Gading Business and Management Journal *Vol. 12 No. 1, 23-39, 2008*

Export Problems Among Small and Medium Scale Industries in Klang Valley: A Preliminary Finding

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ABSTRACT

This research aims to identify the severity of the export barriers faced by small and medium scales enterprises (SMEs) in Klang Valley. Ten export barrier were listed and the result shows the five main problems are "Adapt Products"," Fluctuating Exchange Rate", "Lack of Foreign Channels of Distribution", "Risks Involved in Selling Abroad", "Lack of Capital to Finance" and "High Cost of Selling Abroad" regardless of the type of industries. The analysis indicated that the severity of the barriers differs from each industry to another. It is also found that with more years of experience in exporting the weaker will be the barriers since firms are able to cope better and learn from their experiences.

Key words: *small and medium scale industries, export problems, government support programs, Malaysia.*

Introduction

Small and medium enterprises are playing an increasingly important role in the process of export-led industrialization in the developing world.

ISSN 0128-5599

SMEs are the largest group of industrial units in most developing countries and make a significant contribution to manufacturing to manufacturing output and employment. Besides that, SMEs also contributes to the income growth, entrepreneurial training, creation of technological capabilities, greater flexibility to changing market circumstances, job creation and lower wage inequality and dispersion of industries away from urban areas and regional development. SMEs in Malaysia are concentrated in the textile and apparel, food and beverages, metal and metal products and wood and wood products sectors.

Today, SMEs are important to the development of Malaysia's economy. The 2005 census by the Malaysian Department of Statistics (DOS) shows that 99% of the 519,000 business establishments in Malaysia are SMEs. Total employment in SMEs accounted for more than 3 million workers and generated RM 154 billion value-added in 2003. Due to political and economics changes, SMEs in Malaysia have undergone rapid development. Over the years, activities of SMEs in Malaysia have evolved from originally concentrated in the agriculture and general business sectors and later shift to activities related to manufacturing and services sectors. SMEs in Malaysia have evolved to become key supplier and service provider to large corporation. Principally, they have contributed to expanding output, providing value-added activities in manufacturing sectors, creating employment opportunities especially in the service sector and contributing to broadening Malaysian export base.

Other than contribution for internal economic factor, SMEs also contribute to external economic factor or in term of macroeconomic. Exporting, become the big opportunities to SMEs themselves to expand their businesses and also somehow contribute to our economic growth. Through the Census conducted, there are about 4,257 SMEs that are doing exports. These SMEs exported goods and services worth RM38 billion in 2003. This, however, only accounted for 16.6% of the total export value of RM229 billion by these 5,221 businesses. SME exporters were mainly in the manufacturing sector (more than half) and SMEs in this sector contributed about 85.7% of the total SMEs' export value. The remaining SME exporters were in the services (40.6%) and agriculture (1.8%) sectors and contributed 13.9% and 0.4% of the total SMEs' export value, respectively.

Globalization has brought about many changes such as greater access to global market that has allowed countries to increase economic growth and reduced poverty rate. Today the role of SMEs in economic development and intraregional trade and investment is attracting the attention of policy makers through the region. It is acknowledged that, in order for firm to grow it is crucial to develop export market and take the advantage of the cross border trade and linkages that exist in the global market. Despite the fact that foreign market can offer firms better opportunities for long term growth and profitability, previous studies have indicated that the complexities and challenges of the international market inhibits the entrance of many SMEs. Although there was an increased in the knowledge of the SMEs involved in exporting activities, there were few studies that has been done to examine the exporting problems of the SMEs in the Malaysian context. Hence this study was conducted as an attempt to provide an insight into the problems faced by Malaysian SMEs when exporting.

This paper begins with the definition of SME followed by literature review. Next, the methodology will be discussed as well as the result of the study. The paper ends with a conclusion and the limitations encountered while conducting the research.

