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Determinants Of Obstacles To The Internationalization Of Smes In Developing Countries: A Systematic Review

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Abstract

This study conducted a systematic literature review of the latest empirical and conceptual literature on the barriers faced by micro, small, and medium-sized enterprises (MSMEs) in developing countries as they seek to internationalize. Following the PRISMA 2020 protocol, the researchers analyzed peer-reviewed articles published between 2020 and 2025, sourced from the Scopus and Web of Science databases. This review classifies the barriers into two broad categories: internal constraints (financial limitations, human resource deficits, information asymmetry, and marketing weaknesses) and external barriers (institutional weaknesses, regulatory complexity, trade restrictions, and home country effects). The analysis indicates that these barriers rarely operate in isolation. Instead, they form configurations shaped by the interaction between a firm's resource base, relational capital, and the institutional characteristics of the home country. Findings also indicate that digital capabilities and business networks can mitigate the severity of certain types of barriers, although their effectiveness depends on organizational capacity and the institutional context. This review contributes to the literature on internationalization by consolidating post-pandemic empirical evidence, identifying underutilized theoretical frameworks, and proposing future research directions that emphasize multi-level and context-sensitive analysis of SME internationalization in Southern countries

Keywords: internationalization of SMEs; barriers; developing countries; systematic literature review; institutional theory; resource-based view

INTRODUCTION

Micro, small, and medium-sized enterprises account for approximately 90 percent of all business units and more than half of total global employment (World Bank, 2023).

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However, in most developing countries, fewer than 10 percent of MSMEs are engaged in any form of cross-border trade. This disparity between domestic economic weight and international participation points to structural issues. Although numerically dominant, MSMEs in developing countries remain marginal actors in the global market. Questions about what prevents them from internationalizing, and whether these barriers differ from those faced by firms in developed countries, have sparked a growing body of research over the past two decades.

The benefits of internationalization for SMEs have been well-documented. Export activities and other cross-border operations open access to a broader customer base, enable the achievement of economies of scale, provide exposure to new technologies, and reduce dependence on domestic demand cycles (Lu & Beamish, 2004). Exporting firms tend to report higher productivity, better wages, and stronger survival rates compared to firms operating solely in domestic markets (van Biesebroeck, 2003). However, the decision to internationalize entails significant costs, and for SMEs in developing countries, these costs are exacerbated by a weak institutional environment, limited access to finance, and information gaps that are generally not experienced by firms in OECD countries (Chandra, Paul, & Chavan, 2020).

Most existing research on SME internationalization is conducted within the contexts of Western Europe, North America, and Japan (Dabić, Maley, Dana, Novak, Pellegrini, & Caputo, 2020; Ribau, Moreira, & Dominguez, 2018). Studies from developing countries remain fragmented, scattered across national case studies that are often disconnected from one another. Chandra et al. (2020) made an initial effort to consolidate this scattered literature, but their review predates the COVID-19 pandemic and the acceleration of digitalization that has transformed the conditions in which SMEs operate. A number of empirical studies published between 2022 and 2025 have yielded new findings that need to be systematically integrated.

This review addresses two research questions. First, what types of barriers most frequently emerge in the recent literature on the internationalization of SMEs in developing countries? Second, what theoretical frameworks have been used to explain these barriers, and where are there significant gaps? By answering these questions through a systematic literature synthesis covering 2020–2025, this article aims to: (a) consolidate the empirical findings accumulated since the review by Chandra et al. (2020), (b) map the theoretical lenses researchers have applied to this issue, and (c) identify future research directions aligned with the specific institutional realities in the Global South.

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LITERATURE REVIEW

Definition of SME Internationalization

Internationalization, in the context of this review, refers to the process by which firms adapt their strategies, structures, and resource allocation to operate beyond national borders (Calof & Beamish, 1995). For SMEs in developing countries, this process most commonly takes the form of exports, which remain the dominant mode of international engagement due to their lower resource requirements compared to foreign direct investment or licensing arrangements (Bertrand, Betschinger, & Brea-Solís, 2022). While some firms do pursue more advanced modes such as joint ventures, franchising, or direct investment, the empirical literature reviewed here predominantly addresses export-oriented internationalization. This is not a limitation of the review but rather reflects how the majority of SMEs in developing countries engage with foreign markets.

