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## Types and Severities of Export Barriers: Evidence from Indonesian SMEs

Mohamad Dian Revindo<sup>a,\*</sup><sup>a</sup>European Studies Program, Graduate School of Strategic and Global Studies (Sekolah Pascasarjana Kajian Strategik dan Global), Universitas Indonesia**Abstract**

Small and Medium-sized Enterprises (SMEs) are more constrained to export than their large counterparts and SMEs' limited participation in export market is more prevalent in developing than in developed countries. Extant literature suggests that SMEs encounter a set of export inhibiting factors distinct to those faced by large firms and therefore accurate identification of export barriers is crucial in fostering SMEs export. This study investigates the export barriers faced by Indonesian SMEs. The evidences were collected from 271 exporting SMEs and 226 non-exporting SMEs in seven provinces in Jawa, Madura and Bali regions. The results show that the types and severities of export barriers perceived or encountered by SMEs vary across export stages and across products/industries. Further, export barriers can be distinguished by their general or specific nature. The policy and managerial implications of the findings are discussed.

**Keywords:** export; export barriers; SMEs; internationalization; Indonesia

**Abstrak**

*Usaha Kecil dan Menengah (UKM) lebih terkendala dalam melakukan ekspor dibanding usaha skala besar. Peran UKM yang terbatas dalam ekspor lebih banyak ditemui di negara berkembang dibanding di negara maju. Literatur yang ada menunjukkan bahwa UKM menghadapi serangkaian hambatan ekspor yang jenisnya berbeda dengan yang dihadapi oleh perusahaan besar dan oleh karena itu identifikasi yang akurat terhadap hambatan ekspor sangat penting dalam mendorong ekspor UKM. Studi ini menggunakan data survei terhadap 271 UKM eksportir dan 226 UKM non-eksportir di tujuh propinsi di Jawa, Madura dan Bali untuk menyelidiki hambatan yang dihadapi dalam melakukan ekspor. Hasil analisis data menunjukkan bahwa jenis dan tingkat kesulitan hambatan ekspor yang dipersepsikan atau dihadapi oleh UKM tergantung dari tahapan kegiatan ekspornya atau produk/ industrinya. Hambatan ekspor juga dapat dibedakan berdasarkan sifat umum atau spesifiknya. Studi ini juga membahas implikasi akademis, kebijakan dan manajerial dari hasil analisis data.*

**Kata kunci:** ekspor; hambatan ekspor; UKM; internasionalisasi; Indonesia

**JEL classifications:** F23; L25; M13; M16; O17

**1. Introduction**

Firm internationalization has been rapid over the last three decades. Despite no consensus on the precise definition of firm internationalization, it can be perceived as a process of a firm's increas-

ing involvement in international business operations (Welch & Luostarinen, 1999) or the process of adapting firm's operations, including its strategies, structures and resources to international environments (Calof & Beamish 1995). A firm's engagement in international operations may take various forms including exporting, importing, investing abroad, licensing or cooperating with foreign firms. Hence, the broad definition of firm internationalization incorporates inward, outward and cooperative international activities (Ruzzier, Hisrich & Antoncic

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2006).

Globalization and trade liberalization provide local firms with opportunities to internationalize, while also forcing them to compete with cheaper imported products and the presence of multinational enterprises (Awuah & Amal 2011; Knight 2000; Ruzzier, Hisrich & Antoncic 2006). For example, during 2001-2014 the global merchandise export value had tripled from 6.1 to 18.9 trillion USD (ITC 2016a) and the global exports in services recorded nearly a 3.5-fold increase from 1.47 to 5.12 trillion USD (ITC 2016b). During the same period, the world's foreign direct investments (FDI) outward stocks rose more than 3.3 times from 7.77 to 25.87 trillion USD (UNCTAD 2014,2015). The steady growth of trade and FDI helped the global economy to sustain positive economic growth in that period (2.58% annual average), albeit being interrupted by the 2007-0-8 global financial crisis (World Bank, 2016). At the firm level, trade openness also helped a great number of firms worldwide to sustain their businesses, maintain growth and endure productivity (OECD 2012).

However, the benefits of trade openness are not shared equally among countries and enterprises. Despite the growing importance of developing countries in world trade, 34 OECD member states still accounted for 56–60% of global merchandise export value during 2010–15 (ITC 2016a). At the business level, Small and Medium-sized Enterprises (SMEs) are more constrained to internationalize than large firms. SMEs' limited participation in international market is evident in all forms of internationalisation including inward, outward and cooperative international activities.

For example, in the mid-2000s SMEs in the US, Switzerland, the Netherlands, United Kingdom, China and Japan only contributed 30–38% of their respective national exports (Hammer & Stamps 2010). SMEs' participation in indirect export ac-

tivities, despite the growing importance of export intermediaries and global value chain (GVC) still also lag behind their larger counterparts (González 2017; WTO 2016). Unsurprisingly, SMEs' contributions have also been modest in the more advanced modes of outward internationalisation such as services export and outward FDI (Adlung & Soprana 2013; Dalli 1995; Kogut & Chang 1996). SMEs are less likely to be exporters of services or to engage in outward FDI activities than large enterprises (Adlung & Soprana 2013; Breinlich & Criscuolo 2011; Hollenstein 2005; OECD 2012).

SMEs' meagre export contributions are even more prevalent in developing countries. For example, SMEs in ASEAN member states on average only accounted for 23% of total exports (Wignaraja 2012).<sup>1</sup> In Indonesia, despite being a major source of GDP growth and job creation, SMEs' share in total non-oil and gas exports was minuscule at 9.3%. SMEs' inability to seize trade opportunity, along with Indonesia's increasing engagement in various free trade agreements (FTAs) which force local products to compete directly with cheap imported merchandise in the domestic market, may severely threaten SMEs' business sustainability in the future.<sup>2</sup> SMEs' inability to exploit the gain from international trade amidst the rapid growth of global trade indicates that SMEs encounter greater impediments and different challenges to internationalize than large enterprises. Further, SMEs internationalization problems appear to be more complex in developing countries. Hence, the study of export barriers with reference to

<sup>1</sup> The Association of Southeast Asian Nations (ASEAN) is a regional economic and political cooperation organisation among Southeast Asian countries. ASEAN was founded in 1967 and currently comprises ten-member states namely Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Viet Nam, Lao PDR, Myanmar and Cambodia.

<sup>2</sup> In August 2016, Indonesia had eight FTAs in effect, including ASEAN (1993), ASEAN-China (2010), ASEAN-Australia and New Zealand (2010), ASEAN-India (2010), ASEAN-Japan (2008), ASEAN-Korea (2007), Indonesia-Japan (2008), Indonesia-Pakistan (2013). Indonesia also has ongoing negotiations with several other regional and bilateral FTAs.

Indonesian SMEs will enhance our understanding of SMEs' internationalization in an emerging country facing rapid changes in its international trade environment and policy.

SMEs (including micro enterprises) play an important role in the Indonesian economy, particularly as they have been Indonesia's major source of business establishments, employment opportunities and value added creation, and their contributions tend to rise over time.<sup>3</sup> During 2005–13 SMEs made up 99.99% of the total business entities, provided more than 97% of job opportunities and contributed around 56–59% of the Indonesian GDP (Ministry of Cooperatives and SMEs Republic of Indonesia, 2009b,2010a,b,2013,2014,2015). By contrast, in the same period, SMEs only accounted for a small share of Indonesia's non-oil and gas exports and their share tend to decline over time. Despite SMEs' steady rise in total annual export value, their share in Indonesia's non-oil and gas exports steadily shrank from around 18.5% in 2005–07 to 16.9% in 2008–10 and further down to 15.4% between 2011 and 2013.<sup>4</sup>

Thus, Indonesian SMEs are less able to take advantage of export opportunities from trade liberalization compared to their larger counterparts (Revindo & Gan 2016,2017; Revindo, Gan & Nguyen 2015,2017; Wengel & Rodriguez 2006). Indonesian SMEs also fare less well in export performance compared to SMEs in other ASEAN countries (Wignaraja 2012) and perform far behind SMEs in developed countries (Hammer & Stamps 2010). SMEs' poor export performances persist de-

spite various policy measures launched by the Government of Indonesia (GOI), including general assistance (e.g. access to credit, technical and managerial training) as well as specific export-related assistance (such as trade promotion, business matching and training in export procedures) (Revindo 2017).