Definition of SMEs

In Malaysia, SMEs can be defined according to size, turn over and activities. Generally, they can also be defined based on fixed quantitative criteria such as the number of employee, amount of capital, amount of fixed assets and sales turnover. According to Ministry of International Trade and Industry (MITI), an enterprise with an assets or shareholders' fund of between RM 5000, 000 to RM 2.5 million and employ full time employees of between 5 to 100 employees. On the other hand the Secretariat to National SME Development Council of Bank Negara Malaysia (2005) classified and defined SME in Malaysia as: *Primary* agriculture; enterprise with full-time employees not exceeding 50 or annual sales turnover not exceeding RM5 million. The *Manufacturing* (including agro-based) enterprise is an enterprise that has full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million. *Services* enterprise is considered a SME when it is with full-time employees not exceeding 50 or annual sales turnover not exceeding RM5 million.

SMIDEC defines SMEs in the following ways: small-sized business enterprise is an enterprise with a paid-up capital of less than RM500 000 and employs full time employees not exceeding 50 persons. The medium-sized business is an enterprise with a paid-up capital of RM500 001 to RM2.5 millions and employs full time employees of between 51 to 75 persons.

Literature Review

Malaysian government has been paying greater attention to SME in the last 30 years. NEP (New Economic Policy) aims at accelerating the process of restructuring Malaysia society by correcting the economic imbalance so as to reduce and eventually eliminate the identification of race with economic function. One of the strategies for achieving this objective is the promotion of small industry. Renewed again in the recent decade, a clear policy for accelerating the development of SMEs has been charted through specific strategies outlined in the Second and Third Industrial Master Plan as well as in the Eight and Ninth Malaysia Plan.

Exporting is considered the most common mode of entry into international business among SMEs. Exporting firms as those that have exported over the last three years and that their exporting sales represent at least one percent of their gross annual sales Ogram (1982). Exporting considered the most common mode of entry into international business among SMEs. Smaller firms recognise the opportunity offered by global market increasingly important to the success to their operations. Most SMEs produced a service or product that could be competitive in international market but unsure of the appropriate strategy for entry. Hence this study will highlight the obstacles encountered by SMEs and therefore would help them to internationalised their operation in order to compete in the global market.

Problems of Exporting for Small Firms

Although exporting appears to be attractive to SMEs, previous empirical studies have indicated that exporting firms faced various obstacles. An earlier study by Alexandrides (1971) concluded that high intensity of competition in foreign markets, little knowledge of exporting activities, insufficient understanding of export payment procedures, and difficulties in identifying foreign market opportunities were the major reasons for the failure of firms to initiate exporting.

In discussing the general problems faced exporting small firms, Bilkey (1978) discovered some of the significant were: (1) high risk; (2) insufficient financing; (3) protective foreign government regulations; (4) inadequate distribution channels; (5) insufficient knowledge of marketing opportunities abroad; (6) difficulties in understanding foreign business practices; (7) difficulties in conforming to foreign product standards and specifications; (8) difficulties in collecting payments from foreign customers; (9) inadequate representation in foreign markets; and (10) lack of foreign marketing connections.

In a survey by Bauerschmidt et al. (1985) it is also found various reasons why firms failed to export. Those included: (1) the high value of US dollar relative to foreign currencies; (2) high transportation costs; (3) high risks involved in selling abroad; (4) high foreign tariffs on imported products; (5) lack of capital for foreign expansion; (6) lack of government assistance; (7) competition from local firms; (8) lack of foreign channels of distribution; and (9) language and cultural differences.

a. Lack of Foreign Channels of Distribution

Distribution has been a major problem area in exporting (Christensen et al., 1987). Many SMEs in developing countries lack information about marketing channels and fail to establish marketing networks. Even after a systematic study was conducted to identify target markets and opportunities, locating suitable foreign contacts and/or partners was difficult. Several respondents representing firms that are successfully engaged in licensing arrangements and joint ventures felt that an unexpected amount of time and money was spent in pursuing partners that later proved incompatible with their needs, interests, or values (Klatt, 1994).

b. Language and Cultural Differences

Communication appears to present problems to many SMEs whatever the mode of internationalisation adopted. This area includes a broad category encompassing language related issues as well as the more practical issues to do with time zones and communication infrastructure. The issue of communication with the export market has been a problem for firms of all sizes for a long time.

