Entrepreneurs in Emerging Countries: A Review and Assessment of Constraint

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Abstract: This paper reviews, summarizes and ranks the constraints faced by entrepreneurs in emerging countries, from an entrepreneur’s perspective at a macro level. Given that, these countries face resource constraints for creation of favorable policy environment for entrepreneurs, the policy makers need to prioritize the allocation of their scarce resources within the constraint they have found themselves. Keeping in consideration this concern, the paper develops a simple ’executable’ framework for the policy makers. While financial constraints and constraints due to business, economic and political environment emerged as major obstacles from an entrepreneur’s perspective, infrastructural constraints emerge as a vital constraint from the policy maker’s perspective.

Key Words: Developing Nations; Entrepreneurship; Entrepreneurial Constraints; Micro, Small and Medium Enterprises; Small and Medium Enterprises

I. Introduction

Since the work of Schumpeter (1934), the relationship between entrepreneurship and economic development has been well established (Audretsch and Keilbach, 2003; Audretsch et al., 2001; Caree and Thurik, 2003; Caree et al., 2002; Wennekers and Thurik, 1999). These studies emphasize that entrepreneurs disrupt the status quo through innovations and promote economic activity. Some of these studies also indicate that economic growth is linked to favorable public policies that create conducive environment for entrepreneurs.

In order to develop effective public policies that promote entrepreneurship, it is necessary to understand the factors that hinder the entrepreneurial activities of entrepreneurs. The objective of the policy makers should be to develop effective action plans to mitigate these constraints. Policy makers, especially in developing countries, suffer from various resource constraints. Therefore, it’s important for them to allocate these scarce resources in an optimal manner. And in order to do so, they need a framework to work on.

The scope of this paper is confined to that of constraints faced by entrepreneurs in developing countries. Developing countries are in a comparatively disadvantageous position in terms of economic development as compared to their developed counterparts. This is mostly because of the protectionist policies prevailing there, the increased percentage of poor and agriculturally dependent population etc. (Bhensdadia and Dana, 2004). Majority firms in developing countries are micro, small and medium enterprises (MSMEs) and small and medium enterprises (SMEs) which make a significant contribution towards the creation of employment opportunities. For example, MSMEs in Latin American countries employ more than half of the population. 96 percent of all firms in Taiwan are SMEs and employ 78 percent of the nations’ workforce (Lin, 1998). Ghanian small enterprises employ 70 percent of the country’s workforce (Chu et al., 2007). The 2016 Enterprise Baseline Survey revealed that there are 17,284,671 million SMEs in Nigeria, representing 96% of business and contributes 75% of the national employment, makes a contribution of about 46.54 percent to the nation’s Gross Domestic. South Korean SMEs provide more than 78 percent of the jobs in the country (Lee, 1998). According to Nicter and Goldmark (2009), MSMEs contribute around 31 percent of the overall GDP in the Dominican Republic, 13 percent of GDP in Kenya and 11 percent of GDP in Pakistan. These data indicate that the necessity to promote entrepreneurship is more pressing in developing countries as compared to developed ones. According to some studies (e.g. Benzing et al., 2005a; Chu et al., 2007; Cook, 2001; Levy, 1993), entrepreneurs all over the world face constraints, but entrepreneurs in developing countries have to face a unique set of constraints.

This is because political, economic and business environments are relatively unstable in developing countries. The macroeconomic policies prevailing here lead to high inflation, high interest rates and meagre foreign investments. According to Dana (2007) and Yalcin and Kapu (2008) the start-up and
survival of new ventures is in itself a challenge but adverse conditions present in less developed countries makes entrepreneurship even more difficult.

The paper develops along three objectives. First, we review the empirical literature on constraints faced by entrepreneurs in developing countries and aggregate them. Second, we rank these macro level constraints from an entrepreneur’s perspective in order of their importance (Section II). Third, we develop a framework to analyze these constraints from the policy maker’s perspectives, which will help them to prioritize the constraints so that they can allocate their scarce resources optimally (Section III).

