

**EXPLORING INTERNATIONALISATION AND
COMPETITIVE ADVANTAGES OF SMEs:
THE ROLE OF FIRM'S NETWORK CAPABILITY**

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by/oleh

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LIST OF ABBREVIATIONS

SME	Small and Medium Enterprises
MSME	Micro Small and Medium Enterprises
CA	Competitive Advantages
GI	Government Initiatives
IKIE	International Knowledge and International Experience
PD	Price Differentiation
FP	Firm Performance
INT	Internationalization
MD	Market Differentiation

MENEROKA PENGANTARABANGSAAN DAN KELEBIHAN

PERSAINGAN PKS:

PERANAN KEUPAYAAN RANGKAIAN FIRMA

ABSTRAK

PKS Pakaian Sedia di Gujerat telah mengantarabangsakan dengan pantas sejak dua dekad yang lalu. Kajian ini telah mengkaji hubungan langsung kelebihan daya saing, sikap pengurusan, pengalaman & pengetahuan antarabangsa dengan pengantarabangsakan; dan hubungan langsung pengantarabangsakan dengan prestasi firma. Selanjutnya, dalam kajian ini kami telah mengkaji kesan penyederhanaan rangkaian dengan pengantarabangsakan dan inisiatif kerajaan dengan prestasi firma. Kelebihan daya saing Porter, Teori Rangkaian dan Pandangan Berdasarkan Sumber, teori telah digunakan dalam kajian ini. Pendekatan kuantitatif telah digunakan dalam kajian ini. Soal selidik yang dibina dengan baik telah dibangunkan dan telah dimajukan kepada RMG PKS di Gujerat. Pemilik dan pengurusan tertinggi daripada RMG PKS adalah responden utama. Kadar respons terlalu rendah, dan kami telah menerima 180 responden yang telah menjawab secara sedar. Penemuan utama kajian ini menunjukkan bahawa pengantarabangsakan mempunyai hubungan yang signifikan dengan prestasi firma. Semasa menyederhanakan kesan rangkaian dengan pengantarabangsakan; dan inisiatif kerajaan dengan prestasi firma didapati negatif. Kajian ini menyumbang kepada literatur RMG PKS dari segi pengantarabangsakan dan prestasi firma. Kajian ini juga akan membantu industri PKS RMG untuk perancangan strategik mereka yang berkaitan dengan perniagaan antarabangsa dan prestasi firma mereka.

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ABSTRACT

Readymade Garments SMEs' in Gujarat have been internationalizing rapidly since last two decades. This study has examined the direct relationship of competitive advantages, management attitude, international experience & knowledge with internationalization; and direct relationship of internationalization with firm performance. Further, in this study we have examined moderating effect of network with internationalization and government initiatives with firm performance. Porter's competitive advantages, Network Theory and Resource Based Views, theories have been used in this study. A quantitative approach has been employed in this study. A well-constructed questionnaire was developed and have been forwarded to the RMG SMEs in Gujarat. Owner and top management from the RMG SMEs were the key respondents. Response rate was too low, and we have received 180 respondents who have answered consciously. Major findings of this study suggest that internationalization has a significant relationship with firm performance. While moderating effect of network with internationalization; and government initiatives with firm performance have been found negative. This study contributes to the literature of RMG SMEs in terms of internationalization and firm performance. This study will also help to the RMG SMEs industry for their strategic planning related to their international business and firm performance.

CHAPTER 1

1.0 Introduction

In this chapter, we will discuss background of the study, problem statement, research objectives, and research questions, significance of the study, key definition and organization of the study. In the section background of the study we will discuss about textile and readymade garments industry in World as well as in India and Gujarat to be specific. Problem statement section will discuss about the problem that will be addressed in this study. Research objectives and research questions will raise the key questions that needs answers for the problem statement. This chapter will also discuss regarding significance of the study in terms of academic and practice. Key definitions section will discuss about the definition of key terms that are to be used in this study. Finally it will discuss about organizations of chapters that are to be added in this study.

1.1 Background of the study

This section will discuss about textile and readymade garments (RMG) industry in general, and in context of India. Further it will discuss readymade garments industry particularly in Gujarat.

Garments Industry in General

The Clothing and textile industry is one of the primary businesses in many nations, particularly creating nations, in term of work and commitment to Gross domestic product. Be that as it may, the industry is work escalated and requires low degree of specialized development contrasted with different businesses. This blend of work power and lower capital necessity has empowered the creating nations to increase upper hand over created economies who were the customary market pioneer

(Taplin, 2006). With the beginning of exchange advancement, the creating nations become the significant exporters of clothin and textile items comprehensively, and to Europe and the US, specifically.

