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# DEVELOPING INDONESIAN MSMEs EXPORT READINESS IN THE DIGITAL ERA

By

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## ABSTRACT

*Indonesian MSMEs play a significant role in the economy, but the contribution of MSMEs to national non-oil and gas exports is still very low. Currently, the opportunity for MSMEs to connect to global markets is increasingly open along with the increasingly massive use of digital technology and the increasing number of free trade agreements. On the other hand, this opportunity leaves homework for each stakeholder in preparing the right strategy for developing MSME competitiveness. This research aims to explore the MSME export readiness framework that is relevant in the digital era. This study uses a qualitative method. Primary data collection was carried out through interviews with several export mentors and export practitioners and observation on export training program. Secondary data was obtained from recorded webinars related to exports and related literature. The results of this study enrich the concept of export readiness proposed by Tan et al. (2007). The development of MSME export readiness in Indonesia can begin with a presentation on stimulation that influences the internal and external readiness of MSMEs which includes awareness of export potential, being able to prepare appropriate products, understanding export fundamentals, understanding the suitable foreign markets, understanding competition, understanding export risks, and able to take advantage of government support. Exposure to this stimulation is expected to be able to form attitude commitment and encourage the readiness of MSME resources. Currently, optimizing the digitization of MSMEs plays an important role in assisting a more efficient allocation of resources in the pre-internationalization stage.*

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## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the economy and play a role in 90% of the economic structure of most countries (Kuzmisiin & Kuzmisiinova, 2017). In addition, MSMEs have a significant contribution to make to achieving socio-economic goals such as job creation, improving income distribution, reducing poverty, export growth, entrepreneurship, industrial development, and strengthening the country's competitiveness in the global market (Aris, 2007; Epede & Wang, 2022; Tambunan, 2009). MSMEs are also seen as having good resilience when dealing with economic crises (Agustina, 2019). However, in developing countries, several studies note that MSMEs still face various kinds of classic problems that prevent them from "graduating", including limited access to information, market understanding, access to capital,

access to technology, low human resource capacity, and a lack of entrepreneurial motivation. (Badan Pusat Statistik, 2019; Indrawati et al., 2020; Irijayanti & Azis, 2012; Viviers & Calof, 1999). The current COVID-19 crisis has also dealt an extraordinary blow to the MSMEs sector (Bank Indonesia, 2021). Considering the crucial role of MSMEs and the dynamic challenges they face, empowering MSMEs, especially in the digital era, is an interesting topic for research.

In the Indonesian economy, MSMEs also play a very significant role. Indonesian MSMEs are currently dominated by large retail trading groups. However, the technology-based startup industry, which is currently growing rapidly, makes MSMEs more prominent in supporting the Indonesian economy (Asian Development Bank, 2020). Based on data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, the number of Indonesian MSMEs has reached 64.2 million, with a contribution to the Gross Domestic Product (GDP) of 61.07% or a value of 8,573.89 trillion rupiah (Kementerian Keuangan, 2021). The contribution of MSMEs to the Indonesian economy also includes their ability to absorb 97% of the total existing workforce and collect up to 60.4% of total investment (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2021). However, until 2020, the contribution of MSME exports is still low, namely 15.65%, still far compared to several other countries, such as Malaysia (46%), Singapore (41%), Thailand (29%), Vietnam (21.4%), or China, which reaches 60% (Gusti, 2021; Panjaitan, 2020). Even the participation of Indonesian MSMEs in the global value chain (GVC) is still very low at 4.1% (Gusti, 2021).

Currently, opportunities for MSMEs to connect to global markets are increasingly open in line with the increasing number of free trade agreements (FTAs) that Indonesia is participating in at the bilateral, regional, and multilateral levels. On the one hand, FTAs offer greater potential for MSMEs to be connected to the global market, but on the other hand, each country has a task to map the competitive position of domestic MSMEs and identify strategies to strengthen them in facing the free market. Furthermore, developments in information and communication technology have opened up momentum for MSMEs around the world to be able to reach global markets. The growing development of e-commerce, financial technology, social media, and logistics services offers potential and facilitation for business actors to start exporting.

