Place and policy barriers of rural Nigeria's small and medium enterprises' internationalization

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Abstract
Despite internationalization theory's recognition that place and policy constitute fundamental barriers for the internationalization of small and medium enterprises (SMEs), research into rural-based firms from the developing world is a much underdeveloped and neglected area. To address the need to examine this gap, the purpose of this study is to identify and compare place and policy challenges of rural SMEs' internationalization in Nigeria. We have developed a model that extends internationalization theory's overemphasis on the structural aspects of these barriers and thereby provide a resolution tool for managers. By using partial least squares (PLS) path modeling methodology, we also administered 403 questionnaires in six of Nigeria's geopolitical zones. Our three-stage analyses reveal findings that the physical and geographical (or place barrier) challenges account for 90% whilst the traditionally neglected aspects of legal and regulatory barriers score 85%. Therefore, place related barriers should be given slightly higher priority if it is not possible to be given equal recognition in internationalization theory. These findings provide new insights into a more complex picture of SMEs' internationalization in emerging economies. It is recommended that our Human-centric Hierarchical Model could help inform managers' decision-making processes on what human aspects they need to prioritize when faced with policy and place barriers. It is also recommended that our model adds social value to SME businesses and provides a new lens for scholars to investigate place and policy related barriers to rural Nigeria's SMEs.

KEYWORDS
human, internationalization, model, Nigeria, recommendations, rural, SMEs

1 INTRODUCTION

A range of internationalization literature on small and medium enterprises (SMEs) highlights their positive impacts on employment creation (Abdullateef, Abubakar, Danjuma, Abdul-Rasheed, & Adeyemi, 2017; Igwe, Odunukan, Rahman, Rugara, & Ochinanwata, 2020) and management innovation especially in developed countries (Colclough, Moen, Hovd, & Chan, 2019). Other studies highlight poverty and food shortage alleviation, wealth creation, and curtailing youth unemployment in developing countries (Adebayo, Alheety, & Yusoff, 2019; Igwe et al., 2020). The literature also focuses on small, medium, and micro firms' significant contributions to enhancing developing countries' regional welfare and growth (Bosworth & Finke, 2020; Chun & Watanabe, 2012; Kandogan, 2020; Teagarden, 2019).

Despite these positive contributions (Boso, Story, & Cadogan, 2013), recent accounts on internationalization have
highlighted SMEs' challenges/barriers such as low survival rate (Igwe et al., 2020) as a result of rurality and SMEs “psychic distance” from markets (Assadina, Kadile, Gölgeci, & Bos, 2019; Mendy & Hack-Polay, 2018; Nebus & Chai, 2014; O'Grady & Lane, 1996). “Psychic distance” refers to not only the physical distance from markets but also the limited capital, shortage of expertise, and improper record-keeping that render small businesses’ survival problematic (McElwée & Smith, 2012; Phillipson et al., 2017). However, internationalization theory has not captured other key aspects such as policy related issues that fundamentally challenge rural SMEs’ business existence.

Internationalization in this study refers to a set of economic activities when a business ventures externally (Ruzzier & Antoncic, 2006). Given the United Nations 2015 report highlighting that 70% of the world’s 800 million people who live in extreme poverty are from developing countries, we focus on predominantly rural SMEs as they bear the brunt of such a problem (Adebayo et al., 2019; Mendy & Hack-Polay, 2018; Osamwonyi & Tafamel, 2010; Rahman, Lodorfos, & Uddin, 2013;UNCTAD, 2015).

Therefore, the purpose of this study is to identify and compare the set of policy and place related challenges faced by rural SMEs in Nigeria, which is a neglected context in this area of research. By focusing on place and policy barriers, this study aims to highlight the challenges faced when SMEs try to internationalize their businesses (Dubois, 2016; Newbery, Lean, Moizer, & Haddoud, 2018). This study focuses on Nigeria. This has not been attempted previously and therefore, fills an important gap in the knowledge about how rural Nigeria’s SMEs can mitigate against such fundamental internationalization barriers. We have developed a framework, which not only addresses the barriers but also contributes to practice and scholarship.

This study seeks to fill this knowledge gap by deepening our understanding of place and policy related barriers by proposing a combined, comprehensive structural (i.e., place-based), and human (i.e., policy-based) model. This has not been attempted before and therefore serves as a fundamental research need awaiting investigation.

We also aim to extend current internationalization theory/scholarship on rural SMEs by highlighting and evaluating the neglected but important role of policy (i.e., people activities) governing rural Nigeria’s SME business settings. Therefore, international small business and rural studies research will benefit hugely from an investigation into the identification and evaluation of key factors which are composite of the fundamental “psychic distance” challenge faced by rural SMEs in Nigeria. The overall barriers are subsumed as a set of geographic and legal barriers for rural SME scholarship.

There is an additional problem, which is the fact that empirical research and literature on rural SMEs (Westhead, Ucbasaran, & Binks, 2004) have mainly focused on developed countries (i.e., those in Western Europe and North America (Colclough et al., 2019). Such overemphasis provides a huge research and theoretical opportunity to fill a “psychic distance” gap—that is, the extent to which our understanding of the place and policy-challenges faced by rural SMEs can be deepened and the associated practical problems addressed.

The article is organized as follows. First, we aim to investigate the challenges faced by rural Nigeria’s SMEs so as to extend internationalization theory (Pato & Teixeira, 2014). Second, by identifying studies that focus on the key challenges, we highlight the theoretical gap in rural SME studies (Adebayo et al., 2019; Kolawole, Motsholaphoko, Ngwenya, & Thakadu, 2018) from a Nigerian context. Third, by conducting an empirical study on two key “psychic” challenges (and some opportunities) faced by rural SMEs, this study contributes to internationalization research, theory and practice. Fourth, we develop a more human-centric model called “Human-centric Hierarchical Model” which addresses “how” to resolve the key “psychic distance” issues relating to place and policy barriers. Implications on and recommendations for international business scholarship and practice are given due consideration prior to the conclusion.

