

Export Market Development and Institutional Support for Micro and Small Enterprise Internationalization

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Abstract: This study examines the factors influencing export market development among micro and small enterprises, with particular attention to the roles of internal readiness, export capacity, institutional support, and external barriers. Despite growing opportunities in international trade, many enterprises continue to face challenges related to market access, regulatory compliance, product competitiveness, and limited international business networks. A quantitative research design was employed using survey data collected from 100 micro and small enterprise actors. Data were analyzed using Partial Least Squares Structural Equation Modeling to evaluate measurement validity, structural relationships, and mediation effects. The findings reveal that internal readiness and export capacity significantly influence the effectiveness of government and institutional support. Institutional support also demonstrates a significant effect on reducing external barriers and facilitating export market development. Furthermore, government and institutional support serve as an important mediating mechanism through which internal capabilities influence firms' ability to overcome external constraints. The study contributes to the international entrepreneurship and export development literature by demonstrating the strategic role of institutional support in transforming firm-level capabilities into export competitiveness. Drawing on the resource based view, institutional theory, and absorptive capacity theory, the findings suggest that strengthening enterprise capabilities should be accompanied by coordinated policy interventions, targeted export assistance programs, and stronger institutional ecosystems to enhance international market participation and long-term export performance.

Keywords: Export Capacity, Export Market Development, Institutional Support, Export Competitiveness

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as the backbone of economic development in emerging economies, particularly in countries such as Indonesia where they dominate the business landscape in terms of number, employment absorption, and contribution to gross domestic product. Despite their strategic importance, a persistent paradox remains: while MSMEs are highly active in domestic markets, their participation in international

trade especially exports remains disproportionately low. This imbalance reflects not merely a gap in scale, but a deeper structural issue involving capability constraints, institutional inefficiencies, and limited integration into global value chains. Empirical reports from the World Bank, (2020) emphasize that MSMEs in developing countries often struggle to transition from local to global markets due to systemic barriers, including inadequate access to finance, weak innovation ecosystems, and insufficient institutional support mechanisms.

From a theoretical standpoint, the internationalization of MSMEs cannot be understood through a single-dimensional lens. Rather, it requires an integrative approach that combines internal firm capabilities with external environmental conditions. The resource-based view (RBV) provides a foundational framework for explaining how firm-specific resources such as managerial expertise, technological competence, and organizational learning serve as key drivers of competitive advantage in international markets (Barney, 1991). However, RBV alone is insufficient when applied to MSMEs in emerging economies, where external constraints often outweigh internal strengths. Consequently, the institution-based view complements this perspective by emphasizing the role of formal and informal institutions in shaping firm behavior, reducing uncertainty, and facilitating market entry (Bruton et al., 2021; Peng et al., 2020).

In practice, MSMEs attempting to engage in export activities encounter a complex array of external barriers. These include regulatory compliance requirements, certification standards, logistical inefficiencies, limited access to international distribution channels, and information asymmetries regarding foreign markets. Such barriers are not static; they evolve alongside global trade dynamics, technological advancements, and geopolitical shifts. Recent studies have demonstrated that these challenges are particularly pronounced in developing regions where infrastructure and institutional quality remain uneven (Ciravegna et al., 2022; Haddoud et al., 2021). Therefore, understanding MSME export performance requires a systemic perspective that considers both the internal readiness of firms and the external environment in which they operate.

One critical yet often underestimated factor in this equation is absorptive capacity the ability of firms to recognize the value of external information, assimilate it, and apply it for commercial purposes. Originally conceptualized by Cohen & Levinthal, (1990), absorptive capacity has become a central concept in explaining how firms adapt to dynamic environments. In the context of MSMEs, this capability determines whether external support such as government programs, training initiatives, and export facilitation services can be effectively utilized. Firms with higher absorptive capacity are more likely to benefit from institutional interventions, as they possess the cognitive and organizational structures necessary to translate external inputs into actionable strategies (Bianchi et al., 2021; D'Angelo et al., 2020).

The role of government and institutional support in enhancing MSME export performance has been extensively discussed in the literature. Export promotion programs, financial incentives, capacity-building initiatives, and regulatory reforms are commonly employed by governments to stimulate international trade participation among MSMEs. However, the effectiveness of these interventions remains a subject of debate. While some studies highlight their positive impact on export readiness and market expansion (Haddoud et al., 2021), others argue that their success is contingent upon the internal capabilities of the firms they target (Love et al., 2016). This divergence suggests that institutional support should not be viewed as a standalone solution, but rather as a complementary mechanism that amplifies existing firm capabilities.

