Investigating Barriers to Small and Medium Enterprises (SMEs) Growth and Development in Libya

By

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A thesis submitted for the degree of Master of Philosophy

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2021

Declaration of Authorship

I confirm that this is my own work and the use of all material from other sources has been properly and fully acknowledged.

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Abstract

Small and medium enterprises (SMEs) play an important role in many countries around the world, their role is through their abilities to revitalizing the economy and reducing unemployment. The significance of SMEs is particularly, to the countries that are seeking to diversify their economic base such as Libya. The main aim of this study is to investigate the barriers to small and medium enterprises (SMEs) growth and development in Libya, particularly in two cities (Tripoli and Misurata).

The study has three objectives as follows: (1) To investigate the current situation of the small and medium enterprises growth in Libya (Tripoli and Misurata). (2) To explore the barriers that influence the growth of SMEs in Libya. (3) To develop a conceptual model highlighting the influence of characteristics of the firm , owners and barriers on the growth of the Libyan SMEs. This study examines the effect of firm-owner characteristics as well as perceived barriers on the growth and development of SMEs in Libya.

This thesis utilised quantitative method through a questionnaire survey to 400 owner-managers located in two cities in Libya (Tripoli and Misurata). The collected data was analysed by using the Statistical Package for the Social Science (SPSS) for descriptive analysis and Stata for ordered logit regression analysis.

Findings from this study that are based on the ordered model of growth regression show that both age and size of the firm have significant negative impact on the SMEs growth in Libya while management qualifications and growth aspiration of the entrepreneur have significant positive impact on the growth of firms.

The findings also indicate that a list of 14 barriers that were perceived by entrepreneurs had a significant negative effect on the growth and development of SMEs. These barriers were

drawn from the literature and so, the literature thus informed the survey design. This study suggests the following recommendations among others; creation of a peaceful political atmosphere that can engender a conducive business environment and ensure sustainable growth and development of SMEs in Libya, putting in place appropriate meaningful and comprehensive economic policies that can improve business climate through legislations.

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List of Abbreviations

GDP - Gross Domestic Product

SMEs - Small and Medium Enterprises

MENA - Middle East and North Africa

EU - European Union

OECD – The Organisation for Economic Co-operation and Development

LD - Libyan Dinar

IMF - International Monetary Fund

CBL - Central Bank of Libya

AFDB – African Development Bank

LGPC – Libyan General People Committee

Chapter one: Introduction

1.1 Background of the study

Small and medium-sized enterprises (SMEs) contribute heavily to the employment and gross domestic product (GDP) in both developed and developing economies. For instance, in United States (USA) SMEs constitute almost 52% of the private work force and 51% to GDP (Longenecker et al., 2012). Furthermore, in the United Kingdom (UK), SMEs contribute 62% to the employment and 25% to GDP (Burns, 2001). Like USA and UK, SMEs contribute 79% of Italian employment, 63% and 60% of France and Germany employment respectively (Burns, 2001). In China, SMEs employ 80% of urban population and contribute 60% of GDP (Sham, 2014).

Over the past few decades, studies regarding SMEs have dominated the attention of researchers and policymakers. The SME sector plays a vital role in promoting economic prosperity through its contribution to income creation and eradicating poverty (Roman, 2011; Fatoki, 2011; Qureshi and Herani, 2011; Yesseleva, 2010; Le and Nguyen, 2009; Altman and Sabato, 2005).

Libya is an important country among the MENA region (Middle East and North Africa) and recently it has witnessed big changes in terms of moving towards privatisation and encouraging the private sector. Hence, The Libyan government founded a national centre for small and medium businesses in 2006 in order to enhance and diversify the economy.

The economy of Libya depends primarily upon the energy sector, which accounts for a high percentage of the country's exports. The importance of SMEs to Libya stem from the fact that the Libyan economy relied for long time on the public sector with very limited economic activities (Eltaweel,2011). The oil sector accounts for about 70% of the Libyan GDP, and over 90% of government revenues, that almost all of the country's exports apart from a few other products like fish and dates. Creating an environment that is supportive of SMEs will help Libya to build a more diversified economy, as it will support both the oil and non-oil industries (Porter and Yergin, 2006). However, international indicators show that Libya

currently lacks the business environment, legal framework and labour market efficiency needed to achieve this.