The fast impacts of globalization of the economy alongside the deregulation of the material business have changed the aggressive condition of organizations working in it (Guzmán, Iglesias, Calvo Dopico, and Calvo Porral, 2012). The possibility to venture into global markets aggressive for new clients' extension, joining new advances, authoritative structures (particularly the production network) and quest for new providers offer extraordinary potential for business development. The evacuation of confinements on clothing and garments from January 2005 produced another situation making open doors for real exporters like China and India have considerably expanded their piece of the pie.

The materials and dress part has kept on involving a position of power in the creation, business age, remote trade profit and in general financial space of the SAARC (South Asian Relationship of Territorial co-activity) nations. It is notable that in the past GATT system the materials and attire division was kept outside its domain and rather, it was administered by the Multi-fiber Course of action (MFA), through which the created nations attempted to ensure their materials and dress segments.

ROLE OF INDIAN TEXTILE INDUSTRY IN THE ECONOMY

According to exhibit situation India is the world's second biggest maker of Materials and pieces of clothing after China. Indian Material industry has a staggering nearness in the economy of the nation. Aside from giving one of the fundamental necessities of Life, the material business likewise assumes an essential job through its commitment to modern yield, work age, and the fare income of the nation.

India's material part is perhaps the most established industry in Indian economy going back a few centuries. Indeed, even today, materials area is probably the biggest supporter of India's fares with around 11% of all out fares. The materials business is likewise work concentrated and is perhaps the biggest boss. The business acknowledged fare profit worth US\$ 41.4 billion of every 2014-15, a development of 5.4 percent, according to The Cotton Material Fare Advancement Gathering (Texprocil). The material business has two expansive sections. To begin with, the chaotic segment comprises of handloom, painstaking work and sericulture, which are worked from a more minor perspective and through customary instruments and techniques. The second is the sorted out part comprising of turning, clothing and pieces of clothing section which apply current hardware and strategies, for example, economies of scale (Material, 2016).

Market Size

The Indian textile industry, as of now evaluated at around US\$ 108 billion, is required to reach US\$ 223 billion by 2021. The Indian material industry can possibly reach US\$ 500 billion in size as per an examination by Wazir Consultants and PCI Xylenes and Polyester. The development suggests household deals to ascend to US\$ 315 billion from as of now US\$ 68 billion. Simultaneously, sends out are suggested to increment to US\$ 185 billion from around US\$ 41 billion right now.

The Indian material industry is very fluctuated, with the hand-spun and handwoven materials parts toward one side of the range, while the capital escalated advanced factories division at the opposite part of the bargain. The decentralized power loom/hosiery and weaving area structure the biggest segment of the materials

part. The nearby linkage of the material business to agribusiness (for crude materials, for example, cotton) and the antiquated culture and conventions of the nation regarding materials make the Indian materials part one of a kind in contrast with the ventures of different nations. The Indian material industry has the ability to deliver a wide assortment of items reasonable to various market sections, both inside India and over the world.

Every district in India takes into account a particular area of the materials and dress divisions, which are referenced as pursues:-

Ludhiana and Panipat :- The district is known for rugs and mats producing alongside woolen made-ups. A couple of huge turning and weaving units are situated here. Key players incorporates Vardhaman, Oswal and JCT restricted.

Eastern District: - Portions of Bihar and West Bengal produce jute and silk made-ups. The woolen apparel sub0sector has some nearness in Uttar Pradesh. Key players incorporates ITC way of life.

Gujarat and Maharashtra: - Most huge organizations over all segments of the worth chain, including turning, weaving, home materials and articles of clothing are situated here. Key players incorporate ARving plants, Raymond, Welspun, Bombay Coloring, Alok, Century Materials.

Karnataka and Kerala :- Bangalore and Mysore have a couple of article of clothing firms. Some real exporters incorporate Gokuldas fares and Shahi sends out. Kerala is a center point for the jute sub-division.

Tamilnadu:- Real urban communities that fills in as material center points are Tirupur, Coimbtore, Madurai and Karur; known for clothes, turning plants, silk and home

material units, separately. Key players incorporate steadfast materials, KG Denim, Asian Texture.

India's main ten fare markets of material and attire items are appeared in the beneath table 1.1.

Table 1.1 India's Top Ten Export Markets of Textile and Apparel Products

S. N.	Countries	Export 2013 – 14	% Share	Export 2014 – 15	% Share	Y-o-Y Growth
1	USA	6704	29%	7154	31%	7%
2	United Arab Emirates	2676	12%	3773	16%	41%
3	China	4071	18%	2593	11%	-36%
4	United Kingdom	2268	10%	2483	11%	9%
5	Bangladesh	1926	8%	1973	8%	2%
6	Germany	1821	8%	1827	8%	0%
7	France	974	4%	1102	5%	13%
8	Spain	828	4%	907	4%	10%
9	Italy	871	4%	862	4%	-1%
10	Turkey	869	4%	737	3%	-15%
	Sub Total	23008	56%	23412	55%	2%
	Total Textile & Apparel Export	41359		42192		2%

Source: DGCI&S

Export Trend of Textile and Apparel Sector in 12th Five Year Plan

Fare of garments and textiles during initial three years of twelfth multi year plan has enlisted development of 14% in rupee term and development of 7.5% in US dollar term. During this period, fare of every single material item aside from cotton based materials and silk based textiles have enlisted positive development in rupee just as US dollar terms. Most astounding development in fare is accomplished by covered/overlaid texture class which developed at a pace of 38.6% and 46.7% in US dollar and rupee terms individually.

