

Research Article

Challenges and Opportunities for MSMEs in Accessing the Global Market: Qualitative Analysis through In-Depth Interviews with Export-Oriented MSME Entrepreneurs

Fatmasari Endayani ^{1*}, Sudarmiatin ², and Heri Pratikto ²

¹ Student Program Doktor Ilmu manajemen, Fakultas Ekonomi ,Universitas Negeri Malang, Indonesia

² Manajemen, Fakultas Ekonomi, Universitas Negeri Malang, Indonesia

* Corresponding Author : fatmasari.endayani.2404139@students.um.ac.id

Abstract: Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy with a contribution of more than 60 percent to the Gross Domestic Product and the absorption of 97 percent of the national workforce, but their participation in international trade is still low with only 14 percent involved in export activities. This research aims to analyze the challenges and opportunities faced by MSMEs in accessing the global market and identify adaptation strategies developed by entrepreneurs. A qualitative method with a phenomenological approach was applied through in-depth interviews with 18 export-oriented MSME owners and managers in East Java who were selected by *purposive sampling*. Thematic analysis using ATLAS.ti revealed seven main challenges including limited access to capital, complexity of export regulations, constraints on production capacity and quality consistency, language and cross-cultural communication barriers, lack of international market information, logistics infrastructure problems, and intensive competition. On the other hand, four strategic opportunities were identified, namely increasing demand for sustainable authentic products, accelerating digitalization and *e-commerce*, utilizing free trade agreements, and ethical consumerism trends. MSMEs develop effective adaptation strategies in the form of strategic collaboration, product differentiation with *premium positioning*, the use of digital technology, and a focus on specific *market niches*. The research emphasizes that the successful internationalization of MSMEs requires a holistic approach integrating internal capacity building with the support of a conducive external ecosystem.

Keywords: Adaptation Strategies; Export Challenges; Global Markets; Internationalization; MSMEs.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a fundamental role in the global economy as the backbone of economic growth and labor absorption in various countries, including Indonesia. The contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) reaches more than 60 percent and absorbs about 97 percent of the total national workforce, demonstrating the sector's strategic position in the domestic economic architecture (Hargiana & Fachira, 2025). However, the participation of MSMEs in international trade is still relatively low, with only about 14 percent of the total MSMEs involved in export activities, reflecting a significant gap between potential and realization *Market Penetration* at the global level. This phenomenon indicates that although MSMEs have adequate production capacity, their ability to penetrate the international market is still constrained by various complex structural and operational barriers.

Digital transformation and the evolution of the global trade landscape post-COVID-19 pandemic have created new dynamics in the MSME business ecosystem, where digitalization and *E-commerce* being a key catalyst in expanding market reach beyond traditional geographical boundaries. Digital platforms have opened up unprecedented opportunities for MSMEs to access the global market at a relatively lower cost than conventional methods, but at the same

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time present new challenges related to technology adaptation, *Digital Literacy*, and increasingly intense competition (Ghag et al., 2022). This paradigm shift requires MSMEs to not only improve product quality, but also develop competencies in *Digital Marketing*, management *Supply Chain* international, and compliance with increasingly stringent global quality standards. The complexity of these challenges is exacerbated by limited financial resources, lack of access to credible international market information, and lack of understanding of rapidly changing transnational trade regulations.

The obstacles faced by MSMEs in penetrating the global market are not only technical, but also include institutional and structural dimensions that require comprehensive and integrated policy interventions. Limited access to export financing, suboptimal logistics infrastructure, and complexity of export administrative procedures are the main obstacles that hinder the competitiveness of MSMEs in the international market (Abdurohim & Ramdan, 2023). In addition, knowledge gaps about market penetration strategies, international contract negotiations, and foreign currency risk management (*foreign exchange risk*) makes many MSME entrepreneurs reluctant or unprepared to expand into the global market. This condition is exacerbated by the limited assistance program and *capacity building* specific to export-oriented MSMEs, so internationalization efforts are often carried out by trial and error without a mature and sustainable strategy.

On the other hand, the opportunities open to MSMEs in the global market are very promising, especially with the increasing global demand for products that have high added value, cultural uniqueness, and sustainability (*Sustainability*). Global consumers are increasingly appreciating products that have a story (*Storytelling*), authenticity, and positive social impact, which are comparative advantages possessed by many Indonesian MSMEs, especially in the handicrafts, fashion, culinary, and products sectors based on local culture (Widati et al., 2025). Free trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and various tariff preference schemes also open up wider market access with lower tariff barriers, creating strategic momentum for MSMEs to increase their export volumes. However, to be able to take advantage of these opportunities optimally, MSMEs need an adaptive, innovative, and based strategy based on a deep understanding of global market dynamics and the characteristics of international consumers who are increasingly segmented and sophisticated.