This study aims to analyze internationalization of Indonesian SMEs, particularly their direct-export activities. Specifically, this study has the following objectives: (1) To identify the types and severities of export barriers faced by Indonesian SMEs in various industries and export stages; and (2) To formulate appropriate policy measures to remove the export barriers encountered by Indonesian SMEs'. Accurate identification of export barriers faced by SMEs is pivotal for successful policy measures because the types and severities of the export barriers might vary across sectors and countries (Tambunan 2012). The export barriers faced by SMEs can be caused by internal problems (e.g. human resources, capital and products) or by the external environment (e.g. the complexity of export procedures and foreign market regulations) (Leonidou 2004; Revindo 2017).

This study has several major contributions. This study covers SMEs in seven provinces in Jawa, Madura and Bali Islands where more than 60% of Indonesian SMEs operate (Kuncoro 2009) hence to a large degree allows generalisation of the results at Indonesia level. This study also includes SMEs in various sectors/products and in different export stages. For policy makers/regulators, the findings of this study will be beneficial to formulate appropriate and effective policy-mix and measures to assist SMEs to remove the barriers hampering their exports. Finally, at the managerial level, the study will enhance SME owners' and managers' understanding of the internationalization barriers and help them source appropriate government export assistance.

<sup>3</sup>Prior to the implementation of the Law No. 20 ("Undang-undang No. 20 Tahun 2008 tentang Usaha Mikro Kecil dan Menengah [Law on Micro, Small and Medium-Sized Enterprise Number 20 of 2008]." 2008), the "Small-sized Enterprise" term generally included small and micro-enterprises.

<sup>4</sup>If oil and gas exports are included, SMEs' and micro-enterprises' contribution might be even lower since oil and gas exports are performed by large state-owned enterprises. Hence, this figure supports Wignaraja (2012) that Indonesian SMEs' contribution to total exports was actually 9.3%.

The remainder of the article is organised as follows. Section 2 reviews the extant literature on export barriers, particularly with reference on SMEs. Section 3 provides the data collection and data analysis methods. Section 4 presents and discuss the results and findings. Section 5 concludes and discusses the academic, policy and managerial implications as well as giving the direction for future research in this area of study.

## 2. Literature Review

Export barriers can be defined as various obstacles that hamper a firm's effort to initiate, sustain or develop export activities (Leonidou 1995,2004). The perception or presence of various export barriers may cause a negative attitude towards internationalization among firms, especially SMEs. Export barriers may cause a non-exporting firm's reluctance to initiate export activities, prompt neophyte exporters to pull out from their early foreign market operations and halt the business sustainment and expansion of established exporters. The removal or minimization of export barriers is therefore crucial to foster firm internationalization.

To overcome the export barriers effectively, accurate identification of the barriers as well as their level of intensities and severities are required (Leonidou 1995,2004). With a good understanding of export barriers, business managers/owners can anticipate or reduce their impact on export activities, especially for the barriers that are within the firm's ability to cope with. A good understanding of export barriers also helps government agencies to provide appropriate policy measures and assistance to individual firms or business/industrial associations in their export-related activities.

The extant literature, however, provides a rather fragmented conceptualization of export barriers.

One stream of research focused on the identification of export barriers in different export stages (see for example Bilkey & Tesar 1977; Leonidou 2004; OECD-APEC 2006; Revindo 2017). They argued that the type and the severity of export barriers vary across export stages. At the pre-export stage, the export barriers are based on firms' subjective or perceptual opinions rather than actual experiences and are mostly related to internal capabilities and market opportunity identification. At the export stage, firms have actual experience of export barriers from their day-to-day foreign market activities. For example, at the early export stage firms might be concerned about the hostile business environment in foreign markets while at the more advanced and mature export stages they may encounter difficulties in maintaining relationships with overseas distributors and customers.

Another stream of research in this area focuses on the typology of export barriers. One broad classification of export barriers is between internal and external export barriers (Leonidou 1995,2004). Internal barriers refer to all export impediments that are internal to the firms and are mostly related to the availability and capability of organizational resources and production capacity. External barriers include all barriers arising from the home country/domestic environment and target market/host environment. Another way to classify export barriers is according to their domestic or foreign typology (Leonidou 1995). Domestic barriers refer to all export barriers within the firm's home country such as the lack of government support, the underdeveloped industry and the firm's lack of resources. Foreign barriers include all export impediments in foreign markets such as the distribution channels, the strenuous regulations and the demanding customers. The internal-external and domestic-foreign barrier typologies can also be further combined into internal-domestic (e.g. human resource barriers), external-domestic (e.g. home country business

environments beyond the firm's control), internal-foreign (e.g. the firm's marketing strategy in foreign markets), and external-foreign (e.g. the target country regulations) (Leonidou 1995). However, the most comprehensive typologies of export barriers are perhaps offered by Leonidou (2004) and the OECD (2012) (see Table 1).

The empirical evidence of various export barriers identified in Table 1, especially for the case of SMEs, has been well documented in previous studies. Internally, as SMEs attempt to initiate exports, the first hurdle may come from *insufficient knowledge and information* regarding overseas markets. SMEs are often reluctant to initiate export because they lack reliable and relevant information regarding foreign market conditions and analyses, international market data, overseas business opportunities and overseas customers contact (EFIC 2010; Hashim 2012; Leonidou 2004; OECD 2009). Another internal barriers faced by SMEs is their weakness in *marketing functions* access foreign markets including arrangement of the company's suitable products, pricing, distribution, logistics, and promotion (Leonidou 2004; OECD 2008; Tambunan 2009a).

Exporting is also often hampered because internally SMEs must deal with *functional barriers* related to limitations in the various enterprise functions such as finance, human resources and production capacity. Examples of *human resource barriers* are limitations in managerial skills and time, inadequacies in export personnel and lack of innovation (Freeman, Edwards & Schroder 2006; Hashim 2012; Köcker & Buhl 2007; Leonidou 2004; OECD 2008). *Production barriers* include limited production capacity, unreliable input and limited ability in developing new products (OECD 2008; Tambunan 2009a). *Finance barriers* have also been observed as SMEs face shortages of working capital and limited access to export financing (EFIC 2010; Freeman, Edwards & Schroder 2006; Hashim 2012; Köcker & Buhl 2007; Leonidou 2004; OECD 2008; Tambunan 2009a,b).

External barriers faced by SMEs are also evident in previous studies. *Procedural barriers*, those related to operational aspects of transactions with foreign customers such as unfamiliarity with techniques or procedures, communication failures, and slow collections of payments, were found to be troublesome for SMEs' engagement in export activities (Leonidou 2004; OECD 2008; Rahardhan, Kusumaningrum & Rahman 2008). *Home government's* actions or inaction may also adversely influence SMEs' export activities. Close and intensive assistance by the home government may facilitate indigenous exporters, but in many cases there are only limited assistance and incentives provision to current and potential exporters, which is worsened by sophisticated regulations on export activities (Hashim 2012; Leonidou 2004; OECD 2008; Wengel & Rodriguez 2006).

By expanding overseas, SMEs have to deal with *task barriers* such as differences in overseas customer behaviours/attitudes and intense competition in foreign markets (Hashim 2012; Köcker & Buhl 2007; Leonidou 2004; OECD 2008). *Foreign market environment* can also halt SMEs' exports. Foreign economic conditions, such as declining economic growth, foreign currency exchange risks, political instability, strict foreign country laws and regulations, and high tariff and non-tariff barriers are harmful to SMEs' export activities (EFIC 2010; Hashim 2012; Leonidou 2004; OECD 2008; Rahardhan, Kusumaningrum & Rahman 2008). Other types of *environmental barriers* to exporting include unfamiliar foreign business practices and different socio-cultural traits and verbal and nonverbal language (Köcker & Buhl 2007; Leonidou 2004).

The extant literature on export barriers, however, has paid more attention to firms in developed countries and therefore more evidence from developing/emerging countries, particularly Indonesia, is needed. The detailed export barrier classification by the OECD (2012) has not been used or tested

**Table 1: Typology of Export Barriers**

Leonidou (1995)	Leonidou (2004)	OECD (2012)
Internal Barriers	Informational Barriers Functional Barriers  Marketing Barriers	Informational Barriers Human Resource Barriers Financial Barriers Product and Price Barriers Distribution, Logistics and Promotion Barriers
External Barriers	Procedural Barriers Governmental Barriers Task Barriers Environmental Barriers	Procedural Barriers Governmental Barriers Customer and Foreign Competitor Barriers Business Environment Barriers Tariff and Non-Tariff Barriers

for the cases of developing countries. In addition, there is lack of studies of export barriers in developing countries that focus on the differences and the shifts of export barriers in various export stages.