Theoretical Perspectives

The author argues that studies on the barriers to internationalization draw upon several theoretical traditions. Each offers a different explanation for why SMEs struggle to enter foreign markets, and each highlights different aspects of this issue.

The first is the Uppsala Model (Johanson & Vahlne, 1977). This perspective treats internationalization as a gradual, experience-driven process. Companies begin by exporting to markets that are culturally and geographically close, then expand outward as they accumulate knowledge and reduce uncertainty. Barriers, within this framework, arise from psychological distance and the liability of foreignness. This model was developed from observations of Swedish firms and has been criticized for its limited applicability to born-global firms and in contexts where institutional voids determine the pace and direction of internationalization.

Second is the Resource-Based View (RBV) (Barney, 2000). This perspective attributes barriers to a firm's internal resource endowment. SMEs lacking financial capital, managerial talent, technological capabilities, or market knowledge face difficulties competing internationally. RBV is the most frequently used framework in the literature on SME internationalization (Dabić et al., 2020). Its strength lies in its focus on heterogeneity at the firm level. Its weakness, when applied to the context of developing countries, is that this framework does little to explain how the broader institutional environment shapes the value and availability of these resources.

Third is institutional theory (North, 1990; Scott, 2013). This theory shifts the focus from the firm to the environment. Barriers arise from weak regulatory frameworks, inefficient bureaucracy, corruption, and the absence of intermediary institutions that, in

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developed countries, serve to reduce transaction costs and information asymmetry. Khanna and Palepu (2010) conceptualize these gaps as "institutional voids"—missing market-supporting infrastructure that forces firms in developing countries to find workarounds or abandon their international ambitions altogether. Although it possesses strong explanatory power, institutional theory remains underutilized in the literature on SME internationalization (Chandra et al., 2020).

Finally, there is Network Theory, which emphasizes the role of social and business relationships in providing access to information, resources, and market opportunities that individual firms cannot generate on their own (Coviello, 2006). Johanson and Vahlne (2015) revised the Uppsala model to incorporate network position as a determinant of internationalization. For SMEs in developing countries, where formal institutions are often unreliable, personal and professional networks can serve as a substitute for the institutional infrastructure that supports firms in more developed nations

Classification of barriers to internationalization

Leonidou (2004) proposed a widely cited classification, dividing barriers into internal (functional, informational, and marketing) and external (procedural, governmental, and environmental) categories. Kahiya (2018) refined this framework and called for greater attention to how different types of barriers interact with one another. Table 1 summarizes the classification used in this review, adapted from both sources

Table 1. Classification of barriers in the internationalization process of SMEs

Category	Subcategories	Examples from the literature
Internal	Financial constraints	Limited working capital, restricted access to trade financing, high credit costs (Rahman et al., 2024; Kapil et al., 2025)
	Human resource shortages	Lack of international experience, language barriers, absence of export-oriented managerial skills (Al-Hyari et al., 2012; Dabić et al., 2020)

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	Knowledge gaps	Poor market information, unfamiliarity with foreign regulations, inability to identify opportunities (Sadeghi et al., 2022; Brochado et al., 2020)
	Marketing weaknesses	Product adaptation difficulties, pricing constraints, limited distribution channels (Lakshman et al., 2025)
External	Institutional/regulatory	Bureaucratic export procedures, corruption, institutional voids, complex trade regulations (Bertrand et al., 2022)
	Market environment	Intense competition, cultural distance, and negative perceptions of the country of origin (Sadeghi et al., 2022)
	Macroeconomic	Exchange rate volatility, political instability, and infrastructure deficits (Al-Hyari et al., 2012)

Source: processed by researcher, 2026

METHOD

This study employed a systematic literature review (SLR) following the PRISMA 2020 guidelines (Page et al., 2021). The SLR was chosen because it allows for a transparent and replicable synthesis of existing findings, as well as the identification of patterns, contradictions, and gaps in the literature (Tranfield, Denyer, & Smart, 2003). This review is qualitative in orientation; findings are synthesized thematically, not statistically.