Given the complexity of the problem and the multidimensionality of the factors that affect the ability of MSMEs to access the global market, an in-depth study is needed that is able to explore the direct experiences of MSME actors who have or are trying to penetrate the international market. Qualitative approach through in-depth interviews (*in-depth interview*) to be the right instrument to capture the nuances, specific challenges, adaptation strategies, and learnings obtained by MSME entrepreneurs in their business internationalization journey (Chaldun et al., 2024). Through the narratives and direct experiences of entrepreneurs, this study is expected to reveal not only objective and measurable obstacles, but also psychological, motivational, and relational dimensions that influence the decisions and success of MSMEs in entering the global market, so as to provide policy recommendations and strategies that are more contextual, applicative, and have a real impact on the development of export-oriented MSMEs in Indonesia.

Research on MSMEs and internationalization has been extensive, but most focus on quantitative analysis that measures the relationship between variables such as export performance, innovation capabilities, and market orientation using a survey-based approach with a broad sample. These approaches tend to produce statistical generalizations that are useful for macro policymaking, but are less able to capture the complexity of individual experiences, contextual dynamics, and adaptive learning processes experienced by MSME entrepreneurs on their journey to penetrate the global marketplace (Khaerani et al., 2023). This gap creates a need for more in-depth qualitative research to understand the "how" and "why" behind the phenomenon of MSME internationalization, not just "how much" or "how often" the phenomenon occurs.

Furthermore, the existing literature tends to examine the challenges and opportunities of MSMEs separately or partially, focusing on specific dimensions such as access to financing, adoption of digital technology, or compliance with quality standards, without integrating these dimensions in a holistic and comprehensive analytical framework. In fact, the reality faced by MSME entrepreneurs is a complex interaction between various internal factors (such as managerial competence, production capacity, and *entrepreneurial mindset*) and external factors (such as government support, access to international business networks, and global market conditions) that affect each other simultaneously and dynamically. This research fills this gap by

adopting an interpretive qualitative approach that allows for an in-depth exploration of the holistic experiences of MSME entrepreneurs, uncovering the interconnections between various challenges and opportunities, and identifying adaptive strategies developed by business actors in navigating the complexity of the global market.

The novelty of this research lies in the use of an *in-depth interview* method with MSME entrepreneurs who have direct experience in export activities, which allows researchers to explore personal narratives, empirical learning, and *tacit knowledge* that are difficult to access through quantitative approaches or structured surveys. In contrast to previous studies that used secondary data or large-scale questionnaires, this study produced *rich data* that reflected the perspective of MSME actors, providing deeper contextual insights into how they interpret challenges, identify opportunities, and develop strategies in the specific context of the industry and market they are engaged in. Thus, this research not only contributes to the development of the theory of the internationalization of MSMEs from the perspective of developing countries, but also produces practical implications that are more applicable and relevant for policymakers, MSME assistance institutions, and entrepreneurs themselves in designing more effective interventions and strategies to increase the participation of Indonesian MSMEs in global trade.

Based on the background that has been described, this study seeks to answer the following key questions: (1) What are the main challenges faced by Indonesian MSMEs in accessing and penetrating the global market based on the direct experience of export-oriented entrepreneurs? (2) How do MSMEs identify and take advantage of the opportunities available in the international trade ecosystem to increase their competitiveness and market expansion? (3) What adaptation strategies are developed by MSME entrepreneurs in overcoming obstacles and maximizing opportunities in the process of internationalization of their business? The formulation of this problem is designed to direct research on an in-depth exploration of the critical dimensions that affect the success of MSMEs in the global market from the perspective of business actors who experience them firsthand.

The purpose of this study is to comprehensively analyze the challenges and opportunities faced by MSMEs in accessing the global market through a qualitative approach based on in-depth interviews, as well as identify patterns of effective adaptation strategies based on the empirical experience of export-oriented MSME entrepreneurs. More specifically, this study aims to: (1) identify and categorize the main challenges that hinder MSMEs in international market penetration; (2) explore strategic opportunities that can be utilized by MSMEs to improve their export performance; and (3) formulate policy recommendations and business practices based on empirical findings to support MSME capacity development in the context of economic globalization.

