

Full Length Research Paper

Unearthing the catalysts and barriers shaping entrepreneurship growth in Blantyre City of Southern Malawi

Nelson Nanteleza Ndala

School of Commerce, Malawi College of Accountancy, Malawi.

Received 30 August, 2023; Accepted 8 November, 2023.

The study explores the factors influencing entrepreneurship development in Malawi, with Blantyre city as the case study. Additionally, it investigates the relationship between education and entrepreneurial success, along with identifying the problems and barriers hindering potential entrepreneurs from initiating new ventures or enhancing existing businesses. Data for the study were collected through questionnaires distributed to respondents in Blantyre, one of Malawi's most populous cities. A sample of 30 respondents was selected using a simple random sampling method, and the data were analyzed using SPSS software, incorporating descriptive statistics. The results reveal that the main factors affecting entrepreneurial development in Malawi include education and training, inadequate funding and creative ideas, and government policies, all identified as constraints to entrepreneurship development. Furthermore, the findings demonstrate a strong relationship between education and entrepreneurship development. Lastly, the study concludes that bureaucracy and ineffective implementation of government policies stifle entrepreneurial development. Recommendations include urging the government to review its policies aimed at enhancing entrepreneurial activity due to their found ineffectiveness. Additionally, restructuring the education system, specifically targeted at entrepreneurial development, is suggested to align it with successful models observed globally. Lastly, minimizing bureaucracies in government departments meant to enhance entrepreneurial development is recommended.

Key words: Entrepreneurship, small businesses, entrepreneurship development, entrepreneurs.

INTRODUCTION

Entrepreneurship is the process of establishing a new entity focused on a novel product or service, differing significantly from those available in the market (Henry et al., 2005). Alternatively, the Global Entrepreneurship Monitor (GEM) defines entrepreneurship as any attempt

at new business or venture creation, encompassing self-employment, new business organization, or the expansion of an existing business, undertaken by an individual, a team, or an established business (GEM Global Report, 2012).

E-mail: nanteleza70@gmail.com.

Author(s) agree that this article remain permanently open access under the terms of the [Creative Commons Attribution License 4.0 International License](https://creativecommons.org/licenses/by/4.0/)

Recognized as the engine of economic growth and development, well-nurtured entrepreneurship activities positively contribute to a nation's economy and enhance the quality of life for its citizens (Morris and Lewis, 1991). Furthermore, entrepreneurship, as shown by Van Praag and Versloot (2007), leads to employment creation, productivity growth, and innovation.

Youth entrepreneurship, in particular, holds significant potential for reducing unemployment rates. In addressing issues of economic growth, innovation, and job creation, entrepreneurship emerges as a key solution. In Malawi, the government is actively diversifying the economy, implementing initiatives such as encouraging citizens to establish businesses through funding from the National Economic Empowerment Fund (NEEF), Youth Development Fund (YEDEF), Youth Empowerment Scheme, and obtaining advisory and mentorship services.

Malawi is recovering from the 2008 global financial recession and faces challenges such as unemployment, especially among the youth, and poverty eradication. Entrepreneurship is considered a crucial pathway forward, prompting a detailed study to understand and enhance it.

The vision of Malawi becoming a middle-income economy by 2063 hinges significantly on the active involvement of youth in the country's economic development. The historical marginalization of youth has led to issues like unemployment, crime, drug abuse, and limited participation in nation-building. Entrepreneurship and self-employment offer avenues for new job creation, economic dynamism, and improvement of youth livelihoods and economic independence.

In the informal economy, micro-entrepreneurism serves as a bottom-up method for income generation, fostering self-reliance, and introducing innovative paths to earning a living (Maxwell, 2002). A growing number of young people in Malawi are starting their own businesses, and lessons are being learned about improving the odds for success through various forms of assistance and the creation of a conducive environment (Schoof, 2006).

Recently, entrepreneurship development in Malawi has primarily targeted youth in technical training institutions, and this focus is expanding to include universities. The program introduces youth to SME startup initiatives, encouraging them to consider self-employment as a career choice. This study analyzes the national youth policy and access to entrepreneurial education, examining if these variables assist in youth entrepreneurship development in the country. It also increases the understanding of the impact of government initiatives on entrepreneurship development in Malawi.

Problem statement

Entrepreneurship development forms the bedrock of all

business evolutions and economic miracles of the nation. The most common problem of entrepreneurship development is lack of funding and difficulty in securing a loan from financial institutions (Radikoko, Dzimiri & Mwasabi, 2015). In the case of Malawi, the government has attempted to bridge this gap by establishing venture capital schemes such as Youth Development Fund and the establishment of Malawi Development Fund (MADEF), now National Economic Empowerment Fund Ltd (NEEF).

This presents Malawi with a unique opportunity to start-up businesses. This study investigates the factors that affect entrepreneurship development. Most of the promotional activities of the government have been directed around financial and physical facilities with the illusion that there will be an automatic flow of entrepreneurs if such facilities are created. Research by Radikoko et al. (2015) has proven that financial and physical facilities are not the only crucial external environment inputs in entrepreneurship development. This study attempts to further establish the other crucial external environment inputs needed for entrepreneurship development.

Specific objectives

1. To establish whether entrepreneurial education is vital for the business success;
2. To determine the barriers that hinder potential entrepreneurs from engaging in new venture creation or improvement of existing businesses;
3. To establish the impact of government initiatives on entrepreneurship development.