The search was conducted in the Scopus and Web of Science databases, selected for their extensive coverage of management, business, and entrepreneurship journals. The search was limited to articles published between January 2020 and December 2025. The search string combined three concept groups using Boolean operators:

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("SME" OR "small and medium enterprise*" OR "small business") AND ("internationali*ation" OR "export*") AND ("barrier*" OR "obstacle*" OR "challenge*" OR "constraint*") AND ("emerging econom*" OR "developing countr*" OR "Global South")

Only peer-reviewed journal articles in English were included. Conference papers, book chapters, working papers, and editorial comments were excluded.

Table 2. Inclusion and exclusion criteria

Inclusion criteria	Exclusion criteria
Peer-reviewed journal articles	Conference papers, book chapters, working papers
Published between 2020 and 2025	Published before 2020
Substantive focus on barriers to the internationalization of SMEs	Focus exclusively on MNCs or large firms
Empirical context covering developing countries/emerging economies	Context limited to developed countries without comparative elements
In English	Written in a language other than English

source: processed by researcher, 2026

The screening process followed the four-stage PRISMA workflow, which included identification, screening, eligibility assessment, and inclusion. After removing duplicates from both databases, titles and abstracts were screened based on the inclusion criteria. Articles that passed the initial screening were read in full. The final sample consisted of 15 articles that met all criteria and were available via open access. Although this number is limited, it reflects a deliberate focus on recent empirical work accessible from the context of developing countries. A PRISMA flow diagram documenting the exact numbers at each stage should accompany the final version of this article.

From each article included, the following information was extracted: author, year, journal, geographical context, theoretical framework, research methods, types of barriers identified, and key findings. The extracted data was organized into a matrix and analyzed thematically, grouping findings by barrier category (internal versus external) and by the theoretical lens used. When multiple studies addressed the same type of barrier in different national contexts, we compared their findings to identify convergences and divergences

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RESULT AND DISCUSSION

Overview of the Reviewed Studies

The fifteen articles reviewed cover a variety of geographic contexts, including Bangladesh, India, Sri Lanka, Vietnam, Indonesia, Jordan, Qatar, South Africa, Portugal, as well as several cross-national samples encompassing Southeast Europe, Central Asia, and the Middle East. The methodological distribution is fairly balanced: six studies used quantitative approaches (primarily surveys employing PLS-SEM or fsQCA), five were qualitative (case studies and semi-structured interviews), and four were review or bibliometric studies synthesizing existing literature. The theoretical orientations vary, but the resource-based view appears in most studies, followed by institutional theory and network theory. The Uppsala Model, although referenced in several articles, rarely serves as the primary analytical framework.

Internal Obstacles

The internal obstacle most frequently cited across the reviewed studies is limited access to capital. Rahman, Hack-Polay, Shafique, and Igwe (2024), who worked with 212 Bangladeshi MSMEs, found that financial constraints were among the strongest predictors of non-internationalization. Kapil, Bamel, and Bamel (2025) reported comparable findings among 280 Indian manufacturing firms, where limitations in internal resources outweighed both push and pull factors in explaining variations in the intensity of internationalization. Lakshman, Kumarasinghe, and Weerasinghe (2025) reached a similar conclusion in Sri Lanka, although their triangulation design revealed that the severity of financial constraints varies by firm size—with smaller firms experiencing them more acutely, while medium-sized exporters have partially overcome them through network relationships.

A useful counterpoint comes from Al-Qatamin and Esmail (2024), who studied exporting SMEs in Qatar. In that resource-rich economy, financial constraints are not the primary barrier. What poses a problem for firms struggling in international markets is the lack of internal capabilities in supply chain management, market intelligence, and digitalization. These findings suggest that financial barriers, while common, are not universal. Their relative importance depends on the broader economic context in which the companies operate.

Several studies point to different types of internal weaknesses: the lack of managers with international experience, foreign language proficiency, or what the literature sometimes refers to as a "global mindset." Al-Hyari and colleagues (2012), who studied Jordanian SMEs, reported that 48 percent of the surveyed companies identified a shortage of skilled labor as a major barrier to entering foreign markets. Dabić et al. (2020), in their bibliometric review covering over 760 articles, observed that human resources remain one of the least

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systematically investigated dimensions of SME internationalization, despite their consistent presence in empirical studies. The gap between how frequently human resources are mentioned and how deeply they are analyzed warrants attention.