II. Entrepreneurial Constraints in Developing Countries: The Entrepreneur’s Perspective

The sample for this study comprises of empirical studies in developing countries on constraints faced by entrepreneurs. The studies are confined to a particular country or a specific region, which provide a regional and isolated perspective about the challenges that entrepreneurs face. In the studies that we reviewed, the sample size for a particular country is frequently small, biased and may not be representative of the constraints of the entire population. The responses may suffer from knee jerk reaction from entrepreneurs who might be affected by their immediate impending constraints. The studies employed different methodologies to rank the constraints in order of their importance to entrepreneurs. In order to collate the existing scattered findings from the literature, we realized the need to summarize the constraints faced by the entrepreneurs at a macro level. Therefore, we used research related to entrepreneurial policy to summarize these macro level themes.

Dennis (2011a; 2011b) offers four typologies for the analysis of public policies which impact new, small and entrepreneurial business. In typology 1, he talks about the favorable and unfavorable impact of institutions and culture on entrepreneurship. Typology 2 includes the effects of high and low competition on either consumers or business. We have looked at the institutional side (typology 1) of the literature on entrepreneurial constraints, from the perspective of ‘constraints due to unfavorable business, economic and political (BEP) environment’. We have looked at the cultural aspect (typology 1) of the constraints literature from a broad theme of ‘constraints due to lack of entrepreneurial training and education’. Typology 2, to some extent also influences the BEP constraint theme, because of its emphasis on competition. Typology 3 discusses the implications of increasing/decreasing the impediments and supports for entrepreneurship. We have discussed typology 3 in the context of ‘infrastructural’ and ‘financial’ constraints. Typology 4 in Dennis (2011b) discusses the objectives of policy makers as social and economic and the direct and indirect means through which they can achieve these objectives. We have discussed this typology majorly in the context of policy implementation. For the purpose of the current study, we have confined ourselves to only the first three typologies.

The studies that we have reviewed have used various criteria for categorizing and ranking the entrepreneurial constraints. These constraints are mostly driven by local factors. For example, Bitzenis and Ersanli (2005) find that unfair competition, changes in taxation procedures, lack of financial resources, problems related to public order, bureaucracy and corruption are some of the major constraints that plague entrepreneurs, this is typical of Nigeria situation and other developing countries. Greek Entrepreneurs face critical constraints which include confusing and complex tax structure, too much competition, government bureaucracy and a weak economy (Kouronakakis and Katsiolioudis, 2009). In order to collate and organize these scattered findings into macro level constraints we have categorized them into broad themes. The development of these themes is somewhat identical to qualitative analysis where qualitative data are ‘coded’ and ‘grouped’ into similar themes (Yin, 2009).

Table 1 summarizes the results of our aggregation of the literature into five macro level constraints faced by the entrepreneurs across developing countries. One limitation, however, in this type of categorization is that some of the constraints can be categorized under two subheadings. For example, underdeveloped public markets (stock markets etc) can be categorized under BEP environment as well as one of the reasons for difficulty in access to finance. However, we have made an effort to confine this type of duplicity to the minimum.

<table>
<thead>
<tr>
<th>Name of theme</th>
<th>Country specific constraints</th>
</tr>
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<tbody>
<tr>
<td>Financial Constraints</td>
<td>Poor access to debt/loans; Inadequate financing options; High collateral requirement; Lack of availability of equity capital; Lack of availability of Venture Capital firms, banks; Underdeveloped public markets etc.</td>
</tr>
<tr>
<td>Infrastructural Constraints</td>
<td>Intermittent energy, water &amp; electricity supply; Lack of roads; Problems with technology production; Lack of local linkages; Difficulty accessing technology provider; Inadequate Research and Development activities; Unsafe location etc.</td>
</tr>
<tr>
<td>Constraints due to unfavourable BEP environment</td>
<td>Unfair competition from bigger players, black market and other informal economy; Underdeveloped public markets; Frequent changes in taxation procedures, high tax levels, cumbersome tax filing mechanisms; Corruption, bribery, bureaucracy; Complex business registration and other</td>
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| Constraints due to lack of entrepreneurship training and education | Lack of information/education about filing of patents; Lack of courses related to management of business and entrepreneurship e.g. marketing skills, book keeping skills; Insufficient knowledge of business and market economy rules. |
| Others | Lack of entrepreneurial culture, e.g. accepting failure, respect for entrepreneurs; Easily replicable ideas etc. |

II.1.a. Financial Constraints

There is an agreement in literature about the lack of financial resources as one of the major constraints faced by entrepreneurs in developing countries (Cook, 2001; Gray et al., 1997; Levy, 1993; Peel and Wilson, 1996). According to Thampy (2010), debt finance is difficult to avail because there is a general perception that entrepreneurs belong to the high risk credit category. This is because of lack of tangible collateral and lack of track record of entrepreneurs. This problem is magnified due to information asymmetries between the bank and the entrepreneur. The problem is further aggrivated, when, in the absence of mature capital markets, it becomes difficult for entrepreneurs to raise equity capital. Usually, the capital markets in developing countries are in their nascent stage and the new ventures don’t find it feasible to raise equity capital due to substantial transaction costs. Also, there is a limited scope in terms of access to private equity or venture capital due to the nature of regulatory framework and lack of mature capital markets.