However, a study by *Katsikeas and Morgan* (1994) elaborated on this and found that it is the smaller firms that identified communications as being the greater problem. Financial sacrifices in the communication budgets that smaller firms make doubtless imply that problems may be encountered in ongoing export activities. It was also found that adjusting to different cultures, including business customs and attitudes in foreign markets was also mentioned as a second major problem to Korean small and medium sized manufacturing firms (Weaver and Pak, 1990): sixty five percent of the sample reported at least some problems in this regard.

c. Competition from Local Firms in Foreign Markets

In principle competition should not be considered a barrier if no information asymmetries existed among competitors in the market. However, in practice information on export opportunities is costly and not easily available. Furthermore, the type of competition perceived by a firm affects its interest in exporting. In the reviewed literature competition in both foreign and domestic markets was consistently seen as a serious obstacle to exporting.

d. High Risk Involve in Selling Abroad

Handling international operations involve a list of risks that are certainly higher for SME than for large transnational organizations for instance. That can be materialized in higher costs (ocean freight, logistics fees, insurance, non-payment risk, banking fees) and lower profits realized in export transactions (exchange rates floating, cash flow issues), sometimes still pressured by low value added products traded (Netto, 2005).

SMEs are estimated to be more numerous in importing than exporting due to the higher costs (transport, insurance, non-payment risk) and lower profits realized in export transactions. The average foreign trading company is smaller than a manufacturing firm, employing less staff. With fewer fixed assets to offer as collateral, it often faces problems maintaining financial liquidity. Financial risk is a related area and appears to be a material issue.

e. Lack of Capital to Finance Expansion into Foreign Markets

A sound financial position is one of the keys to secure price advantage in the target market. Many SMEs in developing countries run into problems for lack of timely and adequate working capital, which not only adds costs but can also endanger the entire production operation (Weaver and Pak, 1990; Kaleka and Katsikeas, 1994). According to Klatt (1994) two third of the despondence stated that entering the international arena was more expensive than anticipated. Even with considerable strategic planning the start up phase of the global activity proved to exceed financial estimates. A number of firms reported that their negative cash flows, resulting from the international activity had put a drain on their limited resources.

f. Need to Adapt Products to Meet Foreign Customer Preferences

In the exporting process, firms often find that products marketed in the country-of-origin require some adaptation before they are acceptable for foreign sales in various export destinations (*Katsikeas and Morgan,* 1994*)*. There has been found to be a tendency for smaller firms to undertake more modest modifications to conform to export market demands in all areas of product policy, apart from packaging decisions, where changes are likely to be quite prominent. It is possible to argue here that one of the reasons for smaller firms to become engaged in fewer product adaptations lies in the notion that they perceive this area as being problematic and thereby neglect critical adaptation requirements.

According to Netto (2005)**,** standards, as well as testing and certification processes, are a massive obstacle to sales, since products cannot be sold if they do not comply with a range of safety, health and other regulations. SMEs have difficulty in adopting expensive quality management systems, specific customer requirements or certification procedures that sometimes have to be repeated on a regular basis. Christensen et al. (1987) showed that, although Brazilian firms were exporting standardised products, they could have done better if the product was adapted to the requirements of the target market. This was attributed to lack of experience and inadequate technical capacity to adapt the products. Most of the technical/adaptation problems mentioned in the literature have been due to a lack of knowledge of market requirements or a lack of resources to meet the requirements: poor quality control techniques. Although product line management has not been extensively investigated, Christensen et al. (1987) concluded that companies with multiple product lines are more successful in their export activities.

g. Difficulty Collecting Payment from Foreign Customer

The uncertainty of payment is one of the most difficult aspects of any business and often makes companies think twice before doing business with a foreign country. European cross-border payments can be particularly difficult. A 2004 study by one of Europe's leading management companies concludes that the difficulty of collecting on inter-European reduces EU competitiveness and holds back the European economy. This comprehensive 2004 study compared payment habits in 22 European countries and examined more than 9,000 companies. It revealed that companies mentioned payment uncertainty as the most significant obstacle to growth in international trade. It also showed a majority of companies are very concerned with the consequences of late payments, including the heavy administrative and financial burdens. Small and medium sized enterprises (SMEs) are especially vulnerable as they often rely on a limited number of customers.

h. Unfamiliarity with Government Assistance Programmes

Exporters often suffer because of the inadequacy of government export promotion policies. This includes lack of gathering and provision of information on available export opportunities and ineffective promotion of the countries exports overseas. This inadequacy of government export promotion service is a serious bottleneck for firms in developing countries as many (potential) exporting companies lack the necessary export market knowledge and marketing skills. However, even the available export promotion programmes become ineffective due to high government involvement. In general the literature review showed that frequent changes in export related polices and ineffective governmental assistance agencies are major export barriers to SMEs in developing countries.

