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Examining the Factors Affecting Export Performance for Small and Medium Enterprises (SMEs) in Tanzania

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Abstract
This article presents the findings of the study on the export trade barriers among Tanzanian SMES. The SMEs' sector has tremendously expanded in Tanzania over the three last decades. Despite this expansion, it is absurd that most of the SMEs remain focusing on the narrow domestic markets. This paradox needs to be explored in details. The paper uses data, which was collected by the author during a Masters' research study which was conducted in Dar es salaam, Tanzania in 2015. Three hypotheses were developed and a structured questionnaire that involved 130 SMEs' owners was used to correct data. Findings show that among other barriers, export competencies, especially inadequate and instable financial capital (.008), language (.000), production technology (.069), ICT and information search competencies (.000), standard of products produced by the SME (.000), restrictive entrance procedures into the country (.005), export market characteristics such as complicated business laws/regulations (.001), customers' indifference with foreign goods(.000), price uncertainty in the export markets(.000), product competition in the export market(.000), and complicated travel accreditation (passport/Visa)(.000) were the most significant barriers. Equally, national business environments, especially uneasy accreditation for export of goods (.000), complicated business laws and procedures (.002), unconducive trade financing for SMEs (.000), and higher taxes charged on production and export (.053) were also responsible for limited export. Generally, SMEs owners' fear of export market was the most significant barrier (.001), followed by the national business environments (.011), and finally SMEs' export competencies (.016). The article concludes that focusing on individual components in each of the three categories reveals no consistence within the classification where in all categories both very significant and relatively less significant barriers were. Thus, the study recommend specific and context sensitive analysis of export barriers.
Keywords: Export Barriers, SMEs Internationalization, Tanzania

1. Introduction

Export production is important for any country economy. Historically, it has been identified as a crucial condition for economic development. The history of world economic development proves that countries in different continents were able to make themselves appear in the world economy after they took advantage of exploiting outward looking economic opportunities. Experiences show that European countries such as Britain took advantage of the foreign market and developed her economy in the 18th century (Carrier, 2005). The United States of America became the economic superpower of the world towards the end of the 20th century through taking advantage offered by foreign economies. Towards end of the 20th century and the beginning of the 21st century, the Asian Tigers such as Taiwan, South Korea, Hong Kong and Singapore appeared overtaking many western countries economically (Mallet, 1999). Globally, the 1980s and 1990s were the years of trade internationalization. It is during these years when the world saw the rebirth and expansion of SMEs that went in line with successful performance of economies of countries such as Brazil, Tunisia, Mauritius, Malaysia, Korea, and Thailand; which are attributed to foreign markets. Overall, taking advantage of foreign market comes crucial where domestic market cannot offer greater demand, greater competition, and challenging lessons related to quality of goods and technology used.

While economic development stakeholders recognize that export is an important sector in the development of national economies, there have been different efforts to promote export production (Helleiner, 2002). These include promoting export opportunities in foreign countries, which is done by embassies (Rose, 2007). In the Netherlands for example, this is done through the Promotion of Imports from Developing Countries (CBI) Porto. Domestic initiatives include institutions such as the Export Processing Zone Authority (EPZA), which is responsible for developing the Export Processing Zone (EPZ) and the Special Economic Zones (SEZ) and licensing investors in these special economic zones, which target to promote investment for export in areas including agriculture, trade, tourism, mining, and forestry. SEZ licensees have access to preferential export markets such as Africa Growth Opportunity Act (AGOA) in the US, Everything But Arms (EBA) of the European Union (EU), the East Africa Community (EAC), and Southern African Development Community (SADC). The other institutional arrangement is the Board of External Trade (BET), which was responsible for developing business partnership through international and specialized trade fairs, product and market research, solo exhibitions, trade missions, buyer-seller meetings as well as contact marketing programmes. BET is also responsible for providing information and consultancy services to potential exporters so that they can effectively participate in export trade. The last but not least is the Tanzania Trade Development Authority (TANTRADE), which was statutorily created in 2009 repealing Acts of the Board of Internal Trade (BIT) of 1973 and the BET of 1978. Among other things, it oversees implementation of the National Trade Export Strategy and organize trainings for SMEs aimed at building their capacity to benefit from internal and external markets. It is therefore evident that strengthening export trade has been a concern, not only for big enterprises, but also SMEs.

Despite these strategic initiatives in place, there are evidences on ground that the celebrated growth in export has a limited potential for promoting national economic development (Eaton, Kortum, & Kramarz, 2004; Lyakurwa, 1991; Marandu, 1996; Rose, 2007) due to the fact that it is in the hands of few bigger enterprises. Tanzania's exports remain largely traditional raw products, especially unprocessed mineral, agricultural and forest products. While the export growth records 15 percent per annum, the share of exported goods and services in the GDP is still as low as 13 percent compared to that Malaysia and Thailand, which is around 60 (Morisset, Gaddis, & Wane, 2013). It is however shown that local firms, especially the Small and Medium Enterprises (SMEs) sector has a very limited participation in outward focusing trade (Eifert, Gelb, & Ramachandran, 2005; Kristiansen & Ryen, 2002; Rose, 2007). While SMEs are identified as real economic players whose growth is expected to have a significant contribution to national development and poverty alleviation, their role is limited to the domestic market in which they also face unfair competition from imported goods and big domestic firms. Generally, SMEs play little or insignificant part in export business. It is thus important to understand what limits their export performance. This article presents findings of the study, which examined to examine the key export performance barriers among SMEs in Tanzania. To achieve this, the study documented profiles of studied SMEs and examined the influence of: SMEs' levels of export related competencies, business environments, and foreign markets' related trade barriers on export performance among SMEs. Looking at the three sets of barriers was important since understanding the most pertinent barriers is important when designing new interventions and strategies.