In order to increase the contribution of MSMEs to national exports, empowering MSMEs to develop MSMEs export readiness is one of the strategic issues that needs to be explored. Departing from the above conditions, the research question is: How is the relevant MSMEs export readiness framework in the digital era? The purpose of this research is to synthesize a framework for Indonesian MSMEs export readiness that is relevant in the digital era.

## 2. LITERATURE REVIEW

Panjaitan (2020) infers that the future prospects for SME business development can be seen from the aspects of organizational readiness and organizational readiness for change. This is reflected in the commitment of SMEs to responding to business dynamics and their willingness and ability to innovate. These two variables (organizational readiness and organizational readiness for change) are positively and significantly affected by social networks and cognition owned by SMEs (Panjaitan, 2020). Hartarto et al.'s research (2020), on a new method for empowering the organizational readiness for change in Indonesian SMEs, investigates the slow pace of transformation of SMEs in Indonesia, caused by the concentration of Indonesian regulators on the financial capabilities of SMEs. In addition, this research also develops a model to explain how SMEs can efficiently transform using conceptual knowledge about social networks, social cognition, organizational readiness, and organizational readiness to change. This study succeeded in identifying and finding the causes of this sluggishness and stated that the transformation of SMEs



requires empowering knowledge acquisition for executive officers and innovators (Hartarto et al., 2020).

Research by Elia et al. (2021) discusses digital resources and exports from a resource-based view (RBV) point of view in terms of the role of digital technology and capabilities in electronic commerce between countries. This study concludes that (Elia et al., 2021):

1. SMEs do not experience a weaker propensity to engage in digital exports despite resource constraints;
2. Companies that utilize digital technology are more likely to increase their digital exports, regardless of company size;
3. Digital capabilities are especially important because companies that employ e-commerce managers are more likely to undertake digital exports than companies that rely on traditional export managers, regardless of company size.

Furthermore, research by Ribau et al. (2017) tested how internal innovation capabilities affect the export performance of SMEs. In addition, this study also analyzes how entrepreneurial orientation mediates the relationship between export performance and innovation ability. The results of the study show that companies that are proactive towards external stimuli are not only better at innovating, but also their entrepreneurial orientation skills support better performance in international markets when compared to companies that only react passively to external stimuli (Ribau et al., 2017).

The massive utilization of information and communication technology in international trade also has an impact on the need for digital empowerment, which encourages MSME export readiness. When adopting the concept of digital empowerment," according to Makinen (2006), digital empowerment is related to the use of information technology to support the empowerment of individuals and a community, starting from the basic prerequisites to increasing competence and knowledge (Mäkinen, 2006). Furthermore, this digital empowerment is useful in increasing the competence and knowledge of Indonesian MSMEs in the pre-internationalization stage.

This research refers to the concept of internationalization readiness in the pre-export or pre-internationalization stages developed by Tan et al. (2007). Internationalization readiness is a concept that describes a company's potential transition from a purely domestic company to an international company. This concept represents the company's readiness to carry out export activities abroad. The point of readiness analysis is based on the learning process in the pre-internationalization phase, which includes information input (through stimulus factors) that drives motivation and action (through attitudinal and psychological commitment), which is influenced by company resources (company and decision-making attributes) and mediated by preventive factors (lateral rigidity) (Tan et al., 2007).

### 3. RESEARCH METHODS

This study uses a qualitative method. The qualitative research method is an approach to exploring and understanding problems in a social context (Creswell & Creswell, 2018). This research employed a qualitative approach with an exploratory study design. This approach was chosen to gain a deeper understanding of MSME export readiness in the digital era, particularly in the context of export empowerment that optimizes the use of digital technology. Seventeen informants were selected using a purposive sampling method. Informants were selected based on their competence, experience, and direct involvement in MSME export empowerment activities using digital approaches. The informants included participants in export classes or seminars, export

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instructors or mentors, and export practitioners actively assisting MSMEs, including trade attachés, exporters, and export logistics entrepreneurs.