Textile industry is giving one of the most important needs of individuals and the hold significance; keeping up continued development for enlightening personal satisfaction. It has an extraordinary position as the confident industry, from the creation of crude materials to the conveyance of completed items, with significant worth expansion at each and every phase of preparing; it is a noteworthy commitment to the nation's economy. This paper manages structure, development and size of the Indian textile industry, job of material industry in economy, key favorable circumstances of the business, textile industry send out and worldwide situation and quality, shortcoming, openings and treats of the Indian textile industry (Dhanabhakym, 2016).

Export Trend in India

Quick Estimate for Selected Major Commodities

Table 1.2 *Trade-Exports*

S. N.	Commodities	Values in Million USD				% Change	
		Mar'15	Apr'14 - Mar'15	Mar'16	Apr'15 - Mar'16	Mar'16	Apr'15 - Mar'16
1	Tea	49.98	681.78	51.51	724.29	5.17	6.24
2	Coffee	105.4	814.03	97.49	790.85	-7.5	-2.85
3	Rice	652.5	7853.12	471.94	5977.55	-27.67	-26.15
4	Other cereals	25.71	869.11	10.66	244.19	-58.54	-71.9
5	Tobacco	116.36	958.61	109.57	982.64	-5.84	2.51
6	Spices	235.94	2430.34	265.71	2520.86	12.62	3.72
7	Cashew	74.08	909.27	61.54	769.4	-16.93	-15.38
8	Oil Meals	100.02	1324.19	27.64	545.94	-72.37	-58.77
9	Oil seeds	135.48	1735.38	112.88	1243.79	-16.68	-28.33
10	Fruits & Vegetables	229.76	2153.51	262.27	2161.85	14.15	0.39
11	Cereal Preparations &	110.9	1257.69	123.16	1334.67	11.06	6.12

	miscellaneous						
	Processed items						
12	Marine products	374.43	5510.5	352.51	4783.4	-5.85	-13.19
13	Meat, dairy & poultry	428.92	5385	367.4	4595.88	-14.34	-14.65
14	Iron ore	57.42	526.5	46.52	200.18	-18.98	-61.98
	Mica, Coal & other ores,						
15	Minerals including processed minerals	333.16	3903.51	322.44	3496.24	-3.22	-10.43
16	Leather & leather products	434.77	6029.95	421.45	5440.16	-3.06	-9.78
17	ceramic products & glassware	144.34	1644.4	150.6	1717.33	4.34	4.44
18	Gems & Jewellery	3458.57	41266.06	3618.18	39021.93	4.61	-5.44
19	Drugs & Pharmaceuticals	1462.33	15431.49	1522.09	16883.31	4.09	9.41
20	Organic & Inorganic Chemicals	1303.37	14425.41	1306.04	13516.91	0.2	-6.3
21	Engineering Goods	6021.49	73075.7	5341.5	62108.97	-11.29	-15.01
22	Electronic Goods	532.76	6260.74	593.97	5996.79	11.49	-4.22
	Cotton Yarn/Fabs./mad						
23	e-ups, Handloom products etc	919.64	10774.56	839.41	10114.73	-8.72	-6.12
	Man-made						
24	yarn/fabs./made -ups etc.	415.99	5275.03	379.85	4635.28	-8.69	-12.13
25	RMG of all Textiles	1569.47	16833.33	1505.83	16997.17	-4.05	0.97

	Jute	Mfg.						
26	Including	floor	25.45	347.48	32.8	590.03	28.88	69.8
	covering							
27	Carpet		113.91	1360.78	139.82	1648.33	24.21	19.61
	Handicrafts							
28	excl. Handmade		112.57	1378.04	139.82	1648.33	24.21	19.61
	carpet							
29	Petroleum					29183.8		
	products		2646.07	56794.14	2078.91	5	-21.43	-48.61
30	Plastic	&						
	Linoleum		368.79	5746.8	480.14	5788.08	30.19	0.72
	Sub-Total		22558.58	292956.4	21217.1	245296.	-5.95	-16.27
				5	9	3		
	Grand Total		24032.55	310338.4	22718.6	261136.	-5.47	-15.85
				7	9	8		

(Source :-DGCIS (2016c))

Fare of various kinds of RMGs in fiscal year 2015-16 has expanded to US\$ 12440.65 MN from US\$ 12435.52 MN in 2014-15. Table 1.3 shows fare estimation of various sorts of RMGs for financial year 2014-15 and fiscal year 2015-16.

