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The Perceived Export Barriers of Micro, Small, and Medium Enterprises: An Analysis from Lesotho-Based Manufacturing Enterprises

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The Perceived Export Barriers of Micro, Small, and Medium Enterprises: An Analysis from Lesotho-Based Manufacturing Enterprises

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Abstract

Small enterprises represent a large proportion of enterprises in most economies and are a driving force for economic growth. Most small enterprises refrain from exporting due to a number of challenges. The aim of this study was to determine the exporting barriers perceived to constrain exporting from Lesotho-based manufacturing micro, small, and medium enterprises (MSMEs). The study adopted a cross-sectional descriptive design. Data were collected from 162 Lesotho-based manufacturing enterprises through a self-administered questionnaire. Factor analysis revealed three export barrier groupings, namely international, distribution, and financial constraints. The descriptive statistics showed that Lesotho-based manufacturing MSMEs perceive lack of financial resources for market research, lack of financial resources to finance export sales, and lack of excess capacity for exports, all internal to an enterprise-loading under financial barriers as constraints to exporting. The study added to the literature new classes of export barriers. The findings suggest that the government of Lesotho has to put in place mechanisms that can reduce financial constraints to enable MSMEs to contribute as expected.

Keywords: Export barriers; Micro, small, and medium enterprises.

1. INTRODUCTION

Small enterprises (herein referred to as micro, small, and medium enterprises (MSMEs)) play an important role in their economies. According to Chowdhury, Islam, and Alam (2013: 690), MSMEs are regarded as the driving force for economic growth of both developed and developing nations. Khattak, Arslan, and Umair (2011: 192) indicate that Asian countries such as Taiwan, Japan, and Korea developed on the basis of their small enterprises.

Furthermore, MSMEs represent a large proportion of all enterprises in most economies (Mungai, 2014: 541; Préfontaine and Bourgault, 2002: 123; Organisation for Economic Co-operation and Development (OECD): 2012: 4). OECD (2018: 6) indicates that in most economies small enterprises account for up to 95% of all firms. According to the study by the Ntsika Enterprise Promotion Agency (2002: 38), small enterprises far outnumber large enterprises in the South African economy.

Small enterprises employ a large proportion of labor force compared to large enterprises (Mungai, 2014: 541; Atkin and Jinhage, 2017: 1). For instance, in OECD countries, MSMEs are credited for contributing 65% of employment and 50% of business sector value added (OECD, 2012: 4, 2018: 6). In South Africa, small enterprises are credited for 68.2% of total employment in the private sector compared to 31.8% contributed by large enterprises (Ntsika Enterprise Promotion Agency, 2002: 47).

There are contradicting views with regard to exporting of small enterprises. According to Préfontaine and Bourgault (2002: 123) and Ibeh (2004: 94), small enterprises are applauded for their substantial exports globally. The OECD report (2012: 4-5), on the other hand, indicates that the export propensity of small enterprises in general is low but certain categories of small enterprises (namely, medium enterprises) in some countries perform equally or better than large enterprises. For instance, only 4.5% of the US small enterprises sell to foreign markets while only 2.7% of the small enterprises buy from the EU export. For countries such as Czech Republic, Slovak Republic, and the United States, the proportion of medium enterprises that export was close to that of large enterprises, and in France and Italy, medium enterprises outperformed their large counterparts in terms of enterprises that export. OECD (2018: 7) indicates that for most OECD countries, small enterprises contribute between 20% and 40% to overall exports.

Kanono (2000: 43) notes that in many African countries the primary market for small enterprises is consumer demand. This could suggest that the MSMEs do little to engage in direct exporting as well as indirect exporting, as they do not provide inputs to large-scale enterprises that export. For example, Soontiens (2002: 713) and Ibeh (2004: 94) note that in the 1990s, the contribution of small enterprises to South Africa's total export revenue was less than 1%. Leonidou *et al*. (2007: 736) and Atkin and Jinhage (2017: 1) concur with this view and note that generally a large number of small enterprises still refrain from exporting. OECD (2018: 7) indicates that the number of challenges small enterprises are faced with reduces their international competitiveness, resulting in a low percentage of between 10% and 20% of them being able to export as opposed to almost 90% of large enterprises that are able to export.

Regarding the exports from Lesotho, statistics show that with the exception of the years 2003, 2005, and 2007, there was an increase in exports during the period 1975-2008 (Lesotho Bureau of Statistics, 2010: 11). Between 1975 and 1984, exports grew by 10.4%, while the period 1985-1994 saw a growth rate of 19.4%. Exports reached a high of 122.3% in 2000 following the signing of the Africa Growth Opportunity Act (AGOA) (Lesotho Bureau of Statistics, 2010: 11).