A Vietnam-based study by Luu (2024), published in the Journal of Innovation and Entrepreneurship, offers related insights. Vietnamese SMEs that successfully internationalized were not distinguished by superior financial resources, but rather by their managers' ability to innovate business models in response to digital transformation. Managerial capability, in this context, is not merely a stock of knowledge or experience. It is the capacity to reconfigure organizational routines under changing conditions.

Companies lacking information about foreign market conditions—such as demand patterns, regulatory requirements, competitive dynamics, and distribution infrastructure—face distinct barriers. Sadeghi, Urban, and Sobhani (2022), in a mixed-methods study of South African SMEs, found that insufficient knowledge of international markets was rated as the most serious barrier by respondents, surpassing financial and regulatory barriers. Brochado, Lobo, Pacheco, and Maldonado (2020) reached a similar conclusion through a qualitative case study in Portugal, where even companies with adequate capital struggled to internationalize because they could not access reliable information about target markets.

The bibliometric study by Ali, Khan, and Atif (2023) adds a structural dimension to this issue. Their review of 262 articles on the internationalization of SMEs found that information technology capabilities have become an increasingly prominent determinant of internationalization success since 2019. The implication is that the knowledge gap is no longer merely a matter of not knowing, but rather a matter of lacking the technological and organizational means to find out.

The ability to adapt products for foreign markets, set competitive prices, and build distribution channels forms a distinct cluster of internal barriers. Lakshman et al. (2025) found that marketing capabilities are one of only two variables (along with networking capabilities) that significantly predict internationalization among Sri Lankan manufacturing SMEs. Yuliani, Prasetio, and Yudoko (2024), in a qualitative study of 12 small Indonesian businesses in the culinary, fashion, and handicraft sectors, documented how production capabilities, marketing knowledge, and legal awareness synergistically combine to determine whether a company can sustain its export activities. No single capability is sufficient on its own.

External Obstacles

External barriers specific to developing countries center on institutional weaknesses such as bureaucratic export procedures, inconsistent regulatory enforcement, corruption,

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and the absence of reliable market intermediaries. Bertrand et al. (2022) examined this issue using fuzzy-set qualitative comparative analysis (fsQCA) with data from firms in developing countries. Their most significant finding was that the impact of corruption on export decisions is not uniform. It depends on the firm's internal resource base. Firms with strong internal capabilities can absorb institutional frictions, whereas those without cannot. This finding directly challenges the assumption that barriers act independently of one another.

Al-Hyari et al. (2024) found that economic fluctuations, complex foreign legal systems, as well as tariff and non-tariff barriers all place a heavy burden on Jordanian exporting SMEs. The 2020 Jordan Strategy Forum survey, cited in their article, shows that 64 percent of SMEs identified foreign competition as a barrier—a reminder that external barriers include market-side pressures, not just regulatory ones. The ASEAN context, documented in a policy brief by New Zealand's Ministry of Foreign Affairs and Trade (2023), adds another layer: SMEs in Southeast Asian countries report that the inability to meet product and service standards in target markets, challenges in resolving cross-border disputes, and unequal treatment in foreign markets are among the most persistent external barriers.

Several studies note that SMEs from developing countries face additional disadvantages in how their products are perceived abroad. The country-of-origin image influences buyer trust and their willingness to pay. Sadeghi et al. (2022) found this to be a concern among South African SMEs, while Calheiros-Lobo, Werner, and Alonso (2024), in their study on best practices in internationalization, identified the country-of-origin issue as one reason why SMEs from peripheral economies often require what they call a "foreign champion"—an intermediary or partner in the target market who can lend credibility to the product.

Cultural distance and language barriers have similar effects. Both increase market entry costs and complicate the building of trust with foreign buyers and partners. Borsós, Borza, Iancu, and Petru (2023), who surveyed 315 European SMEs (including some from developing countries), found that firms whose managers perceive cultural distance as an opportunity are more likely to report internationalization intentions. Perception, in other words, mediates the effect of objective distance. This finding is consistent with the managerial cognition stream in the internationalization literature.