In addition to institutional support, network relationships and ecosystem dynamics play a crucial role in facilitating MSME internationalization. The emergence of entrepreneurial

ecosystems, characterized by interconnected actors such as firms, government agencies, financial institutions, and knowledge providers, has reshaped the landscape of global business. According to Autio et al., (2021), digital and spatial affordances within these ecosystems enable firms to access resources, information, and markets more efficiently. For MSMEs, participation in such ecosystems can significantly reduce entry barriers and enhance their ability to compete in international markets. However, the effectiveness of these ecosystems depends on the degree of coordination and alignment among stakeholders a condition that is often lacking in less-developed regions.

Another dimension that deserves attention is the heterogeneity of MSMEs themselves. Not all MSMEs are equally prepared to engage in export activities. Differences in size, sector, technological capability, and managerial orientation result in varying levels of readiness and performance. Studies on SME internationalization models, such as those proposed by Paul & Rosado-Serrano, (2019), distinguish between gradual internationalizers and born-global firms, each with distinct characteristics and strategic approaches. In the Indonesian context, the majority of MSMEs fall into the former category, characterized by incremental learning and cautious expansion into foreign markets. This implies that policy interventions must be tailored to the specific needs and capabilities of different MSME segments, rather than adopting a one-size-fits-all approach.

Despite the extensive body of research on MSME internationalization, a critical gap remains in understanding the interplay between internal readiness, institutional support, and external barriers. Most existing studies tend to examine these factors in isolation, leading to fragmented insights that fail to capture the complexity of real-world conditions. For instance, while RBV-focused studies emphasize internal capabilities, they often overlook the constraints imposed by weak institutional environments. Conversely, institution-based studies may highlight the role of policy and regulation but underestimate the importance of firm-level readiness. This lack of integration limits the explanatory power of existing models and hinders the development of effective strategies for MSME export development.

The present study seeks to address this gap by proposing an integrated analytical framework that simultaneously examines internal readiness, export capacity, government and institutional support, and external barriers. Within this framework, firm-level capabilities encompassing production capacity, human resource competence, and certification readiness are posited to shape not only a firm's direct ability to manage external constraints, but also its capacity to effectively absorb and leverage institutional support. Government and institutional support, in turn, serves as a mediating mechanism that amplifies the impact of internal readiness on export barrier management. This sequential logic internal readiness → absorptive capacity → utilization of institutional support → reduction of external barrier impact constitutes the central analytical contribution of the study. By adopting a structural modeling approach, this research aims to identify not only the direct effects of these variables but also their indirect and mediating relationships. Specifically, the study hypothesizes that the relationship between internal readiness and export barrier management is partially mediated by government and institutional support effectiveness €making this mediation the primary analytical focus. Such an approach provides a more comprehensive understanding of how MSME export capability is constructed and how it can be enhanced through coordinated interventions.

The choice of East Nusa Tenggara as the empirical context is both strategic and significant. As one of Indonesia's less-developed regions, East Nusa Tenggara presents a unique set of challenges and opportunities for MSME export development. The region is characterized by

abundant natural resources and cultural products with high export potential, yet it faces significant constraints in terms of infrastructure, logistics, and institutional capacity. This makes it an ideal setting for examining the dynamics of MSME internationalization in a context where structural limitations are particularly pronounced. By focusing on this region, the study not only contributes to the academic literature but also provides practical insights for policymakers and practitioners seeking to promote inclusive economic development.

In summary, this study is grounded in the recognition that MSME export development is a multidimensional and context-dependent process. It requires a nuanced understanding of how internal capabilities, institutional frameworks, and external environments interact to shape firm behavior and performance. By integrating these dimensions into a single analytical model, this research aims to advance both theoretical and practical knowledge in the field of SME internationalization. The findings are expected to offer valuable contributions to the design of more effective policies and strategies that can enhance the global competitiveness of MSMEs, particularly in emerging and less-developed regions.