On the other hand, dealing with government bureaucracies was listed as another common hurdle to internationalizing. A number of the SMEs received financial and other types of assistance from local and federal government agencies. Some of the problems that exist are: paperwork delays and confusion involved in obtaining this government assistance program. Similarly, the rules and regulations of the foreign nations created costly delays and frustration in attempting to carry out strategic plans, as did trade barriers in the form of tariffs and quotas.

i. Problem Quoting Price with Fluctuating Exchange Rate

Indirect export barriers are rooted in the macro economic policy of the country and international trade agreements. Excessive exchange controls limit the scope of risk diversification and isolate the domestic financial system from developing in international markets. For instance, capital controls in Ghana and Nigeria prevented foreign banks and deposit insurance companies from entering domestic markets, this stifled competition and inhibited innovation. Whereas many countries have relaxed controls on capital and exchange rate, there are quite a few who directly control their exchange rate markets and capital movements. These restrictive policies are often put in place to prevent capital flights and a repetition of the Asian crisis.

Methodology

The analysis is based on the information obtained from 97 medium- size enterprises (SMEs) in Klang Valley. Instrument used for this study is a set of questionnaires consisted of 2 sections A and B. Thirteen questions in section A were used to obtain information concerning the respondents and the firm's characteristics. In section B, 10 export barriers were listed and the respondent were to chose from the scale of 1 to 5 where 1 indicate strongly disagree and 5 indicate strongly agree. Section B was design to measure the strength of the export barriers faced by the SMEs in the course of their operations. The questionnaires were sending to 150 SMEs selected at random from the sampling frame (One Stop SME Resources under BNM and SMIDEC) and 97 firms responded (a response rate of 64.7%).

Results and Discussion

The analysis was divided into two sections that are the firm's characteristics and the problems faced by the industries.

i. Firms' Characteristics

Ninety seven SMEs from 14 industries from the Klang Valley were chosen as samples in this study. Table 1.1 provides the information on the locations of the firms and Table 1.2 shows the number and percentage of firms from each industry.

Table 1.1. Firms by Location

State	No. of firms	Percentage
Kuala Lumpur	44	45.4
Selangor	53	54.6
Total	97	100

Table 1.1 shows that 45.4 % of the sample was obtained from Kuala Lumpur and 54.6% are from Selangor. This is because most of the industrial areas are in Selangor such as in Shah Alam and Klang districts as compared to Kuala Lumpur.

Table 1.2. Firms by Different Industries

Type of Industries	No. of companies	Percentage
Food	23	23.7
Metal	9	9.3
Plastic	8	8.2
Textiles	8	8.2
Beverage	7	7.2
Steel	7	7.2
Cement	6	6.2
Leather	6	6.2
Others	23	23.7
Total	97	100

Table 1.2 indicated that 23.7% of the sample consisted of food industries and the balance of 76.3% are from other industries such as metal, textile and plastic industry *etc.*

Table 1.3 shows that majority of the firms have been involved in the exporting activities for more than 7 years. Out of the 97 firms 53.6% have been exporting for more than 13 years. Firms that have been involved in exporting for 3 to 7 years and 8 to 12 years are 22.7% and 18.6% respectively. Only 5.2% of these firms have been involved in exporting for 2 years or less. From the correlation analysis, it was found that the longer the number of years involved in exporting, the larger the average annual sales with a correlation reading of 0.927.

From the table there are 84 (86.6%) firms have employees of 100 to 150, and only 13.4% of the firms have less than hundred employees. The average annual sales for past three years for 43 firms ranged from RM 11 million to 50 million (44.3%), 13 firms had sales of between 6 and 10 million (13.4%), 19 firms had sales between 1 and 5 million (19.6%) and 22 firms had sales of less than 1 million (22.7%).