### 3. Method

This study focuses on small-sized and medium-sized enterprises and therefore excludes micro-sized and large-sized enterprises.<sup>5</sup> BPS-Statistics Indonesia (2014a) defines small-sized enterprises as those employing 5–19 workers and medium-sized enterprises are those with 20–99 employees. The sample frame was constructed by merging the databases of SMEs from: (1) Ministry of Cooperatives and SMEs' online trading board<sup>6</sup>; (2) *SME and Cooperative Indonesia Catalogue*<sup>7</sup>; (3) *Exporting SMEs Directory*<sup>8</sup>; and (4) BPS-Statistics Indone-

sia's 2006 Economic Census.<sup>9</sup>

To fully capture SMEs' internationalization processes and determinants, it is imperative that our study sample consist of SMEs in different export stages (i.e. exporting SMEs and non-exporting SMEs). Hence, the survey targeted at least 192 samples (half of the total calculated sample size of 384) for each exporting and non-exporting SME category.<sup>10</sup> In addition, the total sample size was expanded by approximately 25% to increase the sample sufficiency. However, stratified sampling was not applicable because the export status (exporter or non-exporter) of most SMEs in the sample frame was mostly unknown prior to the survey. Therefore, a quota random sampling method was used in which the sampled SMEs were drawn randomly

<sup>5</sup>Micro-sized enterprises are excluded for two reasons: the unavailability of database in Indonesia as they mostly take the form of individual business or home industries; and they are also less likely to engage in export activities (Pendergast, Sunje & Pasic 2008).

<sup>6</sup>Online promotion at the website of Ministry of Cooperatives and SMEs, <http://www.indonesian-products.biz>.

<sup>7</sup>The catalogue provides SMEs products description and contacts in four languages (English, Arabic, Japanese, and Indonesian) and published annually as part of the ministry's promotion program (Ministry of Cooperatives and SMEs Republic of Indonesia 2011,2012).

<sup>8</sup>A directory book that lists of all SMEs participated in international trade shows organized by Ministry of Cooperatives and SMEs' during 2005–2009 (Ministry of Cooperatives and SMEs Republic of Indonesia 2009a).

<sup>9</sup>The BPS-Statistics Indonesia (National Agency for Statistics) carries out economic census every ten year. When the survey for this study was conducted in 2014, the most recent BPS-Statistics Indonesia census was 2006 national census while the next census will be conducted in 2016 and published in 2018.

<sup>10</sup>The population of SMEs in the study area (N) is approximated to be around 407,049 (approximately 60% of the total Indonesian SME population of 678,415). Owing to this large size of the target population, the sample size (n) is not expected to exceed 5% of the population (less than 20,352 SMEs) due to time and budget constraints. Hence, the following sample size formula for an infinite population is appropriate (Anderson, Sweeney & Williams 2010; Crossley 2008; Lee, Lee & Lee 1999):  $n = \left( \frac{Z_{\alpha/2} \sigma}{MOE} \right)^2$ , where n is the sample size;  $Z_{\alpha/2}$  is the value of the two-sided confidence interval in normal distribution,  $\delta$  represents the variation of the variable of interest and MOE is the desired margin of error. Assuming that  $Z_{\alpha/2} = 1.96$  (corresponds to a 95% confidence interval), response distribution  $\sigma = 0.5$ , MOE = 0.05, and N = 407,049, the calculated sample size is 384. However, the sample size was increased by at least 20% (to at least a total sample of 461) to anticipate insufficiency and incomplete responses.

from the sample frame and then classified according to their export status (exporter or non-exporter) after the questionnaires were administered. The procedure was repeated until each SMEs' export status category (exporter and non-exporter) was filled.

The sample of SMEs was collected through a survey questionnaire conducted in seven provinces in Jawa, Bali and Madura Islands during April–August 2014.<sup>11</sup> During the survey period, 971 SMEs were contacted and approached, 522 of which were willing to participate in the survey (a response rate of 53.76%). A total of 497 responses were useable, consisted of 271 exporting SMEs and 226 non-exporters. Further, within the non-exporting category, there were 114 aspiring exporters and 112 non-intenders.<sup>12</sup> The non-useable questionnaires were due to incomplete responses or from non-exporting SMEs that declared themselves as having no intention to export.

The large number of responses were obtained from two most industrialized provinces: 185 from Jawa Timur (37.2%) and 100 from DKI Jakarta (20.1%). A considerable number of sample was collected from two provinces of important tourist destinations: 59 from DI Yogyakarta (11.9%) and 58 from Bali (11.7%), The remaining 95 responses (19.1%) were obtained from Banten, Jawa Barat and Jawa Ten-

gah Provinces. In terms of products, 74 (14.9%) SMEs in the sample produce more than one type of merchandises, while the remaining 423 (85.1%) SMEs produce one of the following merchandises: furniture, handicraft, garments, household utensils, leather products, fashion accessories, food and beverages, agricultural products and machinery components.

Data for analysis was obtained by a structured questionnaire that includes 50 specific export barrier types/items developed from the literature in previous section. Table 2 shows the fifty export barrier items and the typology of each item. Appendix 1 provides the complete descriptions for each item. In the survey, all respondents were asked to indicate how severe/difficult each export barrier item in SMEs' export activities was in a three-point Likert-scale. The Likert-scale ranges from "not severe" (response alternative 1), "severe" (response alternative 2) to "very severe" (response alternative 3).<sup>13</sup>

The analysis of the export barrier items' Likert-scale responses takes the following steps. First, we rank the fifty export barrier items by their average Likert response scores to identify the main impediments to SMEs' exports. A high average Likert score of an export barrier item corresponds to a high level of difficulty or severity, *vice versa* (Hashim & Ahmad 2008; Liargovas & Skandalis 2008). Second, we compare exporters and non-exporters' average Likert response scores for each export barrier item. Exporting SMEs are hypothesized to exhibit more positive attitudes towards export barriers and thereby lower average Likert response scores for each export barrier item than non-exporting SMEs. Third, we analyze the export barriers for the exporter group and the non-exporter (including aspiring-exporters and non-intenders) group separately. The high average Likert response scores of an export barrier item for

<sup>11</sup>Despite having 34 provinces, Indonesia's economy is largely concentrated in seven provinces located in Jawa, Bali and Madura Islands. As of 2013, the seven provinces generated over 58% of total GDP, inhabited by 57.5% of total population and populated by approximately 60% of total SMEs in Indonesia (BPS-Statistics Indonesia 2014b).

<sup>12</sup>The aspiring-exporter refers to a non-exporting firm that has the intention, interest and plan to export in the future (in the literature often referred to as export intender, see for example Naidu et al. (1997) or Morgan & Katsikeas (1997)) whereas non-intender refers to a non-exporting with neither intention nor plan to export in the future. In order to distinguish the aspiring-exporters and non-intenders, the survey asked whether the SMEs have made efforts to export including collecting information on overseas business opportunities, making contact with potential foreign customers or foreign/domestic partners, seeking government export-supporting programs, drafting the export contract or producing the ordered goods.

<sup>13</sup>For the use of a three point scale without a neutral scale in export barrier survey questions, see OECD (2012).



the non-exporter group indicate the high level of difficulty or severity of that item for SMEs to initiate export activities (main barriers at the pre-export stage). The high average Likert response scores of an export barrier item given by the exporter group represent the high level of difficulty of that item for SMEs to sustain and develop export activities (main barriers at the export stage). Third, we identify the main export barriers by SMEs' product/commodity group to examine whether the export barriers vary across industries.

In the survey, the respondents were also asked to identify five types of export barriers that were at the top of their minds (top-of-mind method).<sup>14</sup> The five top-of-mind export barriers identified by each respondent are given weighted scores as follows. The score of five is given to the 1st barrier, four for the 2nd barrier, three for the 3rd barrier, two for the 4th barrier and one for the 5th barrier. Accordingly, the fifty export barrier items can be ranked by the total scores of the top-of-mind survey question method.

According to OECD-APEC (2006), Likert-scale and the top-of-mind survey question methods may result in two different export barrier item ranks because the two methods investigate different types of perceived export barriers. We expected the majority of respondents to respond to the Likert scale questions for most of the fifty export barrier items because each respondent was asked the Likert-scale questions for each export barrier item. Consequently, a high average Likert response score for an export barrier item indicates that the barrier item is universally/generally problematic for the majority of SMEs. On the contrary, in the top-of-mind question the respondents were forced to mention only the five most severe types of export barriers. The five mentioned export barriers are most likely the

barriers that are specifically problematic for SMEs, i.e. specifically related to SMEs' types of product or region.