METHOD

This study employs a causal research design to examine the relationships among internal readiness, export capacity, government and institutional support effectiveness, and external barriers faced by MSMEs. The population comprised all micro, small, and medium enterprises in East Nusa Tenggara (Nusa Tenggara Timur/NTT) Province. The sample size was determined using the rule of thumb that the number of indicators multiplied by 5 to 10 yields an ideal and representative sample (Hair et al., 2021). With 10 indicators used in the final model, the sample was set at 100 MSME actors, which satisfies the minimum requirements for parametric statistical analysis.

A non-probability sampling approach was applied, specifically purposive sampling. The criteria for inclusion were being an MSME actor in NTT Province with a business operational period of at least two years. Data were collected using a questionnaire method, employing a Likert scale to measure respondents' perceptions regarding each indicator. The questionnaire was distributed directly to 100 MSME actors across various sectors, including agriculture, fisheries, crafts, and food processing.

Data analysis was conducted using inferential statistical techniques with SmartPLS (Partial Least Squares) software version 3.0. PLS is a variance-based Structural Equation Modeling (SEM) approach that is particularly powerful for predictive models and does not require strict assumptions of normally distributed data or very large sample sizes (Sarstedt et al., 2022). The analysis proceeded in three stages: first, the measurement model (outer model) was evaluated to assess validity through loading factors and discriminant validity, as well as reliability using composite reliability and Cronbach's alpha. Second, the structural model (inner model) was assessed using R-square values to evaluate the explanatory power of the model. Third, hypothesis testing was conducted using bootstrapping procedures to generate t-statistics and p-values, where a t-statistic > 1.984 (for $\alpha = 0.05$) or a p-value < 0.05 indicated a significant relationship. The analysis also examined both direct and indirect (mediation) effects among the three latent variables.

RESULTS AND DISCUSSION

Research Results

The empirical analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach through SmartPLS 3.0 to assess the relationships among internal readiness and export capacity of MSMEs, effectiveness of government and institutional support, and external barriers and challenges faced by MSMEs in East Nusa Tenggara Province. The analysis involved the evaluation of the measurement model (outer model), structural model (inner model), and hypothesis testing to determine the significance of the proposed relationships.

The initial measurement model assessment was performed through outer loading analysis to evaluate indicator validity. According to Hair et al., (2021), indicators with loading factors above 0.70 are considered acceptable and demonstrate sufficient convergent validity. The initial path diagram model identified one indicator under the internal readiness and export capacity construct (P1.4) with a loading factor of 0.586, which was below the acceptable threshold. Consequently, this indicator was eliminated, and the model was recalculated to obtain the final measurement model.

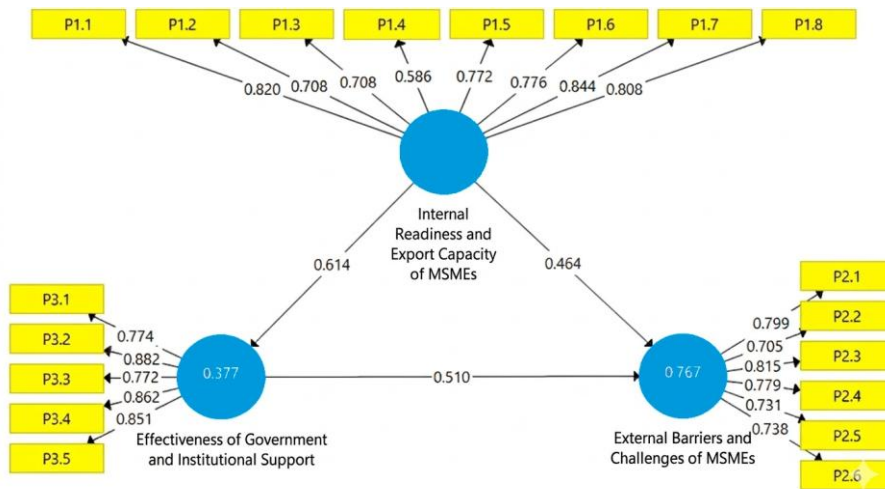


Figure 1. Initial Path Diagram Model

Source: Processed research data using SmartPLS 3.0, 2025

After removing the invalid indicator, the recalculated model demonstrated improved loading values across all remaining indicators.

