Assessment of Barriers to Small and Medium Enterprises from Engaging in Export Business in Case of Mekelle City, Ethiopia

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Abstract

The overriding purpose of this study was to assess the barriers that hinder small and medium enterprises (SMEs) from engaging in export business in the case Mekelle city Ethiopia. The study employed both descriptive and explanatory research design. 252 SMEs were taken as total population, from these 155 sample respondents were selected from three types of business by using a proportionate stratified random sampling technique. To collect relevant data, this study used both questionnaires and interviews; then, data collected through questionnaires analyzed using descriptive and inferential statistics and presented through tables and figures. Hypotheses were developed and tested. To examine the relationship between the dependent and independent variables multiple regression employed and analyzed with the help of SPSS version 16. Multiple regression results revealed that the independent variables i.e. financial, informational, marketing, functional, procedural, and governmental barriers explain 50.3% of the dependent variable i.e. export business engagement. Moreover, the independent variables such as financial, marketing, functional, procedural, and governmental barriers founded to be significant barriers impeding SMEs from engaging in export business. However informational related barrier was founded to be an insignificant barrier. Finally, to overcome the identified barriers, the researcher recommended both the runners of SMEs and the government bodies. Greater efforts is required from runners to get adequate finance, government bodies should provide assistance to SMEs through continuously monitoring the environment, strengthening lending institutions, and formulating appropriate policies that encourage small business get involved in export business.

INTRODUCTION

1.1 Background of the Study

In today's world, many countries are pursuing export-led growth strategies (Al-Aali, Lim & Al-Aali, 2012). Especially, in the expansion of globalization and economic integration among countries, exporting has become an important internationalization strategy for businesses and national economies (Jalali, 2012). As pointed out in the study made by Kabiri and Mokshaphaty (2012), export is an important phenomenon for the worldwide economic growth and its importance has continued as hot issue for centuries. Moreover, they define export as an international trade whereby goods produced in a certain country and shipped to some other country. Traditionally, SMEs well recognized in their local economies only, however, nowadays they have had significant success in global markets and contribute significantly to total exports. This shifting role has made them significant contributors to the economic growth and development of many countries (Ruzzier, Hisrich & Antoncic, 2006).

In most developing countries, SMEs constitute the bulk of the industrial base and contribute significantly to their gross domestic product (Sampath & Nagar, 2006). As Gunaratne (2009) has pointed out, SMEs are of great importance to the expansion of export earnings in developing countries, and the finding of this study shown that high percentages of SMEs fail to enter foreign markets due to their inability to overcome the entry barriers. According to Leonidou (2004), barriers to exporting include those problems and constraints that face and hold back a firm's ability to start, develop, and continue business activities in foreign markets. The study made by Okpara and Koumbiadis (2009) indicated that SMEs who want to participate in export markets confronted by various obstacles includes lack of finance, lack of qualified personnel, fear of foreign competition, lack of productive capacity, poor infrastructure, corruption, and general lack of knowledge on how to export.

In Ethiopia, given the limited size of local markets and the need to generate foreign exchange, there is an apparent focus on export industries (Altenburg, 2010). The major emphasis with this strategy is focusing on high-value agriculture and agro processing industries. To this end, export industries are getting benefit from favorable land lease rates, tax incentives, subsidies for participation in trade fairs and international missions, and other services (Altenburg, 2010). Furthermore, as per federal micro and small enterprise development strategy of Ethiopia (1997) one of the objectives of the national micro and small enterprise strategy was designing and developing mechanisms that will help SMEs participate in export market especially in textiles, leather and leather products, and horticulture in which the country has comparative advantages. However, SMEs are not directly engaging in export activities; this may be because of internal or external barriers that hinder them from engaging

in export business.

Particularly, Mekelle region presents potentially advantageous possibilities for investors in export-oriented agro-processing, mining, favorable agro-climatic conditions; the availability of appropriate land plots and the proximity to export markets provide an attractive opportunity for growing selected varieties of fruit and vegetables for the Middle East and European markets (Cannon, 2009). Having the favorable conditions the SMEs that are available in Mekelle city are not engaged in export activities. Therefore, this study may have its own contributions to the concerned stakeholders by identifying significant barriers that are hindering SMEs from engaging in export business in Mekelle city.