Studies conducted in Nigeria, Ghana, Romania and Vietnam considered access to finance as one of the foremost constraints (Benzing et al., 2005a; Benzing et al., 2005b; Chu et al., 2007). Entrepreneurs in African countries like Zimbabwe, Botswana, Nigeria, Kenya and Ghana complained about the access to finance as a major constraint (Chu et al., 2007; Gray et al., 1997; Morewagae et al., 1995). Entrepreneurs from Tanzania, Sri Lanka, Albania, Northern Ireland, Vietnam, Pakistan, Croatia and Slovenia also feel that access to finance is their most important constraint during the start-up phase (Bitzenis and Ersanja, 2005; Glas et al., 2000; Hisrich, 1988; Hussain and Yaqub, 2010; Levy, 1993). Ghanian entrepreneurs placed financial constraints on top of their list (Chu et al., 2007). Cypriot entrepreneurs too listed access to external finance as one of the top external constraints (Hadjimanolis, 1999). The primary problem faced by Indian entrepreneurs is access to finance. Banks are the primary source of financing in India and entrepreneurs have complained about the timely and adequate access to credit as their chief constraint (Das, 2007). Entrepreneurs from Ghana and Togo complain about the lack of credit availability and the banks themselves being bankrupt as one of their major concerns (Dana, 2016). In Russia and Bulgaria, high interest rates and collateral requirements deter entrepreneurs from taking loans. They mostly use internal finance as a backup option (Pissarides et al., 2003).

II.1.b. Infrastructural Constraints

Young firms face various problems in terms of availability of infrastructure, depending on their location (rural, urban, semi-urban areas). Many new ventures die out or are unable to start because of the lack of access to these infrastructural resources (e.g. access to technology, research and development, water, electricity, transportation, land etc).

Studies have found that Nigerian entrepreneurs consider access to electricity, unsafe location, high real estate prices, bad roads and water shortage as their major constraint (Chu et al., 2018). Entrepreneurs in Russia and Bulgaria complained about the lack of access to land, office space and buildings as their prime constraint (Pissarides et al., 2003). Kenyan entrepreneurs considered access to land as their most important constraint (Chu et al., 2007). Entrepreneurs from Cyprus listed access to labor and technology as some of their most vital constraints (Hadjimanolis, 1999). Albanian entrepreneurs reported that erratic electricity and water supply as their major constraints (Bitzenis and Ersanja, 2005). Tanzanian and Sri Lankan entrepreneurs complained about the difficulty in the access of raw materials (Levy, 1993). According to Das, (2007), limited access to cutting edge technology, deficit of skilled labour, absence of dependable electricity supply, poor transportation facilities, absence of enterprise specific infrastructure etc are some major constraints faced by Indian entrepreneurs. Entrepreneurs from Ghana and Togo suffered due to lack of basic infrastructure e.g. roads, communication facilities etc, even though there exists huge scope on demand side (Dana, 2007).

II.1.c. Constraints due to Business, Economic & Political Environment

If the business environment is hostile to smaller and newer ventures, then it would be difficult for them to succeed. Issues such as prolonged procedures of acquiring licenses, complexities in registering a company, corrupt practices like paying bribes, favoritism while granting licenses, selective taxation procedures and undue advantage to certain parties increases the difficulty in doing business. Stiff competitions from branded products, poor visibility due to negligible marketing are some other business constraints that new ventures face. A stable political environment with a pro-business government is a pre-condition for any new venture. Political unrest...
increases uncertainty about the future in terms of government policies and the general economic and business scenario. A buoyant economic environment in terms of increased product demand, more disposable income and moderate inflation encourages entrepreneurs to take advantage of the existing opportunities.