2. MATERIALS AND METHODS

The study was conducted in Dar es Salaam, a commercial and capital city of Tanzania, which is a centre of entrepreneurship. Dar es Salaam is the one stop centre of trade where all import and export networks start. Even those products produced in other sides of the countries including seafood and agricultural products are bought and exported by businesses which are located in Dar es Salaam. Therefore, rich information needed for the study could be obtained in Dar es Salaam. The study targeted 160 SMEs' owners out of which 130 filled and returned the questionnaire. The procedure for choosing the SMEs and respondents to be included in the study involved three types of sampling techniques. SMEs were arranged by clusters of business sectors engaged in products exported from Tanzania as follows: agribusiness and food processing (111), marine products/sea foods (114), textile and leather products (142), artifacts and cultural design products (136), and mineral and metal products (134), which made the total number of SMEs in the five categories 637. An equal proportion, 32 SMEs equals to 5 percent of the total number of SMEs was randomly selected for each of the five categories thus making the planned sample 160 SMEs. Only top business owners/managers were asked to fill in a questionnaire.

A simple survey questionnaire, which was used had structured statements related to barriers to export performance, which respondents were to agree or disagree using a 1-5 points' scale 1= 'strongly disagree" or very low influence" 2= 'disagree' or low influence, 3= "neutral", 4= "agree" or high influence, and 5 = "strongly agree" or very high influence. Export performance was assessed through a self-rating by respondents along 5 points rickety scale between 1 and 5. In the rating scale, 1 was the lowest and equivalent to "very unsuccessful" while 5 was the highest point and equivalent to 'very successful'. Questionnaire responses were processed for descriptive statistics and correlations using SPSS data processing software.

3. LITERATURE REVIEW

The literature on export trade and business internationalization has grown rich. There is adequate knowledge on the theoretical and empirical barriers to internationalization. In this article, the synthesis of the literature focuses on the key theoretical perspectives, barriers associated with export performance among SMEs, the general state of SMEs in Tanzania, and the conceptual framework that guided the study.

3.1. Theoretical Perspectives on Business Internationalization

The process of SMEs internationalization and barriers that affect export performance may be explained in the light of different theoretical perspectives. However, given the design of the study, it may be plausible to deal with two main theoretical perspectives, especially the transactional cost theory and contingent theory.

3.1.1. . Transactional Cost Theory (TCT)

The Transactional Cost Theory (TCT) is used in a wide range of business study fields. The theory was introduced by an economist, Ronald Coase in his seminal work, "The Nature of the Firm". It attempts to provide answers on why companies exist, expand, source out activities, or seek markets in some areas while neglecting others. The TCT assumes that companies try to minimize the costs of exchanging resources with environment while also trying to minimize the bureaucratic costs of exchanges within the company (Coase, 1937). Therefore all companies will weigh the costs of exchanging resources with the environment, against the bureaucratic costs of performing activities in-house (Anderson, 2008). In this case, expanding to foreign markets may be avoided as longer as it implies more cost on the company's internal operations (even without looking at potential gain).Supporters of the TCT argue that both institutions and markets are possible (but different) forms of organizing and coordinating economic transactions. While costs for presenting products in an external or distant market go up, the company will opt to close external markets and strengthen its internal operations for serving close markets (Coase, 1937). The profit is thus maximized through avoiding alien markets and strengthening institutional capacity. However, in reality, the cost of realigning the internal bureaucracy to benefit from external markets can be higher compared to expanding the external transaction costs in the long run (Ghoshal & Moran, 1996). For TCT proponents, this will in the long term result into downsizing the company. Thus, main considerations in export decisions are attached to risks, opportunism, uncertainty, internal abilities of the company, and to some extent a kind of restricted reasoning and calculation of costs and benefits of export decisions.

The TCT can strongly explain cost concerns that surround decisions to be engaged in local or export businesses. Businesses need to be assured of the advantage of being engaged in export trade before spending their resources to initiation and conducting export activities. According to Ronald Coase (1937), a company will only expand to external markets if such expansion can increase its income and profit rather having more customers or adding a branch in a new market. This is logically supported by evidence that many companies rarely start operating branches in new export markets before making profitable sales from their places of origin (Acs & Terjesen, 2005; De Chiara & Minguzzi, 2002). Related to this study, the theory can also explain why some SMEs have decided to close their export operations in external markets while some continue (Anderson, 2008). However, the TCT has been criticized for being too prescriptive and blindly assuming that the potential of benefiting from distance market should be affirmed only after a trial-and error, which may even result into bankruptcy (Ghoshal & Moran, 1996) of small firms given that they have to concentrate all their meagre resources into a new market before it fails. In addition, as argued by Hennart (1991), the TCT appears to underestimate the cost of internal reorganization, focusses much on Cost Minimization , and uprightly neglects the role that social relationship serve in economic transactions.

