

Exploring the barriers to Zambian SMEs' global expansion: a review of literature

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ABSTRACT

This study explores the barriers to global expansion faced by Small and Medium Enterprises (SMEs) in Zambia, a sector that plays a critical role in the country's economic development. Despite their significant potential to contribute to employment generation and GDP growth, Zambian SMEs encounter various challenges that impede their internationalization efforts. Through a comprehensive review of existing literature, this research identifies several key obstacles, including financial constraints that limit access to essential capital, regulatory and policy challenges that create a complex business environment, market access limitations that restrict entry into foreign markets, technological gaps that hinder competitiveness, and infrastructure deficiencies that increase operational costs. This research adopts a desk-based methodology, utilizing exclusively secondary data sourced from a variety of materials, including official reports, academic and industry research, international studies, and market analyses. The Boolean Search Method was employed to systematically locate relevant documents pertaining to the research objectives, with a specific focus on developing countries, particularly Zambia. The collected data was organized into themes and categories aligned with the study's aims, enabling the comparison of findings across sources to identify trends, patterns, and discrepancies. The findings of this study emphasize the urgent need to address these barriers in order to enhance the global competitiveness of Zambian SMEs. By identifying the specific challenges unique to this context, the research underscores the importance of tailored solutions. Additionally, the study offers targeted policy recommendations aimed at improving access to finance, streamlining regulatory frameworks, and fostering skills development among the SME workforce. These recommendations are designed to support SMEs in their quest for international markets. Overall, this research contributes to a deeper understanding of the unique challenges faced by Zambian SMEs and highlights the necessity for focused strategies to facilitate their successful integration into the global economy.

Keywords: Barriers to international trade, Zambian SMEs, Global expansion, Internationalisation, SME growth.

INTRODUCTION

Small and Medium Enterprises (SMEs) are the backbone of economies worldwide, constituting approximately 90% of businesses and generating around 50% of employment opportunities worldwide (World Bank, 2022).

They play a crucial role in both economic and social development, contributing significantly to the Gross Domestic Product (GDP) of various countries, including economic powerhouses such as China, Germany, Japan, and the United States (World Bank, 2022). In Zambia, SMEs are similarly vital,

driving economic growth by providing employment, fostering innovation, and contributing to GDP expansion.

Despite their potential to create wealth and jobs, and general contribution to the growth of the Zambian economy, their full potential is yet to be tapped into due to several constraints impeding their development (Revised National Micro, Small and Medium Enterprise Development Policy, 2023). Additionally, many Zambian SMEs struggle to expand beyond domestic markets and integrate into the global economy. This limitation is particularly a concern, given that internationalisation presents numerous opportunities, such as access to larger markets, increased revenues, and enhanced competitiveness. Engaging in international trade can enhance operational efficiencies and enable businesses to effectively utilize global supply chains. This participation allows companies to optimize their processes, reduce costs, and access a wider range of resources and expertise from around the world (Paunović and Prebežac, 2010). The integration of international trade practices not only streamlines operations but also fosters innovation and competitiveness in a global marketplace

However, Zambian SMEs face persistent barriers that significantly hinder their global expansion. These challenges include financial constraints that limit access to necessary capital, regulatory and policy obstacles that complicate compliance and market entry, market access limitations that prevent effective engagement with international consumers, technological gaps that hinder innovation and productivity, and infrastructure deficiencies that increase operational costs. Addressing these barriers is essential for unlocking the full potential of Zambian SMEs and facilitating their successful integration into the global economy.

Small and Medium Enterprises (SMEs) refer to businesses characterised by their size, typically defined by the number of employees and annual revenue. According to the

Zambian National Policy on Micro, Small, and Medium Enterprises (2023), the classifications are typically as follows:

Micro Enterprises are those with employees ranging from 1 to 9 or an annual turnover of up to ZMW 300,000. Small Enterprises have 10 to 49 employees and an annual turnover ranging from ZMW 300,000 to ZMW 7 million; while Medium Enterprises have 50 to 99 employees and an annual turnover ranging from ZMW 7 million to ZMW 30 million.

Statement of the Problem

In 2019, Zambia recorded 110,508 tax-paying micro, small, and medium enterprises (MSMEs), as noted in the Revised National Micro, Small and Medium Enterprise Development Policy (2023). The Zambia Business Survey indicated that 80% of private sector businesses were operated by MSMEs, with 90% of these being informal (Revised National Micro, Small and Medium Enterprise Development Policy, 2023).

In 2018, the Ministry of Commerce, Trade and Industry, in collaboration with the International Trade Centre, the Zambia Development Agency, and the Zambian Central Statistical Office, conducted 242 in-depth, face-to-face enterprise surveys. The results showed that approximately 7% of respondent firms were exporters, while 93% were non-exporters (Ministry of Commerce, Trade and Industry, n.d.). These findings highlight the challenges SMEs face in expanding beyond domestic markets and integrating into the global economy.