However, Kanono (2000: 68-69) indicates that many small enterprises in Lesotho do not produce for export, and a few that export predominantly target South Africa with a small number having secured the market in some special shops in Botswana. Furthermore, the author indicates that most of the small manufacturing enterprises are concentrated in sewing and knitting (garment industry) and in traditional wear and handicrafts production, meaning that MSME exports are also restricted to a limited number of product categories. According to Narayanan (2015: 106), many obstacles or barriers act as deterrents for MSMEs in their path to entering the foreign market. However, the exact nature of these export deterrents in the context of Lesotho is not clear for now.

This paper aims to determine the perceived export barriers from Lesotho-based manufacturing enterprises that may be contributing to the low destination diversity and low diversity of exports by MSMEs in Lesotho.

2. LITERATURE REVIEW

Traditionally, international trade was the realm of large enterprises, with smaller enterprises remaining local (Dana, 2001: 57; Etemad, Wright, and Dana, 2001: 481; Wright and Dana, 2003: 135; Pickernell *et al*., 2016: 31; Atkin and Jinhage, 2017: 1). Increasingly, it is noted that small and medium enterprises (SMEs) are entering international markets (Fillis, 2001: 767; Nummela, Loane, and Bell, 2006: 562; Wright and Dana, 2003: 137). An enterprise can use two forms of internationalization, namely exporting or producing in the host country (Griffin and Pustay, 2005: 342; Breckova, 2018: 44). Exporting is one of the strategies by which a company of any size can enter into a foreign market (Rosnan *et al*., 2014: 69). However, research has found that exporting provides important gains for small enterprises (Atkin and Jinhage, 2017: 1).

Small enterprises select export mode of entry into the international market because exporting requires less foreign investment and has fewer business risks (Katsikeas and Morgan, 1994: 17; Leonidou, 1995: 4; Halikias and Panayotopoulou, 2003: 340; Albaum *et al*., 2005: 253; Leonidou *et al*., 2007: 736; Wijayarathne and Perera, 2018: 2). Atkin and Jinhage (2017: 4) acknowledge this view and further indicate that exporting is beneficial to small enterprises because they learn new techniques that increase their productivity, efficiency, and/or output quality. According to these authors, small enterprises gain new skills and capabilities by engaging with more sophisticated foreign buyers. Other authors believe that exporting affords owner–managers time to assimilate the knowledge acquired from initial international transactions, which influences their perception of market uncertainties and foreign opportunities to subsequently inform the international transactions that follow (Johanson and Vahlne, 1990: 12; Michailova and Wilson, 2008: 243).

Generally, it is believed that enterprises face numerous barriers in their attempt to expand to foreign markets (Westhead, Wright, and Ucbasaran, 2004: 501; Viviers and Calof, 1999: 918; Préfontaine and Bourgault, 2002: 123; Leonidou, 2004: 280). For example, Rosnan *et al*. (2014: 69) and Wijayarathne and Perera (2018: 2) note that due to lack of resources and capabilities, entry into foreign markets is especially challenging for small enterprises compared to large enterprises, and as such, small enterprises are not harnessing the full potential of internationalization and in particular exporting in some countries.

An export barrier connotes any obstacle or problem that makes entry and expansion of operations into markets outside the home location of the enterprises difficult (Leonidou, 2004: 281; Johansson, 2006: 129). Similarly, Suarez-Ortega (2003: 403) defines export barriers as constituting all factors—external or internal—that serve to dissuade an enterprise from exporting or hinder its export activity. Based on these definitions, it suggests that export barriers not only make entry and expansion problematic but they can also actually discourage or deter enterprises from entering foreign markets.

Literature reveals a number of export barriers (Crick and Chaudhry, 2000: 30; Tesfom and Lutz, 2006: 277). For instance, Sudarevic and Radojevic (2014: 149) in the study of Serbian manufacturing SME exporters found the following export barriers:

- competition in export markets,
- costs and procedures for obtaining loans for export,
- policy of exchange rate of the domestic currency,
- government's policy toward exporters,
- lack of capital for export financing,
- achieving price competitiveness,
- promotion of export markets,
- absence of export branding national policy,
- collecting information about export markets,
- adjusting products for export market demands,
- export tariffs and sale cost on export markets