1.2 Statement of the Problem

Exporting is one of the most common modes of entry into global markets. While, exporting can offer many benefits to smaller enterprises, a large number of these firms refrain from export operations because of insufficient stimulation (Leonidou, 2007). Currently, many nations have in place measures aimed at stimulating many of their SMEs to get involved in export business. Within this understanding, the general objective of most of the countries today is to find ways to increase exports. It can realize either by encouraging exporting SMEs to export more or by instigating non-exporters to start exporting. However, SMEs with the intention of export face various difficulties in gaining international competitiveness (Kabiri & Mokshapathy, 2012). Particularly, this is true for most developing countries because, high percentages of SMEs failed to enter foreign markets due to their inability to overcome the entry barriers (Gunaratne, 2009).

Likewise, in Ethiopia the government encourages companies that participate in export activities by giving incentives-tax holidays for exporters and tax-free import of machinery and support services to boost export (Altenburg, 2010). In line with the basic tenets of Agricultural Development Led Industrialization (ADLI) Ethiopia has enacted an industrial development strategy that aims at attaining the international competitiveness of the sectors, in view of the competitive global environment (Ethiopia foreign trade promotion manual, 2007). To achieve this, the government has been exerting at most effort to bolster the export sector. In doing such, the challenge facing the country is to increase the pace of the growth of exports.

As shown by different researchers, in overcoming this challenge and boosting export development, SMEs play crucial roles in both developed and developing countries. For instance, the research finding of Abassi (2012) indicated that SMEs has great importance to the expansion of export earnings in developing countries like Sri Lanka. Similarly, the study made by Alrashidi (2011), shown that between 25 to 35 per cent of world manufacturing exports contributed by SMEs. Moreover, as stated in the work of Jalali (2012), exporting has been the most popular and fastest-growing mode entry in international market, especially by SMEs, since it does not need many resources and is associated with less risk in comparison to other entry modes to foreign markets

Having these benefits, many researchers pointed out SMEs encountered by numerous export barriers when they are initiating to enter in export business as well as after engaging in export business. For instance, the study of Leonidou (2004) state that, SMEs are encountered by barriers associated with organizational resources/capabilities, company approach to export business, and external, barriers stemming from the home and the host environment within which the enterprises operates. Moreover, the research finding of Okpara and Koumbiadis (2009) indicated that SMEs who want to participate in export markets facing various obstacles. These barriers include lack of finance, lack of qualified personnel, fear of foreign competition, lack of productive capacity, poor infrastructure, corruption, and general lack of knowledge on how to export. Furthermore, studies done by (Owens, 2007; Kriauciunas, Mockaitis and Bahl, 2010: Kabiri and Mokshapathy, 2012; Jalali, 2012), also evidences for SMEs are hampered by different barriers from export business engagement and development.

Likewise, in Ethiopia, even if micro and small enterprise strategy designed and developed in the way that can help MSEs participate in export market in which the country has comparative advantages (Micro and Small Enterprise Strategy of Ethiopia, 1997). They are engaged in domestic market and do not export their products directly to foreign markets; instead, export done by a handful of large firms. Therefore, it may create the question why SMEs are not getting involved in the export business. In this respect, as aforementioned studies conducted but most of these studies conducted in developed country and only a few have been in developing countries. Similarly, in Ethiopia, to the best of the researcher's knowledge, studies regarding with the barriers hindering SMEs from engaging in export business seems lacking. Therefore, this study focused on the barriers that hindering SMEs from exporting. To do so, the researcher tried to assess the following variables: financial, informational, marketing, and functional barriers as internal barriers and procedural, governmental barriers as external barriers.

The general objective of this study was to assess the barriers that hampered the small and medium enterprises from engaging in export business in the case of Mekelle city.

2. EMPIRICAL LITERATURE REVIEW AND HYPOTHESES

As per the revised micro and small enterprise, strategy of Ethiopia published in (2011) small enterprises refers to a business enterprise, which employs 6-30 labor force and/or the monetary value of the enterprise's total assets

ranging from 100,001–1,500,000 birr. However, there is no clear distinction between small and medium, and medium with large enterprises in terms of capital and number of employees. Export barriers refer to those constraints that obstruct a firm's efforts to get involved in overseas markets through exporting (Leonidou, 2004). Cavusgil, and Leonidou, (1984, 2000, cited in Yannopoulos & Kefalaki, 2010), classified export barriers into two broad categories; internal export barriers involving organizational resources and capabilities and external export barriers including barriers pertaining to the home and host countries in which the firm is doing business