Next, the total average Likert response scores and the total top-of-mind scores of the fifty export barrier items are plotted in a single diagram (see Figure 1). The vertical axis measures the average Likert response score and the horizontal axis represents the top-of-mind total score for each export barrier item. The plot area can be divided into four quadrants. Quadrant IV contains export barrier items that are perceived as less severe with both survey question methods while quadrant II consists of export barrier items that are perceived as very difficult with both methods. Both quadrant II and IV show consistency of the results of the two survey methods. Differently, quadrant I consists of export barrier items that have low scores with the top-of-mind method but high average Likert response scores. These export barrier items are universally encountered by all SMEs but they are not particularly serious impediments for SMEs in specific sectors or regions. Conversely, quadrant III consists of export barrier items that have low average Likert response scores but high scores with the top-of-mind method. These export barrier items are not generally/universally faced by SMEs but might be specifically severe for SMEs in certain sectors/regions.

## 4. Results and Analysis

### 4.1. Overall Export Barrier Ranks Based on Likert-scale Responses

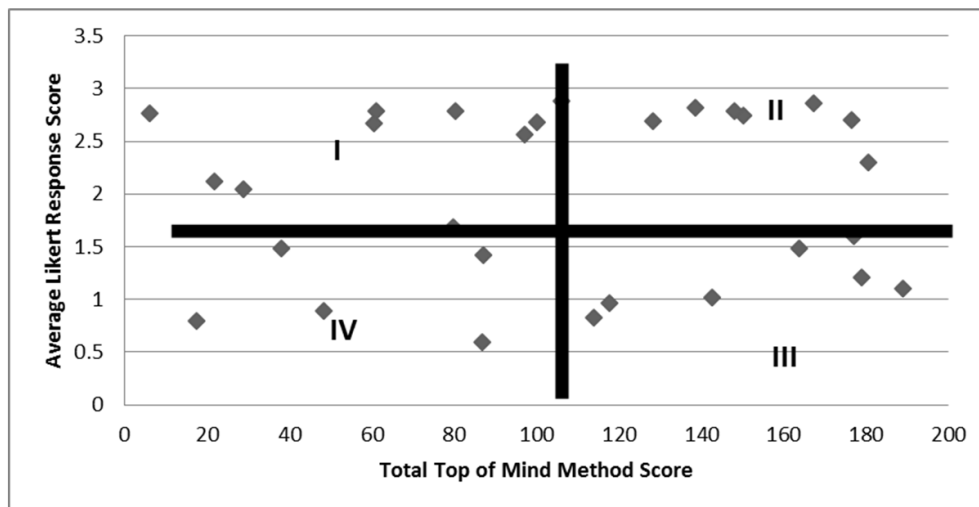
Table 3 shows the ten most difficult export barriers faced by SMEs based on average Likert-scale response scores. The complete ranks of the 50 export barrier items are provided in Appendix 2. Overall, the most severe export barrier is the foreign cur-

<sup>14</sup>For the use of five top-of-mind export barriers in the survey, see Lloyd-Reason & Mughan (2008) and OECD (2012).

**Table 2: Export Barrier Items Used in the Survey**

Export Barrier Items		Types of Barriers
B1	Obtaining information about potential markets	Internal – Informational Barriers
B2	Obtaining reliable data on target markets' economy	Internal – Informational Barriers
B3	Identifying business opportunities in target markets	Internal – Informational Barriers
B4	Contacting potential customers in target markets	Internal – Informational Barriers
B5	Devoting managerial time to deal with export activities	Internal – Human Resource Barriers
B6	Inadequate quantity and capability of personnel	Internal – Human Resource Barriers
B7	Shortage of working capital	Internal – Financial Barriers
B8	Shortage of investment capital	Internal – Financial Barriers
B9	Shortage of export insurance	Internal – Financial Barriers
B10	Granting credit facilities or payment delay to foreign customers	Internal – Financial Barriers
B11	Developing new products suitable for foreign markets	Internal – Marketing Barriers
B12	Adapting product design/style demanded by foreign customers	Internal – Marketing Barriers
B13	Meeting foreign product quality/standards/specifications	Internal – Marketing Barriers
B14	Offering satisfactory prices to foreign customers	Internal – Marketing Barriers
B15	Matching competitors' prices in target markets	Internal – Marketing Barriers
B16	Lack of excess production capacity for exports	Internal – Marketing Barriers
B17	Establishing/using distribution channels in target markets	Internal – Marketing Barriers
B18	Obtaining reliable representation in foreign markets	Internal – Marketing Barriers
B19	Supplying inventory abroad	Internal – Marketing Barriers
B20	Excessive export transportation and insurance costs	Internal – Marketing Barriers
B21	Offering technical/after-sales service in target markets	Internal – Marketing Barriers
B22	Adjusting promotional activities to the target markets	Internal – Marketing Barriers
B23	Unfamiliar exporting procedures/paperwork	External – Procedural Barriers
B24	Communicating with overseas customers	External – Procedural Barriers
B25	Slow collection of payments from abroad	External – Procedural Barriers
B26	Enforcing contracts/resolving disputes in target markets	External – Procedural Barriers
B27	Lack of home government export assistance/incentives	External – Governmental Barriers
B28	Unfavourable home country's export rules and regulations	External – Governmental Barriers
B29	Restriction of asset ownership in target markets	External – Governmental Barriers
B30	Unequal treatment in tax/eligibility to affiliate in target markets	External – Governmental Barriers
B31	Restriction on the movement of people in target markets	External – Governmental Barriers
B32	Unequal treatment in business competition law in target markets	External – Governmental Barriers
B33	Sophisticated target markets' laws/ regulations	External – Governmental Barriers
B34	Different foreign customer attitudes/habits	External – Task Barriers
B35	Stiff competition in target markets	External – Task Barriers
B36	Economic fluctuations in target markets	External – Environmental Barriers
B37	High risks of foreign currency	External – Environmental Barriers
B38	Unfamiliar business practices in target markets	External – Environmental Barriers
B39	Different socio-cultural traits	External – Environmental Barriers
B40	Verbal/nonverbal language differences	External – Environmental Barriers
B41	Lack of e-commerce infrastructure in target markets	External – Environmental Barriers
B42	Political instability in target markets	External – Environmental Barriers
B43	Negative image of Indonesia or Indonesian products	External – Environmental Barriers
B44	High tariff costs in target markets	External – Environmental Barriers
B45	(Intellectual) property rights protection in target markets	External – Environmental Barriers
B46	Health, safety & technical standards in target markets	External – Environmental Barriers
B47	Tariff classification & reclassification in target markets	External – Environmental Barriers
B48	Quotas and/or embargoes imposed by target markets	External – Environmental Barriers
B49	Customs administration cost in target markets	External – Environmental Barriers
B50	Preferential tariff for exporters from other countries	External – Environmental Barriers

Source: OECD-APEC (2006), Leonidou (2004), OECD (2012)



**Figure 1: General and Specific Export Barriers Faced by SMEs**

Note: The plot uses dummy data for illustration purpose only.

Source: Adopted from Lloyd-Reason & Mughan (2008) and OECD-APEC (2006)

rency exchange risks. There are at least three ways in which the exchange rate can adversely affect SMEs. First, foreign market demand for SMEs' products may fluctuate with the exchange rate (Geng & Geng 2012). Second, the contract with foreign buyers frequently fixes the product price in terms of foreign currency value, therefore exchange rate fluctuation may affect SMEs' actual revenue in domestic currency terms (Helísek 2013). Third, SMEs' production often requires imported raw materials, whose prices may fluctuate with the exchange rates, which in turn affect SMEs' costs of production.

## 4.2. General and Specific Export Barriers

Table 4 provides the ten most difficult export barriers encountered by SMEs based on the top-of-mind survey question method (the complete ranks of the fifty export barrier items are provided in Appendix 3). The main export barrier given by the top-of-mind method is SMEs' shortage of working capital for exporting. SMEs need extra funds to finance working capital for raw materials, wages, product develop-

ment or travelling to target markets (OECD 2009).