2 LITERATURE REVIEW

Internationalization research on SMEs has soared over the decades (Ghauri, Lutz, & Tesfom, 2003) but mainly through conceptual developments (Ruzzier & Antoncic, 2006). The literature focuses on informational, operational, internal, and external barriers (Bose, 2016; Alamo-Vera & Suarez-Ortega, 2005; Yip, 2003; Adeleye & Esposito, 2018). Whilst some scholars consider resource-related barriers, Okpara (2011) specifies these as financial and non-financial. Leonidou (2004) and Mendy and Rahman (2019) have highlighted human or financial barriers. Such identification has led to calls to mitigate against the barriers (Colclough et al., 2019). It is anticipated that doing so will provide access to markets, buyers, sellers and products (Ibeh, Wilson, & Chizema, 2012). However, the internationalization literature has not sufficiently addressed “how” the mitigation of the identified barriers can be conducted. We examine the internationalization literature on the key areas to see how propositions such as (a) legal and regulatory (i.e., policy) and (b) physical (i.e., geographical) challenges might help us develop a new model that will help in mitigating against the “psychic distance” problem faced by rural Nigeria’s SMEs and extend internationalization theory.

2.1 Defining rural areas

Scholars, researchers, and policy makers have yet to reach a single consensus definition regarding the concept of rural (Bosworth & Somerville, 2013). This is because the terms “rural areas” or “rurality” have been viewed from different perspectives and approaches (Bosworth, 2012; Madu, 2010). The definitions are interpreted in terms of spatial, political, socio-cultural, economic, historical, perceptive, literary, imaginary, and environmental significance (Madu, 2010). As a result, numerous definitions have been developed across and
within disciplines ranging from International Business to Population Studies. For example, one study describes rural as “what is not urban, not metropolitan” (Isserman, 2005, p. 466) but does not highlight what may lie in between. The additional loophole of this definition is that it ignores the unique features of rurality and its variations (Newbery et al., 2018). Another approach defines rural as geographical territories that are not only small but remote. This definition appears too narrow and may unnecessarily limit its general application. Some definitions also emphasize population density whereas other definitions focus on open landscape and structure (see Madu, 2010). For the layperson, identifying rural areas may not be as problematic given their obvious difference from urban areas and cities. To contribute in definitional terms, Madu (2010) highlights that they evoke physical, social and cultural concepts. Similarly, Bosworth and Somerville (2013) note that the rural area is different from the city as it looks and functions differently. However, nearly most of the studies focus on the role of agriculture as an economic set of activities that drive the rural environment. Whereas Ellis (2000) argues that agriculture is not the only key feature, Gulunser, Baycan-Levent, and Nijkamp (2007) further highlights that such a definition is insufficient as it misses rural areas' complexity. Thus, research clearly shows there is no one universal definition of rural areas despite decades of work in this area.

In fact, defining and characterizing rural areas varies from country to country and from region to region. For example, within the European Union (EU), rural areas are defined statistically by the population density settlement scale (EU, 2012). A similar approach has been adopted by England and Wales where rural is a category of a population of less than 10,000. In the United States, however, rural communities are defined based on distinctions between rural and urban. The difference is measured by the size of population and density threshold (Bosworth & Somerville, 2013). In Nigeria, rural areas are regions with a population of less than 20,000. However, this is not adequate to explain rural areas as it often focuses on physical characteristics. Also, this definition lacks the unique characteristics of what constitutes rural in Nigeria (Chukwu, Madu, Chinaka, & Anyaegbunam, 2013; Kolawole & Ajila, 2015). Claim that the main features of rural areas in Nigeria are depression, degradation, and deprivation. Many rural villages are immersed in poverty and are so palatable that the people are the embodiment of it. However, these characteristics are not limited to rural areas alone as they may also be found in urban centers. In more recent times, Adebayo et al. (2019) has described Nigeria's rural areas as places that constitute the space where human settlement and infrastructure occupy only small patches of the landscape. The problem with this definition is that it seeks to explain rural areas in Nigeria from the perspective of difference to urban areas and thus ignores the commonalities of both regions.

Nevertheless, for the purpose of this study, we have adopted the Central Bank of Nigeria's (CBN) definition, which defines rural as having a population of less than 20,000. Additionally, rural is not urban or city in nature. The CBN definition has been widely cited and adopted by many researchers who are interested in rural scholarship (Babatunde, Begum, & Said, 2018; Kolawole & Ajila, 2015; Madu, 2010).

### 2.2 Nigeria: A contemporary background

Nigeria is one of the developing countries of Sub-Saharan Africa and is located in the western part. The country was colonized by Great Britain for almost a century (1861–1960). In October 1960, Nigeria attained independence. The total area is 351,648 mile² (910,768 km²). Nigeria is renowned for having the largest population in Africa and the seventh largest population in the world with a population of over 200 million (Igwe et al., 2018). By interpretation, Nigerians represent 2.35% of the world's total population, which arguably means that one person in every 43 people on the planet is a resident of Nigeria. After several years of military rule, democracy was regained in 1999 after Olusegun Obasanjo, a former military head was elected President. Nigeria has continued to maintain democracy.

Nigeria arguably is considered as one of the most promising developing countries of the world in the context of economic growth. It has recently surpassed South Africa to become the largest economy in Africa (Igwe, Madchie, & Newbery, 2018; World Economic Outlook, 2018). In 2016, the Nigerian economy dipped into recession for the first time in more than two decades. This is attributable to a series of shocks such as the continued decline in oil prices, foreign exchange shortages, a sharp reduction in oil production, power shortages and insecurity in the North and Niger Delta regions (African Economic Outlook, 2017). In response to the falling economy, the Nigerian government has embarked on promoting SMEs' growth, entrepreneurship and the diversification of its economy through the non-oil sector. In the past few years, Nigerian governments have initiated entrepreneurial funding to stimulate the creation of new businesses among youth and women.

Unfortunately, Nigeria is among the few countries noted for corruption scandals, political self-interest and interferences in international business policies and programs. It is common knowledge that Nigeria's military heads have been recognized for high level corruption and the failure to implement policies that enable firms' internationalization. Nearly 20 years after the end of military rule, corruption still remains a major setback for the Nigerian economy (Ajayi, 2016). Nigeria’s “corruption index” has been considered by several developed countries’ investors and policy makers as gravely high (African Business, 2017; TI, 2019). In 2012, Nigeria was researched to have lost over $400 billion to corruption since independence. In 2018, the country ranked 144th in the 180 countries listed in Transparency International's report. However, in 2019, Nigeria dropped two places in the corruption perception. Ibeh et al. (2012) observe deep cleavages along ethnic, religious and political lines. The military, who have ruled the country for 28 of its 60 years of independence, have pushed the prospects of political stability further away. Some studies opine that the corrupt ex-military generals are still very active in Nigerian politics. For example, Ajayi (2016) and Ikpe (2018) have argued that the years of military regimes have institutionalized a system of kleptocracy (i.e., a system of government where the leaders abuse their political offices by stealing from their country's treasury). Principally, self-interest has dominated the Nigerian leadership to this date.
Records of economic management and the international business policies of Nigeria’s political leadership have been found wanting. According to institutionalized corrupt practices continue to influence the regulation and management of Nigerian politics and the management of its international business policies. Most recently, some studies have observed inconsistencies in policies regarding export promotion and internationalization (Adebayo et al., 2019; Ogunmola, 2020; Okpara & Kabongo, 2010). One example highlights how the government prohibited the export of a local firm’s products to the United States only at the final stage.

