

What Drives Firms' Integration into Global Value Chains: Evidence from Developing Countries

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Abstract: Global value chains play an important role in the upgradation of industrial sectors and economic growth, especially in developing countries. Yet, there are limited studies for developing countries that investigate the factors that influence enterprises' integration in the GVC. Thus, this study looks into the factors such as the firms' nature and their possibility of getting into GVCs, and it focuses on the contextual and organizational characteristics - country-wise and region-wise. We use the World Bank Enterprises survey (WBES) data from 2006 to 2025. The findings reveal that as the size of the firm increases, the participation of firms in GVC increases. Manufacturing firms are more connected, illustrating the significance of firms in the trade. On the contrary, service sector firms are expanding progressively through their GVC linkages. In developing economies, the fundamental factors that promote the likelihood are export orientation, foreign ownership, innovation, and financial accessibility. Conversely, the regional difference shows how the institutional quality, soft and hard infrastructure and trade policies affect the global participation of the firm. Results show that boosting the skills, improving the sectoral competition and a stronger business environment play a crucial role for SMEs in developing to integrate and sustain in the GVCs.

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