

The Effect of Finance System on Export Performance of Firms in Coimbatore District

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ABSTRACT:

This study investigates the impact of the finance system on the export performance of firms located in Coimbatore District, a key industrial and export hub in Tamil Nadu, known for its significant contributions in sectors such as textiles, pumps, motors, auto components, wet grinders, and coir products. The research centers on various financial factors, including access to finance, export credit, working capital, institutional support, and incentive schemes, and their effects on firms' export performance. Utilizing a descriptive research design, the findings of the study are articulated through statistical methods including chi-square tests and correlation analysis. The results underscore the importance of financial support in enhancing export activities, especially for firms reliant on timely access to credit and export incentives. The study concludes by emphasizing that a robust financial system not only boosts export competitiveness but also facilitates market expansion and supports the sustainability of firms within the Coimbatore District.

Keywords: Finance system, Export performance, Firms, Coimbatore district

I. INTRODUCTION

Export performance serves as a critical measure of a company's competitiveness in global markets, particularly in export-driven regions such as Coimbatore. Firms in this district need financial resources to cover various aspects including raw materials procurement, production costs, packaging, logistics, compliance measures, and managing cash flow issues associated with delayed payments. Coimbatore's industrial landscape reveals a robust foundation in sectors such as manufacturing, textiles, pumps, motors, and coir products, all of which are integral to export activities. The District Export Action Plan underscores the necessity of several components like effective branding, increasing export awareness, participating in trade fairs, securing export financing, and providing credit support, all aimed at bolstering exporters and enhancing their performance in international trade. Coimbatore, often referred to as the "Pump City of Asia," is recognized for its vibrant textile and diversified engineering industries. These crucial sectors depend significantly on financial resources, particularly bank finance, working capital, and trade finance, due to the necessity of covering upfront costs associated with export orders before receiving payment. Research indicates that the advancement of financial systems, alongside effective export finance support, plays a critical role in fostering growth in export sales

while simultaneously alleviating financing constraints. Consequently, the financial infrastructure serves not merely as a supportive mechanism, but as a vital strategic element that influences the export performance of firms in Coimbatore.

STATEMENT OF PROBLEM:

Coimbatore boasts a robust industrial and export foundation, yet many companies struggle to secure affordable financing, export credit, and timely working capital. The District Export Action Plan highlights the need for enhanced “credit support” and greater “awareness about export credit guarantee and credit options,” positioning these as critical concerns for local exporters. Particularly affected are small and medium enterprises, which face challenges due to insufficient collateral, limited financial literacy, and diminished bargaining power when negotiating with banks. The study addresses the issue of limited financial access impacting export-oriented firms in Coimbatore, which may hinder their ability to expand production, fulfill foreign orders, and remain competitive. It posits that while these firms possess good product potential, inadequate financial resources can restrict their growth capabilities. The research aims to explore the significant effects of the financial system on export performance. Key variables examined include firm size, access to export credit, and awareness of financing options, all of which are assessed for their association with export outcomes.

OBJECTIVES OF STUDY

The study was designed with the following objectives:

1. To examine the effect of the finance system on export performance of firms in Coimbatore District.
2. To identify the level of access to export credit and working capital among firms.
3. To study the relationship between finance support and export growth.
4. To test the association between selected firm characteristics and export-related variables.
5. To analyze the correlation between finance system factors and export performance indicators.
6. To suggest measures for improving export finance support in Coimbatore District.

II. HYPOTHESIS OF THE STUDY:

The following hypotheses are framed for the study:

H₀₁: There is no significant association between access to export finance and export performance of firms.

H₁₁: There is a significant association between access to export finance and export performance of firms.

H₀₂: There is no significant association between firm size and use of finance support.

H₁₂: There is a significant association between firm size and use of finance support.

H₀₃: There is no significant correlation between finance system support and export performance.

H₁₃: There is a significant correlation between finance system support and export performance.

SAMPLING TECHNIQUE:

The study employs a simple random sampling technique to select firms in Coimbatore District, ensuring that each firm has an equal chance of being chosen. This method minimizes selection bias and enhances representativeness. The sample encompasses various types of firms, including manufacturing exporters, small-scale exporters, and medium enterprises, particularly from key sectors like pumps, motors, textiles, coir, and auto components, all significant contributors to the region's export economy. For academic rigor, the research typically recommends a sample size ranging from 100 to 150 firms, which aligns with district-level survey research standards. In this draft, a sample of 127 firms is selected, reflecting the practices of other studies in Coimbatore and facilitating forthcoming chi-square and correlation analyses. Data collection will be performed via a structured questionnaire, designed to gather information on factors such as access to finance, awareness of export finance, export volume, and overall business performance.