Functional or Operational Barriers

Leonidou (2004) relate functional barriers to inefficiencies of the various enterprise functions, such as human resources, production capacity, and finance, with regard to exporting. According to Khattak, Arslan and Umair (2011), functional barriers related to the capacity of SMEs such as shortage of working capital to finance export, lack of excess production capacity for exporting, inadequate personnel, and lack of managerial time to deal with exports, inadequate or untrained personnel for exporting. Similarly, as per Gunaratne (2009), the operational dimension barriers consist of four variables that are more aligned to export capacity such as limited production capacity, shortage of funds to finance export operations unfamiliar foreign business practice, lack of staff with experience in exports, and lack of time for the owner-manager to deal with exports. Grimsholm (2010), pointed out SMEs had problems to select the right technology such as new machinery for their company which is due to poor access to information, limitations in finance and lack of management capabilities.

H1: *Functional barriers have a significant effect on export business engagement*

Financial Resources Barriers

According, to Bloodgood, Christ, Cook, Cruz, Ferrantino, Fravel. Wohl (2010), a number of factors can motivate SMEs to become global; for instance, small firms may have the desire to grow by expanding beyond the domestic market. However, export business activities require significant financial commitment on the part of SMEs. Activities like to participate in foreign trade missions, selecting foreign distributors, developing marketing promotion programs for foreign markets, and traveling and visiting major potential customers require financial resources. SMEs are generally not only small, but they also tend to have limited resources; and this creates a major obstacle in terms of developing export trade activities (Nwachukwu et al., 2006/7). In many business studies, financial resource recognized as the most important factor determining the survival and growth of SMEs in both developing and developed countries. Prior studies result (for instance, Tesfom and Lutz, 2006; Ahmed, Julian and Mahajar 2008; Okpara and Koumbiadis 2009) identified the following barriers as the most common cited financial related barriers. Inability of the enterprise to self-finance export business, difficulty in acquiring both short and long term loans, difficulty in financing export business because of the presence of high interest rate, low financial credibility of the enterprise from creditors, and lack of financial resources to conduct market research in overseas markets..

H2: *Financial barriers have a significant effect on export business engagement*

Marketing Barriers

Marketing barriers are barriers related with of the following factors; inability to meet packaging standards, an inability to develop high quality new products, unfamiliar distribution channels overseas, and difficulty in managing advertising and promotion, low image of products in foreign markets (Gunaratne, 2009). Researchers have been identified several other marketing barriers that can inhibit exporting. For instance, Ahmed et al. (2008) identified inability of exporters to meet the competitive prices of overseas suppliers and the high shipment costs involved in selling to foreign markets were particularly important marketing barriers to export. Likewise, in the study of Djebarniand and Al-Hyari (2009) the following variable were identified under marketing barriers: developing new products for foreign markets, meeting export product quality or standards, difficulty complexity of foreign distribution channels, in matching competitors' prices, obtaining reliable foreign representation unavailability of warehousing facilities abroad, excessive transportation and insurance costs, adjusting export promotional activities.

H3: *Marketing barriers have a significant effect on export business engagement*

Governmental Barriers

As per the work of Grimsholm (2010), the significance of SMEs within an economy emphasizes the importance of having governmental policies that support SMEs; issuing regulations that help them and their ability to operate efficiently and regulations that imply low administrative costs. So that, there has been an increase in governmental policies promoting and supporting SMEs in order to achieve economic growth and reduce poverty but there is still a lack of laws and access to assistance from governmental agencies. In study of Djebarni and Al-Hyari, (2009), lack of the home government, assistance or incentives and unfavorable home rules and regulations identified as the significant barriers. Moreover, they suggested that procedures and trade documentation, general national export

policy, the relatively high value of the domestic currency or foreign exchange controls in the targeted country and complex foreign import regulations, lack of governmental assistance for export companies, contribute to building higher barriers and hinder the free flow of trade are governmental barriers.

H4: Governmental barriers has a significant effect on export business engagement

Informational Barriers

Leonidou (2004) defined informational barriers as the problems in identifying, contacting, and selecting international markets due to information inefficiencies. Many small firms are not familiar with national and international sources of information even when they are aware about the sources of information and have access to it; they confronted by complexity with data retrieval. In addition to these, they do not have a clear knowledge what specific information are necessary, predominantly concerned with the identification, analysis and entry into overseas markets. Consequently, the firm's progression in exporting becomes too risky (Leonidou, 2004). Nwachukwu, Andrews, Yigletu and Muhammad, (2006/7) and Gunaratne (2009), acknowledged information related barriers are one of the most significant reasons why many small businesses fail to take advantage of export opportunities. Moreover, they comprised the following items as informational related barriers; lack of reliable data on market potential, difficulty to access market data, lack of information on contact persons, and inadequate information regarding how or where to get loans to finance export.