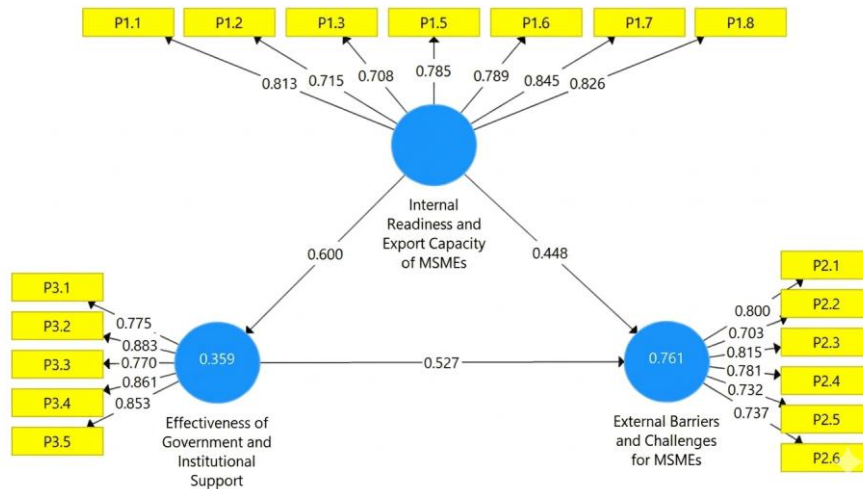


Figure 2. Final Path Diagram Model

Source: Processed research data using SmartPLS 3.0, 2025

Out of the initial nineteen indicators, eighteen indicators remained for further analysis. The retained indicators adequately represented the latent constructs of internal readiness and

export capacity, external barriers and challenges, and effectiveness of government and institutional support.

The reliability and validity of the constructs were assessed using Cronbach’s Alpha, Composite Reliability, and Average Variance Extracted (AVE). Composite Reliability values above 0.70 indicate internal consistency reliability, while AVE values above 0.50 confirm convergent validity (Hair et al., 2021).

Table 1. Construct Reliability and Validity

Variables	Cronbach’s Alpha	rho_A	Composite Reliability	AVE
Effectiveness of Government and Institutional Support	0.886	0.888	0.917	0.688
External Barriers and Challenges of MSMEs	0.857	0.868	0.893	0.581
Internal Readiness and Export Capacity of MSMEs	0.897	0.919	0.918	0.615

Source: Processed research data using SmartPLS 3.0, 2025

The results indicate that all constructs exceeded the recommended threshold for Cronbach’s Alpha and Composite Reliability, confirming strong internal consistency. Additionally, all AVE values surpassed 0.50, demonstrating satisfactory convergent validity for all latent variables.

Discriminant validity was further examined through cross-loading analysis. The findings showed that each indicator loaded more strongly on its associated construct than on any other construct, thereby confirming discriminant validity.

Table 2. Discriminant Validity (Cross Loading)

Indicators	Government Support Effectiveness	External Barriers and Challenges	Internal Readiness and Export Capacity
P1.1	0.437	0.594	0.813
P1.2	0.286	0.421	0.715
P1.3	0.344	0.446	0.708
P1.5	0.426	0.473	0.785
P1.6	0.459	0.604	0.789
P1.7	0.611	0.781	0.845
P1.8	0.591	0.720	0.826
P2.1	0.660	0.800	0.754
P2.2	0.429	0.703	0.528
P2.3	0.665	0.815	0.695
P2.4	0.688	0.781	0.544
P2.5	0.564	0.732	0.486
P2.6	0.590	0.737	0.420
P3.1	0.775	0.610	0.437
P3.2	0.883	0.695	0.475
P3.3	0.770	0.666	0.527
P3.4	0.861	0.713	0.502

Indicators	Government Support Effectiveness	External Barriers and Challenges	Internal Readiness and Export Capacity
P3.5	0.853	0.606	0.540

Source: Processed research data using SmartPLS 3.0, 2025

The structural model evaluation was conducted by examining the coefficient of determination (R^2). The R^2 value indicates the explanatory power of the independent variables over the dependent variables.

Table 3. R-Square Values

Variables	R-Square
Effectiveness of Government and Institutional Support	0.359
External Barriers and Challenges of MSMEs	0.761

Source: Processed research data using SmartPLS 3.0, 2025

The R^2 value of 0.359 for government and institutional support effectiveness indicates that 35.9% of its variance is explained by internal readiness and export capacity. Meanwhile, the R^2 value of 0.761 for external barriers and challenges demonstrates that 76.1% of the variance is jointly explained by internal readiness and export capacity as well as government support effectiveness. This indicates substantial explanatory power.