The 2019 Enterprise Survey revealed that 6% of companies in Zambia engaged in direct exports, compared to 9% across Sub-Saharan Africa and 10% among lower-middle-income nations (World Bank, 2020). Further, the report indicated that 47% of Zambian firms were involved in importing, with 61% of firms in Sub-Saharan Africa and 56% of lower-middle-income countries also acting as importers.

While existing literature has explored the internationalization of Small and Medium

Enterprises (SMEs) in developing countries, there remains a notable gap concerning the specific barriers faced by Zambian SMEs. A comprehensive review by Senik, Scott-Ladd & Entrekin (2011) highlighted various challenges encountered by SMEs in developing nations, such as financial constraints, operational inefficiencies, and market access issues. However, this review did not delve deeply into country-specific obstacles, particularly those unique to Zambia, thus leaving a significant void in the understanding of the challenges faced by Zambian SMEs.

A study by Steinhäuser, Paula & Macedo-Soares (2021) emphasized the pressing need for more focused research on individual countries within Sub-Saharan Africa. The authors pointed out that the region's diverse economic landscapes can result in varying internationalization challenges that are not adequately addressed by broad analyses. This highlights the necessity for a targeted investigation into the unique barriers hindering Zambian SMEs from expanding globally, as these enterprises may face distinct issues that differ from those encountered by SMEs in other countries.

Furthermore, a 2020 review by Chandra, Paul & Chavan (2020), emphasized that SMEs encounter both internal barriers—such as limited financial resources and managerial capabilities—and external barriers, including regulatory constraints and market uncertainties. The study also noted a scarcity of research focusing on the unique challenges faced by SMEs in specific developing countries. This underscores the need for more targeted investigations that can provide insights into the specific barriers faced by SMEs in developing countries like Zambia, enabling stakeholders to develop strategies that effectively support their internationalization efforts. Addressing this research gap is crucial for fostering a better understanding of the dynamics at play in Zambia's SME sector and devising appropriate interventions.

General Objective

To explore the key barriers that hinder the global expansion of Zambian SMEs.

Specific Objectives

- I. To analyse the extent to which financial factors affect SME internationalization in Zambia.
- II. To analyse the extent to which Institutional and regulatory frameworks affect SME internationalization in Zambia.
- III. To analyse the extent to which operational challenges affect SMEs Internationalization in Zambia.
- IV. To analyse the extent to which Market Knowledge and Information Asymmetry affect SMEs Internationalization in Zambia.
- V. To analyse the extent to which Cultural and Language Barriers affect SMEs Internationalization in Zambia.

Limitation

While this study provides valuable insights into the barriers to Zambian SMEs global expansion, it is not without limitations. The research is based on a review of existing literature and Government records and may not capture all the nuances and complexities of real-world SME internationalization.

REVIEW OF LITERATURE.

The global landscape for Small and Medium Enterprises (SMEs) is marked by unique challenges that hinder their ability to expand internationally. This literature review synthesizes findings from various empirical studies conducted across selected developing countries, focusing on the barriers to global expansion faced by SMEs. The review is organized into key sections addressing financial barriers, operational challenges, regulatory and legal frameworks, market knowledge and information asymmetry, and cultural and language barriers.

Financial Barriers

Financial constraints are among the most significant challenges faced by SMEs seeking to enter international markets. Numerous

studies highlight the pervasive nature of these barriers across different developing countries.

Muriithi (2017) identifies financial limitations as a major obstacle to global expansion, emphasizing that inadequate access to finance severely restricts SMEs' ability to invest in essential activities such as international marketing, product development, and capacity-building initiatives. This perspective is echoed by Nurfarida, Mukhlis, and Murwani (2022), who conducted a comprehensive study that illustrates how financial resource challenges manifest when SMEs attempt to establish a presence in international markets. Their research indicates that many SMEs lack the necessary financial backing to pursue opportunities outside their domestic markets, hindering their growth potential.

In Zambia, one of the primary obstacles confronting micro, small, and medium enterprises (MSMEs) is access to finance. This challenge is exacerbated by factors such as high credit costs and stringent collateral requirements. Although the Zambia Credit Guarantee Scheme was established to assist, it fails to cover all eligible MSMEs due to insufficient funding. The Bank of Zambia's Zambanker report from June 2018 indicates that the survival and growth of SMEs remain jeopardized by the challenges they encounter in obtaining financing from traditional financial institutions (Revised National Micro, Small and Medium Enterprise Development Policy, 2023).

The difficulties in securing financing from traditional financial institutions are particularly pronounced in developing countries. Abor and Quartey (2010) examined the situation in Ghana and found that many entrepreneurs struggle with a lack of collateral and insufficient financial knowledge, which limits their access to loans. This finding resonates with the experiences of Zambian SMEs, as highlighted by Bwembya (2022), who notes that high interest rates and short repayment periods on bank loans pose substantial barriers to financing.