3.1.2. Contingent Theory

The contingent theory assumes that market choice decisions are not purely rational and predictable. Instead, choices depend on an interplay between the managements' behavior and prevailing situations at a time (Donaldson, 2001). Thus, neither local markets nor export markets may become a permanent option of a firm be it small or large. As Otto Anderson argues, both internationalization and expansion of businesses in new markets are contingent (Andersen, 1997). Related to this article, the idea is that; decisions to concentrate on local or foreign markets may be both rational and situational. In addition, decisions may dynamically depend on what is happening including changing demand of the export markets, decline in profitability of local markets, and the level of resources and competencies potential for managing export production and marketing within an organization at a given time. However, relying entirely on contingency theory may result into erroneously neglecting planning long term business expansion and marketing goals. It equally undermines the capability of business owners and firms to be strategic and choose between local and export market based on the advantage offered by each.

While both of the theories are relevant, the study would rather learn from them, especially on what barriers make some SMEs decide not utilize or quite export markets. It can also help us pay attention to the factors that make some SMEs owners decide ahead that they would not go for export as one of their transactional decisions. However, for the purpose of this study, a pragmatic approach was used, especially being guided by what the respondents said rather than what theories say. At the end, the conclusions arising from data were compared with theoretical assumptions, especially those of the Transactional Cost Theory.

3. 2. SMEs Export Performance Barriers

From the existing theoretical and conceptual literature, scholars have identified a myriad of barriers to export performance among businesses. While some factors are generally attributed to business firms regardless of their sizes and special economic contexts that surround them, some are more related to export performance among SMEs, which are a target of this study. Broadly, these factors have been classified into two categories namely internal barriers and external barriers (Dusoye, Mahadeo, & Aujayeb-Rogbeer, 2013). While internal barriers are related to the firms and owners only, external factors are relate to many external forces including the government and how it manages the business sector, the market, trade laws and policies, the trade financing regimes, and the infrastructure in place for business operations (Zou & Stan, 1998). However, according to Dusoye et al. (2013) the internal barriers may broadly include products, resources, firm scale, management, and experience. On the other hand, external barriers may include the government, marketing, networks, cultural difference, and geographic factors. For the purpose of this study, the main barriers have been grouped into three main categories as discussed in the following subsections.

3.2.1. Export Related Competencies

Export related competencies are internal capabilities of the entrepreneur or enterprise to manage the export process, control barriers that affect successful export marketing, and understanding and dealing with forces that may affect businesses negatively. For Prasad, Ramamurthy, and Naidu (2001), they dynamically include skills, knowledge, and experiences that help firms and their managers to conduct successful marketing on foreign markets. To be precise, they are generally capabilities of the firm considering its resources and organizational structure, behavior and culture.

There are different SMEs' export related competence barriers identified by scholars. The first category of these barriers include resources, which in its wider sense include money, well trained and experienced employees, and investment in technology that can best produce the best quantity and quality of products needed in the foreign market (Tesfom & Lutz, 2006). This means that companies with inadequate technology, finance, and manpower stand at disadvantaged position when it comes to taking benefits of foreign markets, especially where the market requires products produced by the firm in good quantity and quality. Apart from resources, such competencies include the ability of business owners or employees who manage export to collect, obtain and deal with information (Leonidou, 2004; Tesfom & Lutz, 2006). Related to the power of information, Prasad et al. (2001) reminds that in a globalized world, lack of Information Communication Technology (ICT) skills becomes a barrier to SMEs and their owners to identify and monitor distant and foreign markets. In addition, poor standard of goods produced by export companies may result into limited capacity to compete in export markets and thus result into failure. From these, the study selected five aspects to be considered. These are inadequate and instable financial capital, language (international/foreign) barrier, production technology used by the SME, ICT and information search competencies, and poor standard of products produced by the SME.

3.2.2. Export Market Characteristics

An export market refers to a country, region, or group of countries in a given or different locations where products from other countries are sold (Katsikeas & Morgan, 1994). It may also refer to a market regime in a certain country, which can be defined according to a certain set of business regulations and trade policies such as free trade and restricted entrance to market. The idea of export market should be considered paying attention to the characteristics of different export markets, which shows the difference between one market and another, for different products; which in turn may affect product suppliers and firms differently at different times. In its broad sense, market characteristics include a lot of issues such as the general market description, business opportunities, and market segments, size of the market, dynamics of needs and trends in market growth, competition of different products, customers and their social economic profiles, and business environments of a country . However, this broader definition is applicable for both local and export markets. Related to the concept of psychological distance, which implies learning about the market by abstraction, which in turn affects market selection.

Related to the concept, Dow (2000) emphasizes that export companies are likely to make decisions considering higher rank characteristics of the export market such as how complicated it would be to enter the country, approaching customers who have their own values, making them believe that products are safe for their use. In addition, they include presence of procedure for accreditation of a foreign product as well as how products and goods movement across borders of a give country is defined by laws and national policies as well as the general social, political, and economic atmosphere of the country that defines profitability and security for local and foreign businesses.