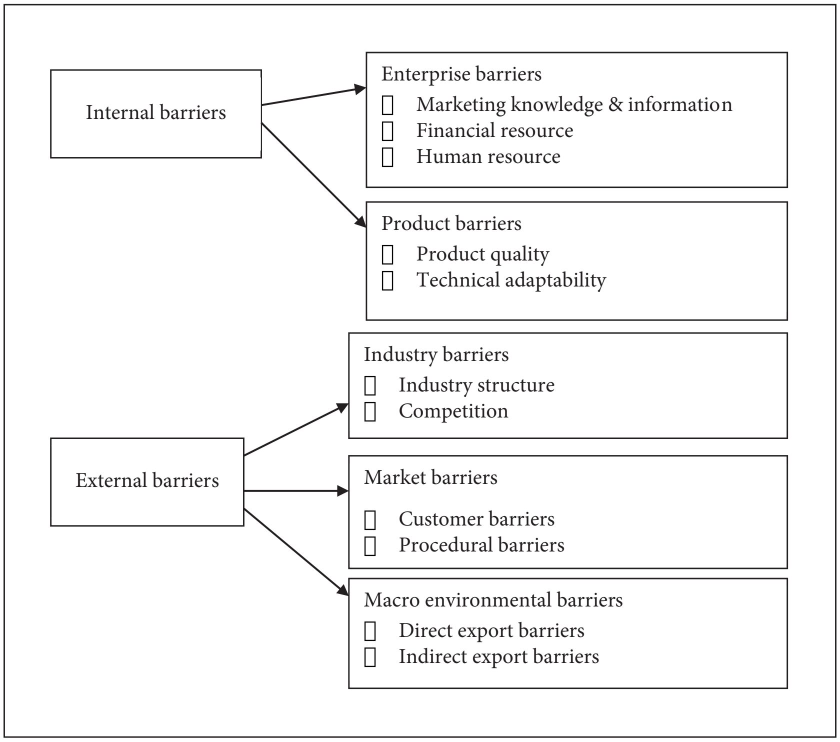
In their study of export barriers in Sri Lanka, Wijayarathne and Perera (2018: 8) found the top 10 export barriers as follows:

- high cost of capital to finance exports,
- lack of government incentives,
- lack of new technology,
- complexity of export documentation procedure,
- lack of finance sources to finance exports,
- high tariff and nontariff barriers,
- currency fluctuations,
- inadequate institutional support,
- lack of competitive prices to foreign customers and
- difficulty in meeting export product quality.

Some studies not only showed a list of export barriers in their perceived order of difficulty but also classified barriers into different categories. Similarly, Tesfom and Lutz (2006: 269) classified export barriers in developing countries into two major groups: internal and external barriers. These two main groups are subdivided into five subgroups, namely enterprise, product, industry, market, and macroenvironmental barriers (see Figure 1). Leonidou's (2004: 283) review also identified two main groups of export barriers as internal barriers and external barriers; however, it subdivides the two main groups into seven subgroups. Furthermore, marketing and environmental subgroups are divided into five and three subgroups, respectively (see Figure 2).

The classification of export barriers continues to be of interest to researchers in different settings as indicated by different classifications in the upcoming studies in this area. For instance, Hatab and Hess

Figure 1. Tesfom and Lutz's Classification of Export Barriers.