Underneath given table states different sort of RMG items traded from Indian in fiscal year 2014-15 and 2015-16, esteem in Mn US\$. Unmistakably complete fare of RMG has expanded from US\$ 12135.52 Mn for 2014-15 to US\$ 12440.65 Mn in 2015-16.

RMG	2014-15	2015-16
Cotton	6311.56	6085.9
Man-made	2952.81	3238.91

Silk	122.04	109.95	Table 1.3
Wool	330.02	257.92	
Others	2419.09	2747.97	
Sub Total	12135.52	12440.65	

Export of RMG (Value in Mn US\$)

Source: (DGCIS, 2016a)

Merchandise Trade by Commodity

Table 1.4 *Textile Export & Import from Asian Countries*

Reporter	Flow	Indicator	Partner	2010	2011	2012	2013	2014
Bangladesh	Exports	Textiles	World	1263	1898	1634	2261	2361
China	Exports	Textiles	World	76871	94411	95442	106568	111662
Hongkong, China	Exports	Textiles	World	11307	11283	10546	10714	9785
India	Exports	Textiles	World	12833	15340	15348	17417	18340
Pakistan	Exports	Textiles	World	7848	9082	8705	9341	9077
Sri Lanka	Exports	Textiles	World	172	198	226	236	267

Reporter	Flow	Indicator	Partner	2010	2011	2012	2013	2014
Bangladesh	Imports	Textiles	World	4471	6610	5480	5947	6778
China	Imports	Textiles	World	17679	18901	19810	21563	20248
Hongkong, China	Imports	Textiles	World	11265	11049	10364	10411	9358
India	Imports	Textiles	World	2790	3393	3318	3579	3760
Pakistan	Imports	Textiles	World	950	1245	1077	1245	1545
Sri Lanka	Imports	Textiles	World	1723	2230	2185	1959	2232

Table 1.5 *Clothing Export and Import*

Reporter	Flow	Indicator	Partner	2010	2011	2012	2013	2014
Bangladesh	Exports	Clothing	World	14855	19214	19788	23501	24584
China	Exports	Clothing	World	129820	153774	159610	177414	186607
Hongkong, China	Exports	Clothing	World	24049	24505	22573	21922	20510
India	Exports	Clothing	World	11229	14672	13928	15542	17742
Pakistan	Exports	Clothing	World	3930	4550	4214	4549	4991
Sri Lanka	Exports	Clothing	World	3491	4211	4005	4517	4919

Reporter	Flow	Indicator	Partner	2010	2011	2012	2013	2014
Bangladesh	Imports	Clothing	World	161	675	559	607	692
China	Imports	Clothing	World	2518	4012	4522	5335	6124
Hongkong, China	Imports	Clothing	World	16645	17248	16338	16448	16173
India	Imports	Clothing	World	236	364	403	522	608
Pakistan	Imports	Clothing	World	72	87	71	68	86
Sri Lanka	Imports	Clothing	World	115	159	176	188	251

Competitive Advantages of Indian Textile Industry

- Activities: - It covers a gamut of activities from production of raw materials of fibre cotton, jute, silk and wool to provide high value added products such as fabrics and garments.
- Plays a key role in the economy:- It provides direct employment to an estimated 38 million people and contributes 5 percent to GDP.
- Significant contribution to trade:- It accounts for eight percent of global trade in textiles.
- Poised for Growth:- This sector is growing around 11.8 percent at present and estimated to grow at 15 to 18 percent.
- Dominance of Small Scale Sector across the value chain:- The entire chain is very strong. It is dominated by small scale sector and there is presence of

capabilities across the entire value chain within the country. It reduces the lead time for production and cuts down the intermediate shopping time. The chain consists of Raw material – spinning – weaving/knitting – processing – garment manufacture.

➤ Availability of Raw Material :-

- Abundant availability of raw materials – largest cotton producer in the world.
- India one of the largest polyester yarn producers.
- Spinning-Accounts for about 22 percent of the world’s spindle capacity. Second highest in the world.
- Weaving/knitting – Highly fragmented Small Scale and labour intensive Industry.
- Processing – Largest decentralized and marked by hand and independent processing units.
- Garment Manufacture – Indian Industry dominated by small scale fabricators. But most units have now upgraded their technology.
- Labour advantage. India has abundant availabilities of skilled manpower across all activities of the textile value chains.
- India’s cost advantage over comparative countries has been well established and is applicable for this sector as well. This is 0.34 US \$ per hour for Pakistan, 0.57 for India, 0.69 for Coastal China, 5.73 for South Korea, 6.15 for Hongkong and 15.13 for U.S.¹

1.1.1 Overview of SME in India

SMEs assume a conspicuous job in the mechanical and development elements of various economies (UNIDO, 2001). The way that they represent over 90% if all

¹ Referred from (Popli & Rao, 2009)

undertakings on the planet and contribute as high as 80% of work in assembling is a declaration to their capacity to decide the size and bearing of monetary improvement (Pradhan and Das, 2013).