Mediating and Moderating Factors

Although this review focuses on barriers, some of the studies reviewed identified factors that moderate or mitigate the effects of these barriers. A study in Vietnam by Luu (2024) found that business model innovations driven by digital technology helped SMEs overcome resource constraints and access foreign markets more quickly than conventional approaches allowed. Borsós et al. (2023) reported that firms using enterprise resource

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planning (ERP) systems were more likely to express intentions to internationalize. Ali et al. (2023), in their systematic review, identified digitalization as one of the "most recent predictors" of SME internationalization in the scientific literature. However, digital capabilities are not a simple solution. Luu (2024) also warns that without adequate organizational capacity, the adoption of digital tools does not automatically translate into international competitiveness. The obstacle is not access to technology; rather, it is the capacity to integrate technology into a viable international strategy.

Networking emerges as a significant moderating variable in many studies. Lakshman et al. (2025) found it to be one of two statistically significant predictors of internationalization. Al-Qatamin and Esmail (2024) identified "employees with networking skills" as one of five internal enablers of export performance among Qatari SMEs. At the macro level, Tajeddin and colleagues (2023), in a study using data from 2,673 SMEs in Southeast Europe, Central Asia, and the Middle East, demonstrated that formal networking moderates the negative effect of institutional barriers on the propensity to export. The mechanism is direct: networks provide access to market information, technological knowledge, and reputational resources that individual firms cannot generate on their own.

The effectiveness of government export promotion programs has received mixed evaluations. Brochado et al. (2020) found that inadequate government support constitutes a significant barrier, while Kapil et al. (2025) reported that access to government support programs influences the internationalization trajectory of born-global firms in India. Yuliani et al. (2024) note that legal capabilities serve as an enabling factor for Indonesian SMEs. This evidence suggests that government support is important, but its impact depends on how well the programs are designed and whether they address the specific configurations of barriers faced by firms in different contexts.

Theoretical frameworks used

Across all 15 reviewed articles, the resource-based view was the most commonly applied framework. It appeared as a primary or secondary theoretical lens in at least nine studies. Institutional theory was explicitly used in three studies (Rahman et al., 2024; Bertrand et al., 2022; Sadeghi et al., 2022), although several other studies referred to institutional factors without formally adopting the framework. Network theory features prominently in Lakshman et al. (2025) and Al-Qatamin and Esmail (2024). The Uppsala model is cited in review articles but is rarely used as the primary lens for empirical analysis.

Two methodological and theoretical gaps warrant attention. First, the configurational approach is rarely employed despite its suitability for examining how various barriers combine to produce specific outcomes. Most studies treat barriers as independent variables

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acting additively. Second, dynamic capability theory, which can explain how firms develop the capacity to overcome barriers over time, is almost entirely absent from the reviewed literature.

DISCUSSION

Obstcles Form Configurations

The most significant finding of this review is that barriers to internationalization do not operate as discrete, independent obstacles. They form configurations. A firm's inability to export is rarely caused by a single factor—such as insufficient capital, regulatory complexity, or information gaps—but rather by the way these factors interact and reinforce one another. Bertrand et al. (2022) demonstrate this empirically using fsQCA, showing that different combinations of internal resource deficits, relational weaknesses, and institutional context conditions can each lead to the same non-export outcome. The practical implication is that addressing one barrier without considering its interaction with others is likely to yield only limited effects.

This configurational logic has methodological consequences. The majority of studies in this review employ variance-based approaches (regression, PLS-SEM) that assume additive and symmetric causality. These methods can identify which individual factors are correlated with internationalization outcomes, but they cannot reveal how factors combine or substitute for one another. The field would benefit from greater use of set-theoretic methods and qualitative comparative analysis, which are indeed designed for this type of causal complexity.

The Unique Context of Developing Countries

The reviewed literature confirms that the barriers to the internationalization of SMEs in developing countries differ from those documented in the context of developed nations. The institutional gaps described by Khanna and Palepu (2010)—such as the absence of intermediary institutions, weak contract enforcement, and poor information infrastructure—create layers of difficulty that are largely absent in OECD countries. When Jordanian SMEs struggle with export documentation and South African firms cannot access reliable information about foreign market conditions, this is not merely a resource issue. It is an institutional problem: a failure of the broader system in which firms operate.