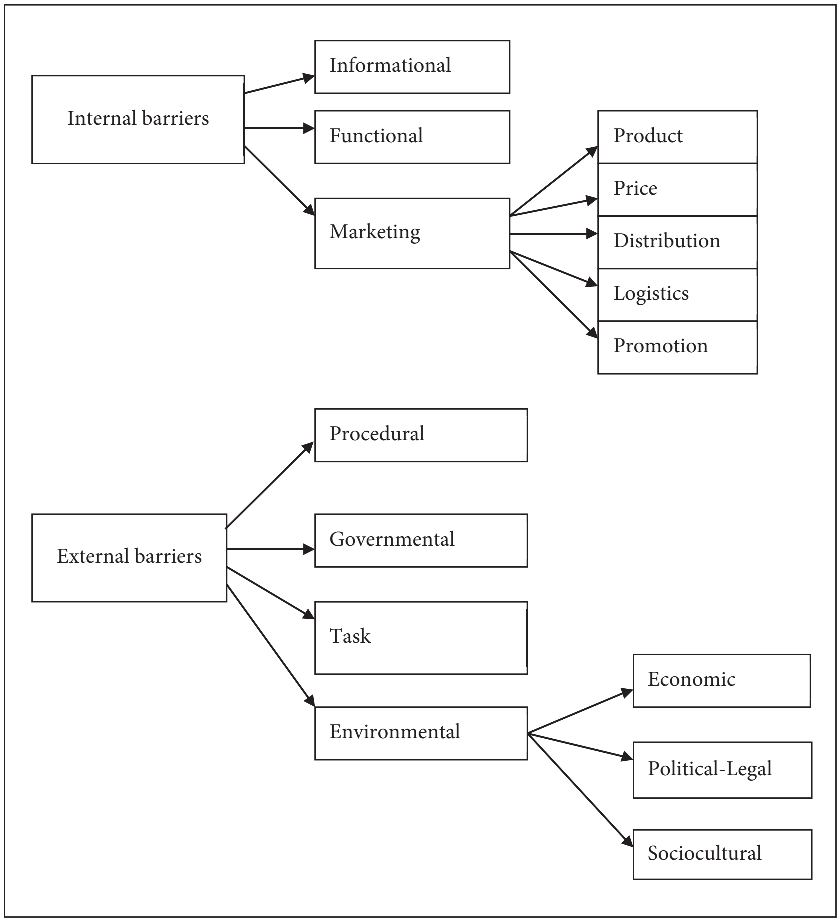


Source: Tesfom and Lutz (2006: 269).

(2013: 86-87) identified six groups of export constraints, namely perceived competition within international export market, perceived financial constraints, administrative barriers and foreign standards, institutional constraints, human resource constraints, and physical infrastructure for small agricultural exporters in Egypt. Furthermore, the study found that competition within international export market and perceived financial constraints attained the highest frequency from the respondent. Similarly, Wijayarathne and Perera (2018: 4) note that the most common broad classification of export barriers is internal export barriers and external export barriers. However, it can be observed that the subheadings under internal and external still differ. For example, Khattak *et al.*'s (2011: 195-197) findings showed that SMEs in Pakistan faced more internal problems as compared to external problems. However, the internal barriers included functional barriers (e.g., lack of working capital, inadequate personnel, and lack of production capacity), marketing barriers (included problems related to product, price, distribution, and promotion), energy crisis constraints (e.g., shortage and high prices of electricity, gas, and other energy components), and environmental barriers (comprises political, economic, social, and technological problems of exporting country, which in this case was Pakistan). As noted by Khattak *et al.* (2011: 195-197), subheadings under internal and external in their study differ from those of Leonidou's (2004: 283) and Tesfom and Lutz's (2006: 269) as internal barriers seem to reflect those barriers faced by enterprises from the country of operation not necessarily internal to the enterprise.

As the study conducted by Tesfom and Lutz (2006) focused on developing countries, its subheadings is used as a starting point to set the hypotheses that follow. According to Tesfom and Lutz (2006: 272), enterprise barriers relate to constraints emanating from within the enterprise as a result of limited capabilities. This view is supported by Fillis (2002: 920) who established that small enterprises blamed internal problems such as limited production capabilities for their failure to export. According to Da Silva and Da Rocha (2001: 606), however, certain enterprises attribute more weight to external forces as factors that hamper their exporting activity. The authors indicate that this phenomenon has been documented in social psychology. According to the social psychology, managers attribute problems to external causes that are not under their

Figure 2. Leonidou's Classification of Export Barriers.



Source: Leonidou (2004: 283).

control instead of taking responsibility for the difficulties they encounter. It is therefore hypothesized as follows:

$H_{10:}$ **Lesotho-based manufacturing MSMEs will not perceive enterprise barriers as constraints to exporting.**

$H_{1a:}$ **Lesotho-based manufacturing MSMEs will perceive enterprise barriers as constraints to exporting.**

The elements of product barriers as grouped by Tesfom and Lutzs (2006: 272) cover issues of product quality and technical/adaptation barriers. Generally, enterprises are confident about their offering such that they do not consider their problems with regard to exporting to emanate from their product quality nor their inability to adapt such products to the foreign market. For instance, Pope (2002: 20) found that enterprises did not regard product quality as a challenge; they were confident that their products were of good quality. Congruent with these findings, Leonidou's review (2004: 286) also established that the ability of enterprises to adapt their product to foreign demand and to develop a new product for foreign markets was regarded as having the lowest impact on enterprise exports. It is therefore hypothesized as follows:

$H_{20:}$ **Lesotho-based manufacturing MSMEs will not perceive product barriers as constraints to exporting.**

$H_{2a:}$ **Lesotho-based manufacturing MSMEs will perceive product barriers as constraints to exporting.**