Related to this study, five possible barriers related to export market characteristics are considered in connection with export performance among SMEs. These are: restricted entrance procedures into the country, complicated business laws/regulations, customers' indifference with foreign goods, price uncertainty in the export markets, and product competition in the export market.

3.2.3. National Business Environments

Traditionally, business environment is commonly used to mean a variety of factors that influence a business. The traditional definition broadly included internal and external factors (Schiffer & Weder, 2001). However, as used here, business environments is more related to the common usage that is attributed to usage Briton wood institutions such as the World Bank and International Monetary Fund (IMF) in the 1980s and 1990s. In this second conception, business environments at national level focuses on procedural requirements for entrance in business, taxes charged by government on businesses, infrastructure for business activities, laws and policies, and political interference in businesses (Schiffer & Weder, 2001). This suggests that obstacles and barriers related to the national business environments has to do with legal, policy, and regulatory forces, which affects export among SMEs.

Thus, barriers related to business environments identified in the literature rage from restrictive and uneasy procedures placed on SMEs by their governments in the efforts to start business and get accreditation for export (Anderson, 2008). Also, the literature points at higher charges imposed on governments for businesses appearing for engagement in domestic markets focusing businesses, which sometimes use tax evasion as a survival and growth strategy (Temu & Due, 2000). In this study, a set of five berries to be examined was selected. These included, complicated travel accreditation, uneasy accreditation for export of goods, complicated and unclear business laws and procedures, unconducive trade financing for SMEs, and higher taxes charged on production and export. Based on this set of barriers in this category, the third hypothesis of the study was:

3.3. Empirical Issues Regarding SMEs Export Performance Research

Different conclusions have been reached by empirical studies on barriers that influence success and failure of SMEs internationalization. De Chiara and Minguzzi (2002) who focused on the relationship between the international performance index of a firm and demand for services found that firm size does not restrain small firms from entering international markets. However, they were clear that small firms cannot enjoy all options in the export market compared to big firms. In addition, other barriers such as facing diseconomies of scale, limited capabilities in terms of skills, funds, and innovations were found to be pertinent in export markets. As also supported by Okpara and Koumbiadis (2010), the lesson for the current study was that most of the problems are internal. Acs and Terjesen (2005) in their *"Born Local: Two Views of Internationalization"* identify different barriers in connection with SMEs export performance. The most important for them were limited access to financial capital, and limited access and capability to obtain and use information in a perfect way.

In support of these findings, the study that was conducted in Belgium by De Maeseneire and Claeys (2012) found that compared to large companies, SMEs face more severe financing constraints when it comes to production for foreign markets compared to production for domestic ones. In addition, it revealed that new SMEs also face a liability of newness, which in turn limits access to both financing opportunities and information where to get about output market conditions. In connection to the government and business environments, Acs and Terjesen (2005) observed that governments impose barriers that are often more economically damaging than those created by competitors in the market place. Thus, both internal and external barriers are considered. Different Studies by Leonidas Leonidou have however insisted that export barriers for SMEs are contingent and country specific. However, they commonly relate to managerial capacity and competencies, politics that surround business in both origin and destination countries, and the social-cultural values of the customers in the export market (Leonidou, 1995). On basis of different 32 empirical studies, he identified 39 export barriers (Leonidou, 2004). While barriers are common across the empirical research papers, his outstanding contribution was on what makes some barriers pertinent in a certain environment while irrelevant in other environments. For him, the explaining factors include the managerial, organizational, and environmental background of the firm. Generally, these studies agree that though differently, there are some of the consensual barriers that affect export performance among SMEs some of which are general export business barriers while some specifically affect SMEs.

3.4. The State of SMEs Export Performance in Tanzania

In Tanzania, the emergence and expansion of the SMEs sector has been parallel, but not substantively linked with developments that have been experienced in export trade. There is consensus that SMEs have significantly increased in number. However, what kind of businesses exactly constitute the SMEs sub-sector remains a contended question. It is hardly clear whether the term SMEs apply to only formal accredited business or even those that are operating without formal accreditation by government. While the definition of SMEs in Tanzania remains under debate, a formally accepted definition is based on number of employees and capital. The business employing 1-4 employees and has a capital 0-5 million Tanzanian Shillings (TZS) is regarded to be a micro enterprise. A business that employs 5-49 employees and has capital of 5-200m TZS is regarded to be a small enterprise. A business that has 50-99 employees and capital of 200-800m is referred to as a Medium Enterprises. A business that employs 100 or more employees and has more than 800m capital is regarded to be a big enterprises (Temu & Due, 2000).. While these are accepted defining parameters, the situation on ground is different. Apart from the fact that many businesses that fall in the micro enterprises category lack accreditation and are mostly not having contractual employees, there are evidences that many businesses may have a capital above 200 million TZs, but still they employ even less than 10 employees (Mahemba & Bruijn, 2003). Therefore, characterization of the sub-sector regarded as SMEs in Tanzania needs one to be careful and indeed case sensitive.