H5: Informational barriers a significant effect on export business engagement

Procedural Barriers

Another factor that recognized to limit export activities are factors pertaining to procedural barriers. Procedural barriers relate to the activity itself, which could have their origins either in the firm's domestic market or in the foreign markets, documentation requirements and red tape. The need to adapt products to the requirements of the different foreign markets transportation and distribution difficulties in foreign markets and domestic markets have been found to limit the ability of exporters and the difficulty of finding a trustworthy distributor in the target country (Okpara & Koumbiadis, 2009).

As indicated in the study of Okpara and Koumbiadis (2009), one of the most things mentioned by the respondents as major obstacles to exporting concerns the time, domestic market regulations and paperwork required complying with foreign and governments do not exclusively impose these procedural requirements. In addition, independent organizations such as banks, and insurance companies, have their own procedures. Reduction in time a paperwork requirement may encourage non-exporters to engage in export markets. As far as procedural related barriers concerned Ahmed et al, (2008) finding showed that lack of knowledge about exporting procedure, lack of understanding regarding export payment procedures and difficulties in locating foreign markets, were the major problems inhibiting firms from initiating exporting.

H6: procedural barriers have a significant effect on export business engagement
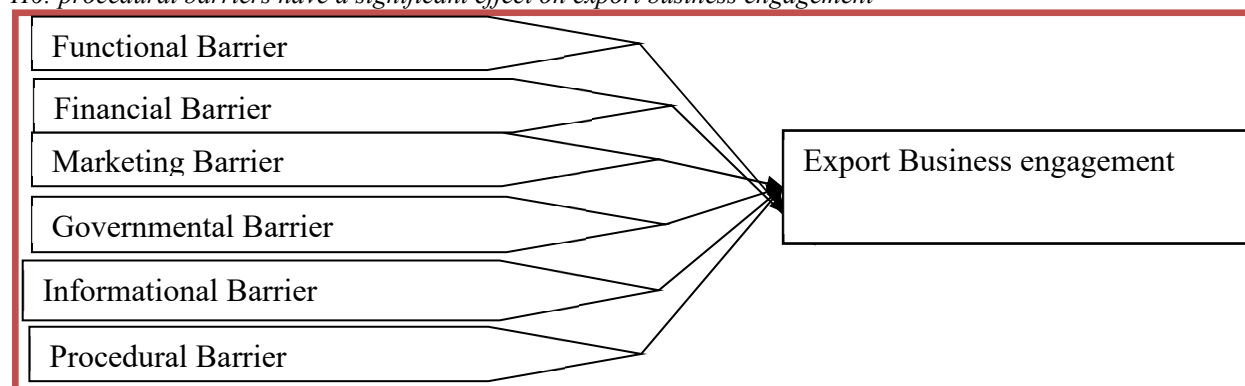

Figure 1 Conceptual Framework of the Study
Source: Researcher's Own Design based on Literature Review

3. RESEARCH METHODOLOGY

Target Populations, Research Design, Simple Size, and Sampling Technique: The target populations of the study were those SMEs found in Mekelle city. This study employed both a descriptive and explanatory research design. . In this study, both qualitative and quantitative approaches used because, employing a mixed approach can offset the biases of applying any of a single approach. According to Yamane (1967), there are three criteria that usually need to be specified to determine the appropriate sample size; a level of precision, level of confidence, and a degree of variability. So that given the three criteria, the sample size is determined based on the following simplified formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = sample size, N = the population size, e = level of precision (A 95% confidence level or = 0.05% level of precision was assumed for determining sample size for this study). Accordingly, the sample size of the study calculated as follows.

$$= \frac{252}{1 + 252(0.05)^2} \qquad \text{n= 155 enterprises}$$

Since the targeted SMEs stratified in different sectors, this study used a proportionate stratified random sampling technique to select sample respondents from each business type. Finally, to reach the ultimate respondents simple random sampling technique was applied.

Data source and data collection instruments: To collect reliable data from the target population, primary data obtained from managers/ runners or owners of SMEs through a questionnaire, and interview conducted with the manager of Mekelle city micro and small enterprise office officer. Five-point Likert scale questionnaires were used with responses ranging from "very low" up to "very high" that express extent to which various barriers hamper SMEs from going to export business.