As indicated by the Indian service of MSME (Service of MSME, 2010a), MSMEs are characterized and arranged by their interest in resources (producing MSMEs) or supplies (administrations MSMEs), as exhibited in Table 1.6.

Table 1.6 *The classification of MSMEs classification according to Government of India MSMED Act 2006*

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Rs 2.5 million	Rs. 1.0 Million
Small	Rs 50.0 million	Rs. 20.0 million
Medium	Rs 100.0 million	Rs. 50.0 million

(Source :- Ministry of Micro, Small and Medium Enterprises)

SME are considered as motor for monetary development everywhere throughout the world. After the globalization of market, SMEs have numerous chances to work in mix with enormous scale associations. They can't misuse these chances and continue their intensity on the off chance that they center just around specific parts of their working and work in confinement

SME are viewed as the fundamental wellspring of enterprise and advancement. These ventures give work to huge number of individuals and contribute essentially to development and Gross domestic product of an economy. These little scale endeavors anyway miss out to the huge ventures as far as money related maintainability, scope of items, advertising clout, brand and haggling influence. Simultaneously, it is seen that there are number of SMEs which are becoming and getting to be focused. These

endeavors work in a specialty region, produce better items and continue enhancing in their activities through progress in innovation and presentation of current innovation

The SME division assumes an imperative job in the development of the nation. Around the world, the SMEs have been acknowledged as the motor of financial development and for advancing fair advancement. The MSMEs area contributes altogether to the assembling yield, business and fares of India. It is assessed that as far as worth, the part represents about 45% of the assembling yield and 40% of all out prices. There are more than 6000 items running from customary to cutting edge things, and creating work potential at low capital expense (Chaudhary, 2014).

1.1.2 Constraint of SMEs in India

⇒ The Requirements those run over by the SMEs in India to be send out aggressive incorporate item reservations, administrative issues – both at the passage and leave stages, deficient account at moderate terms, unyielding work markets and framework related issues – like high power duty, and inadequate fare foundation (B. Das, Shil, and Pramanik, 2007).

These are quickly explained as below:-

- ⇒ Lack of entrepreneurial, managerial and marketing skills
- ⇒ Lack of accessibility to information and knowledge
- ⇒ Difficulties accessing financial resources / Lack of capital
- ⇒ Product and service range and usage difference
- ⇒ Language barriers and cultural differences
- ⇒ Risks in selling abroad
- ⇒ Competition of indigenous SMEs in foreign markets

- ⇒ Inadequate behaviours of multinational companies against domestic SMEs/Lack of government supply-supporting programs
- ⇒ Complexity of trade documentation including packaging and labelling
- ⇒ Lack of government incentives for internationalization of SMEs
- ⇒ Inadequate intellectual property protection²

Indeed, even as Gujarat is hailed as a state with rich abilities and drive in business enterprise and enriched with astounding business bolster framework, the assumptions about fare execution by the assembling endeavors have not been appeared in actuality. This is in spite of the express' few master business strategies towards encouraging worldwide support by the nearby firms (Pradhan and Das, 2016a).

Gujarat

There are 261760 MSMEs registered in Gujarat till March 2014. Following tables presents the details of the year wise, district wise and group wise registrations of MSMEs in Gujarat from 2-10-2006 to 31-3-2014.

Table 1.7 Year wise Registered MSME in Gujarat

Year wise Registered MSME in Gujarat	
Year	Unit
2006-2007	4131
2007-2008	13186
2008-2009	17867
2009-2010	19993
2010-2011	27940
2011-2012	51781
2012-2013	68235
2013-2014	58627
Total	261760

² Referred from (B. Das et al., 2007)

Source:- (Commissionerate, 2013)

Table 1.8 Group -wise registered MSMEs in Gujarat as follow:

Group Wise Registered MSME in Gujarat					
S. N.	Group	Registration from 2-10-2006 to 31-3-2014			
		Micro	Small	Medium	Total
1	Textiles	68171	8206	351	76728
2	Machinery and parts except electrical	20668	2478	81	23227
3	Mining and Quarrying	2778	685	18	3481
4	Food Products	4853	1498	60	6411
5	Chemical & Chemical products	7078	2311	133	9522
6	Wood products	3043	318	15	3376
7	Rubber and Plastic products	5414	1518	79	7011
8	Non-metallic mineral products	3927	1251	174	5352
9	Basic Metal Industries	16908	2615	121	19644
10	Paper Product & Printing	4269	926	67	5262
11	Electrical Machinery and Apparatus	5156	726	25	5907
12	Transport Equipment and Parts	1906	461	10	2377
13	Leather Products	3641	821	27	4489
14	Beverages, Tobacco & Tobacco Products	1052	166	2	1220
15	Service Activities	25606	1288	79	26973
16	Trading Activities	48200	358	9	48567
17	Other	10597	1503	113	12213
	Total	233267	27129	1364	261760

