

Reassessing the Inhibiting Factors of Entrepreneurship Development in the SME Segment

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Abstract: While entrepreneurial barriers within the SME segment remain a germane issue not least, in the milieu that entrepreneurship and SME development contribute a hefty percentage to the global economy, especially in developing countries, little is to date known about barriers to entrepreneurship development and how to overcome it in the SMEs' segment. Scholars suggest that knowing the factors that prevent entrepreneurship development is the bedrock of SMEs' growth and sustainability. However, the current study investigates the barriers to entrepreneurship development in the SME segment. The present study deployed articles from reputable scientific databases: Web of Science, Scopus, EHRPLUS, EBSCO, Google Scholar, etc. to solicit information on the subject matter under discussion using the keywords search. Out of the numerous articles downloaded, thirty-five of them were used by the researchers to achieve the study objective. From the reviewed literature, it is therefore established that factors such as lack of risk-taking capacity, lack of a Strategic Plan, lack of managing finances, and inadequate market experience usually serve as hindrances to the growth and development of SMEs within the scope of developing countries.

Keywords: Inhibiting factors, Entrepreneurship, SME segment, Development

1. Background of the Study

While entrepreneurial barriers within the SME segment remain a germane issue (Cupido, 2003; Belás et al. 2018; Klapper et al. 2006; Fatoki & David, 2010; Mehrez, 2019; Chaturvedi & Goyal, 2012) not least, on the milieu that entrepreneurship and SMEs development contribute a hefty percentage to the global economy, especially in the developing countries (Islam & Mamun, 2022; Hawi, et al. 2022; Subhani, 2022), yet, relatively little is till date known about barriers to entrepreneurship development and how to overcome it in the SMEs segment. This assertion is corroborated by many studies including that of Khanin, et al. (2022) who recently lamented that barriers to entrepreneurship prevent opportunity recognition and have a long-term effect on SME development and called for a comprehensive review and further empirical studies from developing countries' perspective. It has been argued that though entrepreneurship development is linked with income generation and economic growth is a phenomenon associated with wealth generation and economic development, huge concerns have been expressed over barriers to entrepreneurship development in the SME segment including lack of capacity, lack of risk-taking capacity, lack of a strategic plan, managing finances and inadequate market experience (Mehrez, 2019; Khanin, et al. 2022), therefore, a study into how entrepreneurs and SMEs can overcome barriers and challenges to entrepreneurship development is welcoming news. This is particularly important, especially, given the concerns raised by many scholars about the lack of studies that specifically look into barriers to entrepreneurship development in the SME Segment from the developing economies' perspective (Randa & Atiku, 2021; Hadjimanolis, 1999). Therefore, it is important to define SMEs in the context of Ghana. Since every nation has its definition depending on the criteria used to define it, it has become quite challenging to come up with one (Salikin et al., 2014; Kwaku Amoah, 2018). But Abor & Quartey (2010) classified Ghanaian SMEs according to the size of their workforces, categorizing them as 0–9 micro, 10–99 small, and 100–499 medium enterprises. Additionally, the Ghana Statistical Service (GSS) categorizes any organization or commercial entity that employs between 1 and 5 individuals as a micro, 6 to 30 as a small, 31–100 as a medium, and more than 100 as a large enterprise (Amoah & Amoah, 2018). The value of fixed assets was subsequently used to define SMEs more precisely in the same publication. In a similar vein, the National Board for Small Scale Industries (NBSSI), which is in charge of overseeing the operations of SMEs in Ghana, classified SMEs by utilizing their workforce and fixed assets as the primary criteria.

It seems therefore logical that entrepreneurs and SME owners/managers, seeking to gain sustenance and contribute to economic development, would need to know the factors that prevent their growth and overcome barriers to development (Beck & Demircuc-Kunt, 2006). Studies have focused on the barriers to the

development of SMEs. The study conducted by Ivanová, (2017) focused on key factors that prevent the development of SMEs in the Slovak Republic. It was indicated that business owners of SMEs faced limited access to external sources of financing and a limited market, which has a detrimental effect on their development. Their study further demonstrated that a lack of innovation also affects the growth and development of entrepreneurship. In addition, Klapper et al. (2006) conducted a study on entry regulation as a barrier to entrepreneurship. The study outcome indicated that regulation and other intellectual properties affect the growth of entrepreneurs. The study suggests that the availability of financing, the degree of protection of intellectual property, and labor regulations are needed for entrepreneurial development in the SME segment.