When it comes to the recent developments in the export of products and services from Tanzania, it is worth noting that export is not a new phenomenon in Tanzania. Traditionally, Tanzania was opened to export right from the introduction of colonial economies in the 1880s. It is from that point of view where scholars not that for long time, Tanzanians under colonial economies had to produce what they were not consuming and consume what they were not producing. This meant that primary goods such as gold, cotton, sisal, and coffee were exported while finished goods such as clothes and ornaments were imported (Coulson, 2013; Egerö, 1974).

However, there are consensus that there has been significant development in export in the post 1990s years in Tanzania that went with appearance of new innovative products that were not formally regarded as worth exporting. Between 2000 and 2012, the world experienced growth of Tanzania's export about five times the normal growth and thus its pace overtaking that of Brazil, Tunisia, Mauritius, Malaysia, Korea, and Thailand (Yanikkaya, 2003). This was indeed due to invention of new markets in Asia and Africa. All this time, China's economy maintained higher performance and now almost overtaking the US. For all these dynamics, the strongest explanation has been production for export (Krasilshchikov, 2007; Mallet, 1999). This shows the role of export in the development of national economies.

Centrally, as mentioned regarding SMEs business environments, the Tanzanian government has had linkage with development partners for building environment where SMEs are well supported to be engaged in production. Attached to economic support from the IMF and World Bank has been the call for government responsibility for building environments conducive for development of business sectors including micro, small, medium, and large businesses (Goedhuys, Janz, & Mohnen, 2008). The idea is that, a well-supported SMEs subsector shall be responsible for economic success and poverty reduction in Tanzania. That has been the essence of the common Business Environments Strengthening (BES) initiatives as it is for the Business Environments Strengthening for Tanzania (BEST), a program cofounded by the World Bank, SIDA, and the Netherlands Loyal Embassy and implemented by the government of the United Republic of Tanzania since 2007. Despite all these commitments, there are still claims of unconducive business environments by SMEs.

Admassie and Matambalya (2002) in their study focused on how technical efficiency affects performance of SMEs in Tanzania focusing on general growth, which includes export performance. They identified that SMEs are significantly confronted by poor technological infrastructure, which in turn affect their competitiveness. Related to technical efficiency, the study also noted that face problems including inadequate business skills, low quality standards, and inadequate. However, it should be noted that the barriers identified may not be the only. Probably, their findings had influence from the study design. The study was only limited to technical efficiency and thus left out other barriers that could be identified at the wide sector or national levels.

Contrary to the findings by Admassie and Matambalya (2002), the study by Goedhuys et al. (2008) on *"What Drives Productivity in Tanzanian Manufacturing Firms: technology or Business Environment*?" found little and insignificant impact of technological barriers such as research, product and process innovation, employees training, and licensing of technology. On the other hand, the study reported that factors such as foreignness, education level of the top management or owners affected productivity. Some other important barriers identified were on the side of the broader business environment such as credit constraints, administrative regulatory burdens and a lack of business support services depress productivity; membership of a business association is associated with higher productivity.

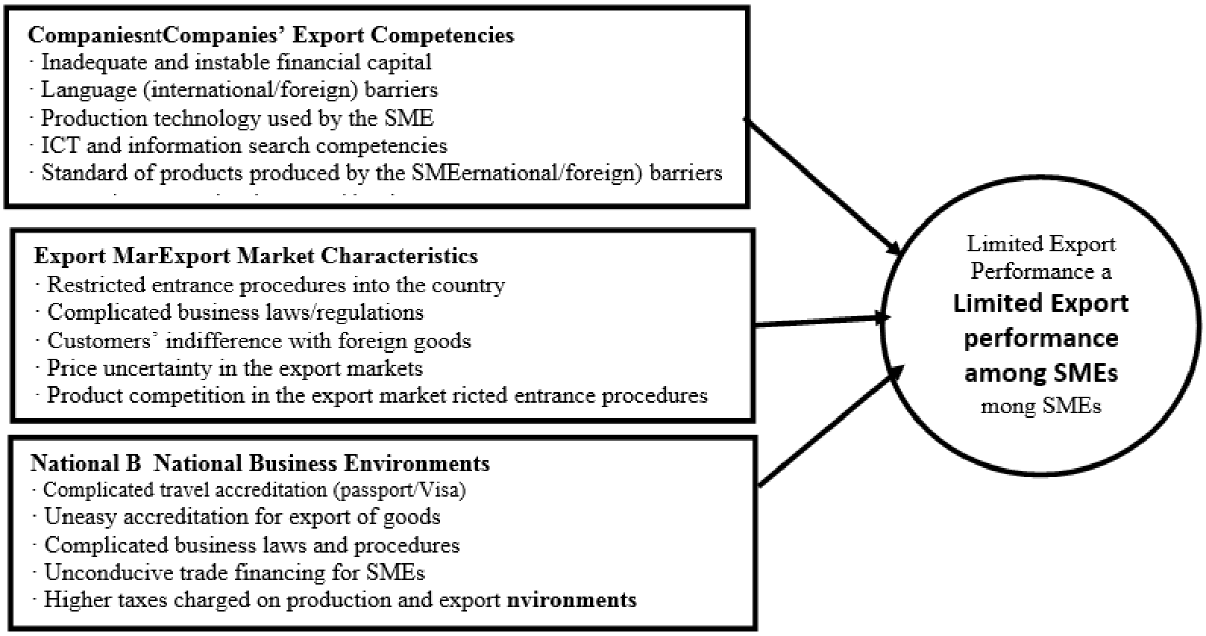
Temu and Due (2000) conducted a study to assess the country's effort to reform the banking system, state owned enterprises, taxation system, and the public services sector, and the emergence of the private sector. Their study found that there are significant weaknesses related in regulatory frameworks required to allow SMEs grow into businesses that can compete in international markets. In addition to that, the study observed that corruption and an uncertain legal environment inhibit the realization of the best goals set as part of strengthening business environments in Tanzania. While policies and strategies show the intention of internationalizing SMEs, the domestic environments are still unfriendly to SMEs. Based on these findings, the study recommends for reforms in laws and regulations to make SMEs grow both domestically and internationally.