Data collection was conducted through interviews and observations. Semi-structured interviews explored informants' experiences, perceptions, and perspectives regarding MSME export readiness in the digital era. Observations were conducted during classes, training, or export seminars, which were conducted in a bold and engaging manner, with the researcher acting as a participant observer. Data validation and triangulation were conducted by comparing and contrasting data obtained from various sources: participants in classes, instructors or mentors, and export practitioners. This triangulation process aims to increase the validity of the data and ensure the consistency of research findings.

#### 4. RESULTS AND DISCUSSION

##### 4.1. Application of Digital Technology in International Trade

International trade in the digital age has undergone many changes. Previously, to market products abroad, business people generally had to spend capital first, which was not a small amount. Export marketing is mostly done through business trips to export destination countries as well as participation in international exhibitions. The high cost of export marketing seems to close the possibility for MSMEs to enter the global market. However, restrictions on access between countries during the COVID-19 pandemic have accelerated the use of digital platforms to support international trade. Market research with digital data analysis, virtual exhibitions, and business matching through online meeting platforms is gaining popularity because it is considered more efficient. Along with the massive adoption of information and communication technology in the world of international trade, the terms digital trade and digital exports are now beginning to appear.

Although there is no single recognized and accepted definition of digital commerce, there is a growing consensus that digital commerce encompasses transactions of trade in goods and services that are digitally possible, that can be delivered digitally or physically, and that involve consumers, companies, and governments. This means that while all forms of digital trading are made possible by digital technology, not all digital trading is done digitally. For example, digital commerce also includes the trade of goods and services that are digitally possible but delivered physically. (*Digital Trade - OECD*, n.d.). The IMF (2018) defines digital trade as all cross-border transactions that are digitally ordered (i.e., cross-border e-commerce), digitally facilitated (through a platform), or delivered digitally (International Monetary Fund, 2018). Digital exports mean engaging in international export trade using digital sales channels. This typically involves using internet resources such as social media, search engines, e-commerce stores, and online marketplaces to reach foreign buyers (Alibaba.com, 2022).

*"In my opinion, there are two types of digital exports: first, the export goods are digital, and second, the export methods have been digitized. Starting from the beginning, marketing, research processes, shipping, and customs clearance are all digital. Now everything is digital, mas."*

*(Choirul Amin/ Founder of Ekspor.id)*

*"Regarding market research, market access, and mastery of digital marketing platforms, exporters are now willing or unwilling to use it. Because the export business is now also changing compared to a few years ago. Now many export businesses are carried out with digital marketing, both B2B (business to business) and B2C (business to consumer)."*

*(Rahmat S. Marpaung/ Exporter and Export Training Facilitator at the Ministry of Cooperatives and MSMEs)*



Based on some of the explanations above, digital exports include international trade activities that are facilitated digitally, both from market research, marketing, and delivery. The form of goods traded in digital exports is not only digital but also physical. Although digital exports are often equated with the use of e-commerce, some of the opinions above state that digital technology has facilitated the trade process more broadly. Today, various digital platforms can help in conducting market research, promotion, business operations, and development, as well as serving as educational tools. Some literature on the internationalization of MSMEs shows that small companies are more likely to adopt online channels to invest in foreign markets than large companies (Elijah et al., 2021) . Digital exports are considered to be able to avoid the need for physical investment so that they can be carried out with limited resources. In addition, to overcome resource limitations, digital marketing can be chosen as the first marketing strategy for MSMEs in the pre-internationalization stage.