The World Bank highlights that micro, small, and medium enterprises (MSMEs) are vital for job creation, significantly contributing to employment in developing economies. However, they encounter greater financing challenges compared to larger firms, face limited access to external funding, and deal with higher transaction costs and risk premiums (World Bank, 2022).

Data from the Bank of Zambia's Credit Market Monitoring Report (CMMP) for 2022 reveals that a total of 5.2 million loans were disbursed, amounting to K48.1 billion. In terms of volume, loans to MSMEs exceeded those granted to large enterprises. Nonetheless, large businesses represented 34.4% of the total value of loan disbursements, while MSMEs comprised only 12.6% (Bank of Zambia, 2022).

The financing landscape for SMEs is further complicated by stringent bank requirements, including the necessity for immovable collateral and audited financial statements, alongside high levels of informality and a lack of customized credit products (Bank of Zambia, 2022).

The implications of these financial barriers are profound. Inadequate funding affects not only the immediate operational capabilities of SMEs but also their long-term growth prospects. Mwansa and Mwanza (2023) emphasize that these financial challenges can impact market export positions, product purchases, and revenue generation for manufacturing SMEs in international markets. The inability to secure sufficient funding can lead to missed opportunities and reduced competitiveness in an increasingly globalized economy.

Addressing these financial constraints is crucial for enhancing the global competitiveness of SMEs. Policymakers and financial institutions must collaborate to create tailored financial support mechanisms that cater specifically to the needs of SMEs. Initiatives such as microfinance programs, grants, and financial literacy training can empower SMEs to overcome financial barriers

and pursue internationalization more effectively.

Operational Challenges

Operational inefficiencies represent another significant barrier to the internationalization of SMEs. These challenges can severely limit their ability to compete effectively in global markets.

In a study of Nigerian SMEs, Obokoh and Goldman (2016) found that deficiencies in infrastructure, such as poor transportation networks and unreliable electricity supply, negatively impact profitability and overall performance. SMEs often incur high operational costs due to the need for self-provisioning of essential services, which diverts resources away from core business activities. The lack of adequate infrastructure not only increases operational costs but also affects the timely delivery of products and services, making it difficult for SMEs to maintain competitive pricing in international markets.

The World Bank (2020) emphasizes the critical role of robust physical infrastructure—such as roads, electricity, water, and telecommunications—in enhancing an economy's competitiveness and growth. It states that high-quality infrastructure effectively links businesses to markets for inputs, products, and technologies, thereby lowering production costs and improving firms' competitiveness both domestically and internationally.

Additionally, the Enterprise Survey report from highlights that insufficient electricity supply can lead to increased costs, production disruptions, and diminished profitability. Water is also identified as a vital resource in the manufacturing process for many industries (World Bank, 2020).

Likewise, the Revised National Micro, Small and Medium Enterprise Development Policy (2023) highlights that the business environment for Zambian MSMEs is affected by limited access to roads that connect to

economic activities and a lack of reliable electricity supply.

Agyapong (2010) highlights the critical issue of a lack of skilled labor and technological know-how within Ghanaian SMEs. This deficiency exacerbates operational challenges, as SMEs struggle to maintain quality standards and meet international requirements. Without a skilled workforce and the necessary technological capabilities, SMEs are at a disadvantage when competing against larger firms that can leverage advanced technologies and skilled labor to enhance productivity and efficiency.

The Revised National Micro, Small and Medium Enterprise Development Policy (2023) emphasizes that, despite the launch of various programs and initiatives designed to enhance innovation and technological capability, there has not been a significant improvement in these areas among Zambian MSMEs. The policy further identifies several key challenges, including insufficient funding for innovation and technology support programs, as well as weak collaboration between industry, academia, and public institutions in the innovation sector. These issues hinder the effectiveness of efforts aimed at bolstering the innovative capacity and sustainability of MSMEs.

The operational challenges faced by SMEs not only affect their current performance but also their long-term viability and growth prospects in international markets. As SMEs seek to expand globally, they must address these operational inefficiencies to enhance their competitiveness. Investments in infrastructure development, workforce training, and technology adoption are essential for improving operational capabilities and positioning SMEs for success in the global marketplace.

Regulatory and Legal Framework

The regulatory environment plays a pivotal role in shaping the ability of SMEs to expand internationally. The complexities and inconsistencies in regulatory frameworks can

create significant barriers to internationalization.

Muriithi (2017) notes that the regulatory frameworks established by governments can either promote or stifle the growth of small businesses. Chandra, Paul, and Chavan (2020) investigated the internationalization barriers faced by SMEs from developing countries and found that complex and inconsistent regulations often deter businesses from pursuing international opportunities. The bureaucratic nature of regulatory processes can lead to delays, increased costs, and uncertainty, all of which can hinder the willingness of SMEs to engage in international trade.