It is still unknown how many SMEs are in Libya and based on the Ministry of Trade and Economy in 2006 the number is about 180,000 firms. However, according to some Libyan officials there are many small firms that operate informally in order to avoid taxation and other fiscal and regulatory considerations (Porter & Yergin, 2006). As a result, the research will investigate the obstacles, which hinder SMEs in Libya to flourish since 2007 until now, despite all government efforts for promoting such experience. The study seeks to offer a clear vision for Libya's SMEs. It suggests that the Libyan economy can be developed, and unemployment can be reduced by helping entrepreneurs and innovators to develop their ideas and by giving them what they need to convert these ideas into viable economic projects.

1.2 Statement of the Problem

The Libyan government has always concentrated on the national security and the public sector rather than encouraging and enhancing the private sector through creating a proper business environment, which must be the top priority (Porter and Yergin, 2006). The private sector in Libya has not been performed well, because of the weak financial system, insufficient infrastructure, bureaucracy, and the lack of educated and skilled workers (OECD,2016). In addition, the uncertainty is one of the main obstacles faced by the private sector that resulted from the absence of law such as, the legislation on taxation, and the absence of rapid and transparent mechanisms for resolving commercial disputes (EN, 2013). All of these circumstances prevent small firms in Libya from accessing foreign experts, technology, know-how and resources (Porter &Yergin, 2006).

In developed countries, SMEs play a significant role in creating jobs and constitute as much as 50% of GDP (Ayyagari et al,2003). In contrast, SMEs in Libya are estimated to contribute about 5% to the GDP. According to the Global Competitiveness Report (2014-2015), the top

six challenges that are faced in SMEs in Libya are: government instability, access to finance, lack of educated workers, bureaucracy, political instability and corruption. In view of this background, this study aims to investigate barriers to the growth of small and medium enterprises (SMEs) in Libya and more specifically in two cities (Tripoli and Misurata).

1.3 Theoretical Background

The literature has discussed the phenomenon of growth regarding small businesses. Different approaches and models are divided into six categories: stochastic; descriptive; evolutionary; resource-based; learning; and deterministic (Dobbs and Hamilton, 2007). The very first attempts to understand growth phenomena in SMEs started with stochastic models and particularly the "Law of proportionate effect" Gibrat‟s (1931). According to Stochastic models, the growth of firms can be assumed to be perfectly random and cannot be predicted using any group of variables (Farouk and Saleh, 2011; McMahon, 1998). In addition, stochastic models assume that growth is independent of any other factors, a notion which has been disproven by various studies such as David S. Evans (1987) and Francesca Lotti, Enrico Santarellia and Marco Vivarelli (1999). Contrary, the deterministic models emerged to concentrate on determining a set of internal and external factors that can explain the growth of small businesses through specific characteristics, strategies and practices associated with growth. The literature also highlighted the so-called life-cycle models that explain growth through the phases that firms experience in their evolutionary development, and therefore growth and development will be considered on the life-cycle of firms (Fadahunsi, 2012). According to the life cycle model, a firm passes through different stages that starts with birth and ends in death. A life cycle stage can be described as a phase of firm organizational operations and structures. According to Hanks et al. (1993), a life cycle

stage is a “unique configuration of variables related to organization, context and structure”. Common contextual dimensions include age, size, growth and profitability rate. The advantage of applying a life cycle approach is that it emphasizes that activity and structure change over time. The number, nature, length and breadth of life cycle stages have been interpreted and implemented in various ways. While Quinn and Cameron (1983) and Kazanjian and Drazin (1989) identified four stages in the business life cycle process, Scott and Bruce (1987) and Hanks et al. (1993) identified a five-stage model. Furthermore, Tam et al. (2001) recommend a six-stage and Adizes (1989) a ten-stage model. The literature review demonstrated numerous successes and failures that SMEs face. In order to classify them, according to Storey (1994) there are both internal and external factors that enhance or hinder small firms to achieve the growth. The situation and characteristics of these firms will determine the success or failure. Therefore, firms cannot achieve the growth once their resources are not adequate to react towards internal and external pressures. Likewise, small firms should overcome the challenges and obstacles that come from the external and internal environment (Barney, 1991; Thornill and Amit, 2003).