Gujarat Source:- (Commissionerate, 2013)

A pioneer in material division with home to 1560 medium and biggest material units and having 18 material related item groups. Gujarat's material market is evaluated to associate with 25 billion by 2017. Gujarat is one of the main modern states in India and Material industry specifically had contributed in a major manner to the industrialization of the State. Truth be told, by and large monetary development of the State is particularly subject to this segment. Material industry assumes a significant job in Indian economy, too. It is a work arranged industry, possessing the second position for example after Agribusiness. Around 25% of fixed venture, creation worth and work of SSI Little Scale Industry segment are from materials alone. Further 23% of Gross domestic product leaves materials in the State, 16% of the developed land territory of the state is for cotton and Gujarat is the biggest cotton maker in the nation.

Typical Textile Industry in Gujarat

Biggest texture procedure houses are amassed in Ahmedabad (250) and Surat (450) in the State. The State represents 12% portion of the all out material fare of the nation. An enormous number of Article of clothing units and piece of clothing handling units are created in urban territories of the state. Bunch of handling units are situated at Surat, Ahmedabad (Narol) and Jetpur. In spite of the fact that these units fall under decentralized area, some of them work on medium scale generation limit having great ability of handling wide scope of textures.

Ahmedabad Textile Cluster

Ahmedabad was once known as the Manchester of India. Ahmedabad is situated in one of the exceptionally industrialized and urbanized pieces of Gujarat State. It is the seventh biggest city in India. Ahmedabad is overwhelmingly a mechanical focus with enormous scale cotton material industry giving the monetary

base of the city. The pioneering condition made by the nearby budgetary tip top was generally in charge of establishing the cutting edge material industry in the city. Denim, mixing and cotton ventures are the major modern units. Larger part of units are MSI with LSI units like Dependence, Arvind factories and so forth. Arvind Plants is second biggest denim fabricating units on the planet. While Ahmedabad kept on being commanded by its material ventures, the state additionally made foundation for mechanical advancement in Naroda, Odhav and Vatva which prompted a noteworthy broadening in the little and medium enterprises, identified with designing products and synthetic substances.

Surat Textile Cluster

Textile industry has prospered jumps and bound in South Gujarat Especially in Surat region. There are almost five lakhs of powerlooms in Surat, which expends yarn of around four lakhs of metric tons in setting up the dim textures. Around two crores meters of dark materials in assembling every day in Surat. Today there are around 450 Coloring and printing units situated in and around Surat in different groups – Pandesara, Sachin, Kadodara and Palsana. These Coloring and printing Units are occupied with handling of man-made textures, for example Coloring, Dying, printing, Completing of dark textures. For the most part these units are handling the dim textures on occupation work premise. They get the dark textures from the Dealers/Vendor Producers of the market and procedure the textures according to their necessity. There are around 150 discount showcases in Surat. The city of Surat is presently known as "Silkcity". The powerloom division gives work of around 6 lakh individuals. Also, the handling business offers work to around 5 lakhs individuals. In addition, lakhs of individuals are occupied with exchange, transport, cutting, pressing and ancillary businesses like colors, shading, synthetic substances, materials building

and so on. Of the all out creation of material in India, the synthetics texture represents about 90%. Surat alone represents 40% fares of textures producing income of more than Rs. 500 crores. It produces modest textures reasonable to destitute individuals. State Government has, made dynamic stride in creating Apparal Park, one at Surat, and the other at Ahmedabad under dynamic help of Association Service of Material.

Advantages in Gujarat

As indicated by Finance Minister of Gujarat Nitin Patel (2012), Gujarat is the biggest maker of cotton in the nation, however the greater part of its cotton goes out and because of unpredictable approaches of the focal government on cotton trades. Gujarat has capacity to expand Readymade Pieces of clothing trades because of the variables: (1) low work costs, (2) a fare situated structure, (3) the selective idea of articles of clothing.

The mechanical Transformation began from the Cotton material industry in India and it has likewise upheld industrialization in many creating nations. India was the world's biggest exporter of cotton material in 1650. Be that as it may, her offer in the worldwide market has declined. India falls behind other creating nations, which began generation and fares of cotton textures a lot later than India. The Indian cotton material industry has been losing universal intensity. It appears that some local elements have limited increment in fares of Cotton textures.