The Revised National Micro, Small and Medium Enterprise Development Policy (2023) also identified the challenging business environment for MSMEs as a significant obstacle to their development and growth in Zambia. In response, the country has been implementing reforms to improve the ease of doing business, with the goal of creating a regulatory framework that supports business operations.

Ajuwon, Ajayi & Fakorede (2024) examined the institutional challenges constraining productivity growth among Nigerian SMEs. Their study reveals that issues such as government bureaucracy, corruption, trade restrictions, and regulatory compliance problems significantly impede the ability of SMEs to grow and thrive. These institutional challenges create an environment of uncertainty that can deter SMEs from investing in international expansion.

Mwika, Banda, Chembe, and Kunda (2018) highlight that heavy regulatory burdens and high taxation serve as substantial obstacles for SMEs trying to survive in an increasingly globalized environment. The combination of complex regulations and high compliance costs can create a hostile environment for SMEs, making it challenging for them to navigate the intricacies of international markets.

Addressing these regulatory challenges requires concerted efforts from policymakers to create a more conducive environment for SME growth. Simplifying regulatory processes, reducing bureaucratic hurdles, and establishing clear and consistent regulations are essential steps for supporting the internationalization of SMEs. Additionally, fostering a transparent and efficient regulatory environment can enhance the confidence of SMEs to pursue international opportunities.

Market Knowledge and Information Asymmetry

Limited knowledge of foreign markets is a common barrier faced by SMEs seeking global expansion. The ability to understand and navigate the complexities of international markets is crucial for success.

Chandra et al. (2020) found that a lack of human capital, including knowledge, qualifications, skills, and experience, hinders SMEs' ability to identify opportunities and understand consumer preferences in international markets. This information asymmetry can lead to missed opportunities and poor decision-making, ultimately affecting the competitiveness of SMEs in the global arena.

In their study, Mwansa and Mwanza (2023) identified various challenges, including information gaps related to financial, marketing, and human resource aspects that hinder export ventures and negatively influence export performance in international markets. The lack of market knowledge can result in ineffective marketing strategies and an inability to meet the needs of international customers.

Muriithi (2017) emphasizes that a lack of managerial competency is a significant challenge for many SMEs, which can limit their effectiveness in international business environments. The ability to make informed decisions, adapt to changing market conditions, and develop effective strategies is essential for successful internationalization.

Conversely, Falahat, Ramayah, Soto-Acosta (2020) found that Malaysian exporting SMEs gain competitive advantages through their ability to respond to market intelligence, innovate their products, and exploit market opportunities effectively. This highlights the importance of market knowledge and the ability to adapt to changing market conditions, which are crucial for successful internationalization.

Islam, Islam Hossain, and Olarere (2023) further corroborate that a lack of funding and market knowledge are major issues during the initial stages of internationalization. Without adequate market knowledge, SMEs exhibit lower confidence levels in engaging in international trade, which can significantly hinder their growth prospects.

The Bank of Zambia's 2022 Micro, Small, and Medium Enterprise finance survey report identifies several barriers hindering the growth of MSMEs in Zambia. These include low financial literacy levels, insufficient management and record-keeping skills, and a lack of information regarding financing options. Additionally, there is a notable lack of awareness about alternative funding sources, such as venture capital, private equity, crowdfunding, and capital markets (Bank of Zambia, 2022).

To overcome these market knowledge barriers, SMEs must invest in market research, consumer analysis, and competitive intelligence. Additionally, collaboration with industry associations, trade missions, and partnerships with experienced exporters can provide valuable insights and enhance the market knowledge of SMEs. The level of awareness of financial products, for example, that are available can lead to higher access and informed usage of a range of financial products and services (Bank of Zambia 2022).

Cultural and Language Barriers

Cultural differences and language proficiency pose significant challenges for SMEs attempting to enter foreign markets. Understanding the cultural nuances of target

markets is essential for successful internationalization.

Kim (2017) found that foreign language skills and international experience are key predictors of successful internationalization. South Korean SMEs, for instance, encounter difficulties in adapting to different cultural norms, which can adversely affect their marketing strategies and overall competitiveness. Cultural barriers can lead to misunderstandings and misinterpretations in business dealings, making it essential for SMEs to develop cultural awareness and sensitivity when operating in foreign markets.

Language proficiency is another critical factor that can influence the success of SMEs in international markets (Tibrewal, Jong, Parkes, Tenzer and Bel-Lahsen (2024). The inability to communicate effectively in the local language can hinder negotiations, marketing efforts, and customer relations, ultimately affecting the overall success of international ventures. SMEs must invest in language training and translation services to enhance their ability to communicate with international partners and customers.