Table 1.3. Numbers of Employees, Average Annual Sales and Years involved in Exporting

Yrs. Involved			Average Annual Sales (Past 3 years)				Total
			Less Than 1	1-5 Million	6-10 Million	11-50 Million	
2 Years Or Less	Number of Employees	< 100	5				5
	Total		5				5(5.2%)
3-7 Years]	Number of Employees	< 100	4	4			8
		100-150	13	1			14
	Total		17	5			22(22.7%)
8-12 Years	Number of Employees	100-150		14	4		18
	Total			14	4		18(18.6%)
More Than 13 Years	Number of Employees	100-150			9	43	52
	Total				9	43	52(53.6%)
Total			22 (22.7%)	19 (19.6%)	13 (13.4%)	43 (44.3%)	97 (100%)

Table 1.4 shows the percentage of the export sales to total sales. The result suggests that exports accounted significantly for more than 51% of the total sales for 58.8% of the sample firms. For another 34% of the firms, exports accounted for less than 30 % of their total sales. However, for the remaining 7.2% firms, export sales accounted for between 31 and 50 % of their total gross sales. It shows that more than 50% of the firms produce products for export purposes rather than to sell in the local market.

Table 1.4. Numbers of Countries and Export Sales as Percentage of Total Sales

		Export Sales as Percentage of Total Sales			
		Less Than 30%	31-50%	More Than 51%	Total
Number of Countries	1-5 Countries	33	5	5	43(44.3%)
Where Company Export Their	6-10 Countries	0	2	11	13(13.4%)
Product	11-15 Countries	0	0	17	17(17.5%)
	16-30 Countries	0	0	14	14(14.4%)
	More Than 30 Countries	0	0	10	10(10.3%)
Total		33(34%)	7(7.2%)	57(58.8%)	97(100%)

From the above table (1.4), it was found that out of the 97 firms, 44.3% indicated that they export their products to between 1 and 5 countries. There are about 17.5% firms exports to between 11 and 15 countries. Another 14.4% firms have exported to between 16 and 30 countries. While the remaining 13.4% firm export their products to between 6 and 10 countries. It shows that most firms export to less than 5 countries.

ii. Age of Firms

There are about 39.2% of the total of 97 firms has been in operation for more than 21 years, followed by the firms that have been operating for 6 to 10 years, 11 to 15 years,16-20 years and below 5 years with 21.6%, 15.5%, 13.4% and 10.3% respectively.

Table 1.5. Age of Firms

		Frequency	Percent
Valid	Below 5 Years	10	10.3
	6-10 Years	21	21.6
	11-15 Years	15	15.5
	16-20 Years	13	13.4
	More Than 21 Years	38	39.2
	Total	97	100.0

Problems Faced by Exporting Industries

In Part B of the questionnaires, 10 export barriers were listed and the respondents were to indicate the severity of the barriers. A five point Likert-scale were used where 1 indicates "strongly disagree" and 5 "strongly agree". The closer the mean value to 5, the stronger is the barriers.

Table 1.6. Perceptions of Export Barriers

		Mean	Std. Deviation
1	Adapt Products	4.1546	1.37946
2	Fluctuating Exchange Rate	3.8247	1.49311
3	Lack of Foreign Channels of Distribution	3.7216	1.55953
4	Risks Involved In Selling Abroad	3.6598	1.62588
5	Lack Of Capital To Finance	3.6392	1.76886
6	High Cost Of Selling Abroad	3.5979	1.63720
7	Collecting Payment	3.0825	1.68121
8	Competition From Local Firms	2.8969	1.69241
9	Unfamiliarity Government Assistance	2.7113	1.44308
10	Language and Culture Differences	2.5670	1.73750

Table above (1.6) shows the mean and the standard deviation for all the responses. The most severe problem faced by all SMEs is "Adapt Products" to conform to foreign product standards and specification. This problem recorded the highest mean of 4.155 followed by problem of quoting price with "Fluctuating Exchange Rate" with a mean of 3.8247. The next four barriers with a mean of above 3.5 are "Lack of Foreign Channels of Distribution", "Risks Involved in Selling Abroad", "Lack of Capital to Finance" and "High Cost of Selling Abroad". The least problem that was detected with the mean of 2.567 was the "Language and Cultural Differences".