According to Tesfom and Lutz (2006: 274), market barriers relate to product requirements in the export market, the country of origin, cultural similarity, and brand familiarity. In addition, lack of similarity of legal and regulatory frameworks of the exporting countries and lack of familiarity with market export procedures are mentioned as export market barriers. Siringoringo *et al*. (2009: 54) classify the factors defined as market factors by Tesfom and Lutz (2006: 274) into two groups, namely customer and procedural barriers. According to these authors, customer barriers cover the customer perceptions of product characteristics, while the concept of procedural barriers relates to exporting concerns of time and paperwork requirements to comply with foreign and domestic market regulations. Regardless of how these barriers are classified, a number of studies were conducted to discover the influence of the said barriers on export behavior and performance. For instance, in their study on the identification of factors that discriminate between the decision to enter or not to enter a new foreign market, Whitelock and Jobber (2004: 1450) found that market attractiveness and good market information played a significant role in determining whether or not to enter a foreign market. In their comparative study of the Turkish and Lebanese enterprises, Köksal and Kettaneh (2011: 119-123) reveal that perceptions of enterprises in different countries differ. The study indicated that international competition in the target market was an important factor that positively influenced the export performance of exporters in the two countries. Certain barriers, especially market barriers, were perceived differently by enterprises from the two countries. Packaging and brand image, for instance, were found to be a significant factor affecting Turkish export sales volumes, while this was not significant for Lebanese enterprises. Based on these findings, it can be assumed that while in some countries market barriers could be a constraint, in others it may not. Hence, it is hypothesized as follows:

$H_{30:}$ **Lesotho-based manufacturing MSMEs will not perceive export market barriers as constraints to exporting.**

$H_{3a:}$ **Lesotho-based manufacturing MSMEs will perceive export market barriers as constraints to exporting.**

According to Tesfom and Lutz (2006: 274), macro environmental barriers relate to issues such as tariffs and absence of international agreements. Developed countries such as the United States of America and Europe used to impose barriers to the entry of textile and clothing from developing countries (Nordås, 2004: 1, 13). According to the author, the protection was implemented to protect the sector because it contributed significantly to employment in the developed countries and with the influx of textiles and clothing from developing countries, such imports would threaten the survival of the textile and clothing sector in the developed countries. However, developed countries realized that Sub-Saharan African (SSA) countries—such as Lesotho—were failing to enter the global markets under the set restrictions. In an attempt to integrate such countries into the global market, the SSA countries under the AGOA agreement were allowed access duty and quota-free into developed countries (Schaefer and Markheim, 2006: 1). Given this preferential treatment that Lesotho-based manufacturing enterprises are currently enjoying, it is therefore hypothesized as follows:

$H_{40:}$ **Lesotho-based manufacturing MSMEs will not perceive macro environmental barriers as constraints to exporting.**

$H_{4a:}$ **Lesotho-based manufacturing MSMEs will perceive macro environmental barriers as constraints to exporting.**

A source of performance differences among enterprises has led to a debate regarding strategy (McGahan and Porter, 1997: 15). Industrial organizations and resource-based views have offered different explanations regarding factors contributing to differences in performance of enterprises (McGahan and Porter, 1997: 15; Hawawini, Subramanian, and Verdin, 2003: 1; Singh, Pathak, and Naz, 2010: 169). According to Tesfom and Lutz (2006: 273), industry structure determines an enterprise's strategy in the domestic market to develop a proper export marketing strategy. Singh *et al*. (2010: 162) note that successful enterprises and industries are not evenly distributed within geographical areas with seemingly identical factor endowments. Successful industries, according to the aforementioned authors, are found where there are clusters of enterprises that are linked horizontally or vertically. The authors indicate that where clusters exist, enterprises in such clusters gain competitive advantage. This would suggest that there are regions where enterprises are not clustered and therefore would not be influenced by industry factors. Singh *et al*. (2010: 169) suggest that industry characteristics comprise economies of scale, barriers to entry, product diversification, and the degree of concentration. According to Frazier, Bruss, and Johnson (2004: 443), where there are clusters, the industry members command a lot of power. For instance, they can influence government policies, and as such improve their domestic environment, which in turn enhances their likelihood to internationalize. Evidence for this view is provided by Frazier *et al*. (2004: 443) who found that where enterprises are small and mostly operate in the informal sector, they lack power to influence government policies. Such findings lead to the suggestion that the composition of the cluster also influences the extent to which enterprises are influenced by industry factors. On the contrary, empirical studies carried out by Hawawini *et al*. (2003: 14) and Singh *et al*. (2010: 169) revealed that industry factors mattered little to enterprise performance. In fact, Singh *et al*. (2010: 173) found that all industry sectors did not exhibit different performance levels nor did they consider industry factors to have any bearing on their exporting activities. It is therefore hypothesized as follows:

$H_{50:}$ **Lesotho-based manufacturing MSMEs will not perceive industry export barriers as constraints to exporting.**

$H_{5a:}$ **Lesotho-based manufacturing MSMEs will perceive industry export barriers as constraints to exporting.**

3. METHOD(S)

The nature of this study was quantitative. A judgment sampling approach was used, in which seven out of ten industrial areas in the country were visited and enterprises engaged in manufacturing were given a questionnaire to complete. The key-informant technique was employed to collect data from managers directly responsible for international operations. In the absence of an international operations manager, the chief executive officer was approached.