To mitigate these cultural and language barriers, SMEs should prioritize cultural competency training for their employees. This training can help SMEs understand local customs, consumer behavior, and business practices, which can vary widely between countries. Additionally, building relationships with local partners and stakeholders can facilitate smoother market entry and enhance the likelihood of success in international markets.

METHODOLOGY

This research employed a purely desk-based methodology, relying exclusively on secondary sources of data. Secondary data are preexisting data that have been collected for a different purpose or by someone other than the researcher (Given, 2008). The data was sourced from a variety of relevant materials, including:

- Official and government reports
- Academic and industry research
- International reports
- Business and market analyses

To locate pertinent documents for the study, the Boolean Search Method was utilized. This method facilitated a systematic search for data that directly relates to the research objectives, focusing specifically on materials relevant to developing countries, with an emphasis on Zambia.

The collected data was organized into themes and categories that align with the research objectives. Additionally, findings from different sources were compared to identify trends, patterns, and discrepancies.

By applying these selection criteria, high-quality, relevant, and credible secondary data sources were effectively identified and utilized for the study.

This methodology was chosen for several key reasons:

1. Is an effective way of collecting information at a low cost, saving the time of reinventing an answer or tool that already exists (Bellasio et al., 2018)
2. Access to Reliable Data: It facilitates access to data that has already been collected and vetted by reputable organizations, thereby enhancing the reliability of the findings (Topolewski, Górnikiewicz & Stawarz, 2023).
3. Diverse Perspectives: The approach allows for the integration of diverse viewpoints from various sources, contributing to a more comprehensive understanding of the topic (Topolewski, Górnikiewicz & Stawarz, 2023).
4. Trend and Pattern Analysis: Analyzing existing data can uncover important trends and patterns that may not be evident in isolated studies or through new data collection efforts, and can highlight where gaps exist (Bellasio et al., 2018).

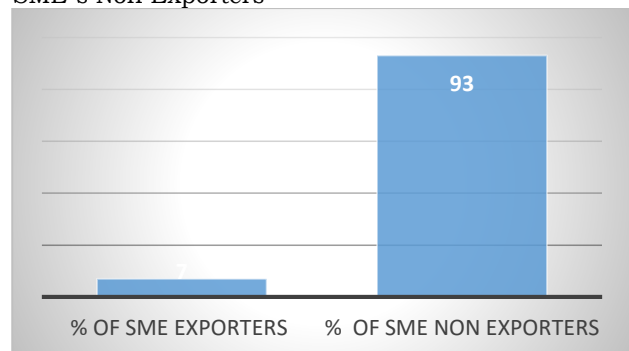
FINDINGS AND DISCUSSION OF RESULTS

The empirical literature on the challenges faced by Small and Medium Enterprises (SMEs) in selected developing countries underscores a complex interplay of financial, operational, regulatory, informational, and cultural barriers that significantly hinder their ability to expand globally. Each of these challenges is interrelated, creating a multifaceted environment that requires comprehensive strategies for mitigation. Understanding these barriers is crucial for policymakers, business leaders, and stakeholders seeking to enhance the international competitiveness of SMEs.

The review indicated that Zambian SMEs exhibit low engagement in international business, a situation attributed to the barriers discussed in this paper.

In 2018, the Ministry of Commerce, Trade and Industry, in partnership with the International Trade Centre, the Zambia Development Agency, and the Zambian Central Statistical Office, conducted 242 detailed, face-to-face enterprise surveys. The findings revealed that around 7% of the surveyed firms were exporters, while a significant 93% did not engage in exporting (Ministry of Commerce, Trade and Industry, n.d.). These results underscore the difficulties SMEs encounter in moving beyond local markets and participating in the global economy. The subsequent figure illustrates the comparison between SME exporters and non-exporters.

Figure 1: Percentage of SME's exporters and SME's Non Exporters



Source: Ministry of Commerce, Trade and Industry, 2018 Enterprise Survey Report

Additionally, the 2019 Enterprise Survey revealed that 6% of firms in Zambia were engaged in direct exports, compared to 9% across Sub-Saharan Africa and 10% among lower-middle-income countries (World Bank, 2020). Conversely, 47% of Zambian firms were identified as importers, along with 61% in Sub-Saharan Africa and 56% in lower-middle-income nations. These figures further emphasize the challenges that SMEs encounter when trying to extend their reach beyond domestic markets and integrate into the global economy.

Table 1: Percentage of exporting and importing firms

	Zambian firms	Sub-Saharan Africa	Lower middle income
% of firms exporting directly	6	9	10
% Using inputs of foreign origin	47	61	56

Source: The Enterprise Survey report of 2019, World Bank, 2020.

Financial Factors

Financial constraints are consistently highlighted as a primary obstacle to the internationalization of SMEs. Studies by Muriithi (2017) and others reveal that inadequate access to finance severely limits SMEs' capacity to invest in critical areas such as marketing and product development. For instance, many entrepreneurs in Ghana and Zambia encounter significant hurdles due to a lack of collateral and insufficient financial knowledge, which restricts their ability to secure loans. This situation is compounded by high interest rates and stringent lending conditions that further exacerbate financial challenges, creating a formidable barrier to entry for SMEs in international markets.