Both the theoretical and empirical literature show that the barriers to SMEs internationalization and export performance are in multiphase situation. Trying to study them in an exploratory way may not be as easy as one may assume. While studies have been able to identify the most emphasized barriers, it appears feasible for the current study to select a few barriers and examine their relationship with the SMEs export performance as presented in the conceptual framework section.

3.5. Conceptual Framework

The study's conceptual framework includes three categories of barriers that will be examined. These categories are: companies' export competencies, export market characteristics, and national business environments. The conceptual framework is shown in figure 1 overleaf.

Figure 1. Conceptual framework for barriers for SMEs export performance



Source: Own formulation based on the literature review

As the conceptual framework in figure 2.1 shows. The study has three independent variables and one dependent variable. The first independent variables of the study is identified as companies' export competencies. This includes five main components as potential predictors of success of SMEs' export. These are: these are adequacy and stability of financial capital, language competencies in terms of widely used language such as English as well as a language used in a specific export market country. The other component regarded to be a predictor is the level of technology used in production and general operations of the SME (Acs & Terjesen, 2005). The other predicting factor is the mastery and use of ICT and information search technology. The last predictor is the standard of products produced by the SME as compared to the same or related products in the export market.

The second independent variable of the study is identified as the characteristics of the export market. In relation to the study, it includes five components. The first component is restricted entrance procedures into the country. As noted by Andersen (1997), this relates to whether the SMEs' owners believe or have evidence of laws, policies, and regulations that make it difficult to enter and stay or conduct business in the country. The other components in this category are: customers' indifference with foreign goods, price uncertainty in the export markets, and product competition in the export market. Studies have identified that in some of the cultures, people are easy to accept and use products from other countries based on their cultural and economic ethos (Okpara & Koumbiadis, 2010). The relationship in the conceptual framework assumes that the when exporters are not assured of better price in the export market or they think that they are likely to meet stiff competition, such SMEs are likely to choose selling their products at home rather than exporting.

Related to the national business environments, the framework assumes that the business environments including laws, regulations, and general procedures that the SME can be subjected to as part of the process of starting business and deciding to start exporting (Leonidou, 2004). The main assumption is that where there are complicated travel accreditation procedures, SMEs are likely to perform poorly in terms of export. Also, if owners of SMEs believe that it is not easy for them to get accreditation for exporting their products, the more they will avoid attempting to sell through export markets. In addition, it is assumed that the perceived costs that businesses will incur through attempting export markets has impact on both efforts and decisions to start selling in the export market. Therefore, the more the owners perceive the costs charged on products, which are to be exported, the more the SMEs' owners are likely to avoid export markets and thus rely on domestic market which may allow them evade some of the costs.

3.6. Hypotheses

Based on the literature review and conceptual framework, the study was guided by three main hypotheses.

Hypothesis 1 (H_1): *Lack of the key export related competencies in the SMEs is significantly associated with export performance of the SME.*

Hypothesis 2 (H_2): *The market characteristics in the country that SMEs opt to export their products has significant influence on their export performance.*

Hypothesis 3 (H_3): *The national business environments including business export procedures, laws, and regulations have significant influence on the export performance of SMEs.*

4. Study results and discusion

4.1. Profiles of SMEs and their Engagement in Export Business

Of the 130 SMEs that participated in the study, 27 (20.8%) were agribusiness and there were equally 26 (20.0%) SMEs in each of marine and sea food, art crafts and cultural designs, and minerals and metal products businesses. While 72 (55.4%) of the SMEs were male owned 58 (44.6%) were female owned 42(32.3%) SMEs were jointly owned as partnerships, 32(24.6%) were registered as limited liability shares, 29(22.3%) were sole proprietors, and 25(19.2%) had no known formal structure. In terms of size, 44 (33.8%) had 5-49 employees, 37(28.5%) had less than 5 employees, 27(20.8%) had 50-99 employees, and only 22(16.9%) SMEs had more than 100 employees. Also, 37(28.5%) SMEs had 200-800 million TZS capital, 35(26.9%) had 5-200 million TZS, 26(20.0) said they had more than 800 million TZS, and 24(18.5%) had less than 5 million TZS. For more than 75 percent, employment was not formalized and capital accounting records were not well. In terms of age 41(31.5%) had 2-<5 years, 35(26.9%) had 5-<10 years, 32(24.6%) had 10 years or above, and 22(16.9%) had less than 2 years. 34(26.2%) owners had non-degree, but higher education, 31(23.8%) had university degree education, 27(20.8%) primary education, 23(17.7%) secondary education, and remaining 15 (11.5%) were not ready to disclose the level of formal education.