Table 1.7 shows the mean and the standard deviation for all the responses according to type of industries. The number one identified problem for almost all the industries is the problem of adapting products for export purposes. It is critical in electronic industry with a mean of 5.00 whereas in pharmaceutical industry the mean is only 3.00. The overall result indicated the top five problems faced by the SMEs regardless of their type of industries are "Adapting product", Fluctuating

Table 1.7. Perceptions of Export Barriers (by industries)

Type of Industries problems Faced	Metal mean (std. Deviation)	Plastic mean (std. Deviation)	Textile mean (std. Deviation)	Cement mean (std. Deviation)	Beverage mean (std. Deviation)	Food mean (std. Deviation)	Leather mean (std. Deviation)	Paper mean (std. Deviation)	Pharmaceutical mean (std. Deviation)	Chemical mean (std. Deviation)	Electrical mean (std. Deviation)	Steel mean (std. Deviation)
Adapt Products Fluctuating	**4.5556** (1.333)	**4.2500** (1.035)	**4.2500** (1.035)	**4.3333** (1.632)	**3.8571** (1.951)	**4.0435** (1.330)	**4.0000** (1.673)	**4.6000** (0.894)	**3.0000** (1.632)	**4.6000** (0.894)	**5.0000** (0.000)	**4.4286** (1.511)
Exchange Rate Risks	**4.5556** (1.333)	**3.7500** (1.035)	**4.2500** (1.035)	3.6667 (1.632)	**3.8571** (1.951)	**3.6957** (1.428)	**4.0000** (1.673)	**4.2000** (1.09)	2.5000 (1.914)	**3.8000** (1.788)	4.0000 (2.000)	4.1429 (1.573)
Involved in Selling Abroad	3.8889 (1.763)	**3.5000** (1.77)	**4.0000** (1.511)	4.0000 (1.673)	2.7143 (1.799)	**3.6087** (1.644)	**4.0000** (1.095)	3.0000 (2.000)	2.5000 (1.914)	**4.2000** (1.095)	**4.5000** (1.000)	**4.4286** (1.511)
Lack Foreign Distribution	3.8889 (1.763)	**3.5000** (1.772)	**4.0000** (1.511)	**4.3333** (1.032)	3.0000 (1.632)	**3.6087** (1.644)	**4.0000** (1.095)	3.0000 (2.000)	**3.0000** (1.632)	**4.2000** (1.095)	**4.5000** (1.000)	4.4286 (1.511)
Lack of Capital to Finance	**4.5556** (1.333)	3.0000 (1.851)	**3.7500** (1.832)	**4.0000** (1.673)	**4.1429** (1.573)	3.3478 (1.873)	**4.0000** (1.673)	**3.8000** (1.788)	2.0000 (2.000)	3.8000 (1.788)	**4.5000** (1.000)	**4.4286** (1.5110
High Cost of Selling Abroad	**4.3333** (1.414)	2.2500 (1.832)	**3.5000** (2.070)	**4.0000** (1.095)	**3.8571** (1.573)	3.3478 (1.668)	3.3333 (1.966)	**4.2000** (1.095)	**3.0000** (1.632)	3.8000 (1.788)	4.0000 (2.000)	**4.7143** (0.755)
Unfamiliarity Government Assistance	2.3333 (1.732)	2.2500 (1.488)	2.7500 (1.669)	3.0000 (0.000)	2.4286 (0.975)	3.0000 (1.348)	2.6667 (1.505)	2.6000 (0.894)	2.5000 (1.914)	1.4000 (0.894)	3.0000 (1.632)	4.4286 (0.975)
Collecting Payment	3.8889 (1.452)	2.2500 (1.832)	3.2500 (1.982)	2.6667 (1.505)	3.0000 (1.632)	3.0000 (1.595)	3.0000 (2.190)	3.4000 (1.673)	2.5000 (1.914)	2.6000 (1.673)	4.0000 (1.154)	4.1429 (1.573)
Competition from Local Firms	3.6667 (1.732)	2.2500 (1.832)	3.2500 (1.982)	2.6667 (1.505)	3.0000 (1.632)	2.6522 (1.773)	2.6667 (1.966)	3.0000 (1.414)	**3.0000** (1.632)	2.6000 (1.673)	3.5000 (1.914)	3.5714 (1.511)
Cultural Differences	1.8889 (1.054)	2.5000 (2.070)	3.2500 (1.982)	3.0000 (1.788)	3.2857 (1.799)	2.0435 (1.580)	3.6667 (2.065)	2.2000 (1.788)	**3.0000** (2.309)	3.0000 (2.000)	1.5000 (1.000)	2.4286 (1.511)