Data indicates that although MSMEs obtain a significant number of loans, they account for a much smaller portion of the overall loan values when compared to larger enterprises. The 2022 Bank of Zambia (BoZ) Credit Market Monitoring Report (CMMP) reveals that access to affordable credit for MSMEs from formal Financial Service Providers (FSPs) is limited to just 12.6 percent of total credit.

Table 2: Credit Market Monitoring Programme data on loan disbursements 2022 (percent)

Type of borrower	Number of Loan Applications	Number of Loan Disbursements	Disbursements in Kwacha
Agriculture-Large	0.00	0.01	6.94
Agriculture-Small and Emergent	0.02	0.08	0.26
Business-Large	0.01	0.04	34.39
Business-MSME	2.35	5.43	12.57
Government	0.00	0.00	9.95
Households and Individuals	97.61	94.44	35.70
Other end users	0.00	0.00	0.19

Source: 2022 BoZ Credit Market Monitoring Report (CMMP)

The financial landscape for SMEs in developing countries necessitates targeted interventions to improve access to capital. Establishing microfinance options can provide the necessary funding for SMEs to invest in growth initiatives, while financial literacy programs can empower entrepreneurs with the knowledge needed to navigate the

complexities of securing financing. These initiatives are crucial for enabling SMEs to enhance their competitive edge in the global market, as they provide the financial resources required for innovation, expansion, and market penetration.

Operational Challenges

Operational inefficiencies, particularly related to infrastructure, are critical barriers identified in the literature. The study by Obokoh and Goldman (2016) highlights the negative impact of inadequate infrastructure on the profitability and performance of Nigerian SMEs. Poor transportation systems, unreliable electricity supply, and limited access to technology contribute to high operational costs, forcing many SMEs to engage in self-provisioning of essential services. This self-reliance diverts resources away from core business activities, making it difficult for SMEs to maintain competitive pricing and quality.

The 2019 Enterprise Survey report from the World Bank highlights that insufficient electricity supply can elevate costs, disrupt production, and decrease profitability. Additionally, it notes that water is a crucial input for many industries within the manufacturing sector (World Bank, 2020). This survey emphasizes the dual challenge of ensuring robust infrastructure for both electricity and water supply.

The table below illustrates the extent to which firms encounter issues with electricity provision, reflecting the percentage of businesses that experience electrical outages and the frequency of these outages. It also evaluates the efficiency of infrastructure services by measuring the number of days required to secure an electricity connection, as well as the average occurrences of water shortages experienced by manufacturing firms in a typical month.

Table 3: Reliability of electricity supply and related losses & Reliability of water supply

		Sub-Saharan Africa	Lower Middle Income
	Zambia2019		

% of firms experiencing electrical outages	87	77	61
No. of power outages electrical outages	13	9	9
Days to obtain an electrical connection	62	37	35
No. of Insufficiencies	2.32	1.80	1.40

Source: The Enterprise Survey report of 2019, World Bank, 2020.

Insufficient electricity supply can raise costs, disrupt production, and diminish profitability. Additionally, delays in service can impose extra expenses on businesses and create obstacles to entry and investment. Interruptions in water supply can also severely impact the operations of firms, leading to significant negative consequences.

Additionally, a lack of skilled labor and technological know-how further exacerbates operational challenges. Agyapong (2010) emphasizes that without a skilled workforce, SMEs struggle to meet international quality standards, which is critical for success in global markets. These operational challenges indicate the urgent need for investments in infrastructure and workforce development. Enhancing infrastructure through public-private partnerships, improving access to training programs, and fostering technology adoption can significantly boost the operational capabilities of SMEs, enabling them to compete more effectively on the international stage.

Institutional and Regulatory Framework

The regulatory environment plays a pivotal role in shaping SMEs' internationalization efforts. Findings from Chandra et al. (2020) and Ajuwon et al. (2024) reveal that complex and inconsistent regulations can deter SMEs from pursuing international opportunities. The presence of government bureaucracy, corruption, and high taxation creates significant barriers to entry, making it challenging for SMEs to navigate the

regulatory landscape. These obstacles can lead to uncertainty and increased compliance costs, which may discourage SMEs from expanding beyond their domestic markets.

The 2019 Enterprise Survey Report emphasized that delays in customs clearance for both exports and imports lead to increased costs for firms, disrupt production, hinder sales, and may cause damage to supplies or merchandise. According to the report, it takes an average of 11 days to clear customs for exports and 16 days for imports in Zambia. The table below illustrates the average duration required for customs clearance for both exports and imports.