Methods of Data Analysis: The collected data were analyzed using descriptive data analysis tools such as percentage and frequency and multiple regression was employed to investigate the relationship between dependent variable independent variables. Statistical Package for Social Science (SPSS) version 16 was used for data analysis. Based on the variables discussed in the literature the following mathematical model was developed

$y = a + B1X1 + B2X2 + B3X3 + B4X4 + B5X5 + B6X6 \ldots \mu t$

Where,
☞ Y-=dependent variable (Export Business engagement)
☞ a= Constant
☞ B_1, B_2……B_6=coefficients
☞ X_1, X_2…X6 = independent variables X_1: Functional barriers; X_2: Financial barriers; X_3: Marketing barriers; X_4: Governmental barriers; X_5: Informational barriers; X_6: Procedural barriers and μt = Random Error
Reliability Test: The researcher conducted a pilot test to assess the reliability of the instrument by taking 20 respondents randomly, which are not part of the study. As it is displayed in table 1 each variable Cronbach's Alpha is above 0.7 and the overall Cronbach's Alpha is above the expected one (Sekaran,2003).

Table 1: Reliability Test

Item-Total Statistics	
Variables	Cronbach's Alpha
Export business engagement	0.758
Finance barrier	0.791
Functional barrier	0.743
Marketing barrier	0.792
Procedural barrier	00.791
Informational barrier	0.706
Governmental barrier	0.706
Overall Cronbach's Alpha	0.780

Source: Own Survey Result, 2013

4. DISCUSSION AND RESULTS
Analysis of Demographic Characteristics of the Respondents
Table 2 Year of Experience in Business

Experience	Frequency	Percent	Cumulative Percent
Less than 5 years	76	51.0	51.0
6-10 years	56	37.6	88.6
11-15 years	9	6.0	94.6
16-20 years	2	1.3	96.0
Above 20 years	6	4.0	100.0
Total	149	100.0	

Source: Own Survey Result, 2013

As it can be clearly seen from Table 2 above, 51.0% of the surveyed enterprises have less than five years of experience, while the remaining 37.6%, 6.0%, 1.3%, 4.0% asserted that they had the experience of 6-10 years, 11-

15 years, 16-20 years, above 20 years, respectively. These descriptions, indicate that the majority of the surveyed enterprises are less experienced in businesses. Therefore, since the surveyed enterprises had less experience in business, one may infer that these businesses were not engaged in export business due to less experience.

Table 3Types of the Businesses

Sector	Frequency	Percent	Cumulative Percent
Urban agriculture	74	49.7	49.7
Manufacturing	49	32.9	82.6
Trade	26	17.4	100.0
Total	149	100.0	

Source: Own Survey Result, 2013

As depicted in Table 3 above, the type of businesses in which the research was conducted were three, consisting of manufacturing, urban agriculture and trading exportable items. 49.7% of enterprises are from urban agriculture, while the remaining 32. 9 % and 17.4% are from manufacturing, and trading exportable items respectively.

Table 4 Educational Status of the Respondents

Level of education	Frequency	Percentage
No formal education but can read and write	15	10.07
Primary education	49	32.89
Secondary education	54	36.24
College diploma	23	15.44
Bachelor degree	8	5.37
Above		0

Source: Own Survey Result, 2013

Table 4 above shows the educational qualification of the respondents, 10.07% the respondents categorized under no formal education but they can read and write, 32.89% had primary education level, 36.24% of them categorized under a secondary education level, and while the remaining 15.44% and 5.37% of respondents' had college diploma and bachelor degree respectively. From these descriptions, one can easily notice most of the respondents have low levels of educational status. In this respect, Maslach (cited in Owens, 2007), stated that advanced education is best when entering global markets since it can increase the chance of success in those markets.

Table 5 Range of Capital of the Enterprises

Range of Capital in Birr	Frequency	Percent	Cumulative Percent
100,001-500,000	81	54.4	54.4
500,001-1,000,000	33	22.1	76.5
1,000,001-1,500,000	32	21.5	98.0
Above 1,500,000	3	2.0	100.0
Total	149	100.0	

Source: Own Survey Result, 2013

Table 5 above, more than half (54.4%) of the enterprises have an investment size that ranges from Birr 100,001-500,000, while the remaining 22.1%, 21.5%, 2.0% categorized under the range of 500,001-1,000,000, 1,000,001-1,500,000 and above 1,500,000 Birr respectively. From this figure, one can note that the majority of the surveyed enterprises has low level investment, this implies the operation of export business could be difficult for such enterprises due to capital constraint. In this respect, according to Nwachukwu et al. (2006/7), export requires significant capital or financial commitment on the part of the small business.