The Indian Attire industry has made exceptional commitment to the Indian history as it assumed an indispensable job in the transformation for Indian Freedom (1747-1947). In 1920, during the unrest time frame, so as to blacklist outside merchandise, the Indian National Congress chose to help both creation and utilization of "Khadi" (locally situated cotton attire, spun and made at home) (D. Das and E. Ha-

Brookshire, 2014). From that point forward, khadi has been utilized as a political indication of the Indian National Congress. Actually, Gandhi utilized Khadi to persuade Indian individuals to battle against the English control in a peaceful manner (The Toronto Star, 2011). By the late 1970s, the Indian attire industry has been at the center of the Indian economy as far as its offer in work, financial improvement, and the fare income. Today, the material business contributes about 14% to mechanical creation, 4% to the Gross domestic product and 17% to the nation's fare income (Material)

India's materials and dress industry is one of the pillars of the national economy. It is additionally one of the biggest contributing divisions of India's fares around the world. The report of the Working Gathering comprised by the arranging commission on boosting India's assembling trades during twelfth Multi year Plan (2012-17), imagines India's fares of materials and garments at US\$ 64.41 billion before the part of the arrangement. The materials business represents 14% of modern creation, which is 4% of Gross domestic product; utilizes 45 million individuals and records for 12% portion of the nation's absolute fares relaxed. India is a noteworthy trading nation to the extent material part is concerned and not subject to import. Greater part of Import happens for re-fare or unique necessity. In the worldwide fares of attire, India positioned as the ninth biggest exporter according to WTO information – 2012, with China, EU and Hong Kong possessing initial three openings. In the worldwide fares of Materials, India positioned as the third biggest exporter, trailing China and EU (Division, 2014).

The greatest contender to India currently are China, Bangladesh and the ASEAN district, which is becoming both as a fare goal and as a minimal effort assembling focus. Aside from China and Bangladesh, the exchange volume of the

ASEAN area is nearly equivalent to the U.S. or on the other hand E.U. what's more, are among the India's quickest developing exchanging accomplices

Global Apparel Industry

The global Textile Industry, particularly the Apparel Industry has seen remarkable changes in the past few years. The Garment Manufacturing Industry and the Garment Companies in developed countries are now always on a lookout for cheap source of Garment production. The days are gone when textile garments industry was concentrated in the consumption hubs of US, EU and other developed countries of the world. The clothing wholesale supply is increasing worldwide in all the sectors of the industry, whether it is men's clothing, women's clothing, kids wear or infant wear. The elimination of global exports quotas has led to a shift towards low costs countries having strong and established clothing Industry especially the Asian countries.

- ⇒ The Limitations those go over by the SMEs in India to be send out focused incorporate item reservations, administrative issues – both at the section and leave stages, deficient account at reasonable terms, rigid work markets and framework related issues – like high power duty, and lacking fare foundation (B. Das et al., 2007). These are quickly expounded as below:
- ⇒ Lack of entrepreneurial, managerial and marketing skills
- ⇒ Lack of accessibility to information and knowledge
- ⇒ Difficulties accessing financial resources / Lack of capital
- ⇒ Product and service range and usage difference
- ⇒ Language barriers and cultural differences
- ⇒ Risks in selling abroad

- ⇒ Competition of indigenous SMEs in foreign markets
- ⇒ Inadequate behaviours of multinational companies against domestic SMEs/Lack of government supply-supporting programs
- ⇒ Complexity of trade documentation including packaging and labelling
- ⇒ Lack of government incentives for internationalization of SMEs
- ⇒ Inadequate intellectual property protection³

Indeed, even as Gujarat is hailed as a state with rich gifts and drive in enterprise and enriched with magnificent business bolster foundation, the assumptions about fare execution by the assembling undertakings have not been appeared in actuality. This is regardless of the express' few expert business approaches towards encouraging worldwide cooperation by the nearby firms (Pradhan and Das, 2016a).

1.2 Problem Statement

As indicated by present situation India is the world's second biggest maker of Materials and pieces of clothing after China. Anyway 80% of all out fare is shared by NCR – Delhi, Ludhiana – Punjab and Tirupur – Tamilnadu. As indicated by Account Clergyman of Gujarat Nitin Patel (2014), Gujarat is the biggest maker of cotton in the nation as of table 1.9. Be that as it may, Gujarat RMG SMEs needs aggressiveness to develop its Readymade Pieces of clothing trade.

Gujarat has plenteous of assets required by RMG industry; anyway there are a few elements influencing to RMG SME's in Gujarat which influences its aggressive edge to be a pioneer in India. As far as SME trade force, North India is the biggest locale with 11.08% pursued by South India with 10.8% and West India with 7.4%. At

³ Referred from (B. Das et al., 2007)

the state level, Uttar Pradesh has the most noteworthy power for SME trades with 18.8%, Tamil Nadu comes next with 15.6% pursued by Gujarat with 13.8% (Pradhan and Das, 2016d). This demonstrates inspite of having every one of the assets for readymade article of clothing industry, Gujarat's RMG industry isn't performing admirably in fares, accordingly RMG SME firm execution is less and should be improved.