We can then compare the ranks of export barriers' severities obtained by the Likert-scale and top-of-mind methods. Some export barrier items including B37, B10, B36 and B32 exhibit high scores in both methods despite the differences in their rank orders. However, there are some barrier items that only have high scores with the Likert-scale method (e.g. B9 and B26), while some other barriers only have high scores with the top-of-mind method (e.g. B7 and B23). One possible explanation for the differences is that the scores resulting from the two methods represent two different types of export barriers faced by SMEs (OECD-APEC 2006; OECD 2008). In the Likert-scale method, the respondents were asked to indicate the difficulty level of each of the fifty export barrier items. Consequently, each respondent is likely to give responses to most of the fifty export barrier items (although they still can skip some questions/items). Hence, an export barrier item will receive a high average Likert-scale response score if that export barrier item is generally perceived as difficult by SMEs (i.e. indicated

**Table 3: Ten Main Export Barriers based on Likert Response Scores**

Rank	Export Barriers	N	Mean	Std. Dev.
1	B37 High risks of foreign exchange	496	2.35	.672
2	B9 Shortage of export insurance	496	2.33	.689
3	B10 Granting credit facilities or payment delay to foreign customers	497	2.30	.688
4	B36 Economic fluctuations in target markets	496	2.30	.628
5	B32 Unequal treatment in business competition law in target markets	496	2.29	.620
6	B26 Enforcing contracts/resolving disputes in target markets	495	2.22	.639
7	B21 Offering technical/after-sales service in target markets	493	2.20	.675
8	B29 Restriction of asset ownership in target markets	496	2.20	.617
9	B33 Sophisticated target markets' laws/ regulations	494	2.20	.624
10	B45 (Intellectual) property rights protection in target markets	495	2.19	.650

Note: The Likert-scale ranges from 1 = not severe, 2 = severe and 3 = very severe

The full ranks of barriers based on Likert-scale responses are provided in Appendix B2

Source: Author's calculation based on survey data

**Table 4: Ten Main Export Barriers based on the Top-of-Mind Method**

Rank	Export Barriers	Score
1	B7 Shortage of working capital	374
2	B23 Unfamiliar exporting procedures/paperwork	371
3	B37 High risks of foreign exchange	316
4	B10 Granting credit facilities or payment delay to foreign customers	308
5	B36 Economic fluctuations in target markets	287
6	B6 Inadequate quantity and capability of personnel	260
7	B5 Devoting managerial time to deal with internationalisation	254
8	B32 Unequal treatment in business competition law in target markets	239
9	B35 Stiff competition in target markets	235
10	B28 Unfavourable home country's export rules and regulations	234

Note: The top-of-mind method gives the score of five to the export barrier mentioned first, four for the 2nd barrier, 3 for the 3rd barrier, 2 for the 4th barrier and 1 for the 5th barrier

Source: Author's calculation based on survey data

as highly difficult by most respondents). On the contrary, in the top-of-mind method the respondents would only identify/mention an export barrier item as among the five most impeding if the item is extremely severe for that particular respondent. Hence, a high total score in the top-of-mind method indicates that an export barrier item is a serious and specific impediment for SMEs in particular region(s) or product(s).

Figure 2 plots the perceived difficulties of export barrier items obtained by the two methods with average Likert-scale response scores on the vertical axis and top-of-mind method total scores on the horizontal axis. Following Lloyd-Reason & Mughan (2008) and OECD-APEC (2006), the plot can be interpreted as follows. Some barrier items are located in the upper-right quadrant, which indicates that the barriers are perceived consistently as very difficult in both methods. For example, the three most upper-right barriers are B37 (*High risk of foreign exchange*), B10 (*Granting credit facilities or payment delay to foreign customers*), and B36 (*Economic fluctuations in target markets*). These types of barriers should be the government's top priority to address because they are universally faced by most SMEs and are very problematic for some SMEs in certain region(s) or product(s). By contrast, some barriers are located in the lower-left quadrant, indicating less importance in both methods. For example, two barriers close to the lower-left corner are B24 (*Communicating with overseas customers*) and B20 (*Excessive export transportation and insurance costs*). These barriers could be low on the government's priority to address because they are neither universally faced by overall SMEs nor very problematic to SMEs in specific regions or products.

The interpretations of the other two quadrants are less straightforward. A large number of export barrier items are located in the upper-left quadrant (e.g. B9 and B45), indicating that the barriers are gen-

erally faced by most SMEs, but are not specifically or extremely difficult. A few of barriers are located in the lower-right quadrant (e.g. B7 and B28), indicating that the barriers are not universally faced by SMEs but are very problematic for some SMEs in certain region(s) or product(s). Further study is required to investigate the specific sectors or regions that are most severely affected by these types of export barriers.

### 4.3. Export Barriers at Different Export Stages

Appendix 4 compares average Likert response scores for each export barrier item given by exporting SMEs, aspiring-exporters and non-intenders. The last column in Appendix 4 shows that exporters gave lower average scores than non-exporters (both aspiring-exporters and non-intenders) in all 50 export barrier items, 48 of which are statistically significant at the 1% level and 1 of which is statistically significant at 5% level. Hence, non-exporters perceive more difficulties in most of export barrier items than exporters. In other words, non-exporters have more negative attitudes towards various types of export barriers than exporters. This finding confirms that the presence or perceived export barriers may significantly prevent many SMEs from becoming exporters (Leonidou 1995,2004). Further, within the non-exporting SME group, the non-intenders gave higher average scores than aspiring-exporters in 46 of export barrier items. This indicates SMEs that never tried to export have more negative attitude towards export barriers, mainly based on their perception or preconception on export barriers, than those already attempt or initiate export.

We next investigate whether the exporting SMEs, aspiring-exporters and non-intenders encounter different main export barriers. Table 5 excerpts ten main barriers (ten highest average Likert response



**Figure 2: Plot of Export Barriers with Likert Scale and Top-of-Mind Methods**

Source: Author's configuration based on survey data

scores) for the three SME groups from Appendix 4. The three SME groups identified (B37) "High risk of foreign currency" as the most difficult export barriers. However, the types or ranks of the next four most severe export barriers (ranked 2nd to 5th) differ across the three SME groups. For exporting SMEs, the next most severe export barrier items are B36, B9, B10, and B32, respectively; for aspiring-exporters they are B9, B32, B36, and B10, respectively, whereas for non-intenders they are B9, B25, B32, and B33, respectively. Hence, although foreign exchange risk is the main concern for overall SMEs, the next most difficult barriers faced SMEs vary with their export stages. For example, the third most severe export barrier for SMEs at exporting stage is the lack of export insurance while for SMEs at the pre-exporting stage it is the unequal treatment in business competition law in target markets (aspiring-exporters) or slow collection of payments from abroad (non-intenders). This finding confirms that export barriers shift across export stage. SMEs in different export stages face a different order of main export barriers and therefore may need dif-

ferent types of assistance (Bilkey & Tesar 1977; Leonidou 2004; OECD-APEC 2006).

#### 4.4. Export Barriers in Different Industries

This section investigates whether the main export barriers vary across industries. Table 6 shows five most severe types of export barriers faced by SMEs in each type of commodity groups/industries. The results in Table 6 show considerable variation in the main export impediments across industries. Some types of export barrier are perceived as serious impediments by SMEs in specific industries such as intellectual property rights protection in target markets (in garment and machinery component industries), offering technical/after-sales service in target markets (in garment and household utensils industries) and high tariff costs in target markets (in agricultural products and food and beverages industries).

However, some types of export barriers appear as

**Table 5: Main Export Barriers in Different Export Stages (Likert Scale Method)**

Rank	Export Barriers and Average Likert Score								
	Exporting SMEs			Aspiring Exporters			Non-Intenders		
1	B37	High risks of foreign currency	2.23	B37	High risks of foreign currency	2.46	B37	High risks of foreign currency	2.56
2	B36	Economic fluctuations in target markets	2.21	B9	Shortage of export insurance	2.46	B9	Shortage of export insurance	2.51
3	B9	Shortage of export insurance	2.20	B32	Unequal treatment in business competition law in target markets	2.45	B25	Slow collection of payments from abroad	2.5
4	B10	Granting credit facilities or payment delay to foreign customers	2.20	B36	Economic fluctuations in target markets	2.41	B32	Unequal treatment in business competition law in target markets	2.48
5	B32	Unequal treatment in business competition law in target markets	2.14	B10	Granting credit facilities or payment delay to foreign customers	2.39	B33	Sophisticated target markets' laws/regulations	2.47
6	B29	Restriction of asset ownership in target markets	2.13	B26	Enforcing contracts/resolving disputes in target markets	2.38	B10	Granting credit facilities or payment delay to foreign customers	2.46
7	B26	Enforcing contracts/resolving disputes in target markets	2.07	B45	(Intellectual) property rights protection in target markets	2.37	B18	Obtaining reliable representation in foreign markets	2.45
8	B27	Lack of home government's export assistance and incentives	2.07	B21	Offering technical/after-sales service in target markets	2.36	B36	Economic fluctuations in target markets	2.43
9	B33	Sophisticated target markets' laws/regulations	2.06	B29	Restriction of asset ownership in target markets	2.31	B26	Enforcing contracts/resolving disputes in target markets	2.4
10	B45	(Intellectual) property rights protection in target markets	2.06	B33	Sophisticated target markets' laws/regulations	2.29	B21	Offering technical/after-sales service in target markets	2.38