While the Nigerian governments in the past have engaged in free trade agreements and developed policies that encouraged rural development, export promotions, and SMEs’ growth, there have been notable inconsistencies in the implementation of these policies (Kolawole & Ajila, 2015). Nigeria is a member of several international trade organizations including the World Trade Organization (WTO), the International Monetary Fund (IMF), the Organization of Petroleum Exporting Countries (OPEC), and a free trade member of the African Continental Free Trade Area (AfCFTA).

### 2.3 Rural Nigeria’s business context

There are several challenges facing rural areas in Nigeria. These serve as obstacles to national development. These range from the obvious shortage of basic infrastructural facilities to the generally low living standards of the population. Rural regions in Nigeria have relatively small and fragmented markets compared to urban areas. Several rural markets are organized in small sizes due to the intensive competition from alternative products from urban businesses. In other words, the rural areas lack requisite demands from consumers to sustain the rural markets and economy (Abdullateef et al., 2017; Kolawole & Ajila, 2015). Furthermore, competition from urban and international businesses is key challenge to most rural entrepreneurs. Nigeria has attracted many transnational and multinational firms, which have ushered in high products and services. These quality products attract higher acceptance among Nigerians compared to those produced by rural firms (Kolawole & Ajila, 2015).

Underdeveloped rural infrastructure is also a huge challenge to rural SMEs’ internationalization in Nigeria. For example, fresh agricultural products from rural areas require a fast and well-developed transport network for rural businesses to flourish. The craft industry, which is often effective in rural regions, may need airports to enable access to manufacturers’ rural markets. The opportunity for rural SMEs in Nigeria is often limited by the unavailability of transportation, lack of postal services, poor ICT connectivity and higher transaction costs associated with remoteness (Abdullateef et al., 2017). In most of rural Nigeria’s environment, communication facilities are often very poor. Most rural SMEs use ordinary cell phones (rarely using smart and android phones) and the few computers available do not have internet or broadband services. However, studies show that the lack of basic rural infrastructure has resulted in the marginalization of rural Nigeria’s communities. Some rural SMEs lack internet skills and knowledge and this therefore, restricts their access to valuable and important information for business development. This often creates a cycle of exploitation and marginalization for rural SMEs. Such unavailability of information (on product prices and suppliers) may lead income loss and the exploitation of rural SMEs by middlemen and agents (Ajayi, 2016; Phillipson et al., 2017). The notion of “psychic distance” is therefore, a real and significant problem for rural businesses in Nigeria and should be addressed.

Bureaucracy and administrative complexities also affect rural Nigeria’s SMEs. This is as a result of formal procedures that business license applications must go through before being approved. These often delay and affect the effective performance of most entrepreneurs in Nigeria. Government rulings on permissible spaces for trading add to the bureaucratic challenges (Ajayi, 2016). Lack of capital availability creates another hindrance. Unfavorable financial institutions and harsh operating environments further complicate the disadvantages faced by rural SMEs. For example, most poverty alleviation programs are focused in urban regions (Phillipson et al., 2017). Generally, rural areas are poorly organized. They also remain economically stagnant, neglected and are beyond the reach of social safety nets.

### 2.4 Legal and regulatory/policy challenges

The concept of law is old and exists in every cell of organizational life (Daniel, Radebaugh, & Sullivan, 2014; Slapper, 2016). It is defined as a system of rules created and enforced through social or governmental institutional regulation and governance. It determines how firms perform externally (Amoako & Lyon, 2014; Assadinia et al., 2019) and how business is transacted (Collinson, Narula, & Rugman, 2017; Daniel et al., 2014; Rugman & Collinson, 2009). However, physical distance could sometimes be problematic in complying with legality (Assadinia et al., 2019).

In order to resolve the paradoxes created, have only highlighted political and governance ideological differences that various countries’ legal and regulatory frameworks need to address. The way a country develops, interprets and enforces businesses’ wealth creation in the process of complying with legal parameters is missed (Adekunle, 2011). Likewise, we do not know what type of legal recourse might be beneficial to SMEs (Amoako & Lyon, 2014) in the midst of different legal frameworks and the potential failure due to non-compliance (Daniel et al., 2014; Collinson et al., 2017; Ibeh et al., 2012; Mendy & Hack-Polay, 2018). The “psychic distance” trap that SMEs have found themselves in has been compounded by the intellectual property rights risks (Daniel et al., 2014). However, having a clear understanding and analysis of the legal and regulatory landscape of foreign markets is not as clearly defined for SMEs in developing countries as elsewhere (Adekunle, 2011). While big firms and urban SMEs have strong financial resources, rural SMEs suffer from “psychic distance” as well as policy constraints. Thus, rural SME research in this area is much needed. To fill such a gap, we have identified four major factors from the internationalization literature to contribute to rural SMEs’ “psychic distance” problem.
2.5 | Physical and geographic challenges

Internationalization literature highlights that rural regions are disadvantaged by the “psychic” physical and geographical challenges (Kolawole & Ajila, 2015; Pato & Teixeira, 2014). The literature identifies such disadvantage in the form of unavailability of facilities and lack of access to day to day activities. For example, Phillipson et al. (2017) identified lack of access to public infrastructure and services whilst Dubois (2016) also identified lack of access to electricity, healthcare services and public transportation. These hinder rural business operations. Okon (2015) adds lack of access to ICT facilities, broadband and internet connectivity, all of which add to the rural-urban digital divide (Adelegan et al., 2019).

“Geographical barrier” is often associated with the rural business environment. The term is used to refer to natural or locational isolation and remoteness (Leonidou, 2004). Geographical barriers are particularly evident in rural areas where SMEs are far away from markets and centralized locations. This is partly what Assadinia et al. (2019) refer to as “psychic distance,” which has adversely impacted on SMEs’ wealth creation and internationalization (Adekunle, 2011; Obeng & Haugh, 2014). However, we do not know “how” the challenges can be resolved despite recent attempts by Colclough et al. (2019).