Regarding export market capturing efforts, the study noted that a big number of SMEs had attempted to be engaged in export and some were still attempting to continue exporting. Of the 130 SMEs, 45(34.6%) had attempted successfully and were still exporting, 23(17.7%) had attempted and started exporting, but failed. 22(16.9%) attempted accreditation for exporting, but unfortunately failed and 22(16.9%) attempted searching appropriate information, but failed. The rest 18(13.8%) never attempted at all. Overall, the majority (52.4) percent had reached the point of starting exporting. Thus, at least more than a half the studied SMEs including smaller and relatively big ones had shown confidence and demonstrated practical attempt to be engaged in export business. Out of those who had attempted to export, 14 (10.8%) exported their products to South Africa, 13(10.0%) to China, 11(8.5%) to European countries' markets, 9 (6.9%) to other Asian countries excluding China and India. 8(6.2%) had attempted within the East African Cooperation (EAC) region while 7(5.4%) had attempted export markets within the SADC countries region excluding South Africa. 5(3.8%) had attempted an export market in India. However, of the remaining 63(48.6%) who had not attempted export markets would attempt export market if there are no perceived barriers. If barriers are eliminated, 11(8.5%) would prefer exporting to Asian countries excluding China and India, 10 (7.7%) would prefer exporting to South Africa while the other 10 (7.7%) would prefer to export to China. Those who would prefer exporting to the EAC and SADC region were 9(6.9%) each. For India and European countries' markets they were equally 7(5.4%) in each category. Based on the findings, one learns that if no barriers present (both related to business and socio-political barriers), ta significant number of SMEs would prefer engaging themselves in export.

4.2. Hypotheses and Results

For each of the study hypotheses there were three to five variables to which respondents were asked to agree or disagree whether they had significant influence. The analysis of results for each of the three hypotheses (and the variables) is provided.

Hypothesis 1 (H_1): *Lack of the key export related competencies in the SMEs is significantly associated with export performance of the SME.* The results in this hypothesis show that leaving aside those who were neutral, 59 (45.69%) disagreed with the statement in the hypothesis as opposed to the other 41(31.85%) percent. This is opposed to the view that that lack of significant skills related to export business significantly constrain export performance among SMEs. This is also verified through individual related variables to which respondents disagreed, especially: language (international/foreign) skills 64 (49.23%) as opposed to 44 (33.85%) who agreed, production technology used by the SME 51 (39.23%) as opposed to 40 (30.77%) who agreed, ICT and information search competencies 59 (45.38%) as opposed to 38 (29.23%) who agreed, and standard of products produced by the SME 59 (45.38%) as opposed to 36 (27.69%) who agreed. Overall, findings denied the original hypothetical assumptions about the influence of export related competencies and skills among the owners and key managers of SMEs.

Hypothesis 2 (H_2)*:* *The market characteristics in the country that SMEs opt to export their products has significant influence on their export performance.* Related to the second hypothesis, overall results show that the majority, 56(43.08%) respondents (if those who were neutral are excluded) disagree with the hypothetical statement that characteristics in the country of export significantly constrain export performance among SMEs. This proportion is larger than those who agreed that these factors were significant 41(31.23%). The results for all the five variables related to export characteristics in the countries to which SMEs opt to export show that majority of the respondents disagreed, especially: restrictive entrance procedures into the country 58 (44.62%)

against 35(26.92%) who agree, complicated business laws/regulations 51(39.23%) against 46 (35.38%) who agree, customers' indifference with foreign goods 53 (40.77%) as opposed to 42 (32.31%) who agree, price uncertainty in the export markets 62 (47.69%) against 39 (30.00%) who agree, and product competition in the export market 56 (43.08%) as opposed to 41(31.54%) who agreed. Therefore, these greater proportions of respondents who disagree for all the variables leads into limited acceptability of the hypothesis.

Hypothesis 3 (H_3): *The national business environments including business export procedures, laws, and regulations have significant influence on the export performance of SMEs.* In relation to the third hypothesis, when those who are indifferent are not considered, study results show that 50 (38.62%) respondents did not support the hypothesized relationship while 44 (34.00%) supported the relationship. At individual variables level, 54 (41.54%) disagreed with the hypothesis on complicated travel accreditation (passport/Visa) against 41(31.54%) who agreed, 62 (47.69%) disagreed on uneasy accreditation for export of goods against 33 (25.38%), and 61 (46, 92%) disagreed on complicated business laws and procedures compared to 36 (27.69%) who agreed. However, there were large proportions, 63(48.46%) respondents who agreed with unconducive trade financing for SMEs as a significant barrier while only 31 (23.85%) disagreed. Equally, related to higher taxes charged on production and export, the majority agreed 48 (36.92%) against 43 (33.08%) who disagreed. Therefore, regarding the hypothesized relationship, though not one-to-one relationship, the relationship national business environments including business export procedures, laws, and regulations have a relatively significant constrain on trade export performance.