Hypothesis testing was performed using bootstrapping procedures. The significance criterion required t-statistics greater than 1.984 and p-values less than 0.05.

Table 4. Path Coefficients Results

Path Relationship	Original Sample	Standard Deviation	T Statistics	P Values
Government Support Effectiveness → External Barriers and Challenges	0.527	0.066	8.030	0.000
Internal Readiness and Export Capacity → Government Support Effectiveness	0.600	0.069	8.631	0.000
Internal Readiness and Export Capacity → External Barriers and Challenges	0.448	0.070	6.417	0.000

Source: Processed research data using SmartPLS 3.0, 2025

The first hypothesis examined the influence of government and institutional support effectiveness on external barriers and challenges. The results revealed a significant positive relationship ($\beta = 0.527$, $t = 8.030$, $p < 0.001$), indicating that stronger institutional support significantly helps MSMEs address external export barriers. The second hypothesis tested the effect of internal readiness and export capacity on government support effectiveness. The results demonstrated a significant positive relationship ($\beta = 0.600$, $t = 8.631$, $p < 0.001$), suggesting that MSMEs with stronger internal readiness are better positioned to utilize institutional support effectively. The third hypothesis assessed the direct effect of internal readiness and export capacity on external barriers and challenges. The findings confirmed a significant positive relationship ($\beta = 0.448$, $t = 6.417$, $p < 0.001$), indicating that greater internal readiness enhances MSMEs' capability to overcome external constraints.

The mediation effect of government and institutional support was examined through indirect effect analysis.

Table 5. Indirect Effect Results

Indirect Path	Original Sample	Standard Deviation	T Statistics	P Values
Internal Readiness and Export Capacity → Government Support Effectiveness → External Barriers and Challenges	0.316	0.063	4.987	0.000

Source: Processed research data using SmartPLS 3.0, 2025

The mediation analysis confirmed a significant indirect effect ($\beta = 0.316$, $t = 4.987$, $p < 0.001$), demonstrating that government and institutional support partially mediates the relationship between internal readiness and external barriers. This finding suggests that while internal readiness directly contributes to export capability, its impact is strengthened through effective institutional support mechanisms. Overall, the results provide empirical evidence that internal readiness and export capacity are essential determinants of export market development among MSMEs in East Nusa Tenggara. Furthermore, effective government and institutional support serves as a critical mechanism for enhancing MSMEs’ capacity to overcome external export barriers and access international markets successfully (Hair et al., 2021; Sarstedt et al., 2022).

Discussion

The discussion of this study must be positioned not merely as a repetition of statistical results, but as a critical interpretation of how internal readiness, institutional support, and external barriers interact within the broader structure of export development theory for MSMEs. The findings clearly demonstrate that export capability is not a linear function of internal firm strength alone, but rather a systemic outcome shaped by the interaction between internal capacities and institutional ecosystems. This aligns with contemporary perspectives in international entrepreneurship and SME internationalization, which emphasize capability–environment alignment as the core determinant of export success (Autio et al., 2021; Cavusgil et al., 2021; Paul & Rosado-Serrano, 2019).

The first major finding indicates that the effectiveness of government and institutional support has a significant positive effect on external barriers and challenges faced by MSMEs. At first glance, the positive coefficient may appear counterintuitive if interpreted superficially. However, a more rigorous interpretation suggests that stronger institutional support enhances MSMEs’ awareness, recognition, and strategic response toward external barriers rather than eliminating them outright. In other words, effective support systems do not remove complexity from export markets; instead, they equip firms with the capacity to navigate that complexity. This interpretation is consistent with the institutional theory perspective, which posits that regulatory frameworks, training programs, and facilitation mechanisms function as enabling structures that reduce uncertainty and transaction costs (Bruton et al., 2021; North, 1990; Peng et al., 2020). Recent empirical studies further confirm that government export promotion programs significantly improve firms’ ability to cope with regulatory, logistical, and market-entry barriers (Ciravegna et al., 2022; Haddoud et al., 2021). Thus, the novelty of this finding lies in repositioning government support not as a “barrier remover,” but as a “capability enhancer” in dealing with external constraints.