Worldwide material industry has experienced a colossal change after expulsion of amount framework in USA and EU. Example of material exchange have been changed worldwide and champs will be those nations which can furnish material items requiring little to no effort with reliable quality. Indian material industry is probably the most seasoned industry and will in general be increasingly conventional as far as assembling. India has hardened challenge from other minimal effort material maker's nations like China, Sri Lanka, Indonesia, Thailand, Bangladesh and so forth.

Readymade articles of clothing by and large has endured a difficulty, in explicit, in sorted out segment everywhere throughout the nation in the ongoing past. Gujarat was not a special case to this improvement. In any case, development is conspicuously seen in decentralized divisions for example powerloom and material preparing, essentially in Surat and Ahmedabad. Generally speaking financial development of the State is particularly subject to this division (Mehta, 2016) .

Despite the fact that the material business is among the biggest areas in the State, it is profoundly sloppy and divided. The chaotic business overwhelmed by little brokers and dealers fill in as obstructions in the development of the retail segment and industry sends out. Despite the fact that, Gujarat houses a portion of the main association like Arvind Factories and Soma Materials the clothing fragment isn't very much created. The state adds to just 6% of pieces of clothing trade in India.

Table 1.9 *State wise cotton Consumption*

States/Union Territories	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Andhra Pradesh	167613	174245	193155	271034	329367	383248
Assam	14	-	-	-	-	-
Gujarat	204494	180483	196627	223820	214568	251390
Haryana	125704	112916	96329	129643	161765	170652
Himachal Pradesh	131532	129457	130998	129291	91428	111004
Karnataka	85918	67473	67229	50598	38999	40940
Kerala	34137	28873	31857	33385	63608	32312
Madhya Pradesh	182813	202771	250491	278457	309956	348424
Maharashtra	338220	303179	312585	350798	370169	397042
Punjab	468881	520173	559582	627548	590851	707330
Rajasthan	144008	139264	130589	150627	130123	162131
Tamil Nadu	1658525	1536573	1617522	1896204	1459144	1638295
Uttaranchal	27318	38300	39495	50996	46145	51772
Uttar Pradesh	51654	42376	45378	45787	41978	45699
West Bengal	17644	14865	15029	15624	11200	10022

Source:- *The Cotton Corporation of India LTD.*

State	2011-12			2012-13*			2013-14(P)		
	Area	Prod	Yield	Area	Prod	Yield	Area	Prod	Yield
Punjab	5.6	20	607	4.8	21	744	5.05	21	707
Haryana	6.41	26	690	6.14	25	692	5.57	23	702
Rajasthan	4.7	18	651	4.5	17	642	3.03	14	785
North Total	16.71	64	651	15.44	63	694	13.65	58	722
Gujarat	29.62	122	700	24.97	93	633	26.91	116	733
Maharashtra	41.25	76	313	41.46	79	324	38.72	81	356
Madhya Pradesh	7.06	18	433	6.08	19	531	6.21	19	520
Central Total	77.93	216	471	72.51	191	448	71.84	216	511
Andhra Pradesh	18.79	60	543	24	84	595	21.42	72	571
Karnataka	5.54	15	460	4.85	15	526	5.78	18	529
Tamil Nadu	1.33	6.5	831	1.28	6	797	1.17	5	726
South Total	25.66	81.5	540	30.13	105	592	28.37	95	569
Orissa	1.02	3.5	583	1.19	4	571	1.34	4	507

Others	0.46	2	739	0.51	2	667	0.33	2	1030
Total		367			365			375	
Grand Total	121.78	367	512	119.78	365	518	115.53	375	552

Table 1.10 Area, *Production and Productivity of Cotton (State-Wise)*

Source- The Cotton Corporation of India LTD

Cotton is base requirement for manufacturing of readymade garment and total production of Cotton in Gujarat is 733 which is second largest producer in India followed by Rajasthan which has a production of 785 as of Table 1.10. Now if we compare it with the consumption of cotton in India Gujarat relatively small consuming state of cotton in India. Major cotton consuming states are Tamil Nadu, Punjab, Maharashtra, Madhya Pradesh and then comes Gujarat according to Table 1.9. So as a result, we can justify that if the production is more and the consumption is less compare to other states, there may be an issue with manufacturing firms to produce more RMG and to export them. Thus, we can identify there is a problem with RMG SME's firm performance.

Study suggests that firms' taking part in a moderately more noteworthy number of internationalizations performs superior to anything the individuals who are not internationalize (Chiao, Yu, Li, and Chen, 2008). So for this research we would test assume that internationalization has a influence on firm performance.

1.3 Research Objectives

- How competitive advantages, management attitude and International Knowledge & Experience and firm performance is mediated by internationalization.