The benefits of this research can be seen from three main perspectives. First, theoretically, this study contributes to the enrichment of the literature on the internationalization of MSMEs in developing countries by providing in-depth qualitative insights on the processes, dynamics, and complexities involved in MSMEs' efforts to enter the global market. Second, practically, the findings of this research can be used as a reference by MSME entrepreneurs in designing more effective international expansion strategies, as well as by mentoring institutions and *business development services* in developing *capacity building* programs that are more relevant and applicable. Third, in terms of policy, this research provides valuable input for the government and related institutions in formulating policies and support programs that are more responsive to the real needs of export-oriented MSMEs, so as to increase the contribution of the MSME sector to the national economy through improving export performance and participation in *global value chains*.

2. Preliminaries or Related Work or Literature Review

Concepts and Characteristics of MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are business entities that have special characteristics that distinguish them from large-scale companies, especially in terms of organizational structure, resource capacity, and operational flexibility. According to the criteria that apply in Indonesia, MSMEs are categorized based on the number of assets, annual turnover, and the number of workers owned, with limits that have been set in government regulations (Alinasab et al., 2022). This classification is important because it determines the types of sup-

port and incentives that businesses have access to, as well as influencing the business development strategies that can be implemented. MSMEs have advantages in terms of proximity to local consumers, rapid adaptability to market changes, and significant contribution to labor absorption, but on the other hand face limitations in terms of access to capital, technology, and wider distribution networks.

The unique characteristics of MSMEs create their own dynamics in the context of economic globalization, where *Resource Constraints* being a critical factor that affects their ability to compete in the international market. Research shows that MSMEs often face structural obstacles such as limited working capital, lack of access to modern technology, and lack of managerial competence in managing global business operations (Islam et al., 2023; Reim et al., 2022). However, the digital era has opened up new opportunities for MSMEs to overcome some of these limitations through the use of platforms *E-commerce*, *Digital Marketing*, and electronic payment systems that facilitate cross-border transactions. This digital transformation allows MSMEs to reach global consumers with relatively lower investment compared to conventional expansions that require the opening of a branch office or physical distribution network in the export destination country.

Internationalization of MSMEs

Internationalization of MSMEs refers to the process by which small and medium-sized companies expand their business activities beyond domestic borders to enter foreign markets through various modes of entry such as direct exports, *Strategic Alliance*, *Joint Venture*, or the opening of a subsidiary. Classical internationalization theories such as *Uppsala Model* emphasizing that this process takes place gradually and incrementally, starting from the market that has *psychic distance* before moving into markets that are geographically and culturally further afield (Chandra et al., 2020). However, the development of information and communication technology has changed the traditional pattern of internationalization, giving rise to the phenomenon *Born Global Firms* which since its inception has been internationally oriented and utilizes digital platforms to directly access the global market without going through gradual stages as predicted by conventional models.

The factors that affect the success of the internationalization of MSMEs are very diverse and include internal and external dimensions. From an internal perspective, the *Entrepreneurial Orientation*, product innovation, and the ability to identify and respond to international market opportunities are key determinants of the success of MSMEs' global expansion (Budiati et al., 2022; Praja et al., 2024). Meanwhile, external factors such as government policy support, access to export finance institutions, availability of logistics infrastructure, and currency exchange rate stability also play an important role in facilitating or hindering the internationalization process. In the Indonesian context, government programs such as export promotion facilitation, training *Export Readiness*, and the provision of international market information has contributed positively to increasing the participation of MSMEs in global trade, although there is still significant room for improvement in terms of inter-agency coordination and the effectiveness of program implementation at the field level.

Challenges of MSMEs in the Global Market

Global market penetration by MSMEs faces various multidimensional obstacles that include financial, technical, regulatory, and managerial competencies. Limited access to export financing is the main obstacle faced by the majority of MSMEs, because conventional financial institutions often apply the requirements *collateral* which is difficult for small businesses to fulfill, while specific financing schemes for exports are still limited in terms of scope and accessibility (Rafiki et al., 2023). In addition, the complexity of export administrative procedures, including document management *Shipping*, product certification, and compliance with export destination country regulations, become a significant operational burden for MSMEs that do not have *Dedicated staff* to handle international affairs. Language barriers, differences in business culture, and lack of understanding of international quality standards are also serious inhibiting factors in MSMEs' efforts to build credibility and trust in the global market.

Another challenge that is no less crucial is the limitation of production capacity and the consistency of product quality required to meet the demands of the international market which tends to be larger and more stringent in terms of specifications. Many MSMEs face difficulties in carrying out *Scaling up* production without sacrificing quality, mainly due to the reliance on manual production processes and limited access to modern manufacturing technologies (Perdana & Prasasti, 2023; Yaskun et al., 2023). In addition, the increasingly fierce

competition in the global market, both from domestic and international players, requires MSMEs to continue to innovate and improve *Value proposition* in order to maintain *Market Share*. In the digital era, MSMEs are also required to master strategies *Digital Marketing*, online reputation management, and *Customer Relationship Management* effective, which often requires investment in human resource training and information technology infrastructure that is not yet fully available or affordable for most MSME actors in Indonesia.