Given the fact that entrepreneurship skills and specifically SMEs contribute to the growth of the economy (Gnyawali, & Fogel, 1994; Obaji & Olugu, 2014), identifying the barriers to entrepreneurship development in SMEs development is, without doubt, the way to go; especially, in the developing countries to prepare for the dynamic business environment (Tambunan, 2007; Awogbenle & Iwuamadi, 2010; Ahmed & Nwankwo, 2013). In this respect, research into barriers to entrepreneurship development in the SME Segment could help entrepreneurs to develop and achieve their strategic goals is highly justified.

2. Literature Review/Problematization

It is impossible to undervalue the enormous contributions made by Small and Medium-Sized Enterprises (SMEs) around the globe (Sanjo & Ibrahim, 2017; Jibril et al., 2019). The importance of SMEs in encouraging countries' socioeconomic development, particularly in developing countries, cannot be emphasized. SMEs are regarded as making significant contributions to lowering the country's unemployment rate through job creation and GDP (Kumar, 2017; Kwaku Amoah, 2018). According to Pandya (2012), SMEs are known to undertake critical tasks in the majority of developing nations like reducing poverty, enhancing income distribution, creating jobs, and contributing to export growth. These donations stimulate business development, industry, and the rural economy. Similarly to this, Amoah & Jibril (2020); Kachembere, (2011) pointed out that SMEs are widely known for encouraging grassroots economic growth and contributing significantly to social development and poverty reduction. As SMEs serve as an engine contributing to the economy, their growth and development become a critical issue. Both developed and developing countries are living testimonies of the contributions of SMEs. Scholars suggest that knowing the factors that prevent entrepreneurship development is the bedrock of SMEs' growth and sustainability (Abimbola & Agboola, 2011; Antoniuk, et al. 2017; Meijer, et al. 2019; Fernandez & Ali, 2015). Hence, entrepreneurs should synchronize with the barriers to their development (Davies, et al. 2019); government policies (Jaroslav, et al. 2014) regulations (Klapper et al. 2006), and financial support (Ivanová, 2017). Studies have established that barriers prevent opportunity recognition and can affect entrepreneurial skills and development (Khanin, et al. 2021; Halim, et al. 2017). However, Khanin (2021) submits that efficient, transparent, and responsive to barriers to entrepreneurship development is required to inspire confidence in entrepreneurs to take risks. Therefore, the success of today's entrepreneurs is arguably partly hinged on their responsiveness towards barriers/challenges, and, in part on how they can pursue sustainable strategies which ultimately affect the SME segment (Korcsmaros & Simonova, 2017). It, therefore, becomes practically and theoretically imperative for researchers to derive a solid understanding of barriers including lack of risk-taking capacity, lack of a strategic plan, managing finances, and inadequate market experience and those can affect entrepreneurship development in the SME segment. A study conducted by Ackah & Vuvor (2011) found that entrepreneurs are faced with limited finance, limited marketing strategies, and less strategic vision which affects their development. According to resource-based theory, SME owner-managers frequently lack internal resources to handle various economic difficulties such as service sector management and therefore rely on external service providers (De Bruyckere et al., 2020; Čera et al., 2019). This indicates that the SME segment is extensively by barriers to entrepreneurship development. However, the current study seeks to investigate the barriers to entrepreneurship development in the SME segment.

2.1 Lack of Risk-Taking Capacity

One of the key inhibiting factors for entrepreneurship development in the SME segment is the lack of risk-taking capacity among individuals. Entrepreneurship inherently involves taking risks, whether it is financial, professional, or personal. However, many potential entrepreneurs may hesitate to take risks due to various reasons such as fear of failure, lack of confidence, or limited financial resources. This inhibiting factor can significantly impede the growth and development of entrepreneurship in the SME segment. Research conducted by Mat et al., (2020), found that risk-taking propensity is a crucial determinant of entrepreneurial success. Entrepreneurs who are willing to take calculated risks are more likely to seize opportunities, innovate, and adapt to the changing business environment. On the other hand, individuals with a low risk-taking capacity may struggle to overcome challenges and may be reluctant to invest in their ventures. This lack of risk-taking capacity

can hinder the growth of entrepreneurship in the SME segment. To address this inhibiting factor, it is essential to provide aspiring entrepreneurs with the necessary support and resources to build their risk-taking capacity. This can be achieved through entrepreneurship training programs, mentorship initiatives, and access to financial assistance. By equipping individuals with the skills and knowledge to assess risks effectively and develop strategies to mitigate them, the barriers to entrepreneurship development in the SME segment can be overcome.