Romanian and Vietnamese entrepreneurs considered Government regulation and bureaucracy as their most important constraint (Benzing et al., 2005a; Benzing et al., 2005b). Vietnamese, Ghanian, and Kenyan entrepreneurs perceive that much competition from bigger players, bureaucracy and corruption are their major constraints (Chu et al., 2007; Benzing et al., 2005b).

Over regulation, without the appropriate infrastructure, hampers entrepreneurial activities in Ghana and Togo (Dana, 2007). Discrimination by state employees in allocating contracts to SMEs is a vital constraint faced by Russian and Bulgarian entrepreneurs (Pissarides et al., 2003). Slovenian entrepreneurs listed complex administrative procedures and orthodox regulations as their most important constraints (Hadjimanolis, 1999; Glas et al., 2000). Unfair competition from black market and other informal sources and corruption were recorded as important constraints faced by Albanian and Venezuelan entrepreneurs (Bitzenis and Ersaña, 2005, Zimmerman and Chu, 2010). The MSME Task Force (2010) identified procurement of raw materials at right costs, access to market information, access to international markets, procurement and execution of large orders, reaching out to customers, lack of institutional linkages to research and development are some major constraints that Indian entrepreneurs face. Cypriot and Venezuelan entrepreneurs list a good political environment as one of the necessities for the entrepreneurs to succeed (Hadjimanolis, 1999; Zimmerman and Chu, 2010). Turkish, Venezuelan, Romanian, Bulgarian, Ghanian and Kenyan entrepreneurs perceive that weak economic condition is one of the major challenges that they have to face (Benzing et al., 2005a; Benzing et al., 2005b; Chu et al., 2007; Zimmerman and Chu, 2010).

II.1.d. Lack of Entrepreneurial Training & Education

An important factor that inhibits individuals in opting for entrepreneurship is their own personality. A dynamic person with a deep desire to be a master of his own destiny, to tread the not so well chosen path, to take risks, to handle uncertainties will definitely move ahead in the entrepreneurial path. In the other end of the spectrum, a person who is used to his ‘secure’ job with the certainty of a pay check every month will not jump into the band wagon of entrepreneurship that easily. The probability of a person becoming an entrepreneur is influenced by his immediate environment. If the society looks up to entrepreneurship as a viable employment option, tolerates failure, respects wealth creation, understand the risks and returns of entrepreneurship, then the number of people willing to take up entrepreneurship will increase. All these constraints have been grouped under ‘constraints due to lack of entrepreneurial training and education’.

Education has the ability to change the entrepreneur’s personality. Literature has found adequate evidence in many developing countries about the hardships faced by entrepreneurs in terms of drawing a business plan, raising finance, book keeping, marketing skills, interpersonal and communication skills. Turkish entrepreneurs found it difficult to maintain accurate tax records which were mainly because of their limited access to business and accounting education (Benzing et al., 2009). Vietnamese entrepreneurs also listed the lack of managerial education and experience as one of the vital constraints (Benzing et al., 2005a). Similarly, Slovenian entrepreneurs expressed the necessity to enhance marketing related skills, advertisement etc (Glas et al., 2000).

II.1.e. Others

All the remaining constraints that could not be categorized under any of the above sub headings were market under this category. For example, lack of a culture promoting entrepreneurship deters entrepreneurial activities in India (Dana, 2000).

II.2. Identifying the most important constraints

In the first part of this section, we have categorized the constraints faced by entrepreneurs in developing countries into five broad categories: financial constraints, infrastructural constraints, constraints due to unfavorable BEP environment, constraints related to entrepreneurial training and education and other constraints. In this section, we made an attempt to rank them in terms of their importance as perceived by entrepreneurs.

In the literature, ranks were allotted to each constraint according to their importance. For each country, the most important constraint was ranked ‘5’ and the remaining constraints were ranked according to decreasing order of importance. We referred to literature that are from many different countries and used different sample sizes. In this paper, we have used two simple methodologies to rank the overall constraints faced by entrepreneurs.

In the first method, i.e. the equal weights method, we allotted equal weights to each constraint, because we assumed that each factor is necessary for the development of entrepreneurship. We then added the ranks

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allotted to each constraint by individual countries to arrive at the aggregate composite score for that constraint. Table 2 lists the aggregate score along with their rankings.