Source: Author's calculation based on survey data

**Table 6: Main Export Barriers in Different Industries/Commodity Groups**

Commodities	Export Barriers	Average Score
Agricultural Products	B37 High risks of foreign currency	2.516
	B32 Unequal treatment in business competition law in target markets	2.484
	B36 Economic fluctuations in target markets	2.452
	B44 High tariff costs in target markets	2.387
	B10 Granting payment delay or credit facilities to foreign customers	2.387
Food and Beverages	B37 High risks of foreign currency	2.661
	B9 Shortage of export insurance	2.518
	B25 Slow collection of payments from abroad	2.500
	B44 High tariff costs in target markets	2.446
	B10 Granting payment delay or credit facilities to foreign customers	2.446
Furniture	B36 Economic fluctuations in target markets	2.413
	B37 High risks of foreign currency	2.400
	B32 Unequal treatment in business competition law in target markets	2.313
	B10 Granting credit facilities or delay payment to foreign customers	2.300
	B9 Shortage of export insurance	2.288
Handicrafts	B9 Shortage of export insurance	2.352
	B32 Unequal treatment in business competition law in target markets	2.319
	B37 High risks of foreign currency	2.286
	B10 Granting payment delay or credit facilities to foreign customers	2.253
	B36 Economic fluctuations in target markets	2.231
Garments	B10 Granting payment delay or credit facilities to foreign customers	2.507
	B9 Shortage of export insurance	2.456
	B8 Shortage of investment fund	2.333
	B45 (Intellectual) property rights protection in target markets	2.319
	B21 Offering technical/after-sales service in target markets	2.319
Leather Products and Fashion Accessories	B9 Shortage of export insurance	2.469
	B32 Unequal treatment in business competition law in target markets	2.406
	B37 High risks of foreign currency	2.375
	B36 Economic fluctuations in target markets	2.344
	B33 Sophisticated target markets' laws/ regulations	2.344
Household Utensils	B25 Slow collection of payments from abroad	2.370
	B26 Enforcing contracts/resolving disputes in target markets	2.370
	B36 Economic fluctuations in target markets	2.370
	B21 Offering technical/after-sales service in target markets	2.333
	B37 High risks of foreign currency	2.296
Machinery Components	B37 High risks of foreign currency	2.611
	B45 (Intellectual) property rights protection in target markets	2.500
	B9 Shortage of export insurance	2.333
	B32 Unequal treatment in business competition law in target markets	2.333
	B36 Economic fluctuations in target markets	2.333

Source: Author's calculation based on survey data



common theme in multiple industries. For example, financial constraints and external factors such as foreign business environment, competition and foreign government policies appear as the main themes of export barriers in all industries. Hence, SMEs in all industries are impeded to exports by their financial limitations including their inability to grant credit facilities and payment delay to foreign customers, to obtain export insurance and to collect payment from abroad. Further, exchange rate risks appear as the main export barriers in all industries except garment. Business competition in target market is perceived as severe export barriers in most industries except food and beverages, garments and household utensils. Economic uncertainty and fluctuations in target markets adversely affect SMEs' exports in all industries except those in food and beverages and garment industries.

## 5. Conclusions

Indonesian SMEs are less able to take advantage of foreign market opportunities than larger enterprises, as indicated by the marginal contribution to Indonesia's exports. SMEs only account for a small share of Indonesia's non-oil and gas exports and the share tends to decline over time. This contradicts SMEs' increasingly important role in the Indonesian economy, particularly as they have been Indonesia's major source of business establishment, job provision and value-added creation. Extant literature suggests that accurate identification of export barriers is imperative in SME internationalization. Hence, this study investigates the internationalization of Indonesian SMEs, and in particular identifies the main barriers faced by Indonesian SMEs in their direct-export activities.

The results show that that non-exporting SMEs have more negative attitudes towards most types of export barriers than exporting SMEs. Further, within

non-exporting SME group the non-intenders have more negative attitudes than aspiring-exporters towards most types of export barriers. These indicate that the perceived export barriers can hinder non-exporting SMEs from becoming exporters and even preventing some non-exporting SMEs to attempt or initiate export activities. The results also show that SMEs in different export stages encounter different types of main export barriers. This implies that SMEs in different export stages face different main export barriers and therefore may need different types of assistance.

Export barriers can be classified by their general or specific nature. Universal export barriers are those encountered by most SMEs, regardless of their degree of severity. By contrast, specific export barriers are those severely impeding SMEs' exporting in specific regions or of specific types of products but are much less inhibiting for SMEs in other regions or sectors. The results show that high risk of foreign exchange, granting credit facilities or payment delays to foreign customers and economic fluctuations in target markets are faced universally by most SMEs and are also very problematic for SMEs in various regions and product types.

The findings of this study have implications for the academic discourse on export barriers. As the main export stimuli and export barriers differ across export stages and across product groups/commodities, the future academic discourse on this area of study may depart from the debate over export barriers typology towards the identification of specific export barriers that SMEs encounter in various export stages and in different industries.

The findings of this study also have some implications for policy makers. First, the government should design export assistance based on accurate and updated information on export impediments faced by SMEs. Accordingly, the government should have a good understanding of the types and

the severity of export barriers faced by SMEs, with which effective policy measures to remove the export barriers can be formulated. To obtain accurate information on export barriers, government agencies should proactively gather input from SMEs and various actors in the internationalization networks. For example, government agencies can regularly perform surveys with focus on export barriers and collect information from not only from SMEs, but also from export intermediaries, distributors, financial institutions and relevant government agencies.

Second, the government should not focus solely on the effort to assist non-exporting SMEs to become exporters. Rather, it should also address the obstacles encountered by exporting SMEs to sustain and expand their exports bases. This study revealed that at the export stage SMEs still face severe barriers such as foreign currency risks, shortage of export insurance and granting facilities or payment delay to foreign customers. Accordingly, the government should provide relevant assistance to remove those barriers and closely monitor SMEs' export performance beyond the success of their initial export.

The findings also have implications for SMEs' managerial teams. Non-intenders should consider seeking more information on export opportunities and attempting to initiate export. The higher average Likert-scores on most export barrier items given by non-intenders than those given by both aspiring-exporters and exporting SMEs indicate that the non-intenders have negative preconception of export barriers that may change after they actually attempt to export. For the current exporters, the owner and the managerial team should keep actively seeking to participate in various government export assistance programmes. The results show that the exporting SMEs still face severe barriers such as human resources, financial and procedural barriers, to sustain and expand their exporting.

Finally, the results of this study also pave the way for further studies in this area of research. To increase the generalisation of the research results, the scope of the study can be expanded to include other regions or provinces in Indonesia. In particular, future study can attempt to include less developed/less industrialized provinces and provinces that are located close to the Indonesian borders with neighbouring ASEAN countries. Provinces may differ in port/shipping infrastructure and in the ICT development and utilisation levels, all of which may affect the internationalization barriers of local SMEs (Hagsten & Kotnik 2017; Puthusserry, Child & Rodrigues 2014) as well as their local governments' policies towards SME internationalization. Accordingly, cross-province comparison of SME internationalization requires a larger sample size. The sample size should be calculated and randomized for each province to ensure sample sufficiency to perform statistical inferences at provincial level.

Alternatively, future research can be more specific on export barriers faced by SMEs in a particular province/region or product group/industry. For example, case studies of SME internationalization in tourist destination provinces such as Bali and Yogyakarta can be considered. Case studies can also be drawn upon internationalisation of SMEs in specific industries such as handicrafts, food and beverages, and garment and fashion accessories. Specific case studies will allow more specific policy measures recommendation to remove export barriers.

Future studies can also consider a more complex definition of SMEs. The SME definition by number of employees used in this study is practical for survey purposes but has its own drawbacks. The number of employees may not always represent the size of the enterprise's business activities. For example, a labour-intensive fashion accessory or household utensils production may involve a large number of workers despite low monetary value of

the products. By contrast, a small-scale jewellery craft producer has large product monetary value despite employing only a small number of artisans. Hence, future research on SME internationalisation can consider SME definitions that incorporate other dimensions of size including, for example, assets and turnover values (Ayyagari, Beck & Demirguc-Kunt 2005; "Undang-undang No. 20 Tahun 2008 tentang Usaha Mikro Kecil dan Menengah [Law on Micro, Small and Medium-Sized Enterprise Number 20 of 2008]." 2008).

To improve the accuracy of the research data, future studies can attempt to replace some perceptual data with factual (quantitative) data. For example, the tariff rate, number of export documents, cost of exporting and time taken to export can be used to replace the perceptual barriers related to procedure and logistics barriers.