#### 4.2. MSME Export Readiness in the Digital Era

Along with the development of information and communication technology, MSMEs have more opportunities to reach the global market by optimizing digital technology. It cannot be ruled out that in the future, Indonesian MSMEs will inevitably have to be globally oriented in order to be able to compete even in the domestic market. This study is guided by the concept or framework of export readiness (Tan et al., 2007) , which consists of four variables as follows:

1. Internal and external stimulation;
2. Attitude and commitment;
3. Resource readiness;
4. Ability to minimize lateral stiffness or export inhibition

##### 4.2.1. *Internal and External Stimulation*

In the concept of export readiness or internationalization, Tan et al. (2007) define internal and external stimulation as input information received by prospective exporters. If we adapt this concept as a framework for MSME export readiness, then there are several conditions that need to be aligned with the characteristics of MSMEs in Indonesia. A simple organizational structure, especially for micro and small businesses, keeps owners directly involved in almost all of their business processes. Therefore, it is necessary to simplify the concept of export readiness for Indonesian MSMEs so that they can adopt the mindset that exporting is easy. Mahyuddin (2019) underlined the two main tasks of MSMEs to be able to export: first, how MSMEs own or find suitable goods, and second, how MSMEs sell to buyers abroad (Mahyuddin & Hidayat, 2019).

If we look at the empowerment innovations carried out by export education startups, Ekspor.id, the internal stimulation that MSMEs need to develop when preparing for export is actually enough to start by finding or preparing the right product. MSMEs are asked to first recognize the potential of their products and the potential of other products around them. Prospective MSME exporters are encouraged to be able to prepare products with the following characteristics:

1. Have quality according to the needs of foreign markets;
2. Have a sufficient amount of products; and
3. Have a sustainable product.

Furthermore, knowledge of the basics of export is a basic competency that must be mastered at the pre-internationalization stage. These export basics at least include knowledge of HS Codes, Incoterms, export pricing, payment procedures, and an understanding of the parties involved in exports. Currently, export learning media is very diverse and easily accessible. MSMEs can start

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by taking export classes, joining associations or communities, or learning independently through journals, videos, and so on.

In addition to internal stimulation, external stimulation is also needed for MSMEs in the pre-internationalization stage. This external stimulation includes how MSMEs are able to map potential demand from abroad for their products. In the digital era, mapping this potential can be done through various supporting platforms. There are quite a few platforms that can be accessed for free and even provide data about potential buyers according to the products being analyzed. However, MSMEs must also realize that in this era of information disclosure, on the one hand, prospective exporters can easily research product prices in the market of the export destination country, and on the other hand, competitors and potential buyers can also easily conduct the same research. Thus, prospective exporters must also be ready to compete both with fellow business people in the country and with business people abroad. In addition, prospective exporters are also required to equip themselves with an understanding of international trade risks so that they can prepare mitigation strategies.

*"We are not afraid to export, but we have to reduce the risk. Because there are a number of export risks—risks not being paid financially, risks from a logistics point of view—because the shipment is far away, the quality decreases, right? Then there are risks from the administrative side. If you make a mistake in the administrative documents, there is a risk that the contract will be void. So, the risk of this contract can occur early, for example, if the product does not match, or from the perspective of the waiting time, if, after the agreement, the goods arrive in 30 days and take 40 days to arrive. Now that the contract is void, who will bear it? So, we must understand risk mitigation as a novice exporter."*  
(Nico/Exporter, Logistics and Marketing Service Provider for MSME Products)

In their study, Tan et al. (2007) also associated this external stimulation with the existence of government support. Currently, there is a lot of government support aimed at MSMEs that want to be globally oriented. The Ministry of Trade, through the Directorate General of National Export Development, Trade Attaché, and the Indonesian Trade Promotion Center, facilitates market penetration for MSME products with various programs. In addition, Eximbank Indonesia also organizes the Coaching Program for New Exporters (CPNE) and the Foreign Exchange Village program. The Ministry of Finance, through the Directorate General of Customs, has been promoting the Export Purpose Import Facility (KITE) for MSMEs since some time ago. In addition, there are many other programs that have the same goal, both organized by the government, the private sector, and the community.