In the second method i.e. the variable weights method, we assigned weights to each country according to the sample size that was taken in the original study. The weights were thus, proportional to the sample size. We then multiplied the rank of each constraint of a particular country by the weight assigned to that specific country to arrive at a sub weight. All these sub weights were then added to arrive at a final aggregate score for that particular constraint. Table 3 lists the aggregate score along with their rankings.

| Table 2: Ranking of Constraints by Equal Weights Method: Summary of findings |
| Constraints                  | Aggregate score | Rankings |
| Unfavourable BEP Environment | 88              | 1        |
| Financial                    | 83              | 2        |
| Infrastructural              | 68              | 3        |
| Entrepreneurial Training and Education | 23              | 4        |
| Others                       | 7               | 5        |

| Table 3: Ranking of Constraints by Variable Weights Method: Summary of findings |
| Constraints                  | Aggregate score | Rankings |
| Unfavourable BEP Environment | 4.27            | 1        |
| Financial                    | 4.16            | 2        |
| Infrastructural              | 3.18            | 3        |
| Entrepreneurial Training and Education | 1.18            | 5        |
| Others                       | 0.9             | 4        |

In the first method, unfavorable BEP environment emerged as the most important constraint faced by entrepreneurs in developing countries. This constraint accumulated an aggregate score of 84. This is closely followed by financial constraints. However, in the second method, financial constraints emerge as the most vital constraint with an aggregate score of 4.27. Constraint due to BEP environment emerges as the second most important constraint with a score of 4.16. The differences in rankings by the two methodologies can be explained by referring to table 1. The BEP environment includes more factors under its category as compared to the financial constraints. Therefore, due to the higher number of variables under the BEP environment, more countries could have indicated it as their top constraint whereas the financial constraint could garner top spot less frequently.

### III. A Framework to Understand the Constraints: The Policymaker’s Perspective

Entrepreneurship policy research mainly focuses on two aspects: the demand side of entrepreneurship and the supply side of entrepreneurship. The demand side of entrepreneurship focuses on the product market perspective, where the carrying capacities of market in terms of business opportunities are the outcome (Audretsch et al., 2007). The supply side of entrepreneurship, on the other hand, focuses on labor market perspective, where the capabilities are the outcome (Audretsch et al., 2007).

The demand side of entrepreneurship is fairly existent in developing countries. This is mainly because of the presence of growing business opportunities due to increased amount of disposable income, aspirations for a better quality of life etc. We, therefore, adopt a supply side perspective to propose a framework for efficient policy intervention. To make public policy effective in developing country context, where resource is a constraint, the policy maker needs to prioritize resource allocation, in order to be effective. Therefore, we relook at the 5 macro level constraints from a policy maker’s perspective and identify the starting point. In this section, we create a simple framework that will enable the policy maker to make an effective policy which shall help them prioritize resource constraints.

Dana (1993, 2007) suggests two types of policy initiatives that can be followed by the Government in the SME context, which can be extended to the context of entrepreneurship as well: The Government can intervene by actively employing public policy measures to promote SMEs or it can follow a non interventionist approach, so that the development of entrepreneurship is left to the market forces. Dennis (2011a, 2011b) argues that Government cannot promote entrepreneurship by encouraging competition, removing barriers and supporting the entrepreneurs directly or indirectly and by creating institutions that enables entrepreneurs to flourish. Audretsch et al. (2007) too proposes a framework to create an environment where entrepreneurs can take risks and create business rather than resorting to job markets for employment.

The existing frameworks of public policy for entrepreneurship development (e.g. Dennis, 2011a; 2011b; Dana, 1993; 2007; Audretsch et al., 2007) are broad frameworks that cover various important domains of entrepreneurial policy measures. We adopt these policy frameworks as our point of departure to develop an ‘executable’ framework that can be utilized by policymakers to not just get an overall picture about the ways and
means through which policy intervention can improve the status of entrepreneurship in developing countries, but also help them prioritize their scarce resources to arrive at a starting point for policy intervention.

We start by emphasizing on removing the constraints through policy action, which are absolutely necessary for the entrepreneurs. We then progress towards removing the constraints that support entrepreneurial activities. Now, within the necessary factors umbrella, there will be factors which can be effectively taken care by the entrepreneur i.e. he has control over it. We can categorize these as internal barriers. On the other hand, there will also be factors that are necessary, but the entrepreneur do not have any control over it. These factors can be categorized as external barriers. Similarly, enabling factors also can be categorized as internal and external barriers.