LITERATURE REVIEW

Concept of youth and entrepreneurship

Youthhood is viewed as a specific stage between childhood and adulthood when people have to negotiate a complex interplay of both personal and socio-economic changes in order to maneuver the "transition" from dependence to being independent, take effective control of their own lives and assume social commitments (UNDP, 2015). In a study by Chigunta et al. (2005), the United Nations (UN) and the Commonwealth of Nations have, respectively, defined youth as those members of the population between 15-24 and 15-29 years of age. While the Africa Youth Charter by the African Union (2006) and Chigunta et al. (2005) defined youth as that category of people between ages 15 and 35 years. It is only those individuals who are 18 years old and above under Malawian law who can be permitted to enter into legal contracts.

This definition considers the physical, psychological,

cultural, social and biological and political aspects, which explain the Malawian youth situation. For the purpose of this study, an earlier definition by the African Union (2006) is adopted.

Since it is indicated that individuals younger than 18 have no contractual capacity, the study follows the lower end age 18, meaning youth are individuals of 18-35 years old. According to Chigunta et al. (2005), youth entrepreneurship is the practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking into the work environment and culture by individuals within the youth age group bracket.

The financing gap theory of SMEs

The existence of the funding gap was first identified in the United Kingdom by the Macmillan Committee, set up by the government to study the British financial system in 1931 (Kung'u, 2011). According to Naveed et al. (2013) the funding gap appears when there is a mismatch between supply and demand for the capital as a result of permanent market failures. This gap constitutes the difference between amount of funds entrepreneurs require for operations and growth and the amount of funds that they actually receive. Citing Daunfeldt and Halvarsson (2015) many commentators believe that there is huge financing gap for youth entrepreneurs, meaning that there are significant numbers of young entrepreneurs that could use funds productively if they were available, but cannot obtain finance from the formal financial system.

The funding gap for entrepreneurs mostly happens in developing countries in sub-Sahara Africa such as Malawi. Citing Abdulsaleh (2015) the finance gap theory, as postulated by Bolton (1971), on Definition-of-Small-Business-in-Different-Sectors', states that the components-knowledge gap and supply gap are the two sets of challenges faced by youth entrepreneurs. They pointed out that young entrepreneurs lack knowledge about available sources of external finance and that once these are determined, entrepreneurs have difficulties in satisfying the loan requirements from the external financier.

This means that the only possible way that young entrepreneurs can raise finance to fund the operation and growth is through personal savings, borrowing from friends and family members. In addition, since both their venture capital and sales value are small as compared to operating costs, they face challenges in maintaining the business resulting in eventual collapses of SMEs in Malawi.

Firms' growth theory

The theory of firm growth is used to describe a

development process that spans either from micro to small and from small to large or from weak to strong. However, development is about more than just the growth of quantitative indicators like manufacturing value-added and employment size. Development is also about the generation stage where the firm comes into being and the periodic processes involved in each stage. At the same time, the growth of the firm itself is a complex adjustment process that is different from the simple extension of scale.

According to Penrose (2009), in the book of *The Theory of the Growth of the firm*, offered some strong principles governing the growth of firms and rate at which firms can grow successfully. It claims that firms are a bundle of internal and external resources that help a firm to grow and realise a competitive advantage. According to Penrose (2009), firm size is incidental to the growth process, whereas firm growth is determined by the effectiveness and innovative material resources within the firm. The author further explained that the availability of top managerial and technical talent serves as an engine to firm's growth. Penrose (2009) has also suggested that ignorance of these factors results in failure and loss of competitive advantage.

Factors that affect entrepreneurship development

The Global Entrepreneurship Monitor (GEM), the largest ongoing study of entrepreneurial dynamics in the world has identified nine factors that influence entrepreneurial development and this include entrepreneurial finance, government policy, government entrepreneurial programs, entrepreneurial education, research and development transfer, commercial and legal infrastructure, entry regulations, physical infrastructure, and culture and social norms.

Other research has discovered that entrepreneurship is influenced by other factors which include economic development, culture, technological development, and education. In areas where these factors are present, one can expect to see strong and consistent entrepreneurial growth (Naji, 2019). Economic factors that affect entrepreneurship development include capital, labor, raw materials, market, and infrastructure.

A study conducted in Kenya has exposed that the majority of the youth have poor credit access individually mainly from financial institutions as well as Youth Enterprise Fund (Rambo, 2014). Access to entrepreneurship education and business development services during the start-up and growth phase also affected many young entrepreneurs. The socio-economic factors such as unemployment led many youths to participate in business (Rambo, 2014).

In the case of India, most of the promotional activities are directed around the financial and physical facilities with a strong belief that there will be automatic flow of

entrepreneurs if such facilities are created in the country (Radikoko et al., 2015). Radikoko et al. (2015) argues that in spite of abundant natural resources, the pace of industrial and entrepreneurial development is slow not only because of lack of basic facilities and financial institutions, but due to untapped entrepreneurial talent in the country and suggests that timely action by the government and other agencies should be taken to improve entrepreneurship development in Botswana (Radikoko et al., 2015).

Entrepreneurial education and success

Dejaeghere and Baxter (2014) demonstrate that entrepreneurship education has been found to be the solution to the problem of unemployment and poverty in sub-Saharan Africa. This positive impact of entrepreneurship education has actually nullified the belief that somebody should be born an entrepreneur to become successful in business owner (Kuratko, 2005).

Despite the importance of entrepreneurship education and training as revealed by empirical research, the rate of education and training remains low in sub-Saharan Africa (GEM 2012 Sub-Saharan Report). In Botswana alone, GEM 2012 report shows that education and training is the second lowest contributor to entrepreneurship development.