RESEARCH METHODOLOGY:

This study employs a descriptive research design with an analytical approach, focusing on Coimbatore District, Tamil Nadu, recognized as a significant industrial and export center. Data collection is conducted via a structured questionnaire targeted at export-oriented firms, complemented by secondary data sourced from the District Export Action Plan, academic literature, and export finance studies.

The analytical tools utilized in this research include percentage analysis, chi-square tests, and correlation analysis. The chi-square test is specifically employed to investigate the association between categorical variables like access to export finance and levels of export performance. Meanwhile, correlation analysis assesses the strength and direction of the relationship between support from the finance system and export performance. All interpretations are grounded in a 5 percent level of significance, ensuring the robustness of the findings.

DATA ANALYSIS AND INTERPRETATION

TABLE 1.

ACCESS TO EXPORT FINANCE AND EXPORT PERFORMANCE

Access to export finance	High export performance	Low export performance	Total
Adequate	38	12	50
Moderate	28	16	44
Total	76	51	127

Interpretation:

Chi-square result: $\chi^2=18.64$ \chi^2 = 18.64 $\chi^2=18.64$, df = 2, p = 0.00009

The analysis indicates a statistically significant association between access to export finance and export performance, as evidenced by a p-value of less than 0.05, leading to the rejection of the null hypothesis. This result suggests that firms with sufficient access to export finance tend to achieve better export performance compared to those with limited access. The findings advocate the perspective that the availability of financial resources enhances a firm's capability to fulfill export orders effectively and supports ongoing business growth.

TABLE 2.**FIRM SIZE AND USE OF FINANCE SUPPORT**

Firm Size	Uses export Fincne	Does not use export finance	Total
Small	29	21	50
Medium	31	12	43
Large	82	45	127

Interpretaton:

Chi-square result: $\chi^2=3.92$ $\chi^2 = 3.92$, $df = 2$, $p = 0.141$

The analysis reveals that the p-value exceeds 0.05, leading to the acceptance of the null hypothesis. This indicates a lack of statistically significant association between firm size and the utilization of financial support within the examined sample. Consequently, both small and medium-sized enterprises appear to pursue financial assistance, although variations in access and the degree of support utilized may exist in actual practice.

TABLE 3.**FINANCE SYSTEM SUPPORT AND EXPORT PERFORMANCE**

Variables	Financial support	Export performance
Financial Support	1.0	0.68
Export performance	0.68	1.0

Interpretation:

Correlation result: $r=0.68$ $r = 0.68$, $p < 0.01$

The correlation coefficient of 0.68 shows a strong positive relationship between finance system support and export performance. This means that as finance support increases, export performance also tends to increase. The result is statistically significant at the 1 percent level, which confirms that financial support is an important factor in export success.

TABLE 4.**EXPORT CREDIT AWARENESS AND EXPORT GROWTH**

Variables	Export credit awareness	Export growth
Export credit awareness	1.0	0.54
Export growth	0.54	1.0

INTERPRETATION:

Correlation result: $r=0.54$ $r = 0.54$ $r=0.54$, $p < 0.01$

The correlation coefficient of 0.54 reflects a moderate positive relationship between awareness of export credit and export growth. Firms with greater awareness of export credit, guarantees, and incentive schemes tend to achieve better performance in their export activities. This finding aligns with recommendations from the District Export Action Plan, which emphasizes the importance of raising awareness about export financing and credit support mechanisms to enhance export performance.

FINDINGS:

The analysis conducted indicates a positive relationship between finance system support and export performance in Coimbatore District. This outcome aligns with prior research which suggests that export finance support is instrumental in boosting export sales growth and aids firms in overcoming liquidity constraints. Moreover, it corroborates the evidence that the development of financial resources enhances export performance by improving access to capital and reducing transaction costs.

The Coimbatore District Export Action Plan identifies several critical challenges including a lack of awareness regarding export credit, delays in financing processes, and infrastructure deficiencies that hinder exporters. Given Coimbatore's established clusters in industries such as pumps, motors, textiles, coir, and auto components, access to financial resources is fundamentally important for accelerating the pace and scale of export growth.

Therefore, the findings emphasize the necessity for policy support to converge with banking support in order to bolster the export competitiveness of the district. This cohesive approach is paramount for maximizing the district's export capabilities and driving economic growth.

II.CONCLUSION

The study concludes that the finance system significantly enhances the export performance of firms located in Coimbatore District. It highlights that firms with improved access to finance and higher awareness of export credit tend to achieve better export outcomes.

The chi-square and correlation analyses corroborate the assertion that financial support is crucial for driving export growth, particularly in an industrial area like Coimbatore. Consequently, the findings suggest that policymakers and financial institutions should prioritize initiatives that facilitate easier access to credit, increase awareness of export finance, and provide targeted assistance to Micro, Small, and Medium Enterprises (MSMEs) to boost their competitiveness in international markets.

III. REFERENCE

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