There are several ways physical and geographical barriers may possibly influence a firm’s business environment. First, an environment with an undeveloped public infrastructure and long distance to market locations might create a less advantageous business context and could hamper business creation and job employment opportunities. Second, geographical and physical limitations often deprive wider business networks with market access. Third, the impact of physical and geographical barriers often results in slow economic development and depopulation (Paniagua, 2013). Therefore, the way SMEs resolve their physical and geographical barriers (i.e., their “psychic distance” factors) needs to receive greater attention than what has been identified in the literature on Sub-Saharan Africa. Generalizing findings discovered in other developed countries may be misleading when applied to other areas (Colclough et al., 2019; Milanzi, 2012) where challenges differ and resolution mechanisms (Schmidt & Hansen, 2017) may not be easy (see next section for conceptual model development).

2.6 | Conceptual model and hypotheses development

Based on the internationalization literature on rural SMEs in Nigeria, we identified two key types of challenges. We used these to develop a model that will facilitate a deeper (i.e., more humanistic) understanding of the structural (geographic) notion of “psychic distance.” These are (a) legal and regulatory and (b) physical and geographical/place barriers. We also consider additional aspects under the legal barriers such as compliance procedures, protectionist policies and inadequate legal support. Furthermore, we have also identified the quality of rural infrastructure, geographical isolation and remoteness, unfamiliarity with the use of internet and e-commerce and high poverty rate as part of the physical and geographical/place challenges (see Figure 1 for details).

In Figure 1, there are eight hypotheses, which highlight the literature’s “psychic distance” factors (i.e., place and policy). Out of the eight hypotheses, four are related to the legal and regulatory/policy and four are related to the physical and geographical/place barriers to rural SMEs’ internationalization.

Rural infrastructure is crucial for small business growth, internationalization, overall economic development and the improvement of people’s lives (Kolawole & Ajila, 2015; Newbery, 2012). The lack of good infrastructures such as roads, tracks, bridges, irrigation schemes, water supplies, schools, health centers and markets in rural areas creates access difficulties for rural businesses (Dubois, 2016; Pato & Teixeira, 2014). This problem is most acute in developing countries like Nigeria (Ajayi, 2016; Kolawole & Ajila, 2015). Additionally, rural businesses in Nigeria are often limited by lack of postal services, poor ICT connectivity and higher transactions costs because of remoteness. In the light of the earlier, the following hypothesis is proposed:

H1a. Lack of rural infrastructure is positively related to place barriers for rural SMEs’ internationalization.

Business thrives on connectivity of markets and regions. However, the difficulties caused by remoteness are an important risk to social inclusivity and business growth (Abugre, Williams, & Debrah, 2019). The literature points to key challenges of geographical isolation and remoteness (Behrens, 2020), which hinder SMEs’ access to urban markets (Kandogan, 2020). Although other studies have not found such a relationship, the effect of geographical isolation and remoteness provides a barrier to internationalization and has led us to hypothesize that:

H1b. Isolation and remoteness is positively related to place barriers for rural SMEs’ internationalization.

Internet and e-commerce (or ICT applications) are inseparable for the promotion of business goods (Fuentelsaz, Maicas, & Montero, 2018; Hagsten & Kotnik, 2017). Given the important role of ICT in doing business globally (Hagsten & Kotnik, 2017; Srivastava & Singh, 2013), the concept of e-commerce, which is the sale or purchase of goods and services online or on TV has facilitated growth over time (Fiedler, Fath, & Whittaker, 2017). The inseparability of ICT, e-commerce and growth is partially dependent on how they are applied in resolving internet barriers especially in developing countries (Ibeh et al., 2012; Odunukan, Rahman, Akter, & Haque, 2018). Therefore, this study has noted insufficient e-commerce and internet facilities in rural SMEs. As a result we propose that African firms’ insufficient e-commerce facilities have rendered network relationships internationally challenging (Hack-Polay & Mendy, 2017). In the light of the earlier, we hypothesize that:

H1c. Lack of e-commerce and internet is positively related to place barriers for rural SMEs’ internationalization.
Poverty is still a predominantly rural phenomenon (Kolawole & Ajila, 2015). This is partly because income, assets, subsidized public services, and employment are squeezed thereby rendering rural SMEs’ ability to meet their financial and societal obligations difficult. Rural poverty has been particularly identified as problematic for businesses (Todaro & Smith, 2003; Marplin, 2015). A 2014 Report by the Central Bank of Nigeria on SMEs’ productivity clearly suggests that less than 5% of rural SMEs’ products managed to be traded international. This situation has contributed to high rates of unemployment, low GDP (Eniola, 2014), unprecedented high rates of poverty and economic underperformance (World Report Economic report, Nigeria, 2014). In the light of the earlier, we hypothesize that:

**H1d.** Rural poverty is positively related to place barriers for rural SMEs’ internationalization.

Legal systems differ from one country to the next because of variations in traditions, precedence, usage, customs and religion. Legal systems range from property registrations, applying to start a business, dealing with permits, getting credit, protecting investors, filing tax forms, paying taxes, employment contract enforcements and business governance (Kolawole & Ajila, 2015). Their variety account for part of the legal hurdles faced by SMEs in developing countries (Igwe, Newbery, & Ichalhuma, 2018). Additional business regulation and restrictions could include currency restrictions, quotas and tariffs, health and safety regulations, patent and trademark issues (Daniel et al., 2014; Hulten & Bonnedahl, 2005). In the light of the earlier, we hypothesize that:

**H2a.** Complexity in customs regulation positively related to policy related barriers for rural SMEs’ internationalization.

SMEs in general and rural SMEs in particularly, are financially handicapped (Danso, Adomako, & Damoah, 2016). Such a barrier excludes the smallest firms from being able to deal with regulatory and bureaucratic problems (Okon, 2015). Despite the existence of these impediments, some studies have downplayed the legal and compliance procedural complexities faced by rural SMEs (Okpara & Kabongo, 2011). Considering the important link between these two factors as barriers of internationalization, the following hypothesis is proposed:

**H2b.** Legal compliance procedure is positively related to policy related barriers for rural SMEs’ internationalization.