3. Proposed Method

Research Approach and Design

This study uses a qualitative approach with a phenomenological study design to explore in depth the experiences, perceptions, and interpretations of East Java MSME entrepreneurs who have been or are being export-oriented in facing challenges and taking advantage of global market opportunities. The selection of a qualitative approach is based on the need to understand the complexity of the phenomenon of the internationalization of MSMEs from the perspective of business actors in a contextual and holistic manner, which is difficult to capture through a quantitative approach that tends to reduce reality to measurable variables. The phenomenological approach allows the researcher to explore subjective meaning and *lived experiences* from informants, so as to uncover the hidden dimensions that affect decision-making processes and adaptation strategies in the context of international business. Qualitative methods were chosen for their ability to generate a rich and in-depth understanding of complex social phenomena, especially when research aims to answer the questions of "how" and "why" rather than simply "how much" (Creswell & Creswell, 2022). In the context of export-oriented MSME research, this approach allows researchers to understand the internal dynamics of the organization, the learning process *Entrepreneurial*, as well as the interaction between individual, organizational, and external environmental factors that shape the internationalization trajectory of each MSME.

Research Location and Time

This research was carried out in East Java Province with a focus on areas that have a high concentration of export-oriented MSMEs, including Surabaya, Sidoarjo, Malang, and Gresik, which are known as production centers for various export commodities such as furniture, handicrafts, leather products, processed foods, and textiles. The selection of East Java as the research locus was based on the consideration that this province is one of the largest contributors to the national export value of the MSME sector, with a relatively mature and diverse business ecosystem in terms of product types and export destination markets. Data collection was conducted over a four-month period, providing sufficient time to conduct in-depth interviews, contextual observations, and data validation through source triangulation. The research locations spread across several districts/cities allow researchers to capture a variety of experiences based on differences in regional characteristics, local government support, and available export support infrastructure. Considerations of accessibility, the willingness of informants to participate, and recommendations from the local Cooperative and MSME Office are also important factors in determining the specific location of the research (Tisdell et al., 2025).

Research Informant

The informants in this study are owners or senior managers of MSMEs in East Java who have active experience in export activities for at least two years or are in the process of preparing for exports with a clear international market orientation. This research involves 18 informants representing various sectors of the export industry in East Java, including *Furniture*, handicrafts, leather products, processed foods, textiles, herbal products, ceramics, shoes, specialty coffee, bags and accessories, woven products, frozen foods, cosmetics *Natural*, rattan furniture, batik and weaving, jewelry, bamboo products, and aromatherapy. The selection of informants is carried out purposively (*purposive sampling*) with specific criteria that include: first, MSMEs have made export transactions at least twice in the last three years or are in the active stage of preparing for the first export by having contact with *Buyer* international; second, informants have a strategic decision-making role in the organization; Third, be willing to provide information openly and in-depth about their business experience. The number of informants is determined on the basis of the principle *Data Saturation*, where data collection

is stopped when the information obtained from the new informant no longer generates a theme or *Insight* which differs substantially from previously collected data. From the initial target of 15-20 informants, it was achieved 18 informants representing a wide range of industry sectors and diverse levels of export experience to ensure the depth and breadth of data. The informants are spread across five regions in East Java, namely Surabaya, Sidoarjo, Malang, Gresik, and Pasuruan, with export experience ranging from 2 to 9 years and the number of employees between 15 to 55 people. Technique *Snowball Sampling* is also applied to identify additional informants based on recommendations from previous informants, especially to reach MSMEs that may not be recorded in the *Database* official government but active in export activities (Saunders et al., 2023).

Data collection techniques

The main data collection technique in this study is semi-structured *in-depth interviews* that allow flexibility in digging up information while maintaining a focus on predetermined research themes. The interviews were conducted face-to-face with a duration of 60-90 minutes per session, using an interview *guide* that contained open-ended questions about the internationalization experience, challenges faced, opportunities identified, and strategies applied in accessing the global market.

