

ABSTRACTS

The study uses firm-level panel data from the manufacturing sector in Kenya to analyze the determinants of export propensity and intensity over the period 1992-2003. The focus of the study is on effects of total factor productivity on export propensity and intensity. These are estimated controlling for exogenous covariates such as location-specific and characteristics of firms, notably firm age and sunk investment. The paper uses a panel data estimator and the control function approach to account for fixed effects, endogeneity, unobserved heterogeneity, and sample selection bias to ensure that model parameters are properly computed.

The main finding of the study is that export propensity and intensity in Kenya are highly responsive to total factor productivity. Total factor productivity elasticities of export propensity and intensity are 5.8 and 1.8 respectively, so that a 1% increase in total factor productivity would increase export propensity by about 5.8% while increasing export intensity by 1.8%. The other finding is that ownership structure of the firm and unobserved factors specific to the firm's sector of operation influence export propensity and intensity.

The results provide valuable information about the determinants of Kenyan exports which can be used to design policies to promote firms' entry into the export market and to intensify sales in foreign markets.