Table 4: Average days to clear exports and imports through customs

	Zambia2019	Sub-Saharan Africa	Lower Middle Income
Exports at customs	11	10	8
Imports at customs	16	17	12

Source: The Enterprise Survey report of 2019, World Bank, 2020.

Additionally, the report indicated that acquiring licenses requires an average of 20 days. The table below highlights the efficiency of business licensing and permit services.

Table 5: Number of days to obtain permits

	Zambia2019	Sub-Saharan Africa	Lower Middle Income
Import license	18	14	17
Construction permit	35	46	48
Operating license	20	21	22

Source: The Enterprise Survey report of 2019, World Bank, 2020.

To foster a more conducive environment for SME growth, it is essential to streamline regulatory processes and reduce bureaucratic hurdles. Simplifying the registration and compliance procedures can enable SMEs to enter international markets more easily. Moreover, creating transparent and consistent regulatory frameworks can enhance the predictability of the business environment, encouraging SMEs to invest in international expansion.

Market Knowledge and Information Asymmetry

Limited knowledge of foreign markets is identified as a common barrier affecting SMEs' global expansion. Chandra et al. (2020) and Mwansa & Mwanza (2023) highlight that a lack of human capital, including knowledge and skills, hinders SMEs' ability to identify opportunities and understand consumer preferences in international markets. This information asymmetry can lead to missed opportunities and poor decision-making, ultimately affecting the competitiveness of SMEs.

To empower SMEs to navigate the complexities of global markets successfully, it is essential to enhance market intelligence and provide access to relevant information. Programs that facilitate market research, access to trade data, and insights into consumer behavior can significantly benefit SMEs. Additionally, fostering partnerships with industry associations and trade organizations can help SMEs tap into valuable resources and networks, enhancing their ability to compete in international markets.

Cultural and Language Barriers

Cultural differences and language proficiency emerge as significant challenges for SMEs entering foreign markets. Kim (2017) indicates that foreign language skills and international experience are critical predictors of successful internationalization. For example, South Korean SMEs often encounter difficulties in adapting to different cultural norms, which

can adversely affect their marketing strategies and overall competitiveness.

This finding emphasizes the need for cultural awareness training and language support to enhance SMEs' competitiveness in diverse markets. By investing in cultural competency programs and language training for employees, SMEs can improve their ability to communicate effectively with international partners and customers. Understanding local customs, consumer preferences, and business practices is crucial for building relationships and successfully entering new markets.

RESEARCH CONCLUSIONS AND RECOMMENDATIONS

Introduction

The research sought to explore the key barriers that hinder the global expansion of Zambian SMEs. The research was guided by the following research objectives:

- I. To analyse the extent to which financial factors affect SME internationalization in Zambia.
- II. To analyse the extent to which Institutional and regulatory frameworks affect SME internationalization in Zambia.
- III. To analyse the extent to which infrastructural challenges affect SME internationalization in Zambia.
- I. To analyse the extent to which Market Knowledge and Information Asymmetry affect SMEs Internationalization in Zambia.
- II. To analyse the extent to which Cultural and Language Barriers affect SMEs Internationalization in Zambia.

The objectives guided the research to remain focused. From the results and findings of the research, the following conclusions have been formulated:

CONCLUSIONS

The empirical review of literature on the challenges faced by SMEs in their global expansion efforts across selected developing countries reveals several critical barriers that must be addressed to enhance their competitiveness in international markets.

Financial Constraints

Access to finance remains a predominant challenge for Small and Medium Enterprises (SMEs), significantly limiting their ability to invest in necessary areas such as international marketing and product development. In many developing countries, including Zambia, SMEs often lack the funding required to pursue growth opportunities and expand into foreign markets. The absence of collateral, which is frequently needed to secure loans, poses a substantial barrier. Furthermore, many entrepreneurs lack financial literacy, making it difficult for them to understand the financing options available or to prepare the necessary documentation for loan applications. This situation highlights the urgent need for tailored financial support mechanisms, such as microfinance programs and financial education initiatives, to help SMEs access the capital they need and improve their ability to compete in the global marketplace.

Operational Inefficiencies

Operational inefficiencies are another critical challenge faced by SMEs. These inefficiencies often stem from inadequate infrastructure—such as unreliable transportation systems and insufficient energy supply—and a shortage of skilled labor. In many developing countries, poor infrastructure leads to increased operational costs and delays in the delivery of goods and services. Additionally, a lack of skilled labor hampers productivity and quality, making it difficult for SMEs to maintain competitive pricing and standards in international markets. Addressing these operational challenges requires significant investments in infrastructure development and workforce training programs. Enhancing the skills of employees through targeted

training initiatives can improve productivity and operational performance, enabling SMEs to compete more effectively on the global stage.