Exchange Rates", "Risk Involved Selling Abroad", "Lack of Foreign Channel Distribution" and "Lack of Capital to Finance". As a conclusion, most of SMEs faced the same problems; however the severity of the barrier differs among the industries.

Table 1.8 shows the mean and the standard deviation for all the responses according to the number of years the firm has been involve in exporting. All firms with less than 8 years of experience in exporting products, agrees that the number one problem for them is "Adapt Products" followed by "Lack of Capital to Finance", "High Cost of Selling Abroad" and "Collecting Payment" where the mean was recorded high at 5.00 with a standard deviation of 0.0 implying that this problem is very critical.

Table 1.8. Perceptions of Export Barriers
(by numbers of years involve in exporting)

Years Involve in Exporting Problems Faced	< 2 Years N = 5 Mean Std. Deviation	2-7 Years N = 22 Mean Std. Deviation	8-12 Years N = 18 Mean Std. Deviation	>12 Years N = 52 Mean Std. Deviation
Adapt Products	5.0000	5.0000	5.0000	3.4231
	.00000	.00000	.00000	1.55104
Fluctuating Exchange Rate	5.0000	4.9091	4.7778	2.9231
	.00000	.42640	.64676	1.47988
Lack Foreign Distribution	4.2000	4.9091	4.7778	2.8077
	1.78885	.42640	.94281	1.44220
Risks Involved in Selling	4.2000	4.9091	4.7778	2.6923
Abroad	1.78885	.42640	.94281	1.50214
Lack of Capital To Finance	5.0000	5.0000	4.8889	2.5000
	.00000	.00000	.47140	1.72069
High Cost of Selling Abroad	5.0000	5.0000	4.8889	2.4231
	.00000	.00000	.47140	1.39109
Collecting Payment	5.0000	5.0000	3.7778	1.8462
	.00000	.00000	1.00326	1.14420
Competition from Local	5.0000	4.9091	3.6667	1.5769
Firms	.00000	.42640	.97014	.91493
Unfamiliarity Government	3.8000	3.5455	3.6667	1.9231
Assistance Differences	1.09545	1.40500	1.18818	1.08187
	2.2000	2.9091	2.3333	2.5385
	1.78885	1.79706	1.68034	1.75412

For firms with more than 12 years of experience, the mean has reduced to 3.42 for "Adapt Products" and a mean of below 2.50 for "Lack of Capital to Finance", "High Cost of Selling Abroad" and "Collecting Payment" indicating lesser export barriers.

Similar trend can be seen for the remaining six export barriers where with more years of experience in exporting, the less will be the barriers. This is indicated in the declining mean value as the number of years exporting increase for each export barriers listed above.

Conclusion and Future Research

While a number of studies are focusing on determining and identifying the export barriers, this study was carried out in order to identify the severity of the export barriers by SMEs in Kuala Lumpur and Selangor. The analysis indicated that the 5 main problems are "Adapt Products", "Fluctuating Exchange Rate", "Lack of Foreign Channels of Distribution", "Risks Involved in Selling Abroad", "Lack of Capital to Finance" and "High Cost of Selling Abroad" regardless of the type of industries. The severity of the barriers differs from each industry to another with the Pharmaceutical industry having the highest mean of 3.00 which indicated weaker barriers as compared to other barriers with the highest mean of 4.00 and above. It is also found that with more years of experience in exporting the weaker will be the barriers since firms are able to cope better and learn from their experiences.

It is hope that this study will be able to assist us in understanding why SMEs failed to reach their export potentials. Furthermore, by understanding the problems encounter by SMEs involved in exporting, owners may be better prepared to face the challenges in the globalizes international trade.

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