Problems associated with entrepreneurship development

The 2012 GEM Botswana report reveals that entrepreneurship development in Botswana is constrained by lack of abilities and knowledge to start-up a business and also ineffective implementation of intellectual property rights. The latter implies that entrepreneurial ideas are not protected and that lead to unauthorized use and undue benefiting through intellectual property such as music, arts and information technology which end up demotivating the inventors and leads to crippling of entrepreneurial innovation and development. Other issues identified in Botswana related to poor access to finance businesses and even if it is available through government policies like introduction of YEDEF, MADEP now NEEF and the like then it becomes very difficult to access the funding because of bureaucracies and stringent loan requirements (GEM Botswana) (Mgaya and Magembe, 2007).

In other countries like India at present, the small entrepreneurs are facing various problems like wrong location, improper estimation of capital cost, delayed and cost escalation, inadequacy of finance, delayed payment, deficiency in the management, non-availability of raw materials, poor maintenance of plant and machinery, low labor productivity, and hardship in marketing outlets. Labor troubles have been as much responsible for lack of

growth in entrepreneurship as inflation, demand recession and the well-known "get rich quick" techniques. Another major problem is the lack of training facilities in management, technical and other skills, which is necessary for the development of entrepreneurship in India (Radikoko et al., 2015).

Barriers that hinder potential entrepreneurs from engaging in new venture creation

Unstable political conditions where government policies change frequently discourage new business formation as investors fear for the safety of their investment. Government support economic development through infrastructure development, facilitation and industrial parks. These activities encourage entrepreneurship and if a government does not engage in such it creates a barrier for new venture creation (Nayab, 2011).

The availability of infrastructure and utilities such as roads, power, communication facilities and lack of corruption and bureaucratic delay in obtaining such utilities encourage entrepreneurship. (Turan et al., 2013) The general purchasing power of the people manifested by income levels and economic prosperity of the region plays a major role in the success of entrepreneurial ventures (Casero et al., 2007).

Influence of culture on entrepreneurship

What makes some entrepreneurs tick while others fail? Why do people in some cultures and regions display a better entrepreneurial spirit compared to people in other cultures. In their study (Nayab, 2011) found out how cultural factors influence entrepreneurship. Culture affects entrepreneurship in many ways, for instance; people engaged in jobs and other services pressure their children to find secure jobs and crush their entrepreneurship spirit at a very early age.

However, people traditionally engaged in businesses have a pro-business attitude and disdain working as employees. Business school students come under missionary zeal of teachers who exhort them to become entrepreneurs even if the opportunity cost is very high. The study also reveals how political environment supports or suppresses entrepreneurship. Unstable political conditions where government policies change frequently discourage business as investors fear for the safety of their investment.

Government support to economic development through infrastructure development, facilitation, industrial parks, and the like all encourage entrepreneurship. The availability of infrastructure and utilities such as roads, power, communication facilities, and lack of corruption and bureaucratic delays in obtaining such utilities encourage entrepreneurship. The general purchasing power of the people, manifested by income levels and

economic prosperity of the region, plays a major role in the success of entrepreneurial ventures (Nayab, 2011).

RESEARCH METHODOLOGY

The researcher conducted the study in Blantyre city in the Southern Region of Malawi and all participants in the study were those operating their small businesses in the city. The study targeted owners of SMEs in the city. The targeted participants ranged from individuals having small businesses, like carpenters, tinsmith, mechanics, plumbers, hardware shop owners, grocery owners, panel beaters, vegetable sellers, and mobile hawkers vendors. The study selected these people because these types of small businesses are locally available and face a lot of challenges which need the attention of policy makers for their survival and growth. The researcher conducted the study in various markets and trading centres within Blantyre city such as Ndirande main market, Chinseu trading centre, Zambia trading centre, Makata market, Safarao trading centre, Goliyo trading centre and lastly Newlines business centre

Sample size and sampling

The target population comprised a total of 100 informal SMEs which were drawn from various places in Ndirande township of Blantyre city. In the study, the sampling frame consisted of all SMEs business owners in Ndirande township of Blantyre city. The researcher used simple random sampling technique because it was deemed suitable for this study and its advantages like minimization of bias results; improved reliability and validity of data from respondents who represent the population.

Sample size

Although it is very difficult to establish the reliable information about the total number of SMEs in Ndirande township in Blantyre city, however the researcher estimated that there are roughly not less than 300 SMEs in Ndirande township of Blantyre city. The sample of 30 SMEs representing 10% were selected to represent the total population and the results should be sufficient to draw conclusions of the study. Thus, the questionnaires were administered to the sample size of 30 participants who were randomly selected.

Data collection

Data collection was based on the following procedures: first, the review of the literature on obstacles to the growth of SMEs which was a necessary aspect of the research in an attempt to understand in-depth the research topic, and second, interviews with owners and employees of SMEs in Ndirande township of Blantyre city to obtain their views on the relevance of challenges identified in the literature.

The study used interviews as a data collection tool, with respondents individually or in groups. Prior to conducting interviews, the respondents were first approached by phone to inform them about the purpose of the interviews and the objective of the interviews and all the respondents received detailed information about the purpose of the study and types of questions sent to them.

Questionnaire in the form of a self-administered schedule of questions and statements were distributed to respondents and collected at agreed times.

RESULTS AND DISCUSSION

Distribution of respondents by position

The total sample was 30 respondents. Those who run the small business as sole traders were 23 translating into 76.7% and those managing the small businesses were 6 representing 20% and 1 accountant translating 3.3% (Table 1). This gives a picture that a majority of those running businesses in Blantyre city are the owners themselves which gave the researcher enough confidence on the authenticity of the data collected since it is coming mostly from the actual owners of the small business.

Distribution of respondents by gender

The total sample was 30 respondents. These were 21 males translating into 70% and 9 females translating into 30% (Table 2). This gives a picture on how the business environment is dominated by males within Blantyre city.