Nonetheless, other countries are also taking similar steps to increase their exports. It is the duty of the government to formulate the optimal strategy in the face of global competition. Some information and data related to the state of government support were collected from several sources in this study, including the following:

1. There are problems in the upstream sector, namely the preparation of export commodities, which cannot be solved and require intervention from the government;
2. Export support infrastructure is not evenly distributed in each region;
3. Government support to open market access is still limited, especially in terms of budget and authority;
4. The large number of Indonesian MSMEs, which are diverse, and have limited resources, require a collaborative multi-sector empowerment strategy;
5. Bureaucratic procedures that sometimes hinder cross-sector collaboration; and
6. The challenge is in the form of massive government support from other countries for business people.

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*"Actually, it's like cinnamon itself; The process is not complicated, mas. Drying, cutting, usually 8 to 10 centimeters, packaging, and ready for export. It's just that the farmers themselves do not understand the market directly. What is being asked is something that some people do not understand. From the farmers themselves, they go to collectors—small collectors, large collectors, factories—some are sent out of town first, then they are ready for export. That's a pretty long chain. Since then, prices have continued to rise. From our concept, we try to help farmers establish BUMDes, or cooperatives. Sign up to manage it while we help market it, so they can ship it themselves later. We open the market. Collectors should not be lost, mas. The collectors themselves are actually gold investors—paying farmers. Just yesterday the village head talked about it; Actually, there are village funds that they can prepare. They buy rather than for other unproductive businesses. If so, it can be returned to society, right? You just need to prepare the market in advance. We get help and share information related to our programs in the export village. And we hope that in the future we can support each other, because there are many things to do together. Can't walk alone. What is the situation like? The story of the coconut in it, its derivatives such as coconut fiber and coconut fiber—everything is produced a little in Jambi, and they send it to Lampung. Because in Jambi, it requires a special container because it is flammable. So, there are no containers in Jambi. Such things should be supported by Customs directly to the relevant agencies."*

*(Pringgo/PT MTA/exporter)*

*"Based on data, Indonesian coffee is the 4th with the largest production in the world. However, the order (value) of exports is number 13. The number 1 and 2 order are Brazil and Vietnam. Then, when I look at the data table, even though we export coffee in large quantities, our sales value is low. This means that there are several possibilities; It could be that the average quality of the coffee we sell is low, so the selling price is low, or something like that."*

*(Novia Anggita/ founder of Bestani (a digital farmer community startup)/ exporter)*

*"The strongest competitor is China. China is in every country, and it will make things easier. They have showrooms for their products. It was very helpful, so when buyers came, they just had to go to the showroom to see the samples. Items must be held and felt—touched and touched. In Kenya, we work closely with the Indonesian Embassy, but there are also obstacles. It is not easy for people to enter the Indonesian Embassy. So we also work with coffee shops there. We have been working together in the coffee business. Now the furniture is from us, so when buyers come, they can see it in the coffee shop. We'll give them free coffee, but we can discuss our products."*

*(Nico/Exporter, Logistics and Marketing Service Provider for MSME Products)*

*"I see that the government's support is very large, but limited in budget, one bureaucracy after bureaucracy. But if you say it's returned to the business people, yes, the government is just the regulator, not the business people. The government cannot work alone, so it must collaborate. That's the main thing, in my opinion, so it has to be developed. Even if we talk about the relationship between suppliers and buyers, it is actually also a cooperative relationship, but business cooperation. Since the government must have a special institution, the program cannot be exactly the same, but there are various institutions. But bureaucracy does need a process, doesn't it? Sometimes the parties at the top are fine, but on a technical level, it's difficult. It's not that I don't want to, but sometimes it's also related to budgeting."*

*We've budgeted money here; We can't cooperate with them there. I've experienced it too, so synergy and collaboration are important, especially if it's done as quickly as possible and we can achieve it to the fullest."*

*(A. Haris Setiawan, Indonesian Trade Attaché in Australia)*

#### 4.2.2. Attitude Commitment

Dare to export means to be committed to running a business professionally. This applies to all business scales, both micro and large. The input of information received by prospective MSME exporters is expected to encourage motivation and action, which is manifested in the work attitude and commitment needed. In the context of digital empowerment that encourages MSME exports, this attitude of commitment is relevant to how MSMEs conduct further in-depth studies on export requirements, export preparation procedures, delivery procedures, and are able to prepare export plans. Furthermore, MSMEs are also emphasized to continue to learn about exports in accordance with their needs in a sustainable manner, as well as to keep up with developments in the global business world.