The interview questions used in this study include:

- a. **Internationalization Experience:**
 - How did you initially decide to export to the international market?
 - How long has your business been exporting?
 - Which countries are your products exporting to?
 - What is your process of finding *international buyers* or business partners?
- b. **Challenges Faced:**
 - What are the main obstacles or barriers you face in accessing the global market?
 - How do you overcome the problem of capital for export activities?
 - What difficulties do you experience regarding export procedures and regulations?
 - How do you deal with language and communication barriers with *international buyers*?
 - What challenges do you face in meeting quality and production volume standards for the global market?
- c. **Identified Opportunities:**
 - What opportunities do you see in the global market for your products?
 - How do you leverage digital technology and *e-commerce* to expand the market?
 - Are there global consumer trends that are benefiting your products?
 - How do you see the market demand for authentic and sustainable products?
- d. **Adaptation Strategy:**
 - What strategies are you implementing to overcome the challenges in global market penetration?
 - How do you differentiate your products from competitors in the international market?
 - Do you collaborate or partner with other parties to support exports?
 - How do you leverage digital technology in your international marketing strategy?
 - Do you focus on a specific market segment or *niche*? Why?

The interview process is recorded with an audio device after obtaining the consent of the informant, and is accompanied by field recording (*field notes*) to capture relevant non-verbal context and environmental observations. In addition to interviews, this study also uses secondary data collection techniques through documentation such as company profiles, product catalogs, export certificates, and correspondence with *Buyer* international information that is voluntarily shared by informants to enrich contextual understanding. Data triangulation is carried out by direct observation of production facilities, operational processes, and interaction with *Squirrel* related to validate information obtained through interviews (Yin, 2024).

Data Analysis Techniques

Data analysis was carried out using a thematic analysis method involving a coding process (*Coding*), categorization, and interpretation of data to identify patterns, themes, and meanings that emerge from informant narratives. The analysis process begins with a verbatim transcription of the entire interview recording, followed by repeated reading (*Immersion*) to gain a holistic understanding of the data. The next stage is *Open Coding* to identify the units of meaning relevant to the research question, then proceed with *axial coding* to group codes that have conceptual similarities into broader categories. Process *Selective Coding* was carried out to identify the main themes that represent significant patterns in informants' experiences related to challenges, opportunities, and adaptation strategies in the internationalization of MSMEs. Data validity is maintained through techniques *member checking*, where the researcher's findings and interpretations are reconfirmed to the informant to ensure the accuracy of their representations of their experiences, as well as through *Peer Debriefing* by involving other researchers to discuss the process and results of the analysis to minimize the researcher's subjective bias (Braun & Clarke, 2022). ATLAS.ti software is used to facilitate data management and coding processes in a systematic manner, although interpretation and interpretation are still carried out manually by the researcher by considering the context and nuances of each narrative conveyed by the informant.

4. Results and Discussion

Research Informant Profile

This study involved 18 informants who are owners and managers of export-oriented MSMEs in East Java with diverse characteristics in terms of business sectors, export experience, and operational scale. The informants came from various regions including Surabaya, Sidoarjo, Malang, Gresik, and Pasuruan which represented the centers of the leading export industry in East Java.

Table 1. Research Informant Profile.

Code	Business Sector	Location	Export Experience	Main Markets	Destination	Number of Employees
I-01	Furniture	Sidoarjo	5 years	America, Europe		45
I-02	Handicrafts	Malang	3 years	Japan, Australia		25
I-03	Leather Products	Sidoarjo	7 years	Middle East, Europe		38
I-04	Processed Foods	Surabaya	4 years	Malaysia, Singapore		30
I-05	Textiles	Gresik	6 years	America, Canada		52
I-06	Herbal Products	Malang	2 years	Southeast Asia		18
I-07	Ceramics	Malang	8 years	Europe, Australia		42
I-08	Shoes	Sidoarjo	5 years	Japan, Korea		35
I-09	Specialty Coffee	Malang	3 years	America, Europe		22
I-10	Bags & Accessories	Surabaya	4 years	Middle East		28
I-11	Woven Products	Gresik	6 years	Europe, America		31
I-12	Frozen Food	Pasuruan	5 years	Asia, Middle East		48
I-13	Natural cosmetics	Surabaya	2 years	Malaysia, Brunei		20
I-14	Rattan Furniture	Malang	9 years	Europe, Australia		55
I-15	Batik & Weaving	Sidoarjo	4 years	Japan, America		26
I-16	Jewelry	Surabaya	3 years	Middle East		15
I-17	Bamboo Products	Gresik	5 years	Europe, Asia		33
I-18	Aromatherapy	Malang	2 years	Australia, Europe		19

Challenges for MSMEs in Accessing the Global Market

Based on the results of in-depth interviews with 18 informants, seven main categories of challenges faced by East Java MSMEs in accessing the global market were identified.

Limited Access to Capital

Almost all informants stated that access to export financing is a fundamental obstacle. The I-03 informant recounted, *"Capital is our biggest problem. Conventional banks ask for large guarantees, while we need funds for large volumes of production according to buyers' orders."* The I-09 informant added that the export process requires a large enough working capital to cover the period between production and payment received, which can reach 60-90 days.