Distribution of respondents by age

The study also examined the age of the business operators in order to ascertain the number of youths involved in those businesses. It was discovered that a majority of the respondents are in the ages of 20 to 36 giving a frequency of 24 representing 80% whilst 6 people were of the ages of 37 to 49 translating into 20% (Table 3). This is an indicator that a lot of youth are involved in entrepreneurship.

Distribution of respondents by business experience

The study also included profiling the experience of the respondents by looking at the number of years they have been operating and from the table below 53.3% have been operating for a maximum of 3 years, 40% have been in business for a period of 4 to 10 years whilst 6.7% have been in business for more than 10 years. This gives a picture of rapid new entrants in the market for the past 3 years.

Impact of entrepreneurial education

The study wanted to find out what the respondents thought are the impact of entrepreneurial education amongst the youth involved in SMEs in Blantyre city. The findings show that 67% said educated youth understand the risks involved in business better, 27% said education stimulates better understanding of business processes, 23% said lack of education hinders one from getting the required resources whilst 13% said education helps in financial management skills (Figure 1).

Table 1. Respondent position in the business.

Variable	Frequency	Percent	Valid percent	Cumulative percent
Valid Owner	23	76.7	76.7	76.7
Valid Manager	6	20.0	20.0	96.7
Valid Accountant	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Table 2. Number of respondents by gender.

Variable	Frequency	Percent	Valid percent	Cumulative percent
Valid Male	21	70.0	70.0	70.0
Valid Female	9	30.0	30.0	100.0
Total	30	100.0	100.0	

Table 3. Distribution of respondents by age.

Variable	Frequency	Percent	Valid percent	Cumulative percent
Valid 20 - 36 years	24	80.0	80.0	80.0
Valid 37 - 49 years	6	20.0	20.0	100.0
Total	30	100.0	100.0	

One of the key objectives of the study was to find out whether entrepreneurial education is vital for business success. Here, an analysis is done to establish whether the respondents have a certain level of education because education has been found to contribute significantly to successful businesses (Charney and Libecap, 2000; Dejaeghere and Baxter, 2014).

According to Dejaeghere and Baxter (2014), established the relationship between education and business success using information gathered from respondents to check if indeed there is any relationship between the two as literature suggest. The study used the number of years in business as an indicator of success or failure and also checked the correction between education and numbers of years in business. The assumption is that the longer a business stays in operation it is deemed to be successful since if it is not successful it would shut down at least in a year or at most in three years.

In summary the results generally show that there is no strong relationship between education and entrepreneurial success. The findings tend to support the belief that somebody should be born an entrepreneur to become successful in business (Kuratko, 2005).

These results are surprising as they run contrary to abundant literature which is in favor of the fact that education is the key to entrepreneurship success. As an example, Charney and Libecap (2000) show that graduates who have been exposed to entrepreneurial

education tend to be more successful in both starting up business as well as at their place of work if they decide to take a job instead of starting up a business upon graduation. They discovered this after comparing the career paths of graduates that had completed the entrepreneurship program at the University of Arizona to business school graduates of the same institution who were never exposed to entrepreneurial concepts. Bailey (2007) shares the same sentiments and shows that education, training, work experience, apprenticeships, overseas visits and other human capital development initiatives are relevant for entrepreneurial success or failure to the extent that they contribute to the development of entrepreneurial competences.

From the finding it was noted that youth entrepreneurs embrace education as a contributing factor to successful businesses. It was noted that almost all the respondents agree that education is a way for entrepreneurs to acquire resources, enhance innovative ability and innovative personality, and build multi-level learning channels for entrepreneurs by integrating various knowledge and value systems.

This also agrees with Audretsch et al. (2016) who said traditional entrepreneurship knowledge learning can no longer meet the dynamic environment's demand for entrepreneurial ability. Audretsch et al. (2016) concluded that entrepreneurship education builds a multi-level social network and comprehensive learning management for the professional ability of entrepreneurs and education

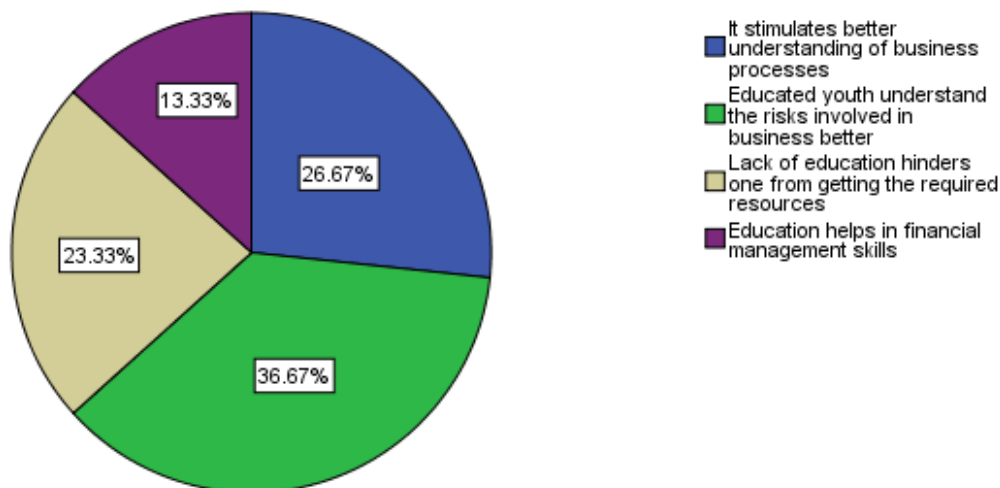


Figure 1. Impact of entrepreneurial education.

develops student's entrepreneurial skills, enabling them to cope with challenges (Jones and Iredale, 2010). Baron and Tang (2009) argued that entrepreneurship education provides multiple channels for student entrepreneurs to obtain resources.