#### 4.2.3. Resource Readiness

Tan et al. (2007) placed the factors of human resources, product quality, research and development, financial resources, and technological aspects as supporting factors for export readiness. Placing these factors as the minimum standard for Indonesian MSMEs is certainly difficult. Micro and small businesses often do not have enough budgets to pay the employees who control export and import activities. In addition, let alone conducting research and development, MSMEs even have limited capital to finance their production and operations. Not to mention, not a few business actors in Indonesia are still not suitable for bank financing or worthy of investment. However, as stated in the previous section, it is enough for MSMEs to have products that are suitable for the market. Resource constraints can be reduced by optimizing the use of digital technology and having good negotiation skills.

Based on interviews and observations of MSMEs who participated in the training of the Ministry of Cooperatives and MSMEs and Ekspor.id, 3 out of 4 MSMEs get buyers from social media. The three MSMEs optimize digital marketing when marketing their products. Even with good negotiation and communication skills, these MSMEs can export with very minimal capital. They agreed that digital literacy plays an important role in the implementation of their exports. The digital leadership factor in running a business in the current era is no less important than the financial factor. If associated with digital export development strategies, digital leadership in this context can be defined as the owner's innovation in optimizing its digital resources, which is realized through digital learning, digital networking, digital branding, and digital marketing in order to be able to export digitally.

*"In my opinion, the existence of digital technology plays an important role for MSMEs who will export. For example, when we want to find potential buyers, we have to travel abroad to attend trade shows. However, with digital technology, we can find buyers through marketplaces, social media, and other websites. In addition, the existence of a website and digital branding will also increase the professionalism of MSMEs in the eyes of potential buyers."*

*(Blessing/Education Division, Ekspor.id)*

*"It may be different; Previously it was mostly physical, then digital. So now it's the opposite: digital first, then physical. So if, for example, a website is absolutely necessary, social media is also indispensable. So for example, if you want to create an expensive website, create social media first. Instagram is good, cheap, and free. Then, with us being active on social media, our brand will increase. So, algorithmically, people are now searching for it, and*

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*right now, with Google, it will definitely be found. So, in my opinion, it was initially developed digitally and then mixed with physical."*

*(A. Haris Setiawan, Indonesian Trade Attaché in Australia)*

#### 4.2.4. Inhibiting Factors: Lateral Stiffness

Export decision-making by MSMEs depends on their understanding of how export information is managed and used in the export preparation process. Based on the concept of export readiness, Tan et al. (2007) found that even though business people have received sufficient stimulation and information related to exports, they do not necessarily want to enter the internationalization stage. There is a mediating power between the stimulus exposure process and the information that leads to the company's decision to move forward or backward in the pre-internationalization stage. This strength is defined by Tan et al. (2007) as lateral stiffness. Intrinsically, this lateral stiffness tends to come from within the company.

The strategy to reduce the lateral stiffness factor is to simultaneously provide export-related information and provide intensive assistance. Indeed, in the end, the decision to internationalize again to each MSME, but the strategy of providing sustainable information is believed to be able to influence the cognitive process of MSMEs to at least try the stages of export preparation.

*"The more export-related content received, the better. From those who previously did not think about exports, now it will become exports. Once they understand better, go back to the person. The first stage is understanding first, motivation first, and now for the implementation stage, back to each individual. So for the implementation stage, it really needs to come from within MSMEs. For example, if he is used to being domesticated and wants to go abroad, it is just a matter of execution. Where do you want to start? Do you want the products to be tailored to the market first, or do you want to find buyers? So there you have it; MSMEs still have a role in it."*

*(A. Haris Setiawan, Indonesian Trade Attaché in Australia)*

#### 4.2.5. Other External Inhibiting Factors

Based on a Systematic Literature Review study, Epede & Wang (2022) identified the fundamental challenges faced by MSMEs in developing countries to connect to global supply chains, including (Epede & Wang, 2022) :

1. Access to financing for internationalization;
2. Challenges in identifying and analyzing overseas markets;
3. Challenges in recruiting competent staff to handle international market management;
4. challenges in overcoming competition; and
5. Lack of government support.