Countries adopt protectionism as a “practice of employing economic devices to restrict or distort trade and to benefit domestic producers” (Hughes & O’Neill, 2008, p. 170). This is done through the imposition of tariffs on foreign firms and the placing of restrictions on foreign business activities. Although such actions might have helped in retaining a country’s sovereignty and self-sufficiency (Enderswick, 2011), free trade and global market growth may be adversely impacted (Smaller, 2016). As a result, foreign and local firms still face huge barriers in the process of internationalization (Adeleye & Bosu, 2016; Morrison, 2014). This situation has brought about rural SMEs being economically disadvantaged (Bosworth, 2012). While some studies have argued in favor of protectionist policies, the ability for SMEs to internationalize has been difficult (Caputo, Pellegrini, Dabic, & Dana, 2016). In the light of the earlier, we hypothesize that:

**H2c.** Protectionist regulation is positively related to policy related barriers for rural SMEs’ internationalization.

Legal support is the advocacy that a person or a firm may seek should they find themselves in difficulty (Gunaratne, 2009). To handle the legal issues, multinational firms normally employ legal advisors. However, such ability is not always feasible for SMEs because of
resource constraints (Pangarkar, 2008). In order to promote SMEs’ growth locally and internationally, governments may provide legal support in a range of countries (Bennett, 2008; Lyon & Ramsden, 2006). However, the inadequacy of such support provides a major barrier for SMEs and therefore impacts on their ability to internationalize (Robertson & Chetty, 2000). In the light of the earlier, we hypothesize that:

H2d. Inadequate legal support is positively related to policy related barriers for rural SMEs’ internationalization.

2.7 Framing internationalization challenges as a Human-centric Hierarchical Reflective Model

In order to capture both the policy and place related barriers comprehensively, we have developed a Human-centric Hierarchical Model as the study’s main contribution. A hierarchical construct (also known as multidimensional) is defined as having multiple dimensions at several levels/ranks (Akter, Rajasekera, & Rahman, 2010). For the advantages of reducing the model’s complexity and increasing theoretical discretion, these levels have proven to be successful by many studies (Akter et al., 2010; Wiecki, Sofer, & Frank, 2013). Besides, the “level of abstraction for predictor and criterion variables” is considered as one of its most important advantages. With this article’s aim of investigating the various levels of structural (i.e., “psychic distance”) as well as people-related (i.e., policy) challenges faced by rural SMEs in Nigeria, both barriers are reflected in a hierarchical model. This facilitates the capturing of the structural and human-centric aspects involved. Our model’s constructs share a common theme of overall structural barriers as highlighted in the predominance of internationalization studies. Additionally, our model introduces the policy (or human) angle to highlight the complexity of barriers faced by rural SMEs in Nigeria and their benefits for both scholars and practitioners. Whilst Bollen and Lennox (1991) note the correlation between two measures as highly positive for a reflective construct Petter, Straub, and Rai (2007) explain internal consistency as important. Therefore, our constructs are in line with the theorization. However, given the fact that the unidimensional nature of each of the reflective measures is designed to improve construct validity with no effect on the content validity (Petter et al., 2007), we have featured a new people component (e.g., policy) to add to the previous studies.

Looking at Figure 2, it is evident that there are two orders—first and second. In the first order, there are two latent variables of barriers of internationalization for rural SMEs in Nigeria. These are legal (and regulatory/policy) and physical (and geographical/place) and they are also related to the respective indicators (manifest variables—MVs). In the second order, the barriers are shown in a Human-centric Hierarchical model that is constructed by 8 MVs (4 + 4) of second order construct. The first order recognizes human poverty as central to the place challenge whilst the second highlights the inadequacy of support as an additional human neglect.

Table 1 highlights the equation for estimating the model. There are two order models—first and second order to help capture our model’s various levels and its complexity. The equation for the first-order model specifies first order manifest variables (yi), latent variables (ηj), loadings (Δy), and an error term (ε). The equation of the second-order model specifies the first-order factors (ηj) in terms of the
second-order latent variables ($\xi_j$) and error ($\epsilon_j$) for the first-order factor and second-order latent variables loadings ($\Gamma$) to show the various components.

### 3 | RESEARCH METHODOLOGY

This research study proposes a Human-centric Hierarchical model in recognition of the fundamental human aspects of the barriers faced by rural Nigeria’s SMEs. It develops a theory that is empirically testable. In addition, an empirical survey was carried out because this research study also attempts to measure a network relationship on the barriers of the internationalization of rural SMEs as developed by Jenkins (1985). A cross sectional survey technique was applied to extract views and opinions from the respondents in order to conduct the empirical investigation (Malhotra & Birks, 2004). Although telephone, email and online survey strategies are more efficient and cost-effective in general, this is not applicable in the rural settings of developing countries. In the rural areas of Nigeria, internet facilities are limited and expensive for the resource constrained SMEs. In order to achieve maximum response rate, this study used a postal survey which was most appropriate for the rural firms in Nigeria. We focused on rural rather than urban SMEs as the former was the crux of our research question and objectives (also see Section 3.1). In order to validate our model, this study used survey strategy where common method variance (CMV) is an issue typically (Mendy & Rahman, 2019). This concern is even higher for the social and behavioral sciences (Mendy, Rahman, & Bal, 2019). Although this study used structural relationships, the influence of CMV can still have significant impact as mentioned by Kline, Sulsky, and Rever-Moriyama (2000). In addition, non-response bias in mail surveys is very common. To overcome potential CMV and non-response biases, this study took a range of measures including pre-notification and reminders; using cluster sampling technique and t-tests on the average of early and late respondents (Mendy et al., 2019). It is also worthy to note that this study conducted a pilot prior to the actual survey. At that stage the participants suggested getting views from international rural SMEs only as the nature of the challenges faced by the local SMEs are very different from the international SMEs. Based on this suggestion, this study has collected data from international SMEs only as this facilitates the collection of views from firms thinking to expand in international markets rather than those that are not.

#### 3.1 | Sample frame and justification

The research data were collected from a sample of six (6) geo-political zones/regions of Nigeria—South West, South–South, South East, North-West, North Central and North East of Nigeria from January 2018–August 2018. The population respondents for the postal survey were defined as rural SMEs doing international business in Nigeria. The pilot showed they could provide rich data for the study. Because of the absence of a reliable database of rural SMEs of Nigeria, their total population cannot be identified but they were contactable. Therefore, 300 questionnaires were distributed on each geo-political region following a cluster sampling technique. From each geo-political region, states were selected and from each state, local governments were selected. From each local government, councils and international rural SMEs were selected. This procedure facilitates diversity of data and of opinions and strategies. In order to ensure equal opportunity of selection, systematic random sampling techniques were employed before the postal survey was administered. Out of 1800 questionnaires, 313 were responded to and returned. Although challenges associated with the use of surveys such as adequate data access, cost and compilation of databases have been highlighted; other scholars such as have recently identified issues relating to the invitation to participate, following up on responses and theory development. Other scholars have noted that “surveys are hindered by low literacy level of respondents, multiplicity of ethnic groups/languages, respondents’ inability of respondents to answer survey questions appropriately, incidences of misleading responses and several other environmental factors” especially in low income economies (Raimi, Patel, Adelopo, & Ajewole, 2013, p. 1362). Despite the plethora of challenges which are not specifically solely identifiable within the Nigerian context, we have mitigated against these by developing local knowledge of the SMEs, their owners and third-party contacts. As a result, from among the 313, only 9 were unstable as a result of excessive missing data in them. Consequently, 304 questionnaires were successfully imputed and analyzed. This number is reasonable considering the key challenges associated with the use of the survey method in rural Nigeria.