The human capital social network built by highly skilled student entrepreneurial teams to acquire resources, reduces the cost of resource acquisition, and promotes the willingness of entrepreneurs to share knowledge. With reciprocity, combining access to resources, integration generates new knowledge and contributes positively to innovation (Tolstoy, 2009). Therefore, it is assumed that entrepreneurial education plays a big role in nurturing small medium enterprises

Challenges associated with entrepreneurship development

The study also established why some youths do not prevail in their entrepreneurial ventures and the challenges they encounter in running small medium enterprises. More importantly this was to determine the reasons which may have influenced them to fail or not find the business profitable.

From the findings, 47% respondents stated that what challenges them is lack of capital to start off while 10% are affected by improper capital estimation after starting off, 10% also stated that delayed payments are one of the challenges since they need the moneys for working capital, about 7% stated that delayed and cost escalation is one of the challenges, whilst 13% stated non availability of raw materials as one of the setbacks, finally 7% stated that each were affected by lack of human resources for production and wrong business location since they prefer a better and marketable place (Figure 2).

The first challenge is inadequacy of finance; inadequate capital means shortage of working capital to meet the day-to-day operating activities of the small business concern. Running a small business is not easy. Many set out on this endeavor end up failing. There are many reasons why small businesses do not succeed and one of the most common reasons being lack of capital. Lack of capital can result in not having enough to cover overhead expenses, funding expansion opportunities, or launching a new product to market. The impact of having inadequate capital affects the business in the following ways.

Obtaining funds

Entrepreneurs need capital for their businesses to look attractive to potential investors and financial lenders. If the small business cannot display that it is capable of paying back a loan or provide the potential for investors to receive a hefty return on investment, they will look elsewhere. The ability to get funding will inhibit the small business's ability to purchase assets and resources needed for expansion.

Ongoing business operations

Lack of capital may also jeopardize the SMEs ability to cover the day-to-day operations. Rent, salaries, insurance-all these things cost money on an ongoing basis. If the entrepreneurs struggle to cover these basic expenses, then what hope is there of having extra capital needed for growth and taking advantage of new opportunities. Lack of capital also hinders the SMEs from thinking towards the future since in order to grow, the business often needs to purchase additional assets or

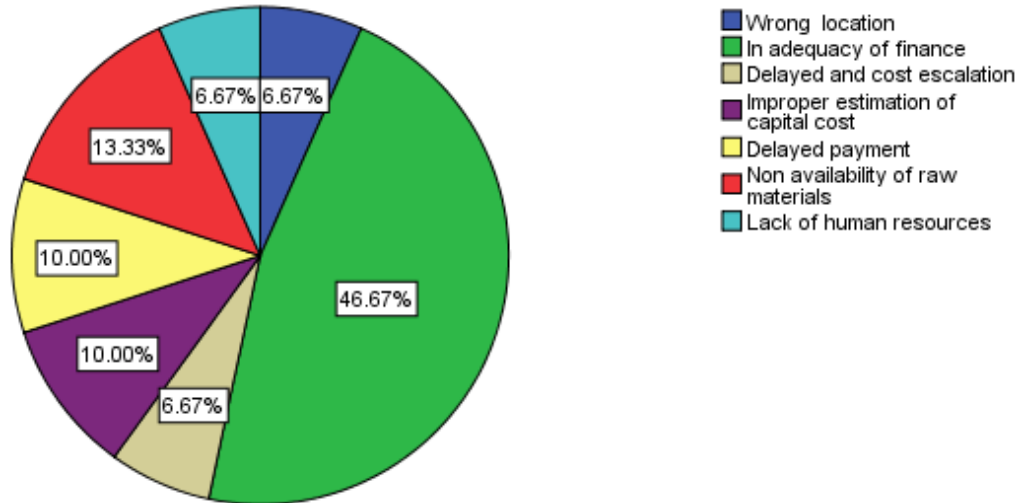


Figure 2. Problems associated with entrepreneurship development.

hire new employees to meet customer demands. Lack of capital might prohibit the SMEs from acquiring what they need to expand. Small business owners with long term growth prospects need to plan forward and ensure capital is available when the opportunity for growth presents itself.

Another challenge is to do with the availability of raw materials/resources. Funds and resources play a very important part in the success of a business, without sufficient funds and resources a business will struggle to even come up with a new product, let alone launching it properly into the market.

According to Josiah and Themba (2015) lack of resources results in entrepreneurs going for simpler projects which are smaller, easier, and faster to complete, which only deliver low value, instead of projects that actually deliver high value to the business. The project ideas submitted by members of staff will become simpler and simpler over time to make sure that more can be done with less. This is not really a bad thing because some ideas, even though very simple in execution, can bring on great impacts. However, this requires a lot of efforts from members of staff to come up with ideas that can follow this guideline, which can lead to staffs' dissatisfaction. This goes without saying, if the business does not have enough money and resources, the products cannot be made in time, which will consequently lead to a slower time to market that can cost SMEs business a fair number of opportunities.

On the other hand, there is a challenge of lack of human resources. This refers to not having the right people to do the job and support the business. Most of the SMEs are sole proprietors hence cannot afford to have a human resources department that can be responsible for recruitment and other human resource functions.

The human resources department oversees the administrative functions within an organization. The department manages payroll and benefit administration, recruitment and employee relations. Staff members act as a liaison between workers and management. The department also maintains relationships between employers and labor unions. Because the human resources department manages a variety of tasks, failure to plan departmental responsibilities effectively could result in an unproductive and inefficient workplace.