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## Appendix

**Table A1: Export Barrier Items Used in the Questionnaire**

Export Barriers Codes and Items		Descriptions
B1	Obtaining information about potential markets	Seek information to locate/analyse potential destination markets
B2	Obtaining reliable data on target markets' economy	After deciding the destination market, seek for the accurate, update and affordable data on the target market's economy and market
B3	Identifying business opportunities in target markets	Deciding types of business activities in target market, such as choosing between selling to local partners or to cooperate with them, or even to open your own outlet abroad
B4	Contacting potential customers in target markets	Seek and contact potential overseas customers in destination country
B5	Devoting managerial time to deal with internationalization	Commit and provide managerial team's time to deal with internationalisation, such as for seeking information and designing export strategy
B6	Inadequate quantity and capability of personnel	Preparing personnel & workers who are able to handle day to day export activities including export documents and communication with foreign partners & customers
B7	Shortage of working capital	Provide extra funds to finance working capital for internationalisation (such as for raw materials, wages, research & travelling)
B8	Shortage of investment fund	Provide extra funds to finance investment needed for Internationalisation (such as building additional production facilities)
B9	Shortage of export insurance	Obtaining insurance for internationalisation (including export products and assets abroad)
B10	Granting credit facilities or payment delay to foreign customers	Granting credit facilities or payment delay to foreign customers
B11	Developing new products for foreign markets	Developing new products that are more suitable for foreign markets
B12	Adapting product design/style demanded by foreign customers	Adapting product design/style demanded by foreign markets
B13	Meeting foreign product quality/standards/specifications	Meeting foreign product quality/standards/ specifications
B14	Offering satisfactory prices to foreign customers	Offering satisfactory prices to foreign customers
B15	Matching competitors' prices in target markets	Matching competitors' prices in foreign markets
B16	Lack of excess production capacity for exports	Provide extra production capacity to develop and make exported products
B17	Establishing/using distribution channels in target markets	Establishing/using distribution, marketing and retailer channels in target markets
B18	Obtaining reliable foreign representation	Obtaining foreign representations that are reliable (communicative, good reputation, solid operation facilities and marketing channels)
B19	Supplying inventory abroad	Difficulty in supplying inventory abroad (shipping products on time, providing warehouse/inventories abroad)
B20	Excessive export transportation/insurance costs	Cover excessive export transportation & communication costs

*Continued...*

Export Barriers Codes and Items		<i>...Continued</i> Descriptions
B21	Offering technical/after-sales service in target markets	Offering technical/after-sales service abroad (such as providing reparation service or spare parts)
B22	Adjusting promotional activities to the target markets	Difficulties in adjusting promotional activities to the target markets
B23	Unfamiliar exporting procedures/paperwork	Understanding export procedures/paperwork such as customs and shipping
B24	Communicating with overseas customers	Difficulties in communicating with overseas customers
B25	Slow collection of payments from abroad	Collect and speed up payments from abroad
B26	Enforcing contracts/resolving disputes in target markets	Difficulties in enforcing contracts/resolving disputes in foreign countries
B27	Lack of home government export assistance/incentives	Seek Indonesian government export assistance/incentives
B28	Unfavourable home country's export rules and regulations	Understanding and meeting Indonesian rules and regulations related to exports (e.g. no diplomatic relations, export restriction, etc.)
B29	Restriction of asset ownership in target markets	Overcoming foreign governments' restriction on foreign asset ownership (land, building and vehicles) and the movement of people/business persons (e.g. for visas and duration of stay)
B30	Unequal treatment in tax/eligibility to affiliate in target markets	Overcoming foreign governments' unequal treatment compared to domestic firms in taxation and eligibility to affiliate
B31	Restriction for the movement of people in target markets	Obtaining visas for business trips as well for bringing workers from Indonesia to support operation abroad if needed
B32	Unequal treatment in business competition law in target markets	Overcoming foreign governments' unequal treatment compared to domestic firms in business competition regulation, such as in merger & affiliation, trust or procurement
B33	Sophisticated target markets' laws/ regulations	Understanding laws and regulations that are sophisticated or not transparent in foreign countries
B34	Different foreign customer habits/attitudes	Adapting to different foreign customer habits/attitudes
B35	Stiff competition in target markets	Overcoming stiff competition in destination markets
B36	Economic fluctuations in target markets	Anticipating poor/deteriorating economic conditions abroad that may affect inflation, unemployment and purchasing power in destination country
B37	High risks of foreign currency	Anticipating high risks of foreign currency
B38	Unfamiliar business practices in target markets	Understanding unfamiliar formal and informal foreign business practices
B39	Different socio-cultural traits	Understanding and overcoming different socio-cultural traits including values & religion
B40	Verbal/nonverbal language differences	Overcoming verbal/nonverbal language differences
B41	Lack of e-commerce infrastructure in target markets	Using/utilizing e-commerce infrastructure in destination country
B42	Political instability in target markets	Anticipating and responding to change in political stability in foreign markets
B43	Negative image of Indonesia or Indonesian products	Overcoming negative image of Indonesia or Indonesian products abroad
B44	High tariff costs in target markets	Dealing with high tariff cost in host countries
B45	(Intellectual) property rights protection in target markets	Ensure property rights protection (e.g. intellectual property) in host countries
B46	Health, safety & technical standards in target markets	Meeting restrictive health, safety and technical standards in host countries (e.g. sanitary requirements)
B47	Tariff classification & reclassification in target markets	Ensure appropriate and non-arbitrary tariff classification and reclassification in host countries
B48	Quotas and/or embargoes imposed by target markets	Deal with unfavourable quotas and/or embargoes imposed by host countries
B49	Customs administration cost in target markets	Deal with high costs of customs administration in host countries, including the cost rate, processing time, complicated procedure and bribery
B50	Preferential tariff for exporters from other countries	Deal with stiff competition with exporters from other countries with preferential tariff from regional trade agreement with host countries

**Table A2: Export Barrier Ranks based on Likert Score Results (Overall Sample)**

	Export Barriers	N	Mean	Std. Dev.
B37	High risks of foreign currency	496	2.35	.672
B9	Shortage of export insurance	496	2.33	.689
B10	Granting credit facilities or payment delay to foreign customers	497	2.30	.688
B36	Economic fluctuations in target markets	496	2.30	.628
B32	Unequal treatment in business competition law in target markets	496	2.29	.620
B26	Enforcing contracts/resolving disputes in target markets	495	2.22	.639
B21	Offering technical/after-sales service in target markets	493	2.20	.675
B29	Restriction of asset ownership in target markets	496	2.20	.617
B33	Sophisticated target markets' laws/ regulations	494	2.20	.624
B45	(Intellectual) property rights protection in target markets	495	2.19	.650
B18	Obtaining reliable foreign representation	497	2.16	.701
B30	Unequal treatment in tax/eligibility to affiliate in target markets	495	2.14	.652
B35	Stiff competition in target markets	494	2.14	.628
B44	High tariff costs in target markets	496	2.14	.648
B50	Preferential tariff for exporters from other countries	495	2.14	.582
B42	Political instability in target markets	496	2.12	.577
B8	Shortage of investment capital	497	2.11	.703
B27	Lack of home government export assistance/incentives	496	2.10	.674
B49	Customs administration cost in target markets	495	2.09	.600
B19	Supplying inventory abroad	497	2.07	.661
B25	Slow collection of payments from abroad	497	2.07	.704
B47	Tariff classification & reclassification in target markets	494	2.07	.610
B3	Identifying business opportunities in target markets	496	2.06	.692
B48	Quotas and/or embargoes imposed by target markets	496	2.06	.657
B5	Devoting managerial time to deal with internationalization	492	2.04	.673
B15	Matching competitors' prices in target markets	496	2.04	.626
B17	Establishing/using distribution channels in target markets	496	2.04	.679
B6	Inadequate quantity and capability of personnel	497	2.03	.673
B46	Health, safety & technical standards in target markets	496	2.02	.678
B23	Unfamiliar exporting procedures/paperwork	496	2.00	.702
B7	Shortage of working capital	497	1.99	.661
B20	Excessive export transportation/insurance costs	497	1.99	.687
B28	Unfavourable home country's export rules and regulations	495	1.99	.694
B16	Lack of excess production capacity for exports	497	1.98	.646
B31	Restriction for the movement of people in target markets	495	1.97	.671
B22	Adjusting promotional activities to the target markets	495	1.94	.637
B38	Unfamiliar business practices in target markets	492	1.94	.646
B43	Negative image of Indonesia or Indonesian products	496	1.94	.642
B13	Meeting foreign product quality/standards/specifications	497	1.93	.744
B14	Offering satisfactory prices to foreign customers	497	1.93	.639
B34	Different foreign customer habits/attitudes	495	1.82	.697
B41	Lack of e-commerce infrastructure in target markets	487	1.82	.674
B2	Obtaining reliable data on target markets' economy	496	1.75	.675
B39	Different socio-cultural traits	496	1.75	.732
B4	Contacting potential customers in target markets	497	1.72	.704
B11	Developing new products for foreign markets	497	1.72	.640
B12	Adapting product design/style demanded by foreign customers	496	1.67	.720
B40	Verbal/nonverbal language differences	497	1.67	.669
B24	Communicating with overseas customers	497	1.63	.663
B1	Obtaining information about potential markets	497	1.62	.631