From Table 2, it can be observed that the data were collected from a diverse, cross section of a range of Nigeria’s regions. Out of 304 respondents, 65% are male and 35% are female. From a business sector point of view, 19.5% are from the agricultural and agro-foods sector, 25.5% are from manufacturing, 1% are from solid minerals, 10% from wood and furniture, 15% from wholesale and retail, 10% from Tourism, 14% are from textiles and garments and 5% from professional, business and financial services. With regards to the geopolitical zones, 106 (i.e., 35%) came from the South West, 47 (i.e., 15%) were from the South–South, 49 (i.e., 16%) emanated from the South East, 42 (i.e., 14%) were located from the North East, 30 (i.e., 10%) hailed from the North West, and 30 (i.e., 10%) were

### TABLE 1 Estimation of the regulatory barriers

| First order                | Second order                                      |
|---------------------------|--------------------------------------------------|
| $y_i = \Delta \eta_i + \epsilon_i$ | $\eta_i = \Gamma \xi_k + \epsilon_j$ |
| $y_i = \text{manifest variables}$ | $\eta_i = \text{first order factors (e.g., administrative regulatory)}$ |
| $\Delta_i = \text{loadings of first order latent variables}$ | $\Gamma = \text{loadings of second order latent variables}$ |
| $\eta_j = \text{first order latent variables (administrative regulatory and economic regulatory)}$ | $\xi_k = \text{second order latent variables (e.g., legal procedural barrier)}$ |
| $\epsilon_i = \text{measurement error of manifest variables}$ | $\epsilon_j = \text{measurement error of first order factors}$ |
based in the North Central. From a business point of view, 30% were sole traders, 15% had partnerships, 20% owned family businesses, and 35% consisted of co-operatives.

In order to facilitate the measurement of the 2 variables (place and policy), the items of the questionnaires were identified from a systematic review of existing literature. Prior to the final data collection, a pre-test was carried out among 20 of the sampled firms and 5 academics to ensure the appropriateness of wording, contents, scales, sequence and format. Minor amendments were made using the pre-test. This study has been assessed for content validity by undertaking a literature survey (i.e., a systematic review) targeting similar studies where similar measures were used. The pilot study conducted and gathered information, based on consultation with leading academics in the relevant and non-relevant fields. Insight was acquired from top officials of acquiring firms who helped to gauge the content validity of the instruments used. Based on these exploratory findings two latent variables and eight manifest variables were identified. Two main hypotheses and eight sub-hypotheses of this study are based on these seven MVs. Each hypothesis is addressed through individual questionnaire items.

PLS path modeling, also known as component based structural equation modeling (SEM), is popular for research that seeks to ensure more theoretical parsimony (see the section on survey challenges). This is despite the availability of different variables such as in ours (Akter et al., 2010; Chin, 2010). Having identified the suitability for a higher order, we developed a model to encompass the constructs with multiple dimensions and indicators (i.e., human and non-human or structural). We have also mitigated against the limitations of covariance based SEM as part of the literature on measurements. Therefore, this study is not tied to the common drawbacks of SEM including measurement level, sample size, distributional properties, and lack of identification (Akter et al., 2010). Besides, “it can give more accurate estimates of mediating and moderating effects by accounting for the measurement error that attenuates the estimated relationships and improves the validation of theories” (Akter et al., 2010, p. 5). Such modeling is also suitable for the study where there is a prediction element and the research context is new or changing (e.g., rural Nigeria’s SME setting). Therefore, a higher order Human-centric Model is deemed suitable for this study because it addresses the study’s aim of identifying the (fluid) environmental factors influencing the internationalization of rural Nigeria’s SMEs and contributing to internationalization theory and research.

### 4 FINDINGS

The study’s findings are presented in three stages which are (a) evaluation of the measurement used in the model, (b) evaluation of the model, and (c) model relationship testing. We chose the three-stage-presentation-of-results process to ensure the validity and reliability of the latent variables prior to drawing any valid and reliable conclusion on the human and non-human interactions.

#### 4.1 Stage 1: Analysis of the measurement model

This research study has employed PLS Graph 3.0 (Chin, 2010). This enables the investigation into the internationalization barriers faced by rural SMEs in Nigeria. In order to develop our model, we use PLS path modeling with a path weighting scheme for the inside approximation (Akter et al., 2010; Chin, 2010). Following the path weighting scheme, this study has used nonparametric bootstrapping (Akter et al., 2010; Wetzels, Schroder, & Oppen, 2009) where the standard error of the estimates is obtained by using 500 replications. Following the suggestion made by Akter et al. (2010), and we have used the approach of repeated indicators to estimate the higher order latent variables. Therefore, the second order factor (the internationalization barriers for Nigeria’s rural SMEs) is directly measured by the indicators.
manifest variables) of the first order factors (legal and physical/geographical).

Following models and theories postulated by Akter et al. (2010), Chin (2010), and Khan et al. (2019) a confirmatory factor analysis (CFA) is conducted to test our model and analyze its reliability and validity. Table 3 shows that the individual item loading is higher than 0.70 and which is also significant at 0.01. Further, the reliability of the scale is assessed through the composite reliability (CR) and average variance extracted (AVE) as recommended by Benitez, Henseler, Castillob, and Schuberthc (2020) and Lin, Lee, Liang, and Chang (2020). The result highlights that CR for legal and regulatory and physical and geographical barriers are all well above the threshold point of 0.70 recommended by Henseler, Hubona, and Ray (2016) and Ali, Rasoolimanesh, Sarstedt, Ringle, and Ryu (2018). This indicates the scale consistency for each item. On the other hand, AVE for legal and regulatory, physical and geographical barriers in Table 3 is also higher than the modest threshold of 0.50 famously set by Fornell and Larcker (1981). Again, this result indicates that each construct captures adequate variance from its items and the constructs provide conceptual distinctiveness. Therefore, the convergent validity of all the scales we used is ensured. Finally, the result of square root of AVE in Table 4 ensures our results’ discriminant validity. The square root value of AVE confirms that they are higher than the corresponding correlation coefficients in the correlation matrix (Henseler et al., 2016; Khan et al., 2019; Lin et al., 2020). Therefore, it can be concluded that all the empirical results related to the analysis of the measurement model are satisfactory with respect to adequate reliability, convergent validity and discriminant validity within and for the selected literature.