Poor human resources management can have a negative effect on workplace productivity. Unproductive workers are not enthusiastic or engaged in their job duties and responsibilities. In many cases, poor management, lack of motivation and changes in organizational structure are at the forefront of an unproductive workplace. The HR department is charged with ensuring managers have the training and resources necessary to meet the needs of employees. If the department fails to implement planning strategies that support management training and workplace morale, a decline in productivity will eventually develop.

Themba and Josiah and Themba (2015) conducted research on the factors that affect entrepreneurship development and it was discovered that lack of entrepreneurial training and education in general, as well as lack of financing was mostly (90% of the respondents) mentioned by respondents as affecting development of entrepreneurship in Botswana. Other factors had between 50% and 70% of respondents mentioning them as affecting entrepreneurship development. With regards to lack of finance, the study found out that despite that the government has come up with venture capital schemes; entrepreneurs are still having problems in terms of obtaining funding. This could be attributed to the stringent requirements of the venture capital schemes.

Table 4. Barriers to new venture creation.

Variable	Frequency	Percent	Valid percent	Cumulative percent	
Valid	Lack of innovative ideas	10	33.3	33.3	33.3
	Lack of capital	13	43.3	43.3	76.7
	Unstable political conditions	5	16.7	16.7	93.3
	Lack of infrastructure development	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

This shows that there could be some policy issues with regards to government funding schemes available. These results suggest that there are bureaucracies in government with regards to accessing services and resources that can enhance entrepreneurship. This is despite the abundance of such programs and policies which government has put in place to support entrepreneurial development.

It can therefore be argued that the implementation of such programs is not effective and something has to be done to improve the efficiencies in terms of implementation and reduced bureaucracies.

Barriers to entrepreneurship and new venture creation

The study finally wanted to find out the barriers that hinder potential entrepreneurs from engaging in new venture creation. The results showed that 33% stated that lack of innovative ideas is a contributing factor, 43% stated that lack of capital is one of the barriers whilst 5% mentioned of unstable political conditions and finally 2% cited of lack of infrastructure development (Table 4).

According to DiRienzo and Das (2015), new venture creation is the process of turning a new idea or technology into a business that can succeed and will attract investors: potential entrepreneurs trying to identify a possible business idea, pay attention to everything in the media. This study aimed at finding what is it that bars entrepreneurs from identifying new ideas and the study discovered the following barriers.

First the respondents cited that lack of innovative ideas is the biggest barrier. The importance of innovation in entrepreneurship is shown by coming up with a new way to produce a product or a solution. A service industry can expand with another type of service to fulfill the ever-changing needs of its clients. Producers can come up with another product from the raw materials and by-products.

The importance of innovation in entrepreneurship is another key value for the longevity of a business. Entrepreneurs and businesses began with a need. They saw the need within the community and among themselves and they have come up with a solution. They seize the opportunity to innovate to make their lives more

comfortable. And these solutions kept evolving to make them better, easier, and more useful. Entrepreneurs must keep themselves abreast of the current trends and demands. Manufacturers are constantly innovating to produce more without sacrificing quality.

Companies and enterprises keep innovation as part of their organization. Innovations contribute to the success of the company. Entrepreneurs, as innovators, see not just one solution to a need. They keep coming up with ideas and do not settle until they come up with multiple solutions. Innovation is extremely important and companies often see their employee's creativity as a solution. They come up with seminars and training to keep their employees stimulated to create something useful for others and in turn, financial gain for the company.

Secondly the other barrier which was mentioned was lack of capital, running a small business is not easy, many who set up on this endeavor end up failing. There are many reasons why small businesses don't succeed, one of the most common reasons being lack of capital.

Lack of capital can result in not having enough to cover overhead expenses, funding expansion opportunities, or launching a new product to market. In order to grow the SMEs need to invest in research and development, lack of capital might prohibit the entrepreneurs from investing in research for new venture creation hence small business owners with long term growth prospects, need to plan forward and ensure capital is available if they strive to succeed.

Another barrier which was investigated is unstable political conditions, these include, rules and regulation, government policies and corruption. Rising corruption and political instability contribute to underdevelopment through adversely affecting government revenue, production, savings, investment, growth, and income distribution in West Africa (Abu et al., 2015). Alonso and Garcimartín (2013) identified that corruption reduces enterprises' innovativeness through increasing distrust and uncertainty in governmental institutions and the entire business environment.

On the other hand, Goedhuys et al. (2016) mentioned that corruption would rather have greasing and accelerative effect on enterprises' innovativeness particularly in countries with poor governance systems. With more interest on innovation, DiRienzo and Das

(2015), using the Global Innovation Index, has found that corruption significantly harms innovation activities across countries. As Bardhan (2017) pointed out that high rates of corruption in politically unstable countries always creates entry barriers for foreign-owned enterprises. This fact may discourage free flow of ideas and limits the innovativeness of local enterprises as well.

The final barrier which was discovered is lack of infrastructure development. This is the construction and improvement of foundational services with the goal of sparking economic growth and improvements in the quality of life. Infrastructure development can involve any type of infrastructure including transportation, energy, and water, digital, social and green infrastructure. The effect of poor infrastructure is pernicious, impeding economies in many ways such as reducing access to markets and opportunities, raising costs of materials, increasing risks and uncertainty for business and people there by discouraging new value creation.

Conclusion

It is considered that the contribution of SMES to economic development is undeniable. Many research studies and researchers, particularly among developing countries like Malawi have made efforts to identify the main factors affecting the survival and sustainable growth of SMES. According to these studies the main challenges affecting survival and sustainable growth of SMES are: lack of access to finance, high cost of borrowing, financial exclusion, procedure on business registration, lack of business management skills, lack of government support on SMES, high tax rate charged products and importation of goods and services, and corruptions.