Inferential statistics
Multiple Regression assumption Tests
The researcher has tested the following assumptions as a preliminary requirements for the multiple regression model.

Normality test

Table 6 Normality test using skewness and kurtosis

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Functional barrier	149	-.309	.199	-.321	.395
Financial barrier	149	-.107	.199	.196	.395
Marketing barrier	149	-.120	.199	-.616	.395
Governmental barrier	149	-.540	.199	1.268	.395
Export Business engagement	149	-.116	.199	-.554	.395
Informational barrier	149	.102	.199	.785	.395
Procedural barrier	149	-.008	.199	-.685	.395
Valid N (listwise)	149				

Source: Own Survey Result, 2013

Skewness and Kurtosis values give information about the distribution of scores each variable. The normal distribution is symmetric has a skewness of zero. On the other hand, kurtosis is a measure of the extent to which observation cluster around a central point. For a normal distribution, the value of the kurtosis is zero. Chris (2008) stated that the acceptable range for skewness and kurtosis is ±3. Thus, as the above table elucidates that the data is normally   distributed.

Linearity test

One of the assumptions of multiple regression is that the dependent variable is a linear function of the independent variables. Therefore, checking the linearity between variables can be done by plotting the independent variables against the dependent variable. Therefore, figure 2 shows the relationship of independent variables with the dependent variable is linear.
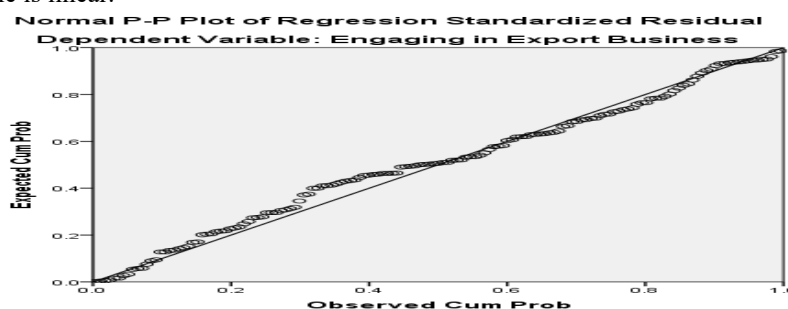
Source: Own Survey Result, 2013
Figure 2 Linearity plot

Collinearity Test

Table 7: Collinearity Statistics

Independent variable	Tolerance	variance-inflating factor VIF
Functional	.865	1.156
Financial	.972	1.029
Marketing	.453	2.207
Governmental	.525	1.905
Informational	.977	1.023
Procedural	.756	1.323

Source**:** Own Survey Result, 2013

Multicollinearity is a high degree of correlation among several independent variables. A situation in which there is a high degree of association between independent variables is said to be the problem of multicollinearity, which results in large standard errors of the coefficients associated with the affected variables. According to Gujarati (2004), if the variance-inflating factor (VIF) of a variable exceeds 10, the variable is said to be highly collinear. Moreover, the closer tolerance is to 1, the greater the evidence that predictor is not collinear with the other predictor. To this end, as depicted in table 7 the output of multicollinearity test, which shows that there is no multicollinearity among independent variables as all VIF values are under 10.

The Durbin Watson d Test

Other criteria for multiple linear regression models, it assumes that the residuals are independent of one another. To this end, according to Gujarati, (2004). Durbin-Watson statistic test is very important to check residuals are independent (or uncorrelated) or not. The Durbin Watson d=1.73, which is between the two critical values of 0 and 4 (0 < d< 4) (Gujarati, 2004), and therefore as shown in table 8 one can understand that there is no first order linear autocorrelation in our multiple linear regression data.