1.4 Significance of the Research

This research can be important because of the following:

(1) It is one of the very few studies in Libya concerned with the barriers hinder growth of small business sector as prior studies focused on finance as a major challenge to growth of SMEs such as (Abdwahab and Abdesamed, 2012; Almbrok and Ayedh, 2015; Eltaweel , 2012; Abdulsaleh and Worthington, 2018).

(2) this study adds new knowledge and extends the growing body of literature in the field of small and medium enterprises. Additionally, this study has the potential to contribute to the understanding of the critical factors that influence the growth of SMEs in Libya.

(3) This study can provide owner-managers of SMEs with knowledge and guidance about the way they could manage and run their firms in the face of potential barriers.

1.5 Research aim and objectives

The overall aim of this research is to investigating barriers to SMEs (Small and Medium Enterprises) growth and development in Libya. In order to achieve this overall research aim, four key objectives are set:

- To investigate the current situation of small and medium enterprises growth in Libya (Tripoli and Misurata).
- To explore the barriers influence growth of SMEs in Libya.
- To develop a conceptual model highlighting the influence of characteristics of the firm and owners and barriers on the growth of the Libyan SMEs.

1.6 Research Questions

The main research question is to investigate the factors affecting – enhancing and/ or

constraining the development and growth of SMEs in Libya.

The sub questions are:

- What are the barriers perceived by owner-managers that influence SMEs growth in Libya?
- What is the status of SMEs in the Libyan context?
- To what extent do the characteristics of the firm and owners affect the growth of SMEs in Libya?
- To what extent do the barriers affect the growth of SMEs in Libya?

1.7 Methodology of the Study

The aim of this study was to explore the factors affecting growth of SMEs in Libya. This thesis adopted quantitative approach which includes distributing questionnaire surveys to a non-probability sample of 400 small firms in two major cities in Libya (Tripoli and Misurata). The survey provides information about different measures such as characteristics of firms, obstacles faced by firms, different performance measures and business environments.

The collected data was analysed using SPSS (Statistical Package for Social Sciences) to gain descriptive statistics (percentages and frequencies). Moreover, the study used ordered logit model to examine the relationship between the dependent variable (Growth of SMEs) and the independent variables (firm-owner characteristics and barriers to SMEs).

1.8 Structure of the thesis

This thesis has been divided into eight chapters. **Chapter One** provides an overview of the entire research. It starts with background of the study, statement of the problem, theoretical background, contribution of the research, research aim and objectives, research questions, methodology of the study and structure of the thesis.

Chapter Two is the literature review chapter, which reviews the various definitions of small firms and their role and importance within developed and developing countries. In addition, it presents a theoretical framework that classifies the main theories related to factors affecting growth of SMEs. The chapter reviews the literature related to the growth of small firms, and its measurement. Moreover, the chapter discusses the findings of previous studies concerning the factors that influence the growth of small firms, which provide a context for this research and guidance for the research design.

Chapter Three highlights the nature of Libyan economy and its structure. In addition, to economic indicators related to the environment of SMEs and entrepreneurship.

Chapter four explains the study's methodology, in terms of the research design, sampling, data collection, and data analysis.

Chapter Five reports the findings of the descriptive analysis using questionnaire surveys which include the demographic information of the participants and the characteristics of their SMEs.

Chapter Six presents and discusses the empirical analysis findings, using ordered logit regression technique on the factors influencing the development and growth of SMEs in the Libyan context. The discussion is conducted with reference to the previous work identified in the literature.

Chapter Seven reports the conclusions that can be drawn from this study and highlights the limitations and the main findings made by the present research. The recommendations and future research suggestions are provided.

Chapter Two: Literature Review

2.1 Introduction

This chapter reviews and discusses existing literature with the concept of entrepreneurship and small medium enterprises. It also highlights the theoretical framework of business growth as well as critically discusses the factors that influence the growth of small medium-sized enterprises. This chapter reviews the literature on the external and internal factors which affect the growth of SMEs in both developed and developing countries. This chapter

is divided into nine sections. The next section 2.2 looks at the concept of the entrepreneurship and entrepreneurs while sections 2.3 and 2.4 review the definition of SMEs worldwide and in the Libyan context as well as their economic importance. Sections 2.5 and 2.6 discuss the concept of growth of SMEs and the theories of business growth while sections 2.7 and 2.8 review the important factors affecting growth of SMEs in different contexts. This chapter is summarised in the final section 2.9.