4.2 Stage 2: Assessment of the higher order model

In Figure 3, we have developed and presented a Human-centric Hierarchical Model to show rural SMEs’ internationalization barriers in Nigeria as way of addressing how such barriers can be addressed. The second order constructs (overall barriers) are reflected in the first order constructs. The degrees of explained variances are physical and geographical (at 78%) and legal and regulatory (at 78%). The result shows that the path coefficients from the overall barriers of internationalization to the second order (i.e., physical and geographical and legal and regulatory) are significant at \( p < .01 \). Further, the validity of the higher order reflective model is confirmed from the CR and AVE value. CR and AVE for the first order constructs (legal and physical/geographical) are higher than the literature’s recommended threshold value of 0.70 and 0.50 respectively (Table 5).

4.3 Stage 3: Analysis of model and results of hypotheses testing

This research study has estimated the relationship between the overall barriers and their sub-dimensions (e.g., legal-regulatory challenges) with an objective of measuring the structural validity of our model’s components (see Figure 3). The respective standardized beta finds in Figure 3 for legal-regulatory and physical and geography challenges are 0.850 and 0.901 respectively. This result shows a strong association between those variables. Further, all these path coefficients are significant at \( p < .01 \) (see Table 6). Therefore, our overall findings support the hypotheses (see Figure 3).

5 DISCUSSION

The major contribution of this article is to extend existing knowledge on the nature of the challenges faced by rural Nigeria’s SMEs through a Human-centric Hierarchical model. This has been done via an investigation of the structural and human factors and their impact on those rural firms’ constraints. Using the model and empirical results, this study went on to propose two specific types of barriers (i.e., legal or regulatory) and physical or geographical (see Figure 3). Although each of
the component barriers appears to reflect a unique aspect when viewed separately, together they offer a strong basis for a model that examines internationalization barriers of rural SMEs in Nigeria. Previous studies have not attempted something of the type produced in this article. Additionally, although each of these categories (legal and geographical) has a strong significance, the results show that place-related barriers appear to be the most influential on SMEs with a degree of explained variances of 90%. Given the significance of the 4 place dimensional factors (i.e., rural infrastructure, geographical isolation, under-developed ICT and rural poverty) their associations are discussed later.

By comparing place or policy dynamics through SEM modeling, we have assessed rural SMEs' geographical contexts in a way that shifts previous foci from a unidirectional dimension (Bauerschmidt, 2003) to a hierarchy based model. There are also four factors under the physical and geographical dimension, which are quality of rural infrastructure, geographical isolation and remoteness, low use of internet and e-commerce, and high rate of poverty. The association between these items and the physical and geographical barriers of internationalization for the rural SMEs in Nigeria are discussed later in order to explicitly show how these could be addressed.

The association between quality of rural infrastructure and physical (and geographical) barriers was significant at $p < .001$. Thus, low quality of rural infrastructure was confirmed as a significant factor in the context of the physical and geographical barriers faced by rural SMEs in Nigeria (see Table 6). By using empirical support, this study therefore, extends the views of by focusing on a developing country context. We have also extended Young's (2010) work by examining rural SMEs in Africa. Additionally, we have added to Dubois's (2016) work by assessing SMEs in developing economies. Similarly, the associations between geographical isolation and remoteness and physical (and geographical) barriers were significant at $p < .001$. Thus, geographical isolation and remoteness was confirmed as a significant factor in the context of the physical and geographical barriers of SMEs' internationalization (see Table 6). By using empirical support, this study therefore, extends the views of Gunaratne (2009) by highlighting the overall impact of the economy (also see Lloyd-Reason, Damanov, Nicolescu, & Wall, 2005). In the same vein, the association between low usage of internet and e-commerce and physical (and geographical) barriers was significant at $p < .001$ and therefore need addressing.

Thus, low usage of internet and e-commerce was confirmed as a significant factor in the context of the physical and geographical
5.1 Summary of findings

The study's key objective was to identify the key barriers of internationalization for rural Nigeria's SMEs with the view to contribute a model, which could help address the resolution issue. In order to achieve this objective, this study developed and validated a challenge-based model that highlighted human aspects that were previously missed (see Figures 1 and 2). This is a contribution to the rural SME literature and research. Secondly, this study also contributes in extending knowledge on the types of challenges faced especially by rural SMEs from a Nigerian perspective. It did so by categorizing that the challenges fall in two fundamental dimensions (legal/policy and physical/geography/place) with eight indicators. By developing an additional second order model where this has not been done before, the authors have contributed to the internationalization theoretical works of OECD (2006), Pangarkar (2008), and Young (2010). We have done so by adding rural challenges from a Sub-Saharan developing country. Additionally, this study has extended the way SMEs have been previously conceptualized by developing a model which effectively provides individualized rankings for each of the composite challenges. Through the rankings, we now know that the physical and geographical (i.e., “psychic distance”) challenges account for 78% whilst the legal and regulatory additions score 78%. Therefore, both should be paid equal attention although previous scholarly emphases were on the former alone.

Through the methodological use of PLS path modeling, we were led to an unexpected contribution. This has effectively demonstrated that there is a complex relationship between the challenges faced by the SMEs. This is new in the sense that our model has helped in barriers of internationalization for the rural SMEs in Nigeria (see Table 6). Based on empirical support, this study hence extends the interpretations by adding the impact of place constraints to work. In like manner, the association between rural poverty and physical (and geographical) barriers was significant at \( p < .001 \). Thus, rural poverty and e-commerce have been confirmed as significant factors in the context of the physical and geographical barriers of internationalization for the rural SMEs in Nigeria (see Table 6). Additional supportive evidence regarding extensions to Lanjouw and Murgai (2010) are provided later using the legal and regulatory dimension.