Complexity of Export Regulations and Procedures

The complexity of export administrative procedures is a significant challenge. The I-02 informant revealed, *"We were confused with various documents that had to be prepared, ranging from invoices, packing lists, certificates of origin, to customs documents. The process is not simple."* The I-06 informant explained that each export destination country has different regulations related to product standards, labeling, and certification.

Production Capacity and Quality Consistency

Limited production capacity is a crucial issue faced by the majority of informants. The I-05 informant stated, *"International buyers usually ask for large and consistent quantities. We are struggling to scale up production due to limited machinery and skilled labor."* The I-14 informant added that maintaining quality consistency is very challenging because the production process still relies on hand skills that are susceptible to quality variations.

Language Barriers and Cross-Cultural Communication

Language barriers are a significant communication challenge. The I-04 informant admitted, *"I am not fluent in English, so sometimes there is miscommunication with the buyer. I have to use the help of a translator or an app to understand their requests in detail."* The I-11 informant explained that contract negotiations and discussions of technical specifications require good communication skills in a foreign language. I-16 informants added that the difference in time zone and business communication culture is a challenge in itself, where they have to adapt to the expectation of a quick response and a different communication style from local business habits.

Limited Access to International Market Information

Access to accurate and up-to-date market information is a serious obstacle. The I-06 informant stated, *"We have difficulty getting information about market trends, consumer preferences, and even credible buyer data. The information is often outdated or irrelevant to our products."* The I-13 informant added that the lack of understanding of consumer behavior in the export destination country makes it difficult for them to develop effective marketing strategies. I-18 informants explained that the absence of adequate market intelligence often makes them do trial and error that costs money and time.

Logistics Infrastructure and Shipping Costs

Limited logistics infrastructure and high international shipping costs are real operational obstacles. The I-01 informant complained, *"The cost of freight is very expensive, especially for furniture with a large volume and weight. Sometimes our profit margin runs out for shipping."* The I-12 informant explained that the complexity of cold chain logistics for frozen food products significantly increases operational costs. The I-07 informant added that product damage during delivery is a risk that must be beared, especially for fragile ceramic products.

Competition with Global and Domestic Manufacturers

Intensive competition from other global and domestic manufacturers is an ongoing challenge. The I-08 informant stated, *"Competition with products from China or Vietnam is very tight. They can sell at a lower price because of economies of scale. We have to compete through quality and unique design."* The I-15 informant explained that competition does not only come from abroad, but also from fellow Indonesian MSMEs who target the same market, creating a counterproductive price war.

Opportunities Identified by MSMEs in the Global Market

Demand for Authentic and Sustainable Products

The majority of informants stated that the global trend towards authentic and sustainable products opens up great opportunities. The I-01 informant explained, *"Buyers from Europe are*

very interested in our furniture because it uses recycled wood and a sustainable production process. They are willing to pay a premium price." The I-17 informant added that bamboo-made products are increasingly in demand as an environmentally friendly alternative.

Digitalization and Global E-commerce Platforms

Digital transformation opens up wider market access. The I-08 informant said that they managed to get *buyers* from various countries through international *B2B marketplace* platforms without having to participate in physical exhibitions that required large costs. The I-10 informant explained that social media is an effective means to build *brand awareness* and communicate directly with potential global consumers.

Free Trade Agreement and Tariff Preferences

Some informants take advantage of free trade agreements to reduce export costs. The I-05 informant stated, "We avail of the ACFTA scheme to export to ASEAN countries at lower tariffs. This makes our products more competitive there." The I-03 informant added that an understanding of the tariff preference scheme provides a competitive advantage in pricing.

Trends in Ethical Consumerism and Fair Trade

Global consumer awareness of ethical business practices opens up opportunities for MSMEs. The I-09 informant explained that *fair trade* certification for their coffee is a particular attraction for consumers in America and Europe who care about the welfare of farmers. Informant I-02 added that handicraft products with *storytelling* about local artisans received high appreciation from buyers who appreciated the social and cultural aspects behind the products.

MSME Adaptation Strategy

Strategic Collaborations and Partnerships

Informant I-03 explained, "We joined an exporter consortium consisting of five similar MSMEs. This way, we can share the cost of participating in international exhibitions and negotiate cheaper freight rates." I-11 informants build partnerships with larger export companies as *sub-contractors*.

Product Differentiation and Premium Positioning

The I-15 informant revealed, "Our focus is batik with a contemporary fusion design that combines traditional motifs with modern colors. Our target market is the premium segment that appreciates craftsmanship." Informant I-18 develops aromatherapy products with an exclusive formula based on local Indonesian ingredients.