The second finding reveals that internal readiness and export capacity significantly influence the effectiveness of government and institutional support. This relationship is critical and often overlooked in policy discourse. Many development programs assume that institutional support automatically benefits all MSMEs equally. However, the evidence from this study suggests

otherwise: firms with higher internal readiness such as adequate production capacity, certification compliance, digital presence, financial strength, and human resource competence are more capable of absorbing and utilizing institutional support effectively. This aligns with the absorptive capacity theory introduced by Cohen & Levinthal, (1990), which argues that organizational capacity determines the ability to recognize, assimilate, and exploit external knowledge. Recent studies in SME internationalization reinforce this argument, showing that firms with stronger internal capabilities derive greater benefits from export promotion policies and international networks (Bianchi et al., 2021; D'Angelo et al., 2020; Ribau et al., 2023). Therefore, this study contributes a refinement to existing theory by demonstrating that institutional effectiveness is endogenous to firm capability an insight that has significant implications for policy targeting and program design.

The third finding confirms that internal readiness and export capacity have a direct and significant effect on external barriers and challenges. This result reinforces the resource-based view (RBV), which emphasizes that firm-specific resources and capabilities are central to competitive advantage (Barney, 1991). However, this study extends the RBV perspective by situating internal capabilities within the context of export barriers. The findings suggest that firms with stronger internal readiness do not necessarily face fewer external barriers; rather, they are better equipped to manage and mitigate those barriers. This distinction is crucial. It shifts the narrative from “barrier reduction” to “barrier management,” which is more realistic in the context of global trade characterized by complex regulations, intense competition, and dynamic market conditions. Empirical evidence from recent studies supports this argument, indicating that export-ready firms are more resilient in dealing with institutional voids, logistical constraints, and competitive pressures (Love et al., 2016; Narooz & Child, 2017; Paul et al., 2017).

The fourth and most strategically important finding is the confirmation of a significant mediating role of government and institutional support in the relationship between internal readiness and external barriers. This mediation effect provides a more nuanced understanding of how export capability is constructed. It suggests that internal readiness alone is insufficient to achieve optimal export performance; it must be complemented by effective institutional support. Conversely, institutional support without adequate internal readiness will yield limited impact. This reciprocal dependency reflects a co-evolutionary model of SME internationalization, where firm capabilities and institutional environments evolve together (Autio et al., 2021; Bruton et al., 2021; Peng et al., 2020).

From a theoretical standpoint, this study contributes to the development of an integrated model of MSME export development by synthesizing elements from the resource-based view, institutional theory, and absorptive capacity theory. The proposed model suggests that export success is a function of three interdependent dimensions: internal readiness, institutional effectiveness, and external environment adaptability. This model challenges the traditional dichotomy between internal and external factors by demonstrating that their interaction rather than their independent effects is the true driver of export capability. In doing so, the study offers a conceptual advancement that can serve as a foundation for future research in SME internationalization, particularly in emerging economies (Paul & Rosado-Serrano, 2019; Ribau et al., 2023).

From a practical perspective, the implications of this study are substantial and demand a critical rethinking of current policy approaches. First, policymakers must abandon the one-size-fits-all model of MSME support. The findings clearly indicate that the effectiveness of government programs depends on the internal readiness of the firms. Therefore, policy interventions should

be segmented based on the level of firm capability, with differentiated strategies for nascent, developing, and export-ready MSMEs. Second, there is a need to shift from output-based programs to outcome-based programs that measure actual improvements in export capacity. Third, institutional support should prioritize capacity-building in areas that directly enhance export readiness, such as certification compliance, digital marketing, supply chain management, and international business negotiation (Ciravegna et al., 2022; Haddoud et al., 2021).

Furthermore, the study highlights the critical importance of strengthening the institutional ecosystem in regions such as East Nusa Tenggara, where infrastructural and logistical constraints remain significant. Government agencies, financial institutions, and export facilitation bodies must operate in a more integrated and coordinated manner. Fragmented support systems will only dilute the effectiveness of interventions. To operationalize this coordination imperative, the study proposes a three-tier institutional response model. At the first tier (nascent MSMEs), interventions should focus on foundational capability-building: product quality standardization, basic export literacy training, and access to microfinancing for certification costs. At the second tier (developing MSMEs), support should shift toward export facilitation: market access programs, digital marketing capacity, supply chain integration, and international buyer matchmaking. At the third tier (export-ready MSMEs), institutions should prioritize strategic enablement: trade finance instruments, global value chain linkage programs, bilateral trade agreement navigation, and brand internationalization support. Critically, a Regional MSME Export Coordination Forum should be established in East Nusa Tenggara, convening the provincial trade office, LPEI (Indonesia Eximbank), Dinas Koperasi dan UKM, relevant chambers of commerce, and logistics service providers. This forum would function as a single platform for aligning export promotion programs, eliminating duplication, and ensuring that support reaches MSMEs at the right tier of readiness. Recent global evidence suggests that ecosystem-based approaches where multiple stakeholders collaborate in a coordinated framework are far more effective in supporting SME internationalization (Autio et al., 2021; *OECD SME and Entrepreneurship Outlook 2019*). At a managerial level, MSME actors must also adopt a more proactive stance. The findings make it unequivocally clear that reliance on government support without strengthening internal capacity is a flawed strategy. Firms must invest in building sustainable capabilities, including product quality standardization, branding, digitalization, and international market intelligence. In the long run, export success will not be determined by access to support programs alone, but by the firm's ability to transform that support into competitive advantage (Barney, 1991; Cohen & Levinthal, 1990).