Impact of entrepreneurial education on SMES in Blantyre city

The aim of the study was to investigate, analyze and present the factors that affect entrepreneurship development among SMES in Ndirande township of Blantyre city in southern Malawi. With regard to the first specific research objectives on the impact of entrepreneurial development on SMES in Ndirande township of Blantyre city, the study found that many SMEs consider that business education plays a vital role in finance management, understanding of business processes and capital requirements. Most of the interviewed SMES owners mentioned that educated youth understand the risks involved in the business better. Findings have also shown that lack of education hinders one from getting the required resource. Based on the finding the researcher concludes that SMES included in the sample continue to rely on the little knowledge acquired from their tertiary education to be able to

manage their affairs and make informed decision based on the skills and trainings on entrepreneurship.

Problems associated with entrepreneurship development

It is undeniable fact that SMES, in Malawi play a significant role in the economy in terms of balanced and sustainable growth, generation of employment opportunities, generation of income, poverty reduction, infrastructure development, revenue generation for the government through taxes, reduction of crime rate in the community. Yet, SMES face various challenges which have negative impact on their functionality and progress. In accordance with the findings presented, the study concludes that SMES the main constraint is inadequacy of finance. The SMEs lack access to government loans and other financial institutions. Another factor is non availability of resources which has forced SMEs to dwell on reusing old resources and turn them into other products. The closure of those companies made some youth jobless and hence the rise in crime rate in the community. The SMEs in the township also highlighted the lack of human resources which has the technical expertise since there is no technical college around the area.

Barriers that hinder entrepreneurs from engaging in new venture creation

The findings of this study revealed that lack of innovative ideas amongst SMEs contribute heavily on the reason why SMEs in Blantyre city and Ndirande township in particular are failing to produce new products on the market. On the third objective the researcher wanted to find out on what are the gaps in new venture creation amongst SMES. Most of the owners of SMES in Ndirande township revealed that their businesses lack capital for research and development. SME owners pointed out those unstable political conditions such as corruption are one of the contributing factors, since it also affects infrastructure development which is very important for SMEs survival in Blantyre.

RESEARCH RECOMMENDATIONS

The major implication of the study is that while most of the educated youths understand the risks of starting small businesses which means that entrepreneurship education is effective, the lack of access to finance will continue being a challenge in starting and running small businesses.

Consistent with the aforementioned findings and conclusion, the following recommendations are made to resolve the challenges faced by small and medium enterprises in Blantyre city of southern Malawi in general

and Ndirande township in particular.

Challenges affecting SMES in Ndirande

It was established in the study that lack of access to finance continues to have a tremendous influence on the survival and growth of SMES in Ndirande township. The banks and other financial institutions should consider new possibilities in providing easier loans with affordable interest rates and flexible terms and conditions to SMES. Furthermore, the Malawi government must provide affordable alternative sources of finance to SMES. To address the issue of borrowing constraints the government should act as a guarantor for SMES to the banks and credit institution that is by making an undertaking to pay the banks in the event of the SMES failing to pay back. The government can also liaise with the banks and credit institutions to lessen their requirements such as collateral. This should be done so that SMES can get enough access to finance for their survival and growth objectives. SMES should also form groups and make use of pooled negotiating power for borrowing purpose.

From the findings and conclusions presented in the study, it was confirmed that legal framework and regulations are among the major factors affecting the survival and growth of SMES in Malawi. Thus, it is recommended that government should introduce laws and regulations favourable to private businesses, thus promoting and enabling a stimulating business climate for the private sector. Moreover, the government has to be more proactive in development of policies and regulations to support the growth of SMES in Malawi by introducing incentives packages to private enterprises, such as grant or subvention schemes.

Impact of entrepreneurial education amongst SMEs

Based on the findings from the study it has been established that more women are not taking part in running SMES in Ndirande Township, therefore women should be empowered by encouraging them to take part in doing small businesses which will help in job creation, poverty alleviation, and generation of income.

The government of the republic of Malawi should consider setting up vocational and training centers where owners of SMES and key personnel will go and attend some trainings aimed at equipping them with business management skills. Based on the findings from this study, it has been noted that SMES play a crucial role in driving the economy from underdeveloped stage towards high growth and industrialization.

Therefore, Malawi government and other business partner should identify best way of promoting the survival and growth of SMES. It is also recommended that the Malawi government through the Ministry of Trade and

Industry should be able to work hand in hand with Ministry of Education to introduce entrepreneurship and business management studies from primary level so that aspiring entrepreneurs acquire basic business skills at early stage.

Barriers that hinder potential entrepreneurs from engaging new venture creation

The study recommends that, the government need to be sensitive enough to pass and ensure that regulations placed in operating SMES do not hinder its growth rather it should promote growth of such industries. There is need for Malawi government to intervene through Reserve Bank of Malawi to make all financial institution accessible to small and medium enterprises by reducing some restrictions that are hindering SMES to access bank loans.

FURTHER STUDIES

This research was conducted only on SMES based in Ndirande township of Blantyre city in southern Malawi. Therefore, further studies must consider respondents from other townships in Blantyre city of southern Malawi. A study could be conducted to see if there is a correlation between the education level of SMES owners and the failure rate of SMES in Malawi. A similar study could also be extended to the whole country of Malawi to cover all SMES in Malawi.