The associations between customs regulations and legal (and regulatory) barriers were significant at \( p < .001 \). Thus, customs regulation was confirmed as a significant factor in the context of the legal and regulatory barriers of internationalization for rural Nigeria's SMEs (see Table 6). The study's empirical support therefore extends the views of by examining Africa's developing country. Similarly, the associations between legal and compliance process and legal (and regulatory) barriers were significant at \( p < .001 \). Such confirmation (see Table 6) extends the views of Gunaratne (2009) from a developing economy angle. In the same vein, the association between protectionist policies and legal (and regulatory) barriers were significant at \( p < .001 \). Thus, protectionist policies have been confirmed as significant factors in the context of the legal and regulatory barriers of Nigeria's SMEs' internationalization (see Table 6). The empirical support of this study points to an extension of and interpretations. Also, the association between inadequate legal support and legal (and regulatory) barriers was significant at \( p < 0.001 \). Thus, inadequate legal support, as confirmed, extends rural context by assessing the impact of geographical and policy issues needing remedy.

| Hypotheses                                                                 | Path coefficient | t-value  | Conclusion       |
|---------------------------------------------------------------------------|------------------|----------|------------------|
| H1a: Lack of rural infrastructure is positively related to place barriers for SMEs' internationalization | 0.960            | 86.595   | Supported        |
| H1b: Isolation and remoteness is positively related to place barriers for rural SMEs' internationalization | 0.969            | 98.258   | Supported        |
| H1c: Lack of e-commerce and internet is positively related to place barriers for rural SMEs' internationalization | 0.895            | 53.465   | Supported        |
| H1d: Rural poverty is positively related to place barriers for rural SMEs' internationalization | 0.886            | 36.847   | Supported        |
| H2a: Complexity in customs regulations positively related to policy related barriers for rural SMEs' internationalization | 0.765            | 27.212   | Supported        |
| H2b: Legal compliance procedure is positively related to policy related barriers for rural SMEs' internationalization | 0.851            | 30.676   | Supported        |
| H2c: Protectionist regulation is positively related to policy related barriers for rural SMEs' internationalization | 0.821            | 22.111   | Supported        |
| H2d: Inadequate legal support is positively related to policy related barriers for rural SMEs' internationalization | 0.910            | 39.100   | Supported        |
explaining complex relationships that were initially attempted (but with limited success) by Chin (2010), Wold (1965), and Khan et al. (2019), who used a predominantly unidirectional approach. This was facilitated by the repeated use of indicators from the first to second order model. The results’ confirmation successfully shifts previous studies treatment of SME challenges from an individually-orientated or unidirectional approach to an overall set of inter-dependent and systemic approach. This allows scholars and practitioners to identify and address challenges more humanely. It also allows business owners to prioritize physical geographical/place issues over legal and regulatory/policy matters (see Section 5.2 for details).

5.2 Implications of findings and recommendations

The findings evoke some key implications and recommendations. First, practitioners such as policy makers can use them in order to help in identifying various SME members’ behaviors to ascertain how these would be best suited in addressing place constraints. This is an essential evaluation that will help practitioners to recognize those aspects that could strengthen the presence of firms externally and thereby, heighten their chances of success. Further, our results imply that SME business owners need to be mindful of not only the structurally related challenges associated with place, but also the Human Resource Management (or people/policy-based). It is therefore recommended that practitioners should investigate and understand a country’s laws and regulations, procedural implementation and poverty alleviation mechanisms before internationalizing their businesses.

The study’s results implicitly highlight the importance of developing managerial and employee capacity so as to make rural SME businesses more resilient to place and policy related barriers of internationalization. It is therefore recommended that practitioners develop a composite training and development program, which will help to foster the requisite business skills as well as the long-term resilience of SMEs. Our results also imply the need for entrepreneurs and SME owners to reconsider Obeng and Haugh’s (2014) work to bridge the “cultural deficit” gap between businesses seeking to internationalize and the larger society within their operating environment. It is therefore recommended that practitioners should innovate programs that foster the greater cultural awareness of its staff vis-à-vis the local communities and customers they serve. Developing cultural sensitivity could therefore provide a practical platform for rural SMEs to access markets, services and additional goods. In sum, the HRM support initiatives could go a long way in practically complementing business priorities and in addressing the place/geographic barriers (see Mendy & Rahman, 2019).

Second, our results have some theoretical implications for scholars on internationalization. By contributing a model, which has been tested to be credible and viable. This is an extension of internationalization theory, which has not previously developed a model that highlights how to address significant place and policy barriers. Our ability to combine the traditional International Business’s structural aspects of place barriers with the human-related policy challenges highlights the importance of studying the SME barriers more holistically than before. It is recommended that scholars integrate our policy related barriers as part of their theorization into the fundamental barriers to SMEs’ survival in international markets. There is also need for internationalization scholarship to highlight, by order of prioritization, which factors are key in deepening our understanding of entrepreneurial survival. It is recommended that scholars include our human-centric barriers in internationalization literature. It is also recommended that people management bundles are given their weighted significance in relation to previously emphasized structural dimensions by Ibhe et al. (2012). There is an additional implication and recommendation for scholars, which is that the structural and human interaction of the barriers highlights the possibility for academics to produce new models and theory. This can help address and extend Assadinia et al’s (2019), O’Grady and Lane’s (1996), and Nebus and Chai’s (2014) “psychic distance” notion. It is therefore recommended that scholars adopt our coordinated approach in identifying and evaluating the potential scholarly benefits of examining people and non-people related challenges to address SMEs’ barriers (see H1 and H2 sub-categories). The results here suggest a call for a more integrative way of investigating/researching key internationalization issues threatening the very survival of SMEs in rural community settings. It is recommended that scholars engage with this new integrative way of dealing with the myriad of problems faced by SMEs (see Mendy & Rahman, 2019).

6 Conclusion, limitations, and future research directions

In conclusion, we highlight the study’s limitations as well as future research directions. As a limitation we note that the model is rural-SME based. Therefore, caution should be exercised in applying it in a generalizable way to other SMEs elsewhere. Secondly, the model is context-specific in the sense that it was produced to identify and address a developing country’s SME challenges. It is not intended to highlight or address a developed country’s SMEs’ problems. Thirdly, the study’s use of cross-sectional data may have some CMV (Straub, Boudreau, & Gefen, 2004). Surmounting this issue entails that the scholars should embark on longitudinal analysis in future studies. Future research can apply a comparative analysis of the model in different contexts as advised by Akter et al. (2010) in order to deal with issues of sample size and the distributional properties of variables. Doing so could enhance the development of additional models for scholars to compare formative and reflective SEM approaches as new lenses to SME internationalization in rural areas. Future studies could also survey firms that are thinking to localize (i.e., those that do not intend to internationalize their activities). This could be followed by multi group analysis (MGA). Future studies could also compare SMEs’ internationalization in both developed and developing economies as well as SMEs in rural and urban settings.
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