Regulatory and Legal Framework

The regulatory environment plays a pivotal role in shaping the growth trajectory of SMEs. Complex and inconsistent regulations can create significant barriers to internationalization. High taxes and cumbersome compliance requirements often deter SMEs from entering foreign markets. In many cases, the bureaucratic nature of regulatory processes can lead to delays and increased costs, further complicating the internationalization efforts of these enterprises. Streamlining regulatory processes and reducing bureaucratic hurdles are necessary to support SMEs in navigating the global market. By creating a more transparent and efficient regulatory framework, governments can enhance the business environment for SMEs, making it easier for them to expand internationally.

Market Knowledge and Information Asymmetry

A lack of knowledge regarding foreign markets severely restricts SMEs' capacity to identify opportunities and understand consumer needs. Many SMEs struggle to gather and analyze market intelligence, which is crucial for making informed decisions about product offerings, pricing strategies, and marketing approaches. Investing in market research and providing access to relevant information are crucial for empowering SMEs to enhance their export performance. This can include initiatives such as workshops, partnerships with industry associations, and access to databases that provide insights into market trends and consumer behavior. By improving their understanding of international markets, SMEs can better position themselves to capitalize on emerging opportunities.

Cultural and Language Barriers

Cultural differences and language proficiency pose additional challenges for SMEs attempting to enter foreign markets. Effective communication is essential for building

relationships with international partners and customers. Cultural awareness is vital for adapting marketing strategies to resonate with local consumers. Developing language skills among employees can facilitate smoother interactions and negotiations in diverse market contexts. Training programs focused on cultural competence and language acquisition can equip SMEs with the tools necessary to navigate the complexities of international business effectively.

The analysis reveals that financial, regulatory, and infrastructural challenges are deeply interconnected and collectively impede the internationalization of SMEs, particularly in developing countries like Zambia. To enhance the global competitiveness of these enterprises, it is crucial to implement targeted interventions that address these barriers. By providing the necessary financial support, improving operational efficiencies, streamlining regulatory processes, enhancing market knowledge, and fostering cultural competence, stakeholders can create an enabling environment that empowers SMEs to thrive in the global marketplace.

RECOMMENDATIONS

Following the conclusions above, the following are the recommendations:

Enhance Access to Finance

- **Establish Financial Support Programs:** Governments can create funds or grants specifically designed for SMEs to support their internationalization efforts.
- **Promote Microfinance Institutions:** Encourage the establishment of microfinance institutions that provide loans with flexible terms and lower collateral requirements.
- **Financial Literacy Training:** Implement programs to enhance financial literacy among entrepreneurs, helping them understand financial products and improve their loan application success.

Improve Infrastructure

- **Invest in Infrastructure Development:** Prioritize investments in transportation, energy, and communication infrastructure to lower operational costs for SMEs.
- **Public-Private Partnerships:** Encourage collaborations between the government and private sector to improve infrastructure and services that directly benefit SMEs.

Streamline Regulatory Frameworks

- **Simplify Regulatory Processes:** Simplify and standardize regulations to reduce bureaucratic hurdles for SMEs, making it easier for them to enter international markets.
- **Regulatory Support Services:** Establish dedicated support services that assist SMEs in navigating regulatory requirements and compliance issues.

Promote Skills Development

- **Skills Training Programs:** Develop and fund training programs focused on managerial competencies, technical skills, and language training to enhance the capabilities of SME workforce.
- **Partnerships with Educational Institutions:** Collaborate with universities and vocational schools to align curricula with the needs of SMEs, particularly in international business and trade.

Facilitate Market Knowledge and Information Access

- **Market Research Support:** Provide SMEs with access to market research resources and databases to help them understand foreign markets better.

- **Networking Opportunities:** Create platforms for SMEs to connect with experienced exporters and industry experts who can share insights and best practices.

Encourage International Partnerships

- **Trade Missions and Expos:** Organize trade missions and international expos to expose SMEs to potential markets and partners.
- **Collaboration with Trade Associations:** Encourage SMEs to join trade associations that can provide resources, networking opportunities, and advocacy for their interests.

Cultural Competency Training

- **Cultural Awareness Programs:** Offer training programs that help SMEs understand cultural differences and develop effective communication strategies for international markets.
- **Language Support Services:** Provide access to language training and translation services to help SMEs communicate effectively in foreign markets.

Monitor and Evaluate Policies

- **Regular Assessment of SME Policies:** Establish a framework for regular evaluation of policies affecting SMEs to ensure they are effective and responsive to emerging challenges.
- **Feedback Mechanisms:** Create feedback channels for SMEs to voice their concerns and suggest improvements to policies that impact their internationalization efforts.

FURTHER RESEARCH

Future research should focus on the development of case studies that explore successful SME internationalization strategies within specific contexts like Zambia. Additionally, longitudinal studies can provide

insights into how SMEs can adapt to changing market conditions and overcome barriers over time. Such research can contribute to a deeper understanding of the dynamics of Zambian SME internationalization and inform policy decisions that support their growth in the global economy.

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