2.2 Lack of a Strategic Plan

Another inhibiting factor for entrepreneurship development in the SME segment is the lack of a strategic plan. Many individuals may have innovative ideas and the motivation to start their businesses, but without a well-defined strategic plan, they may struggle to navigate the complexities and uncertainties of the business landscape. A strategic plan provides a roadmap for entrepreneurs, outlining their goals, target market, competitive advantage, and growth strategies.

According to a study by McGee & Peterson, M. (2019), the presence of a strategic plan is positively associated with entrepreneurial success. Entrepreneurs who have a clear vision and a well-defined plan are more likely to make informed decisions, allocate resources effectively, and adapt to market changes. Conversely, the absence of a strategic plan can lead to haphazard decision-making, lack of focus, and difficulty in securing funding or attracting customers. To address this inhibiting factor, it is crucial to emphasize the importance of strategic planning in entrepreneurship development. Entrepreneurship education and training programs should incorporate modules on strategic planning, helping individuals develop the skills to create and execute a comprehensive plan. Additionally, support systems such as business incubators and mentorship programs can provide guidance and expertise to aspiring entrepreneurs in formulating their strategic plans.

In conclusion, the lack of risk-taking capacity and the absence of a strategic plan are significant inhibiting factors for entrepreneurship development in the SME segment. By addressing these challenges through targeted interventions, such as entrepreneurship training programs and mentorship initiatives, individuals can be equipped with the necessary skills and resources to overcome these barriers and foster a thriving entrepreneurial ecosystem in the SME segment.

2.3 Financial Constraints

Financial Constraints are often cited as one of the main inhibiting factors in entrepreneurship development within the small and medium-sized enterprises (SME) segment. Limited access to capital and lack of financial resources can hinder the growth and development of small businesses, preventing them from seizing opportunities and expanding their operations. According to a study conducted by Indrawati, (2020), financial constraints can restrict SMEs from investing in research and development, acquiring new technologies, and hiring skilled employees, all of which are crucial for their long-term success. In addition, limited access to financing options, such as bank loans or venture capital, can significantly hinder the ability of SMEs to scale up their operations and compete in the market Megersa, (2020). Therefore, addressing the issue of financial constraints is essential for promoting entrepreneurship development in the SME segment.

2.4 Inadequate Market Experience

Another significant inhibiting factor in entrepreneurship development within the SME segment is inadequate market experience. Many entrepreneurs in this segment lack prior experience or knowledge of the specific market in which they operate, making it challenging for them to understand consumer needs, adapt to market changes, and effectively position their products or services. According to a study by Mihajlović & Stojanović, (2019), inadequate market experience can lead to poor decision-making, ineffective marketing strategies, and failure to identify growth opportunities, ultimately hindering the development and growth of SMEs. Moreover, the lack of market experience can make it difficult for SMEs to build relationships with suppliers, distributors, and other key stakeholders, limiting their access to critical resources and networks Camanzi & Giua, (2020). To overcome this inhibiting factor, entrepreneurs in the SME segment should invest in market research, seek mentorship or guidance from experienced professionals, and continuously update their knowledge and skills to navigate the dynamic market landscape effectively.

2.5 Entrepreneurship Development

Entrepreneurship Development plays a crucial role in the growth and sustainability of small and medium-sized enterprises (SMEs). It involves the creation, nurturing, and expansion of entrepreneurial ventures, which contribute significantly to job creation, economic development, and innovation. However, several inhibiting factors hinder the development of entrepreneurship in the SME segment. One inhibiting factor is the lack of

access to finance. SMEs often face difficulties in accessing capital, as they are perceived as high-risk investments by financial institutions. This limited access to finance restricts their ability to invest in new technologies, expand their operations, and hire skilled employees. According to a study by Jabbouri, I., & Farooq, O. (2021), the lack of access to finance is one of the main obstacles faced by SMEs in developing countries. Therefore, policymakers and financial institutions must develop innovative financing mechanisms and provide targeted support to SMEs to overcome this barrier.

Another inhibiting factor is the limited availability of skilled human resources. SMEs often struggle to attract and retain talented individuals due to their limited resources and inability to offer competitive compensation packages. This lack of skilled human resources hampers their ability to innovate, adopt new technologies, and compete in the market. A study conducted by Bilan et al., (2020), found that the shortage of skilled labor is a significant challenge faced by SMEs in many countries. To address this issue, governments and industry associations should collaborate to provide training programs, internships, and incentives to develop a skilled workforce that is tailored to the needs of SMEs. In conclusion, the inhibiting factors of entrepreneurship development in the SME segment include the lack of access to finance and the limited availability of skilled human resources. These factors hinder the growth and sustainability of SMEs, which are crucial for job creation and economic development. Therefore, policymakers, financial institutions, and industry associations need to work together to address these barriers and create an enabling environment for entrepreneurship in the SME segment.