Of the five challenges, the financing aspect has not been mentioned in the concept of export readiness (Tan et al., 2007).

Most buyers require a letter of credit or documents as collateral for a payment mechanism in payments involving new suppliers. This payment mechanism hinders business actors with minimal capital because they do not have enough capital to produce goods according to the required volume. Access to financing from banks with low interest rates is also difficult because quite a lot of MSMEs are not yet eligible for bank credit and investment. In addition, high logistics costs often make the price of Indonesian products less competitive compared to other countries. In the first quarter of 2021, Indonesia's logistics costs reached 23.5% of gross domestic product (GDP). This figure is relatively high compared to logistics costs in ASEAN countries, such as

Malaysia, which only reaches 13% of GDP (Ministry of Finance, 2023). Indonesia's geographical conditions, which require multimodal transportation, further hinder the competitive value of Indonesian products abroad.

*"I sell spices from West Sumatra. So, our competitors are not only from abroad, from Sulawesi, but also from Vietnam and Thailand. He will compare, this Indian; Yes, only a slight difference; He asked to lower the price. Sometimes we can't do this. In terms of shipping from West Sumatra, it is the closest to Belawan. So, it is more expensive than those sent from Jakarta. Thailand is also closer, right?"*

*(Nico/Exporter, Logistics and Marketing Service Provider for MSME Products)*

If you compare the export readiness model according to Tan et al. (2007) with the concept of the export framework of Indonesian MSMEs in the digital era, there are several differences, as follows:

1. Exposure to stimulation in the export readiness model Tan et al (2007) discussed the nature and uniqueness of the products owned, the existence of experienced export managers, competitive advantages, membership in the community, and others. However, this concept does not address the fundamental understanding of exports as a condition that companies must master before entering pre-internationalization. Not all MSMEs have enough capacity to pay employees who are experienced in exports and imports. Indonesian MSME owners or leaders also need to equip themselves with other export support competencies. Currently, there are many export learning media held both online and offline with various types of services provided. Based on this research, export and import activities for MSMEs are often carried out directly by business owners or leaders. Therefore, fundamental knowledge about exports and competencies to support exports is essential when it is associated with the context of MSMEs in Indonesia.
2. Along with the development of information and communication technology, the export readiness model has also evolved. Digital leadership from the owner can drive the effectiveness of the allocation of resources needed in preparation for export. The results of this case study show that optimizing the use of digital technology helps businesses to be able to export with minimal capital. For prospective MSME exporters, digital export marketing strategies are more relevant than conventional export marketing strategies.