Previous research (e.g. Hadjimanolis, 1999; Hubner, 2000;) have broadly categorized resource barriers into ‘internal barriers’ and ‘external barriers’. According to Hubner (2000), internal barriers are limited own resources of entrepreneurs and limited possibilities to identify business opportunities. These barriers are complemented by lack of market economy experience, understanding of modern business and ability to cope with risky and unpredictable market environment. According to Hadjimanolis (1999), internal barriers can be categorized into barriers related to resource crunch, outdated or nonexistent professional systems and personality related. Overall, it would suffice to say that internal barriers include constraints that are under the control of the entrepreneur and there is a possibility of turning around the challenge into an opportunity by acting upon it. For the purpose of the current study, internal barriers can be considered as resource constraints, where the Government has only a limited role to play. Theonous to reduce the internal constraints, therefore, lies on the motivations of the entrepreneur himself.

According to Hubner (2000), external barriers stem from the economic and business systems surrounding the entrepreneurs. Hadjimanolis (1999) subdivides external barriers into demand, supply and environment related. Supply barriers include difficulty in access to finance, technological expertise, business training and education. Demand barriers include customer needs, amount of disposable income with the population, export possibilities etc. Environmental barriers include Governmental policy measures, labor rules etc. In our paper, external barriers mostly refer to the environmental factors that affect the inception and proliferation of entrepreneurship, over which the entrepreneur has no control. For the purpose of our study, we include environmental barriers and supply barriers under external barriers, as the demand side constraint is assumed to be low in developing countries. External barriers can be reduced by following an interventionist approach by the Government, where it can employ policy measures to reduce the constraints. It is, however, difficult to categorize a constraint exclusively as ‘internal’ or ‘external’. The constraints faced by the entrepreneurs may not be completely independent of one another. Therefore, we made another category that addresses the constraints which may be categorized under ‘internal and external constraints’.

There are certain resources, the absence of which prevents the inception of a firm. They are the ‘necessary’ elements in the establishment of any firm. However, there are certain other resources, the presence of which aids the growth of a firm. But the absence of such a resource does not prevent the inception of a firm. These resources enable the firm to perform well and fast track their growth trajectory. These resources have been categorized as ‘enablers’. The necessary resources, therefore, can be positioned at a ‘higher’ priority than that of enabling resources.

In order to develop the framework, we have categorized the entrepreneurial constraints and resources into five broad categories; (i) Internal Barriers, (ii) External Barriers, (iii) Internal and External Barriers, (iv) Necessary Resources, and (v) Enabling Resources. We now use this categorization and a 2x2 matrix to represent the policy framework that will enable the policymakers to prioritize the policy actions at a macro level. Employing such framework shall help them to simplify and consolidate complex phenomena into simple, well-defined categories. In fact, Dennis (2011a, 2011b) has extensively resorted to using such typologies as frameworks to offer policy prescriptions.

**Figure 1: Conceptual Framework for Policy Intervention to Mitigate Entrepreneurial Constraints in Developing Countries**

<table>
<thead>
<tr>
<th>External Barriers</th>
<th>Internal Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Priority 1 (strategic policy intervention)</td>
<td>Q11 Priority 3 (individual needs to limit necessary internal barriers to be an entrepreneur)</td>
</tr>
<tr>
<td>Q11 Priority 2 (moderate policy intervention)</td>
<td>Q1V Priority 4 (Entrepreneur needs access to enabling resources to increase his chance of success)</td>
</tr>
</tbody>
</table>

Importance Reduces
The 1st quadrant comprises of necessary resources and external barriers. This particular area should be the primary focus area of policy makers. This is because the entrepreneurial activities are majorly affected because of the presence of necessary constraints and the entrepreneurs expect assistance from policy makers, as they themselves have no role to play to mitigate these constraints. Therefore, from a policy maker’s view point, it gets priority 1. The 2nd priority from the policy maker’s stand point is quadrant 2, where moderate policy intervention can boost entrepreneurial activities, as the resources enable the entrepreneurs to strengthen their business. For example, policies related to advent of venture capital in a country to reduce the financial constraints of an entrepreneur is not a necessity, but the availability of venture finance can encourage entrepreneurship.

