MS2	Sponsored Business travels and exhibitions aids export performance
MS3	Market research and market information dissemination aids export performance
MS4	Aids for market diversification aids export performance
MS5	Aids Brand building aids export performance
MS6	Advices for market strategy formulation aids export performance
EP1	Competitive advantage is increased in the past years
EP2	Effectiveness and efficiency is increased
EP3	Enjoy superior position in the international market
EP4	Profit increased constantly in past years
EP5	The overall export performance of the firm is satisfactory

5. Conceptual model



6. Structural model



7. Measurement of Structural Model

a. Convergent validity

1. Indicator items cross loadings

Items	Export performance	Financial Support	Market Support
EP1	0.896	0.262	0.441
EP2	0.856	0.244	0.424
EP3	0.880	0.433	0.506
EP4	0.868	0.345	0.481
EP5	0.845	0.328	0.404
FS1	0.253	0.762	0.367
FS2	0.219	0.802	0.224

FS3	0.196	0.728	0.357
FS4	0.416	0.809	0.349
MS1	0.429	0.280	0.779
MS2	0.485	0.375	0.884
MS3	0.353	0.351	0.800
MS4	0.485	0.449	0.854
MS5	0.414	0.325	0.819
MS6	0.366	0.247	0.724

Here all the indicator loadings are higher than its cross loadings from which it is inferred that each item are loaded to its own corresponding constructs. Alternatively, to AVE, cross-loadings can be used to evaluate validity in reflective models. Every indicator variable must be highly correlated with its own latent variable, and no other latent variable may have a greater correlation with it.

2. Constructs and indicator relation

Constructs and indicator relation	Loadings	Standard Deviation (STDEV)	T Statistics	P Values
EP1 <- Export performance	0.870	0.035	25.152	0.000
EP2 <- Export performance	0.858	0.034	24.72	0.000
EP3 <- Export performance	0.878	0.028	30.993	0.000
EP4 <- Export performance	0.868	0.029	29.432	0.000
EP5 <- Export performance	0.844	0.038	22.34	0.000
FS1 <- Financial supports	0.762	0.116	6.592	0.000
FS2 <- Financial supports	0.801	0.15	5.335	0.000
FS3 <- Financial supports	0.728	0.156	4.667	0.000
FS4 <- Financial supports	0.809	0.096	8.453	0.000
MS1 <- Marketing Support	0.773	0.055	14.099	0.000
MS2 <- Marketing Support	0.884	0.026	33.687	0.000
MS3 <- Marketing Support	0.8	0.043	18.774	0.000
MS4 <- Marketing Support	0.854	0.038	22.671	0.000
MS5 <- Marketing Support	0.819	0.045	18.377	0.000
MS6 <- Marketing Support	0.724	0.066	10.931	0.000

The table above shows the Constructs and indicator relation. The p value of all is significant. So that the construct indicator relationship is established.

b. Construct Reliability and Validity

Reflective models have arrows that point from the factor to the indicator variables, showing that the values of these measured and representative variables are determined by a unidimensional underlying construct. Convergent validity testing using composite reliability or Cronbach's alpha

makes sense in reflecting models but not in formative ones. The following are some measures of goodness-of-fit that can be used with models of reflective measurement.

As a test of convergent validity in a reflective model, composite reliability is favored over Cronbach's alpha (see below). As a test of convergent validity in a reflective model, composite reliability is favored over Cronbach's alpha. The composite reliability threshold is equivalent to that of other reliability measures such as Cronbach's alpha. Composite reliability can be any value between 0 and 1, with 1 indicating complete reliability. Composite reliabilities should be at least .6 in an exploratory model (Chin, 1998; Höck & Ringle, 2006: 15); at least .70 in a confirmatory model (Henseler, Ringle, & Sarstedt, 2016); and at least .80 in a confirmatory study (e.g., Daskalakis & Mantas, 2008).

Convergent validity and reliability of indicators for latent variables are two additional issues that Cronbach's alpha attempts to address. Following standard practice, a good scale would have a reliability coefficient of at least .80, an acceptable scale would have a reliability coefficient of .70, and an exploratory scale would have a reliability coefficient of .60.

Constructs	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Export performance	0.915	0.924	0.936	0.746
Financial support	0.794	0.861	0.856	0.602
Market support	0.895	0.904	0.920	0.657

The threshold limits of Cronbach's Alpha Composite Reliability and Average Variance Extracted (AVE) are met so that convergent validity is established.

1. The Fornell-Larcker criterion for discriminant validity

Fornell-criterion Larcker's for discriminant validity can be applied to AVE as well: the square root of AVE for a latent variable should be greater than its correlation with any other latent variable. That is, the variance a latent variable share with its cluster of indicators is more than the variance it shares with any other latent variable. The square root of AVE is displayed in the diagonal cells of the Fornell-Larcker criterion table in SmartPLS output, while correlations are displayed below it. Therefore, there is discriminant validity if the top number (the square root of AVE) in any factor column is larger than the numbers (correlations) below it in absolute value terms.

Fornell Larcker criterion

Constructs	Export Performance	Financial Support	Market Support
Export Performance	0.864		
Financial Support	0.382	0.776	
Market Support	0.524	0.421	0.811

Fornell-Larcker criterion is also established in the above table.

2. Ratio of Heterotraits to Monotraits (HTMT)

SmartPLS documentation notes that, while examining cross-loadings and using the Fornell-Larcker criterion are both commonly used techniques for determining whether or not a PLS model is discriminant, they are not without their drawbacks. In a series of simulation studies, Henseler, Ringle, and Sarstedt (2015) showed that the HTMT ratio they devised is superior to other methods for detecting a lack of discriminant validity. According to Henseler, Ringle, and Sarstedt (2015: 121), discriminant validity between two reflective constructs has been proven if the HTMT score is less than 0.90. Though Clark & Watson (1995) and Kline (2011) employ the .85 limit, Gold et al. (2001) and Teo et al. (2008) also used this threshold.

Constructs	Export Performance	Financial Support	Market Support
Export Performance			
Financial Support	0.394		
Market Support	0.571	0.484	

From the above table, it is clear that the threshold of HTMT ratio for establishing discriminant validity is fulfilled.

8. Structural Estimates (hypothesis testing)

Hypothesis testing	Beta values	T values	F square	P values	Decision
Financial support-> Export performance	0.194	1.731	0.134	0.041	Supported
Market support -> Export performance	0.444	4.126	0.235	0.000	Supported

For minor effects, the critical t-value is 1.96 (P 0.05), for medium effects, it's 2.58 (P 0.01), and for large effects, it's 0.35. (Cohen, 1988).

Since all the P values are falling below 5 per cent level of significant, all the hypotheses are supported.

9. Model fit

Constructs	R Square	Square Adjusted
Export performance	0.523	0.519

	Saturated Model	Estimated Model
SRMR	0.076	0.076
d_ULS	0.692	0.692
d_G	0.277	0.227
Chi-Square	153.833	153.833
NFI	0.831	0.831

RMS theta -0.178

10. Findings

1. Financial support positively influences export performance
2. Marketing support positively influence export performance

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