Utilization of Digital Technology

The I-08 informant recounted, "We are active on Instagram and Facebook to showcase products. From there, many buyers contact us directly. We also join international B2B marketplaces." I-04 informant integrates a digital order management system for transparency with buyers.

Focus on the Niche Market

The I-13 informant explained, "We focus on the Muslim market with halal and natural cosmetic products. This market is growing and we have built a reputation in Malaysia and Brunei." I-16 informants targeted jewelry with contemporary ethnic designs for the Middle Eastern market.

Table 2. Summary of MSME Adaptation Strategy.

Strategy	Number of Informants	Implementation Examples
Collaboration & Partnership	14	Export consortium, sub-contracting
Product Differentiation	16	Premium positioning, customization
Digital Technology	18	Social media, B2B marketplace
Niche Market Focus	10	Halal market, eco-conscious consumers

Discussion

Challenges of MSMEs in Accessing Global Markets

The findings of this study reveal seven main categories of challenges faced by East Java MSMEs in international market penetration, reflecting multidimensional complexity involving financial, regulatory, operational, and managerial competencies. The limited access to capital, which is complained about by almost all informants, is a fundamental obstacle that hinders the ability of MSMEs to fulfill export orders in large volumes. The difficulty of obtaining financing from conventional financial institutions with high collateral requirements creates a paradox where MSMEs have adequate production capacity but are constrained by financial resources to realize their export potential. A similar pattern is found in the context of Bangladesh where capital constraints and lack of financial institutional support that understand the specific needs of small exporters are significant barriers to the internationalization of MSMEs in developing countries (Islam et al., 2023).

The complexity of export regulations and procedures experienced by informants illustrates institutional barriers that require systemic intervention for bureaucratic simplification. Confusion about various export documents such as *Invoice*, *Packing List*, *Certificate of Origin*, and customs documents, coupled with regulatory differences between destination countries, create a significant administrative burden for MSMEs without *Dedicated staff* for international affairs. Research in Zambia identified regulatory barriers as a critical factor limiting the ability of MSMEs to access global markets, where the complexity of administrative procedures and lack of transparency of information create uncertainty that hinders international expansion decisions (Mukuka et al., 2025).

The challenges of production capacity and quality consistency reflect the dilemma between the demand for large volumes of *Buyer* with limited MSME production infrastructure. Difficulties in *Scaling up* Production without sacrificing quality, especially due to the reliance on manual processes and limited access to modern manufacturing technologies, is a serious obstacle in meeting global market expectations. The study in Pontianak identified similar problems where MSMEs face challenges in meeting international quality standards due to technological limitations and lack of understanding of globally recognized quality assurance systems (Swangsa et al., 2025).

The language and cross-cultural communication barriers experienced by informants reflect the dimensions of *soft skills* which is crucial but often overlooked in export preparation. Difficulties in contract negotiations and discussion of technical specifications due to limited foreign language skills, plus differences *Time Zone* and business communication culture, hindering the effectiveness of interactions with *Buyer* international. Recent research confirms that the cultural and emotional intelligence of MSME leaders has a significant effect on the level of internationalization of companies, where the ability to understand and adapt to different business cultures is a critical factor for the success of global expansion (Mammadov & Wald, 2025).

The limited access to international market information that informants complained about underscores the importance of *Market Intelligence* in the formulation of effective export strategies. Difficulty obtaining up-to-date data on market trends, consumer preferences, and information *Buyer* credible creates uncertainty that hinders strategic decision-making, forcing MSMEs to do *Trial and error* which is costly and time-consuming. Studies in Iran show that international market knowledge (*International Market Knowledge*) plays a significant moderation role in shaping the internationalization strategy of MSMEs, where access to credible information on market dynamics affects the ability to identify opportunities and manage risks (Tajeddin et al., 2023).

Logistics infrastructure problems and high international shipping costs reflect operational obstacles that reduce MSME profit margins. Cost *Freight* especially for large volume products, complexity *Cold Chain Logistics* for food products, and the risk of damage during shipping adds to the cost burden significantly. Post-COVID-19 pandemic research identifies that global supply chain disruptions have exacerbated the logistical challenges of MSMEs, where limited access to efficient and affordable international transportation infrastructure is a serious barrier to participation in global trade (Al-khalil, 2025).