This distinction is crucial for theory. The Resource-Based View (RBV), which dominates the literature, can explain why individual firms lack certain capabilities. But it cannot explain why the environment systematically fails to provide supportive infrastructure—such as trade financing mechanisms, market information services, and reliable legal systems—

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that would make those capabilities effective. Institutional theory is better suited for this task, yet it remains underutilized. A productive path forward is to integrate the two: using the RBV to analyze variations at the firm level and institutional theory to analyze environmental conditions that constrain or enable the deployment of firm resources.

Digitalization as a Double-Edged Sword

Several studies in this review describe digitalization as a factor that can reduce barriers to internationalization. Digital platforms lower information costs, expand market reach, and reduce the physical constraints of distance (Borsós et al., 2023; Ali et al., 2023). Vietnamese SMEs in Luu's (2024) study used digital tools to redesign their business models for cross-border operations.

However, existing evidence also points to a less optimistic interpretation. Digital technology itself creates new barriers. Regulatory complexity complicates cross-border operations. The costs and complexity of meaningful digital transformation exceed what many SMEs can bear, particularly those in economies with poor digital infrastructure. The risk is that digitalization widens, rather than narrows, the gap between firms that can internationalize and those that cannot. This dual nature of digitalization has not been well theorized in the existing literature and warrants continued empirical attention.

Toward a Future Research Agenda

Four gaps in the current literature require special attention from future researchers. First, the integration of institutional theory with the resource-based view within a single analytical framework remains rare. Studies tend to adopt one or the other, even though empirical reality involves firm-level and environmental-level factors operating simultaneously.

Second, configurational methods remain underutilized. The analytical promise of fsQCA and related approaches has been demonstrated by Bertrand et al. (2022), but most subsequent studies have not followed in their footsteps. Given that barriers form configurations rather than linear sequences, this represents a missed opportunity.

Third, longitudinal designs are almost entirely absent. The reviewed studies offer cross-sectional snapshots of perceptions of barriers. We know little about how barriers change as firms gain experience, develop capabilities, or face shifts in the institutional environment.

Fourth, Southeast Asia—particularly Indonesia—remains underrepresented in the literature. Yuliani et al. (2024) is one of the few studies to examine Indonesian SMEs directly, and it focuses on a small sample within specific sectors. Given that Indonesia has one of the

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largest SME populations in the world, the mismatch between empirical attention and economic significance is difficult to justify.

CONCLUSION AND SUGGESTION

This systematic literature review has synthesized the latest empirical and conceptual research on barriers to the internationalization of SMEs in developing countries, covering the period from 2020 to 2025. The available evidence indicates that financial constraints, human resource deficits, knowledge gaps, and marketing weaknesses are the primary internal barriers, while institutional weaknesses, regulatory complexity, and home country image disadvantages are the most prominent external barriers. These barriers do not act in isolation. Rather, they form context-specific configurations whose effects depend on the interaction between firm-level resources, relational capital, and institutional conditions.

The theoretical contribution of this review is twofold. It consolidates a body of evidence previously scattered across various national studies, and it identifies the underutilization of institutional theory and configurational methods as a gap that limits the explanatory scope of this field. Most studies continue to rely on the resource-based view, which, while useful for explaining firm-level variation, cannot account for the systemic institutional failures that distinguish the context of developing countries.

For practitioners and policymakers, the central implication is that barrier-reduction strategies must be designed with local configurations in mind. One-size-fits-all export promotion programs are unlikely to be effective when the barriers faced by firms differ significantly across countries and even across sectors within the same country. Digital capability building and network development are promising points of intervention, but their effectiveness depends on whether they are balanced by improvements in the institutional environment—more transparent trade regulations, better market information systems, and more accessible trade finance.

This review has limitations. It covers only two databases and includes only English-language articles, meaning relevant studies published in other languages or in regionally indexed journals may have been overlooked. The review period (2020–2025) excludes earlier foundational works, although we have referenced them where appropriate in the conceptual framework. The thematic analysis is interpretive, and other researchers applying different analytical lenses may organize the findings differently. These limitations do not invalidate the conclusions, but suggest that further reviews with broader inclusion criteria would be valuable.

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