The questionnaire used for data collection was developed from the extensive literature review on the basis of export barriers obtained from different authors. Some of the key researchers in this area, namely Da Silva and Da Rocha (2001), Leonidou *et al*. (2007), Leonidou (2004), Salm *et al*. (2002), Suarez-Ortega (2003), and Tesfom and Lutz (2006), were used for the development of appropriate questions. The questionnaire consisted of both structured and open-ended questions (questions one and five), with the questionnaire being divided into two sections. Section A (questions 1–6) comprised questions focused on enterprise characteristics, while Section B (questions 7.1–7.45) measured attitudes to export barriers on a five-point Likert scale.

During the initial stage, the instrument underwent two rounds of evaluation: first, by academics knowledgeable in the field of study; second, during the pilot study. A drop-and-pick-up approach was used; the researcher personally delivered the questionnaires to 171 Lesotho-based manufacturing enterprises. Among the 171 enterprises, nine enterprises failed to complete the questionnaire within the required 3 months, leaving only 162 usable questionnaires, which translate to a response rate of 94.7%.

After the questionnaires were returned, first the construct validity of the instrument was tested using an exploratory factor analysis while Cronbach's alpha was used to measure the internal reliability of the instrument. Second, the results of the factor analysis were checked to determine whether they correspond to the intended structure when the items were formulated. Lastly, the data were summarized using descriptive statistics.

4. RESULTS

4.1. Validity

As indicated earlier, an exploratory factor analysis was conducted to determine the construct validity of the measuring instrument. The results of the factor analysis (Table 1) show factor 1, named international constraints, which is made up of 23 variables; factor 2, named distribution constraints, which is made up

Table 1. Factor Matrix with Sorted Rotated Factor Loadings.

Coding	Variables	Factor 1	Factor 2	Factor 3
V33	High insurance cost to cover products while in transit to foreign markets	0.821	0.000*	0.000
V30	Risk and variations in exchange rates	0.743	0.000	0.000
V43	Corruption in Lesotho	0.737	0.000	0.000
V31	Difficulty in supplying inventory abroad	0.706	0.000	0.000
V32	High transport costs for transporting products to foreign markets	0.697	0.000	0.000
V44	Corruption in the target market	0.675	0.000	0.000
V42	Unsuitable storage facilities for containers at the Lesotho railway terminal	0.636	0.000	0.000
V41	Inadequate container-handling facilities at the Lesotho railway terminal	0.628	0.000	0.000
V45	Political problems in Lesotho	0.607	0.000	0.000
V29	Difficulties meeting after-sales service to customers abroad	0.574	0.000	0.000
V26	The challenge of having to deal with foreign customers that have different cultural customs	0.564	0.000	0.000
V50	Political instability in the foreign markets that the enterprise wishes to serve	0.546	0.000	0.000
V35	Restrictions on the quantity that is allowed by foreign markets to enter their countries	0.535	0.000*	0.000
V18	Difficulty in meeting packaging requirements	0.469	0.000	0.000
V23	Lack of own internationally recognized brand names	0.477	0.000	0.000
V40	Poor telecommunication services	0.414	0.000	0.000
V20	Unable to adapt the enterprise's products to export market's requirements	0.356	0.000	0.000
V28	Difficulty in meeting foreign delivery dates	0.486	0.000	0.000
V36	Low labor productivity in Lesotho	0.464	0.000	0.000
V46	Industrial unrest in Lesotho resulting from employee strikes	0.500	0.000	0.000
V37	High cost of labor in Lesotho	0.498	0.000	0.000
V17	Difficulty in meeting product quality standards	0.417	0.000	0.000
V24	Lack of acceptance of Lesotho's products in the markets the enterprise wishes to serve	0.485	0.000	0.000
V11	Difficulty in maintaining control over foreign middlemen that the enterprise will be using	0.000	0.993	0.000
V10	Difficulty in obtaining reliable middlemen abroad	0.000	0.941	0.000
V9	Difficulty in communicating with clients overseas	0.000	0.719	0.000
V13	Lack of financial resources for market research	0.000	0.000	0.971

(Continued)

Table 1. *(Continued)*

Coding	Variables	Factor 1	Factor 2	Factor 3
V12	Lack of financial resources to finance export sales	0.000	0.000	0.935
V14	Lack of excess manufacturing capacity for exports	0.000	0.000	0.425
V21	Lack of awareness of export assistance available in Lesotho	0.000	0.000	0.415
V49	Difficulty in matching competitors' prices	0.000	0.000	0.359

*All loadings less than 0.250 were indicated as 0.000.