Table 8 Durbin Watson d Test

Durbin-Watson
1.73

Source: Own Survey Result, 2013

Multiple Regression Result

Table 9 Multiple Regression Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.723[a]	.523	.503	1.50117	1.730
a. Predictors: (Constant), Procedural, Financial, Informational, Functional, Governmental, Marketing					
b. Dependent Variable: Engaging in Export Business					

Source: Own Survey Result, 2013

Coefficient of correlation(R) is the correlation between the dependent variable and the independent variables and is simply a measure of the degree of (linear) association between the dependent variable and the independent variables. Adjusted R square Coefficient of determination tells what proportion of the variation in the dependent variable is explained by the explanatory variables (Gujarati, 2004). To this end, table 9 shows that the multiple linear regression model summary and overall fit statistics. It indicates that the adjusted R^2 of model is 0.523 with the adjusted $R^2 = 0.503$. This means that the linear regression model with the independent variables i.e. financial, informational, marketing, functional, procedural, and governmental barriers explains 50.3% of the variance of the engaging in export business

Table 10 ANOVA Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	351.356	6	58.559	25.986	.000[b]
	Residual	320.000	142	2.254		
	Total	671.356	148			
a. Dependent Variable: Engaging in Export Business						
b. Predictors: (Constant), Procedural, Financial, Informational, Functional, Governmental, Marketing						

Source: Own Survey Result, 2013

Table 10 shows that the F -test, or ANOVA. The F- Test is the test of significance of the multiple linear regression. The most important part of the fitness of the model is the ANOVA table best known as the global F – test. The F- Test (25.986) and the p-value of zero, reveal that the null hypothesis that all of the coefficients are jointly zero should be rejected. Thus, one can assume that there is a linear relationship between the variables in the model. It implies that the independent variables in the model were able to explain variations in the dependent variable

Table 11 Coefficients of the Regression Analysis

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.028	1.196		4.203	.000		
	Functional	-.192	.038	-.312	-5.003	.000	.865	1.156
	Financial	.142	.038	.222	3.775	.000	.972	1.029
	Marketing	.436	.041	.905	10.519	.000	.453	2.207
	Governmental	-.351	.052	-.541	-6.762	.000	.525	1.905
	Informational	-.071	.039	-.108	-1.839	.068	.977	1.023
	Procedural	.112	.046	.164	2.456	.015	.756	1.323
a. Dependent Variable: Engaging in Export Business								

Source: Own Survey Result, 2013

Table 11 shows that the multiple linear regression coefficient estimates including the intercept and the significance levels. As seen in Table 11, functional, financial, marketing, governmental, and procedural related barriers have a significant effect on engaging in export business at 5% significance level. However, informational related barrier has insignificant effect on engaging in export business.

As Table 11, portrayed functional barrier hampered an engagement in export business with a coefficient of -0.192 and p – value 0.00. This means, for a unit change in the functional barriers for the SMEs, its engagement changes by -0.192. This result is consistent with the finding of Mpinganjira (2011), Leonidou (1994) and Owens (2007), who rated functional barrier such as lack of personnel knowledgeable in exporting and insufficient knowledge about export opportunities; lack of experience in planning and performing export operations as the severe impediment.

Table 11 shown that financial barrier is one barrier for an engagement in export business with a coefficient of 0 .142 and p – value 0.00. Moreover, interview was conducted accordingly financial resource barriers were ranked as the first major barrier. This finding is congruent with the findings of Bloodgood et al. (2010), Okpara and Koumbiadis (2009), Nwachuwu et al. (2006/7) who identified difficulty in obtaining finance or working capital; inability to self-finance export business and lack the financial resources to develop export trade activities as a major financial related barriers impeding export business engagement.

As depicted in Table 11 marketing barrier is one barrier for an engagement in export business with a coefficient of 0 .436 and p – value 0.00. Moreover, interview was conducted accordingly marketing barriers were ranked as the second major barrier. Congruently, Ahmed et al. (2004) and Tesfom and Lutz (2006) and Gunaratne (2009 identified barriers such as inability to develop high quality new products, inability to meet packaging standards, unfamiliar distribution channels overseas, difficulty in managing advertising and low image of products in foreign markets as marketing barriers.

Governmental related barriers affect an engaging in export business with a coefficient of -0.351and p – value 0.00. Moreover, interview was conducted accordingly government related barriers were ranked as the second major barrier. As the belief of interviewees, government supports have a significant effect on the overall SMEs growth and prosperity. In this thought government play, a great role and struggling in order to lower the financial barriers faced SMEs. Given this support of the governmental administration, the major problems identified by the interviewees were attitudinal barriers (managers have mental barriers (exaggerating) to foreign operation), functional barriers (human resource, capacity related problem), marketing related barriers (product related problems) and informational related barriers. Correspondingly, the findings of Grimsholm (2010) and Alrashidi (2011) shown that government hampers export business engagement in the form of lack of clear and fair laws; lengthy administrative procedures; lack of assistance from governmental agencies and lack of sufficient financial support from the government.