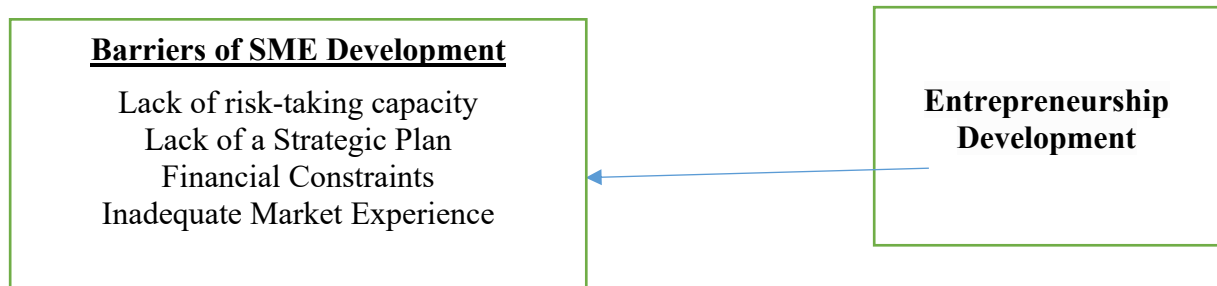


Figure 1: Proposed conceptual framework

3. Methodology

The SME industry is classified as one of the key sectors that is contributing tremendously to the growth and development of Ghana. Given this, conducting a study on this sector is of great importance. The study is wholly a qualitative investigation, and the researcher felt it was necessary to use document analysis as their primary research method to meet the study's predetermined goal. To study, evaluate, and come to a conclusion with positive meaning, document analysis is therefore described as using both printed and electronic versions of documents (Bowen, 2009). Even though document analysis appears to be a straightforward research method, it is a great place to start when trying to find pertinent material across a range of more general subject areas. Scientific publications from both commercial and free databases, including Google Scholar, Scopus, and Thomas Reuter's Web of Science, were accessed using the keywords search. Theme analysis was also used since it gives the researcher the chance to look for connections across various research topics while keeping a deductive end in mind. Due to the abundance of literature addressing the topic, document analysis offers significant insight and a rich context by drawing on the work of numerous other academics and researchers. Document analysis is a useful technique for performing a study of a qualitative inquiry, according to the works of (Bowen, 2009; Amoah, 2020; Keles et al., 2020; Maharani & Gozali, 2015; Osakwe, 2016). To accomplish the goal of the study, the researcher downloaded a large number of scientific articles that were published in English, giving priority to those studies that were required. Therefore, the present study's primary focus was on inhibiting factors of SME development. Thus, in addition to the researchers understanding and the creation of the conceptual framework in Figure 1, some secondary material was sourced to assist in reaching the results needed for the current study. In conducting a qualitative inquiry in the modern day, other researchers and academics are advised to examine the works of (Wardati & Er, 2019; Osakwe, 2016; Owen, 2014; Amoah 2020).

4. Implications for Theory, Practice, and Concluding Thoughts

Despite the study's constrained scope, its conclusions are quite helpful. As a result of the study's addition to the literature and the applicability of the information or data gathered in the study area, where less research or publications have been made about the use of barriers to SME development, the study fills a void that has long existed in underdeveloped nations like Ghana. By using a developing country as a case study, the current study's

theoretical contribution includes the development of a conceptual framework that will be empirically tested to give a greater theoretical understanding of the subject area. Additionally, the research has offered a clear pathway for reassessing the inhibiting factors affecting the development of SMEs. Additionally, the current study offers some useful insights for industry participants and practitioners.

Small and Medium Enterprise managers/owners would take inspiration from the findings of the current study with relevance to the factors inhibiting their growth and development. By and large, management of SMEs within the scope of developing countries must therefore pay much attention to these factors and find solutions on how best to tackle such barriers. Moreover, the outcome of the study would enable managers and employees to always ensure that better implementations of decisions are adhered to since it has impacts on the businesses. Importantly, the study would also help practitioners within the industry to articulate respectable measures so far as their growth and development are concerned and by and large control the managerial lapses or practices which might arise.

5. Limitation of the Study

The primary limitation of the current study is the lack of empirical testing of the proposed conceptual framework. The use of a qualitative approach and document analysis also presented challenges because other qualitative methods, such as systematic literature reviews, could have produced equally valuable data for the study.

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