Opportunities Identified by MSMEs in the Global Market

The findings of the study identified four main categories of opportunities that MSMEs can take advantage of to increase international market penetration. The global demand for

authentic and sustainable products creates significant opportunities for MSMEs that implement environmentally friendly production practices. The willingness of European consumers to pay a premium price for products *Sustainable* such as *Furniture* of recycled wood and bamboo products reflect a shift in favorable market preferences. Research shows that green export strategies (*Green Export Strategies* institution-supported) proven to improve the export performance of MSMEs and strengthen their competitive position in the global market, where sustainability-based innovation is an important differentiator (Singh et al., 2024).

Digital transformation and platforms *E-commerce* Global opens up wider market access at a relatively low cost compared to conventional methods. The success of informants obtaining *Buyer* from different countries through *Marketplace* International B2B without participating in physical exhibitions that require large costs, as well as the use of social media to build *Brand Awareness*, showing the democratization of market access facilitated by digital technology. A systematic review of the literature identified that the adoption of digital technologies includes *Digital Marketing* and e-commerce platforms make a significant contribution to increasing the export intensity of MSMEs by reducing geographical barriers and transaction costs (Kwartati et al., 2024).

Free trade agreements and tariff preference schemes such as ACFTA open up opportunities for expansion with lower tariff barriers. The use of tariff preference schemes by several informants to increase product price competitiveness in the ASEAN market shows the importance of understanding international trade policies. A comprehensive analysis revealed that MSMEs that understand and take advantage of free trade agreements have a competitive advantage in pricing and wider market access compared to competitors that do not take advantage of the scheme (Calheiros-Lobo et al., 2023).

Ethical consumerism trends and *Fair Trade* create a special demand for products with social and cultural value. Global consumers' high appreciation of certified products *Fair Trade* and *Storytelling* about local artisans reflects awareness of ethical business practices. The research confirms that the effectiveness of the promotion program of MSME exporters is highly dependent on the ability to communicate the ethical values and positive social impact of their products, where an authentic narrative about the production process and the impact on the local community becomes a particular attraction for the consumer segment who care about the aspect of social sustainability (Obadiah & Life, 2024).

MSME Adaptation Strategy

The research identifies four main strategies developed by MSMEs in overcoming challenges and maximizing global market opportunities. Collaboration and strategic partnerships through the formation of exporter consortiums and partnerships with larger companies demonstrate a collective approach to overcoming individual resource limitations. *Resource pooling strategies* that allow for promotion cost sharing, competitive freight rate negotiations, and access to a wider distribution network reflect an effective adaptation to the structural barriers MSMEs face in international market penetration.

Product differentiation and *premium positioning* are key strategies to overcome competition with global manufacturers that have *economies of scale*. The focus on unique designs that combine traditional elements with modern aesthetics, the development of exclusive formulas based on local ingredients, and an emphasis on *craftsmanship* create a distinct *value proposition* that is difficult for competitors to replicate. This approach allows MSMEs to compete not through price but through uniqueness and quality that are appreciated by the premium market segment.

The comprehensive use of digital technology includes the use of social media for *product showcases*, participation in *international B2B marketplaces*, and the implementation of *digital order management systems* to increase transparency with buyers. The adoption of digital technology allows MSMEs to reach global consumers with lower investment than conventional expansions that require the opening of a branch office or physical distribution network in the export destination country, while improving operational efficiency and responsiveness to market demand.

Focusing on *niche markets* such as Muslim markets with halal products, *eco-conscious consumers*, and segments that value products with contemporary ethnic designs allows MSMEs to build a competitive advantage in specific segments. A sharp market segmentation strategy allows MSMEs with limited resources to concentrate marketing and product development efforts on a clear target consumer, building a strong reputation in a specific segment before gradually expanding into other market segments.

5. Comparison

Comparison with state-of-the-art is an important part. This section can provide a more measurable illustration of your research contribution. This section can also be added to a brief discussion. If you feel that this section is insufficient and unsuitable to be a separate section, the author(s) can integrate this section with section four (Results and Discussion).

6. Conclusions

This research reveals seven main challenges for MSMEs in accessing the global market including limited capital, regulatory complexity, production constraints, communication barriers, lack of market information, logistical problems, and intensive competition, but there are opportunities through the demand for sustainable products, digitalization of *e-commerce*, free trade agreements, and ethical consumerism. MSMEs adapt through strategic collaboration, product differentiation, digital technology, and *niche market focus*. The limitations of the study include limited geographical coverage in East Java and the number of informants of 18 MSMEs. The theoretical implications enrich the literature on the internationalization of MSMEs in developing countries, while the practical implications provide guidance for expansion strategies. It suggests that governments simplify export regulations, expand access to financing, and enhance *capacity building* programs, while future research explores different geographic contexts and comparative quantitative approaches for broader generalizations.

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