Table 2. Factor Reliability as Described by the Cronbach Alpha Values.

Factor	Cronbach's Alpha
1. International constraints	0.9249
2. Distribution constraints	0.9352
3. Financial constraints	0.7933

of 3 variables; and factor 3, named financial constraints, which is made up of 5 variables that together accounted for 44.41% of the total variance in the data space. This is further supported by the fact that the eigenvalues for all three factors were above 1.00. Based on the factor-analysis results, 14 of the 45 variables were excluded as they either loaded high in more than one factor, or did not load high with any one factor. Upon inspection of the items making up each of the three factors, it was confirmed that the instrument did measure export barriers and as a result could be considered valid.

Factor 1 was named *international constraints* because the 23 variables in this factor represent variables from both domestic and foreign environments and the interaction between these two environments. This is in line with Ball *et al.* (2010: 23, 25) who define international environment as the forces of the interaction between the domestic and foreign environments or between sets of foreign environmental forces.

Factor 2, *distribution constraints*, relates to issues of the enterprise's representation in overseas markets, while factor 3, *financial constraints*, relates to the financial capabilities of an enterprise.

4.2. Reliability

The instrument used in this study can be considered reliable, as the alpha values for the three factors (Table 2) all scored above the recommended minimum alpha value of 0.70 (Cohen, Manion, and Morrison, 2007: 506; Pietersen and Maree, 2016: 239).

4.3. Demographic Profile

The results show that most of the enterprises (75.31%) were MSMEs comprising 50.62% micro enterprises (that is enterprises with employees fewer than three), 14.20% small enterprises (representing enterprises with employees between three and nine), and 10.49% medium enterprises (representing enterprises with employees between 10 and 49). Large enterprises with 50 or more employees represented 24.69% of the respondents. The results further show that the majority of enterprises (35.80%) that participated in the study were less than five years old, followed by 29.01% that had operated in the range 6-10 years. The mature enterprises that had operated in Lesotho for 11 years or more (and made up the remaining three categories in the questionnaire) combined represent 35.19% of the total. In terms of ownership structure, wholly foreign-owned enterprises represented 32.09% of the respondents; wholly locally owned enterprises 62.35%, and jointly owned enterprises 5.56% of the respondents.

The respondents operated in 19 industries, but for the purposes of this study these were grouped into three industries, namely textile and apparel (representing 54.32% of respondents), leather (representing 8.64%

Table 3. Perceived Exporting Constraints from Lesotho-Based Manufacturing Enterprises.

Coding number	Exporting constraints	Mean scores
V13	Lack of financial resources for market research	3.19
V12	Lack of financial resources to finance export sales	3.15
V14	Lack of excess manufacturing capacity for exports	3.04
V21	Lack of awareness of export assistance available in Lesotho	2.82
V43	Corruption in Lesotho	2.53
V11	Difficulty in maintaining control over foreign middlemen that the enterprise will be using	2.44
V10	Difficulty in obtaining reliable middlemen abroad	2.44
V32	High transport costs for transporting products to foreign markets	2.38
V9	Difficulty in communicating with clients overseas	2.38
V49	Difficulty in matching competitors' prices	2.37
V30	Risk and variations in exchange rates	2.32
V33	High insurance cost to cover products while in transit to foreign markets	2.27
V44	Corruption in the target market	2.17
V42	Unsuitable storage facilities for containers at the Lesotho railway terminal	2.14
V41	Inadequate container-handling facilities at the Lesotho railway terminal	2.14
V23	Lack of own internationally recognized brand names	2.02
V28	Difficulty in meeting foreign delivery dates	2.01
V31	Difficulty in supplying inventory abroad	1.99
V29	Difficulties meeting after-sales service to customers abroad	1.98
V50	Political instability in the foreign markets that the enterprise wishes to serve	1.94
V37	High cost of labor in Lesotho	1.89
V45	Political problems in Lesotho	1.77
V36	Low labor productivity in Lesotho	1.74
V26	The challenge of having to deal with foreign customers that have different cultural customs	1.67
V35	Restrictions on quantities allowed by foreign markets to enter their countries	1.59
V40	Poor telecommunication services	1.59
V18	Difficulty in meeting packaging requirements	1.58
V46	Industrial unrest in Lesotho resulting from employee strikes	1.56
V20	Unable to adapt the enterprise's products to export market's requirements	1.48
V17	Difficulty in meeting product quality standards	1.43
V24	Lack of acceptance of Lesotho's products in the markets the enterprise wishes to serve	1.34