Source: Author's calculation based on survey data



**Table A3: Export Barrier Ranks based on the Top-of-Mind Question Method Score (Overall Sample)**

	Export Barriers	Total Score
B7	Shortage of working capital	374
B23	Unfamiliar exporting procedures/paperwork	371
B37	High risks of foreign currency	316
B10	Granting credit facilities or payment delay to foreign customers	308
B36	Economic fluctuations in target markets	287
B6	Inadequate quantity and capability of personnel	260
B5	Devoting managerial time to deal with internationalization	254
B32	Unequal treatment in business competition law in target markets	239
B35	Stiff competition in target markets	235
B28	Unfavourable home country's export rules and regulations	234
B13	Meeting foreign product quality/standards/specifications	201
B27	Lack of home government export assistance/incentives	198
B8	Shortage of investment capital	191
B15	Matching competitors' prices in target markets	190
B4	Contacting potential customers in target markets	167
B33	Sophisticated target markets' laws/ regulations	161
B26	Enforcing contracts/resolving disputes in target markets	159
B9	Shortage of export insurance	156
B16	Lack of excess production capacity for exports	149
B20	Excessive export transportation/insurance costs	147
B19	Supplying inventory abroad	140
B44	High tariff costs in target markets	138
B18	Obtaining reliable foreign representation	137
B25	Slow collection of payments from abroad	126
B3	Identifying business opportunities in target markets	122
B17	Establishing/using distribution channels in target markets	122
B29	Restriction of asset ownership in target markets	106
B46	Health, safety & technical standards in target markets	102
B12	Adapting product design/style demanded by foreign customers	99
B49	Customs administration cost in target markets	97
B48	Quotas and/or embargoes imposed by target markets	94
B50	Preferential tariff for exporters from other countries	86
B22	Adjusting promotional activities to the target markets	85
B30	Unequal treatment in tax/eligibility to affiliate in target markets	84
B21	Offering technical/after-sales service in target markets	82
B14	Offering satisfactory prices to foreign customers	81
B47	Tariff classification & reclassification in target markets	80
B11	Developing new products for foreign markets	79
B42	Political instability in target markets	74
B1	Obtaining information about potential markets	68
B45	(Intellectual) property rights protection in target markets	67
B34	Different foreign customer habits/attitudes	65
B39	Different socio-cultural traits	65
B43	Negative image of Indonesia or Indonesian products	59
B40	Verbal/nonverbal language differences	51
B31	Restriction for the movement of people in target markets	43
B2	Obtaining reliable data on target markets' economy	36
B24	Communicating with overseas customers	28
B41	Lack of e-commerce infrastructure in target markets	22
B38	Unfamiliar business practices in target markets	21

Note: The respondents were asked to identify five types of export barriers that were at the top of their minds.

The five top export barriers identified by the respondents were given weighted scores as follows.

The score of five is given to the 1st barrier, four for the 2nd barrier, three for the 3rd barrier, two for the 4th barrier and one for the 5th barrier

Source: Author's calculation based on survey data

**Table A4: Export Barriers Faced by SMEs in Different Export Stages**

Export Barriers	Mean Likert Score			F-Values
	Exporting SMEs	Aspiring Exporters	Non-Intender	
B1 Obtaining information about potential markets	1.46	1.77	1.84	20.52***
B2 Obtaining reliable data on target markets' economy	1.55	1.94	2.03	28.316***
B3 Identifying business opportunities in target markets	1.85	2.29	2.35	32.24***
B4 Contacting potential customers in target markets	1.48	1.92	2.10	42.13***
B5 Devoting managerial time to deal with export activities	1.88	2.25	2.21	18.31***
B6 Inadequate quantity and capability of personnel	1.82	2.20	2.34	31.990***
B7 Shortage of working capital	1.83	2.16	2.20	17.80***
B8 Shortage of investment capital	1.99	2.24	2.28	9.33***
B9 Shortage of export insurance	2.20	2.46	2.51	11.20***
B10 Granting credit facilities or payment delay to foreign customers	2.20	2.39	2.46	7.16***
B11 Developing new products for foreign markets	1.60	1.74	1.97	14.17***
B12 Adapting product design/style demanded by foreign customers	1.50	1.63	2.11	32.30***
B13 Meeting foreign product quality/standards/specifications	1.72	2.02	2.37	35.07***
B14 Offering satisfactory prices to foreign customers	1.80	2.05	2.13	13.13***
B15 Matching competitors' prices in target markets	1.93	2.10	2.23	9.99***
B16 Lack of excess production capacity for exports	1.85	1.98	2.31	22.57***
B17 Establishing/using distribution channels in target markets	1.89	2.10	2.34	19.28***
B18 Obtaining reliable representation in foreign markets	2.03	2.19	2.45	14.67***
B19 Supplying inventory abroad	1.89	2.20	2.38	26.87***
B20 Excessive export insurance/transportation costs	1.77	2.22	2.30	36.91***
B21 Offering technical/after-sales service in target markets	2.05	2.36	2.38	14.22***
B22 Adjusting promotional activities to the target markets	1.82	2.03	2.16	13.35***
B23 Unfamiliar exporting procedures and paperwork	1.80	2.18	2.30	27.68***
B24 Communicating with overseas customers	1.41	1.77	2.02	43.01***
B25 Slow collection of payments from abroad	1.82	2.24	2.50	49.38***
B26 Enforcing contracts/resolving disputes in target markets	2.07	2.38	2.40	15.57***
B27 Lack of home government's export assistance and incentives	2.07	2.11	2.19	1.198
B28 Unfavourable home country's export rules and regulations	1.91	2.03	2.15	5.03***
B29 Restriction of asset ownership in target markets	2.13	2.31	2.28	4.39**
B30 Unequal treatment in tax/eligibility to affiliate in target markets	2.03	2.27	2.27	8.63***
B31 Restriction for the movement of people in target markets	1.81	2.16	2.18	18.70***
B32 Unequal treatment in business competition law in target markets	2.14	2.45	2.48	17.61***
B33 Sophisticated target markets' laws/ regulations	2.06	2.29	2.47	20.21***
B34 Different foreign customer attitudes/habits	1.62	1.81	2.29	41.73***
B35 Stiff competition in target markets	2.00	2.22	2.38	17.11***
B36 Economic fluctuations in target markets	2.21	2.41	2.43	7.28***
B37 High risks of foreign currency	2.23	2.46	2.56	12.13***
B38 Unfamiliar business practices in target markets	1.78	2.01	2.23	21.53***
B39 Different socio-cultural traits	1.53	1.77	2.27	48.61***
B40 Verbal/nonverbal language differences	1.46	1.81	2.03	35.91***

Continued...

Note: N = 271 exporting SMEs, 114 aspiring exporters and 112 non-intenders.

F-values are obtained from one-way ANOVA test.

(\*\*) and (\*\*\*) represent 5% and 1% significant levels, respectively.

Source: Author's calculation based on survey data

Export Barriers		Mean Likert Score			Continued... F-Values
		Exporting SMEs	Aspiring Exporters	Non-Intender	
B41	Lack of e-commerce infrastructure in target markets	1.67	1.90	2.12	19.73***
B42	Political instability in target markets	2.01	2.18	2.33	13.42***
B43	Negative image of Indonesia or Indonesian products	1.81	2.05	2.14	13.77***
B44	High tariff costs in target markets	1.97	2.27	2.38	20.64***
B45	(Intellectual) property rights protection in target markets	2.06	2.37	2.34	13.64***
B46	Health, safety & technical standards in target markets	1.88	2.09	2.29	15.66***
B47	Tariff classification & reclassification in target markets	1.93	2.12	2.38	24.23***
B48	Quotas and/or embargoes imposed by target markets	1.97	2.11	2.24	7.31***
B49	Customs administration cost in target markets	1.95	2.17	2.37	22.07***
B50	Preferential tariff for exporters from other countries	2.03	2.25	2.30	11.96***

Note: N = 271 exporting SMEs, 114 aspiring exporters and 112 non-intenders.

F-values are obtained from one-way ANOVA test.

(\*\*) and (\*\*\*) represent 5% and 1% significant levels, respectively.

Source: Author's calculation based on survey data