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

REFERENCES

- Abdulsaleh AMA (2015). Bank financing for small and medium-sized enterprises (SMEs) in Libya. Available at: https://research-repository.griffith.edu.au/bitstream/handle/10072/365835/Abdulsaleh_2016_01Thesis.pdf?sequence=1
- Abu F, Jabar J, Yunus AR (2015). Modified of UTAUT Theory in Adoption of Technology for Malaysia Small Medium Enterprises (SMEs) in Food Industry. *Australian Journal of Basic and Applied Sciences* 9(4):104-109.
- African Union (2006). Africa Youth Charter. Available at: <https://www.au.int>
- Alonso JA, Garcimartin C (2013). The Determinants of Institutional Quality: More on the debate. *Journal of International Development* 25(2):206-226.
- Audretsch DB, Kuratko DF, Link AN (2016). Dynamic entrepreneurship and technology-based innovation. *Journal of Evolutionary Economics* 26:603-620.
- Bailey PJ (2007). Gender and education in China: Gender discourses and women's schooling in the early twentieth century. Routledge.
- Bardhan P (2017). Corruption and development: a review of issues. *Political Corruption*. pp. 321-338.
- Baron RA, Tang J (2009). Entrepreneurs' social skills and new venture

- performance: Mediating mechanisms and cultural generality. *Journal of Management* 35(2):282-306.
- Bolton JE (1971). Report of the Committee of Inquiry on Small Firms, Cmnd. P 4811.
- Casero JCD, Mogollon RH, Roldan JL (2007). Environmental factors that influence the entrepreneurial capacity. An empirical approach from the GEM Project using a structural equation model. LBS, Babson College.
- Charney A, Libecap GD (2000). The impact of entrepreneurship education: an evaluation of the Berger Entrepreneurship Program at the University of Arizona, 1985-1999. Available at SSRN 1262343.
- Chigunta F, Schnurr J, James-Wilson D, Torres V, Creation J (2005). Being "real" about youth entrepreneurship in Eastern and Southern Africa. SEED Working Paper 72:1-105.
- Daunfeldt SO, Halvarsson D (2015). Are high-growth firms one-hit wonders? Evidence from Sweden. *Small Business Economics* 44:361-383.
- DeJaeghere J, Baxter A (2014). Entrepreneurship education for youth in sub-Saharan Africa: A capabilities approach as an alternative framework to neoliberalism's individualizing risks. *Progress in Development Studies* 14(1):61-76.
- DiRienzo C, Das J (2015). Innovation and role of corruption and diversity: A cross-country study. *International Journal of Cross-Cultural Management* 15(1):51-72.
- Global Entrepreneurship Monitor (GEM) (2012). Global Entrepreneurship Monitor Botswana 2012 national report. Available at: <http://www.gemconsortium.org/report>
- Goedhuys M, Mohnen P, Taha T (2016). Corruptions, Innovation and Firm Growth: Firm-Level Evidence from Egypt and Tunisia. *Eurasian Business Review* 6:299-322.
- Henry C, Hill F, Leitch C (2005). Entrepreneurship education and training: can entrepreneurship be taught? Part I. *Education+ Training* 47(2):98-111.
- Jones B, Iredale N (2010). Enterprise education as pedagogy. *Education+ Training* 52(1):7-19.
- Josiah J, Themba G (2015). Entrepreneurship development in Botswana lessons for other developing countries.
- Kung'u GK (2011). Factors influencing SMEs access to finance: A case study of Westland Division, Kenya.
- Kuratko DF (2005). The emergence of entrepreneurship education: Development, trends, and challenges. *Entrepreneurship Theory and Practice* 29(5):577-597.
- Maxwell JR (2002). Recommendations for connecting West African youth to entrepreneurship and small business through a multiple level strategy. In United States Association for Small Business and Entrepreneurship International Conference Reno, Nevada USA.
- Mgaya KV, Magembe BA (2007). Attitudes of university students towards entrepreneurship. *World Review of Entrepreneurship, Management and Sustainable Development* 3(2):192-206.
- Morris MH, Lewis PS (1991). Entrepreneurship as a significant factor in societal quality of life. *Journal of Business Research* 23(1):21-36.
- Naji AAH (2019). Factors Influencing Entrepreneurship Development. Available at: https://www.researchgate.net/profile/Amat-Alsalam-Naji/publication/332255136_Factors_Influencing_Entrepreneurship_Development/links/5ca9ddb692851c64bd5639aa/Factors-Influencing-Entrepreneurship-Development.pdf
- Naveed A, Mitze T, Ahmad N (2013). International, intersectoral or both? In search for the nature of R&D Spillovers.
- Nayab N (2011). Factors Having an Impact on Starting and Operating a Business. Bright Hub.
- Penrose E (2009). *The Theory of the Growth of the Firm*. Oxford University Press. 2009.
- Radikoko I, Maswabi B, Dzimiri M (2015). Investigating Factors Affecting Entrepreneurship Development in Botswana. *Archives of Business Research* 3(6):10-12.
- Rambo DC (2014). Factors Influencing the Development of Youth Entrepreneurship in Ongata Rongai Township, Kajiado County: Kenya. Diss. University of Nairobi, Kenya.
- Schoof U (2006). Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people. International Labour Organization.
- Themba G, Josiah S (2015). Entrepreneurship Development in Botswana Lessons for other Developing Countries. Available at: <https://ubrisa.ub.bw/handle/10311/1697>
- Turan M, Garg M, Verma H, Gupta P, Bodla B (2013). Entrepreneurship development and new enterprise management. Guru Jabbeshwar University, Directorate of Distance Education.
- United Nations Development Programme (UNDP) (2015). National Youth Empowerment Strategy 2015-2017. A flagship project of Vision 2030 Medium Term Plan II - 2013-2017. Available at: <https://www.undp.org/sites/g/files/zskgke326/files/migration/ke/E1---National-Youth-Empowerment-Strategy.pdf>
- Van Praag CM, Versloot PH (2007). The economic benefits and costs of entrepreneurship: A review of the research. *Foundations and Trends® in Entrepreneurship* 4(2):65-154.