In a broader developmental context, this study underscores a fundamental reality: export development for MSMEs in emerging regions is not constrained by a single dominant factor, but by a complex interplay of capability gaps and institutional inefficiencies. A critical question that demands deeper engagement is: why do MSMEs in East Nusa Tenggara remain persistently constrained by external barriers even when they possess measurable internal capacities? The answer lies not merely in the magnitude of internal readiness, but in the structural characteristics of the regional export ecosystem. Geographic isolation from major trade hubs, underdeveloped cold-chain and logistics infrastructure, low digital penetration among MSME operators, fragmented inter-agency coordination between the Ministry of Trade, regional governments, and export facilitation bodies, and the absence of a cohesive regional export strategy collectively create systemic friction that internal capability alone cannot overcome. This structural reality reveals a fundamental limitation: internal readiness is a necessary but not sufficient condition for export success in institutionally thin environments such as East Nusa Tenggara. It is precisely this

gap that the mediating role of government and institutional support must bridge. Addressing one dimension without the other will produce suboptimal outcomes. Therefore, future research should move beyond isolated variable analysis and adopt more holistic, system-based approaches that capture the dynamic interactions between firms and their environments (Bruton et al., 2021; Peng et al., 2020). In conclusion, the discussion reveals that the development of MSME export markets is a multidimensional process requiring alignment between internal readiness, institutional effectiveness, and external adaptability. The study not only confirms existing theoretical perspectives but also advances them by offering an integrated framework and highlighting the mediating role of institutional support. This contribution is particularly relevant for emerging economies seeking to strengthen their MSME sector as a driver of export growth and economic resilience (Cavusgil et al., 2021; Paul et al., 2017; Ribau et al., 2023).

CONCLUSIONS

This study confirms that the development of export markets for MSMEs in East Nusa Tenggara is fundamentally determined by the interaction between internal readiness, export capacity, and the effectiveness of government and institutional support. The empirical findings demonstrate that internal readiness and export capacity have a significant positive effect on both the effectiveness of institutional support ($\beta = 0.600$; $p < 0.001$) and the ability of MSMEs to address external barriers and challenges ($\beta = 0.448$; $p < 0.001$). Furthermore, the effectiveness of government and institutional support significantly influences the capacity of MSMEs to manage external constraints ($\beta = 0.527$; $p < 0.001$). The structural model also shows substantial explanatory power, particularly in explaining external barriers and challenges ($R^2 = 0.761$), indicating that the proposed model captures the dominant determinants of export readiness. Importantly, the mediation analysis confirms that institutional support partially mediates the relationship between internal readiness and external barriers ($\beta = 0.316$; $p < 0.001$), reinforcing the argument that internal capabilities and institutional mechanisms must function in an integrated manner. The essential implication of these findings is that export capability cannot be achieved through isolated interventions. Strengthening internal firm capacity without effective institutional facilitation will limit scalability, while institutional support without adequate firm readiness will result in suboptimal outcomes. Therefore, MSME export development should be approached as a systemic process that simultaneously enhances firm-level capabilities and institutional effectiveness. Based on these findings, future research should move beyond cross-sectional designs and adopt longitudinal approaches to capture the dynamic evolution of MSME export readiness over time. In addition, further studies are needed to incorporate broader variables such as digital trade integration, global value chain participation, and innovation capability to refine the explanatory power of the model. Comparative studies across regions with different levels of institutional maturity would also be valuable to test the generalizability of this integrated framework.

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