

Factors Determining Exports' Product Quality: Empirical Evidence from Pakistan

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Abstract

Exports play a significant role in the growth and development process of an economy. However, the level and flow of exports depend on their quality. Among other external factors, export is one of the key sources of foreign exchange earnings in Pakistan. In this context, this study tends to explore the factors that affect exports' product quality in Pakistan. To analyze intensively, the factors are broadly divided into two exogenous (country-level), and endogenous (firm-level). The empirical insight covers all listed non-financial firms at Pakistan Stock Exchange over the period 1999-2018. Our findings reveal that among endogenous factors firm's total assets, TFP, advertising, and sale growth is the key determinants that pose a positive effect on exports' product quality. Whereas, trade flow, GDP, and R&D activities are the exogenous factors that improve the product quality of exports. The government and policymakers should focus on providing R&D funds and financial aid programs, reducing tariff rates, stabilizing the exchange rate policy, improving export performance, and agreements with trading countries on fewer terms and conditions.

Keywords: Trade flows; Economic Globalization; Product Quality; Heterogeneous Firms; Financial Liberalization; R&D Activities.

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