of respondents), and enterprises classified as "the rest" (representing the remaining 37.04%). The enterprises comprised both exporting and nonexporting enterprises, but a further analysis of the exporting status of the enterprises determined four categories of enterprises: uninterested nonexporting enterprises (27.78%), interested nonexporting enterprises (26.55%), inactive exporters (6.79%), and active exporters (38.88%).

4.4. Descriptive Statistics

The mean scores of export constraints (Table 3) indicate that there are three export constraints, namely lack of financial resources for market research; lack of financial resources to finance export sales; and lack of excess manufacturing capacity for exports. Similar findings have been reported by other studies in the past. For example, Fillis' (2002: 917) list of exporting constraints included limited production capacity and lack of financial resources, while Da Silva and Da Rocha (2001: 600) found the dominant export barrier to be lack of financial assistance.

5. DISCUSSION

The results of the factor analysis revealed that Lesotho-based manufacturing enterprises perceived export barriers that are categorized into international, distribution, and financial constraints. The results show that the responses from Lesotho-based manufacturing enterprises yielded different factors from those that were hypothesized. The study has therefore provided an additional new grouping of exporting constraints different from those already in the literature that informed this study. As a result, the following null hypotheses can be accepted:

- $H_{10:}$ **Lesotho-based manufacturing MSMEs will not perceive enterprise barriers as constraints to exporting.**
- $H_{20:}$ **Lesotho-based manufacturing MSMEs will not perceive product barriers as constraints to exporting.**
- $H_{30:}$ **Lesotho-based manufacturing MSMEs will not perceive export market barriers as constraints to exporting.**
- $H_{40:}$ **Lesotho-based manufacturing MSMEs will not perceive macro environmental barriers as constraints to exporting.**
- $H_{50:}$ **Lesotho-based manufacturing MSMEs will not perceive industry export barriers as constraints to exporting.**

The results in this study do not suggest that the five factors hypothesized are not export constraints. Rather, it suggests that for Lesotho-based manufacturing MSMEs, exporting is constrained by international, distribution, and financial constraints.

The descriptive statistics show that Lesotho-based manufacturing enterprises face three exporting constraints: lack of financial resources for market research; lack of financial resources to finance export sales; and lack of excess manufacturing capacity for exports. The three export barriers are all internal to the enterprise and all loaded under Factor 3—financial constraints.

The financial constraints have a link to the context of Lesotho's business environment. According to various reports on Lesotho, for a number of reasons access to finance is difficult, especially for smaller enterprises. The Lesotho MTICM (2002: 11) and the World Bank (2007: 69) indicate that lending is restricted by the limited availability and enforceability of collateral. The World Bank (2007: 68-69) further indicates that the financial sector in Lesotho is very small and concentrated as such banks engage in what appears to be de facto cartel-like pricing, with high service charges and lending rates consistently higher than those of neighboring countries, despite operating within the same common market. It is further noted that the absence of adequate credit assessment information tools such as credit bureau contributes to restricted credit.

6. CONCLUSIONS

The aim of the study was to determine the perceived barriers micro, small, and medium enterprises (MSMEs) from Lesotho-based manufacturing enterprises. The results reveal that despite the significant number of small enterprises in the economy of Lesotho, their participation in international markets—exporting—is minimal due to the constraints facing them.

The study established that Lesotho-based manufacturing MSMEs are constrained by three classes of barriers, that is, international, distribution, and financial constraints. In particular, lack of financial resources for market research, lack of financial resources to finance export sales, and lack of excess manufacturing capacity for exports, all loading under Factor 3—financial constraints, are considered as hindrances to exporting. These findings did not support the hypothesized export barrier structure espoused by previous researchers in other contexts but instead provided another grouping of export barriers.

The results of the study challenge the government of Lesotho to assist the MSMEs so that they can actively participate in the international markets for the full benefit of the economy and the country. This calls for policies on MSMEs funding while ensuring that the financial sector is protected from defaulter.

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