Correlational analysis of the relationship between different identified factors shows equally significant influence on export business success for some variables while insignificant influence for others. In case of demographic factors, formal education level of the owner was found to be the most significant (0.00) followed by age in business (0.06), then capital size (0.83). Number of employees was found to have no significant influence. Related to export competencies, language, ICT, and standard of goods had equal significance (0.00) while capital and technology had 0.00 and 0.06 significances. Related to export market characteristics, competition, price uncertainty, complicated business regulations, restrictive procedures, and indifference in foreign goods were equally significant (0.00). Related to the business environments, all variables were significant, especially complicated travel accreditations, uneasy accreditation for export, complicated business laws, and unconducive trade financing for SMEs (0.00). Higher tax charged on production and export was significant at 0.05. Overall, all factors and their variables show significance that is hardly negligible. However, there is a noted difference that national business environment related factors are the most influential, followed by the thinking about the behavior of the foreign market, and last company competencies.

4.3. Discussion of Findings

Based on the findings, one observes that the respondents perceived most of the identified barriers as not posing very significant constraint to their success in terms of export performance. As observed from the data, respondents felt more constrained by factors related to the national business environments than their imagination of the export markets and their SMEs internal weaknesses. Thus, by order of ranking, the national business environments related factors were identified as the most constraining, followed by the export market characteristics, and finally the companies export competencies. However, when one goes down and correlate each of the individual factors with success of export performance for SMEs, it appears that each of the variables have some importance. In this order, the factors that have been identified as the top most influential and outstanding across the two analyses were (1) unconducive trade financing (48.46%), (2) inadequate and unstable financial capital (37.69), (3) higher taxes charged on production and export of goods (36.92%), (4) complicated business laws and regulations in the export country (35.38%), and (5), limited competencies in foreign/international language (33.35%). Based on the data, one learns that the most significant barriers to export performance among SMEs cut across all the three categories, especially national business environments, SMEs' export competencies, and export market characterization.

The overall findings are incompatible with the existing theoretical assumptions. For instance, the TCT assumes that businesses will decide to trade in foreign market or not after considering the relative gains experienced in the foreign market while internal bureaucratic environments acting as buffer points for reengineering profitability and productivity. This may only be validated if those who are against trading in export markets have practical experiences of the foreign markets. In practical cases, the study observed that even those who had not exported had negative intuitions about the export market. Indeed, this has nothing to do with transactional calculations and sometimes may be attributed to limited export related competencies such as information, fear of competition, and general standards of products. On the other hand, looking at the contingent theory one discovers that decisions to export are haphazardly taken depending on what comes to the sight of business owners and managers. In practice, the study learned that SMEs work calculatedly and are guided by goals including those touching export decisions.

Arguably, not all factors in the same category were found to have equal or closely related influence on export performance which in other words suggest limited direct relationship between the barriers as well as the influence of both the context and demographic indicators. Third, while relationship based on theoretical assumptions were in one direction (for example increase in stability and predictability of financial capital will result into increased export performance), practical experiences show that this may not necessarily be a case. It is therefore learnt that such a topic needed to be approached in a more open ended and exploratory style. Thus, it is learnt that the context, which includes social, political, and economic environments have significant influence on both decisions and actions related to export among SMEs.

5. CONCLUSION AND RECOMMENDATIONS

The article has so far examined barriers to export performance among SMEs in Tanzania. Based on both the conceptual framework and literature, the assumption was that barriers are patterned in the way that one of the three categories, especially: companies' export competencies, export market characteristics, and national business environments will have significantly experienced impact on export performance. In turn, even innovative interventions would be selected targeting one of the three categories of factors that appear to expose SMEs to a risk of not performing well in terms of export. Findings have shown that even without a hypothetical pattern (which could allow generalization) some barriers on all the three hypothesis have significant impact while some have insignificant impact. Equally, the study noted that the influence of all the barriers do not show direct relationship, which implies that the context has an important influence on barriers. In other words, it may not be surprising to get different findings on the same sample when there are some changes in policies, laws, or even economies of both the export market country and the country in which SMEs targeting export markets operate.

Informed by findings, it is practicable to ground the discussion that all the three categories of barriers have influence on the export performance among SMEs. However, not all the barriers are equally influential. Also, one must note that the factors relate and work in an overlapping way and are interdependent in terms of their impact on SMES. This means that SMEs are likely to perform better in terms of export if they are financially stable, have adequate capital, and improved technology used in production and operations. One neglected factor, which needs to be considered when considering any other factors are the collective attitudes of SMEs owners and managers regarding the government and its role, foreign market, as well as their own business missions and visions. In this respect, the study concludes that the classification of barriers may not sufficiently show which set of barriers need closer attention as different barriers in the same category have significantly different influence. Thus, it is much important to focus on specific individual barriers regardless of their categories.

Based on the findings and conclusion delivered, the study recommends that more interventions that focus on changing the attitude of SMEs' owners and managers about the nature and character of the export market rather than how the export market itself behaves is highly needed. It is also recommended that SMEs development stakeholders take at consideration creating better business environments for SMEs, especially related to taxation, access to finance, simplified business formalization and export procedures, and making easy the travel and exporting process as a way of speeding up engagement of SMEs in export. Finally, the study recommends for a national wide baseline survey that should provide data on SMEs attitudes on export and export barriers in Tanzania.

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