Informational related barriers is founded to have an insignificant effect with coefficient of -0 .071 and p – value .068. This finding is inconsistent with the finding of Nwachukwu et al. (2006/7) lack of awareness about the benefits of export business hinder non-exporting firms from engaging in export business. As depicted in Table 11 procedural related barriers affect an engaging in export business with a coefficient of 0.112 and p – value 0.015. Similarly, the finding of Tesfom and Lutz (2006) cited export procedure as one of the most obstacles with regard to exporting engagement.

Hypothesis Testing
Table 4.12: Summary of Hypothesis Testing

s.n	Hypotheses	Beta	Sig.	Results
1.	H1: Functional barriers have a significant effect on export business engagement	-.192	.000	Accepted
2.	H2: Financial barriers have a significant effect on export business engagement	.142	.000	Accepted
3.	H3: Marketing barriers have a significant effect on export business engagement	.436	.000	Accepted
4.	H4: Governmental barriers has a significant effect on export business engagement	-.351	.000	Accepted
5.	H5: Informational barriers a significant effect on export business engagement	-.071	.068	Not accepted
6.	H6: procedural barriers have a significant effect on export business engagement	.112	.015	Accepted

Source: Own Survey Result, 2013

Hypothesis 1 was supported at 5% significance level with a coefficient of -0.192 and p – value = 0.00. This

is in line with prior study Khattaket al. (2011) who identified as poor production capacity, inadequate personnel, lack of management time to deal with exports, inadequate or untrained personnel for exporting and lack of excess production capacity for exporting as functional barriers. Hypothesis 2 was supported at 5% significance level with a coefficient of 0.142 and p – value = 0.00. Congruently, Nwachukwu et al. (2006/7) came up with the same result that means large number of non-exporting firms noted that their firms lack the financial resources to develop export trade activities. Due to this shortage of financial resources or inability to self-finance export business they are not engaging in export business.

Marketing barriers have a significant effect on export business engagement. This hypothesis was supported at 5% significance level with a coefficient of 0.436 and p – value = 0.00. In line with this, Ahmed et al. (2004) and Tesfom and Lutz (2006) founded that the difficulty in matching competitors' prices in international markets as a significant barrier to export engagement. Hypothesis 4 was supported at 5% significance level with a coefficient of -0.351and p – value = 0.00. This study is consistent with the finding of Owens (2007) that says lack of financial support in the form of government acted as a major barrier to SMEs export business engagement.

Informational barriers a significant effect on export business engagement. This hypothesis was not supported at 5% significance level since p-value 0.068, which is greater than 0.05. This study is in contrary to Gunaratne (2009) which sates lack of reliable information on market potential labelled as one of the major informational related barriers. The last hypothesis was supported at 5% significance level with a coefficient of 0.112 and p – value = 0.015. Correspondingly, procedural related barriers had been identified by Ahmed et al, (2008) as the major problems inhibiting firms from initiating exporting.

5. CONCLUSION AND RECOMMENDATION

In light of the data analysis and discussion part, the researcher has drawn the following conclusions. Concerning of education level of the respondents, the majority of the respondent had low levels of education status since most of the respondents have secondary education and primary education level. Regarding with the range capital invested by the enterprises, the result showed that there is a low investment size or lack of capital to perform export business activities. From this, it can be concluded that the export business operation could be difficult for these enterprises due to capital constraint, since, export requires significant capital or financial commitment.The adjusted R^2 of the model is 0.523 with the adjusted R^2 = 0.503. This means that the linear regression model with the independent variables i.e. financial, informational, marketing, functional, procedural, and governmental barriers explains 50.3% of the variance of the engaging in export business. From this, one can conclude that, 49.7% of barriers for export business engagement were not by the identified independent variables. The five independent variables (financial, marketing, functional, procedural, and governmental barriers) were found to be significant barriers impeding SMEs from engaging in export business. However informational related barrier was founded to be insignificant barrier.

High emphasis should be given to financial support; it is noticeable finance is a life blood of any enterprises but, the present finding disclosed that the surveyed enterprises were encountered financial barrier therefore, it is better creating short and long-term borrowing facilities for these businesses. Government assistance should not be limited only on financial support but also it should play a pivotal role in strengthening lending institutions and formulating appropriate policies that encourage small business get involved in export business.

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