The 3rd priority goes to quadrant 3, where the x-axis comprises of internal barriers and y-axis comprises of necessary resources. The policymaker has limited role in this quadrant because the barriers are internal in nature, and the onus of removing the barriers lies with the entrepreneurs. However, absence of a necessary resource can prevent an individual from becoming an entrepreneur. Therefore, the policy makers can focus on creating institutions that facilitate the entrepreneurs to overcome these barriers. The 4th and the final quadrant comprises of internal barriers in the x-axis and enabling resource in the y-axis. This quadrant can be considered as an ‘nice to have’ quadrant, where the entrepreneurs do not actually need the resource for their venture, but having the resource is a definite plus. For example, prior entrepreneurial experience fits well into this quadrant. A second time entrepreneur will have a good network of suppliers and customers, a sharper business acumen etc. However, a first time entrepreneur can develop all the above gradually.

III.2. Constraints with Types of Barriers and Sources

In the absence of financial resources, it is not possible to start a firm. One must possess a certain amount of seed capital in order to start the firm. Hence, access to finance becomes an absolute necessity. In addition to it being a necessary resource, lack of financial resource can also be categorized under ‘internal and external’ barrier. If an individual has access to finance in terms of his family wealth or his own personal savings, absence of external finance does not deter him from being an entrepreneur. However, when the same individual does not have any ‘internal’ source of finance; he has to depend on external sources such as bank loans, outside equity or debtcapital to become an entrepreneur. In this context, institutional support is important for those entrepreneurs who do not have capital of their own.

The BEP environment can be categorized under ‘external barriers’ and ‘enabling resources’. A proper business environment, a stable political and a robust economic environment deliver a huge boost to entrepreneurship. The absence of any of the above factors reduces the entrepreneurial activities due to various uncertainties, but do not completely inhibit it. An entrepreneur with great idea and a robust business plan will under any circumstances, prefer to start his own venture, rather than waiting for the BEP environment to get better, specifically when he has no control over it.

Infrastructural resources such as access to land, water, electricity, infrastructure, raw materials are considered as ‘necessary’ resources and can be categorized under ‘external barriers’. The decision to set up a firm depends on the availability of infrastructural resources. For example, the decision to set up a power plant depends on the availability of water, coal, wood etc. Without such infrastructure, the existence of these plants is not possible. Besides, access to these resources is also not under the control of the entrepreneur. Therefore, the infrastructural resources can be categorized under ‘external barriers’ and ‘necessary resource’.

Entrepreneurial training and education can be categorized under ‘internal & external’ barriers and ‘enabling resource’. The reason why training & education has been categorized under internal and external barriers is because the entrepreneur has to take a decision to train and educate himself. He also needs access to educators and educational institutions. It is also an enabling resource because in the absence of proper business training and education, an entrepreneur basically learns about the various intricacies of running a firm from his own experience after facing certain difficulties. However, timely and adequate training and education can reduce these difficulties to a great extent. But, there is no guarantee that a well-trained person will be successful in his venture. An entrepreneur basically reduces his probability of failure by being well trained and by developing his skill sets.

From the policy maker’s perspective, the most important constraint that need to be addressed are infrastructural constraints, because these constraints are ‘external’ to the entrepreneur and are absolutely necessary for the entrepreneurial venture. Financial constraints are at a second priority because these constraints are both ‘internal & external’ to the entrepreneur and are a ‘necessary’ resource. Constraints due to BEP Environment rank third because these are ‘enabling resources’ and are ‘external’ to the entrepreneur. Entrepreneurial training and education although show up later in the rankings, however, developing education and entrepreneurial environment would also help promote entrepreneurship.
IV. Conclusion

We look at the literature on entrepreneurial constraints from two perspectives: the entrepreneur ‘s and the policy maker’s. In order to do so, we first made an attempt to critically review and summarize the existing literature on the constraints faced by entrepreneurs in developing countries. This enabled us to remove the nuances associated with the country level studies to aggregate, categorize and rank them at a macro level from an entrepreneur’s perspective. We then used these macro level entrepreneurial constraints to develop a framework that will enable the policy makers to prioritize their policy initiatives. Prioritization is critical in a developing country context because most of these countries face resource constraints and therefore, cannot execute each and every policy that would encourage entrepreneurship. We found that financial constraints and constraints due to BEP environment are the most important constraints from an entrepreneur’s perspective. However, infrastructure constraints emerged as the most vital constraint to be addressed from the policy maker’s perspective. The policy makers can now identify and focus on the mitigation of various constraints that shall help promote entrepreneurship. Although we have mainly focused on macro level, the various constraints have been broken down and handled at country specific level. Further research in country levels, utilizing the above conceptual framework by including micro level constraints shall help establish its applicability.

References


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