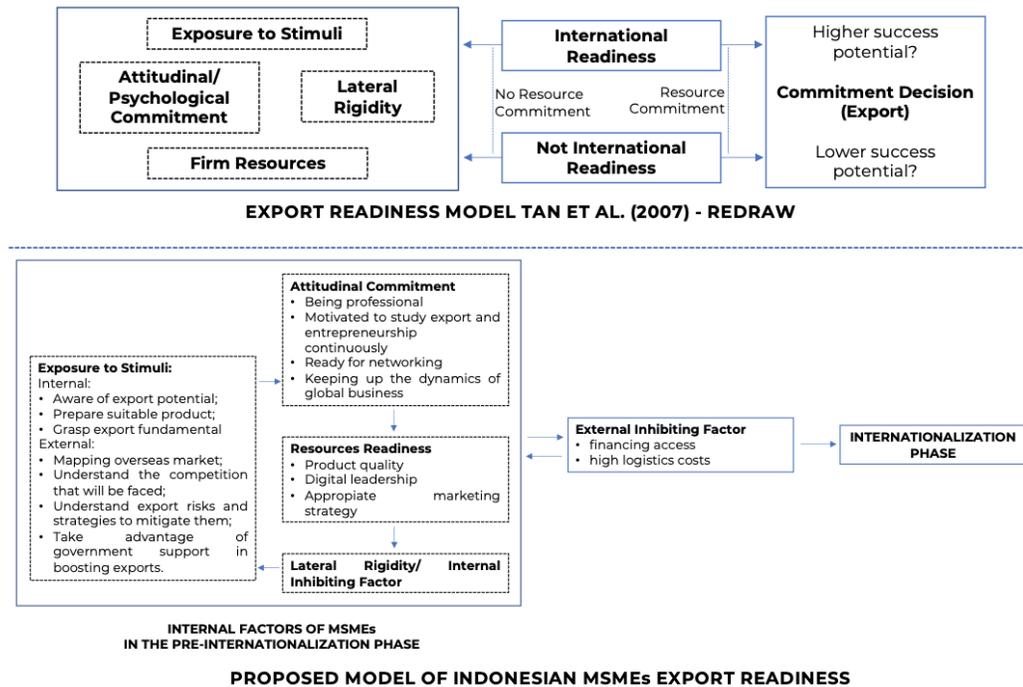


Figure 1 - Indonesian MSMEs export readiness framework in the digital era

This fact is also in line with the results of research conducted by Elia et al. (2021) which concluded that:

- a. MSMEs do not experience a decrease in the tendency to engage in digital exports despite resource limitations;
  - b. Companies that leverage digital technology are more likely to increase their digital exports, regardless of the size of the company.
3. Although internally MSMEs are considered ready for export, there are other external obstacles that need to be overcome before export can occur. Based on this research, there are at least two main external barriers that are often complained about by prospective exporters, namely low access to financing and high logistics costs. These two obstacles have a negative impact on the competitiveness of Indonesian MSMEs in the global market.

## 5. CONCLUSIONS AND SUGGESTIONS

Indonesia's MSMEs export readiness intervention can be initiated by disseminating information that stimulates internal and external MSMEs. This internal stimulation includes competency training that encourages MSMEs to be aware of export potential, be able to prepare appropriate products, and understand export fundamentals. The external stimulation referred to includes competency provisions that encourage MSMEs to be able to map overseas markets, understand the competition that will be faced, understand export risks and how to mitigate them, and be able to identify and utilize government support related to exports.

This information exposure is managed and utilized to build the MSME attitude and commitment needed in the export preparation stage. This attitude of commitment is embodied in the readiness of MSME resources. At present, the resources in question are not only financial; the

owner's digital leadership also plays an important role. The proper use of digital technology can help MSMEs allocate their resources more efficiently.

Even though exposure to information about exports has been widely accepted, the decision to export does, in the end, come back to each MSMEs. Even though MSMEs are considered ready to export internally, there are other external obstacles that need to be overcome before exports can occur. Based on this study, there are at least two main external obstacles that potential MSME exporters often complain about, namely low access to finance and high logistics costs. These two obstacles have a negative impact on the competitiveness of Indonesian MSMEs in the global market.

This study also infers that MSMEs that utilize digital technology tend to have greater opportunities to carry out their digital exports, regardless of the size of the company. This indicates that digitalization and globalization are two things that cannot be separated. Globally oriented MSMEs are ready to be digital and more professional. Regardless of whether it will reach the internationalization phase or not, a global orientation has the potential to have a positive impact on the development of MSMEs.

This study has limitations because it only focuses on MSMEs in certain segments. The empowerment program observed was carried out digitally with materials that support digital exports. MSME participants are limited to MSME actors who already have fairly good digital literacy. Future research can focus on the concept of export readiness for MSMEs with different segments, for example, MSMEs that have limitations in digital literacy or MSMEs in certain regions. In addition, studies that focus on collaborative empowerment that supports MSME exports are also relevant. This is because the needs of MSMEs for facilitation and education related to exports are multi-sectoral.

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