2.2 The definition of SMEs

The term SMEs includes a wide range of definitions and measures. It varies from country to country, and several criteria has been used such as the number of employees, total net assets and sales. However, the most common standard for defining SMEs is employment (Ayyagari, et al, 2003). According to Bolton's (1971) report, small businesses should be managed and owned by the same persons; be legally independent; and have a small share of the marketplace.

The definition, based on the number of people employed and financial criteria, seems to vary between countries. The main difference in the SMEs definition largely relies on the economic situations in developed and developing countries (Panyasorn, 2006). Curran and Blackburn (2001) revealed three points about Bolton's (1971) definition. First, small firms are both numerous and diverse in the ways they do business. Second, small firms in one sector will not necessarily be considered small firms in other sectors. Third, SMEs can be defined, in terms of the number of employees, sales, or profits. Dhingra (1991) listed the characteristics that can help us to explore the nature of SMEs as follows:

- Most firms are independently owned and managed.
- They operate a flexible environment, personalised management, and informal decision- making system.

- They produce a limited group of goods and services.
- They are sufficiently unable to deal with different changes in social, political or economic situations.

Storey and Greene (2010) argued that any definition based upon monetary estimates is likely to be unclear, because of exchange rate differences. Moreover, monetary approaches may lead to an uncertain picture regarding the number of small firms. Based on The European Union (EU) SMEs are defined by their number of employees and their annual turnover, which have a maximum annual turnover of ten million Euros, with a maximum of 50 employees for small businesses, whereas a medium-sized should have a maximum annual turnover of 50 million Euros and no more than 250 employees. Furthermore, the EU considers micro-organisations to be those with a maximum annual turnover of two million Euros, as well as having ten employees or less (European Commission, 2015).

OECD (Organisation for Economic Cooperation and Development) defined SMEs as firms that employ up to 249 workers, with the following breakdown: (a) micro firms: 1 to 9 employees, (b) small firms: 10 to 49 employees, and (c) medium firms: 50–249 employees (OECD 2017). In Middle East and North Africa (MENA) region, most countries defined SMEs based on the number of employees. The definitions of SMEs in some countries in the region are summarised in table 2.1.

Table 2.1 Definitions of SMEs in some MENA countries (number of employees)

Country	Micro	Small	Medium
Egypt	1-5	6-10	11-100
Lebanon	1-9	10-49	50-99
Jordan	1-4	5-19	20-99
UAE	1-4	5-49	50-499
Tunisia	1-9	10-49	50-249
Oman	1-5	6-20	21-100
Saudi Arabia	1-9	10-59	60-199

Source: International Finance Corporation (2010).

In Libya, the definition of SMEs has officially determined by the General People's Committee in 2006. Small firms employ up to 25 workers with an invested capital of up to LD 2.5 million, whereas firms with workers between 25 to 50 and have an invested capital more than LD 2.5 million but not exceeding LD 5 million are regarded medium firms. See table (2.2) below.

Table 2.2 Definition of SMEs in Libya

Firm size	Number of employees	Amount of invested capital LD
Small	Up to 25	Up to 2.5 million
Medium	25 to 50	Up to 5 million

Source: General People's Committee (2006).

2.3 The economic importance of SMEs

For decades ago, entrepreneurship and SMEs have played a vital role in economic development. SMEs contribute to the economy through job creation and positive contributions to the Gross Domestic Product (GDP). They are also flexible towards market changes and they have the ability to do their activities into market niches that are not profitable for larger firms. SMEs also contribute to development policies which, focus more on decentralisation and rural development (International Labour Organisation, 2000). Shalaby (2004) stated that the effective role of SMEs led to growth and prosperity in developed countries and enhance labour productivity and the standard of living for both owners and employees. Additionally, SMEs play a vital role in terms of increasing export capacity, which in turn benefits the whole economy (Almobaireek, 2009).

SMEs play a fundamental role not only in developed countries, but also in developing ones. For example, in Morocco, SMEs accounted for about 93% of all businesses and they contributed to the following sectors: 38% of production, 33% of investment, 30% of export and 46% of employment (Emine, 2012). Furthermore, in the Kingdom of Saudi Arabia (KSA), SMEs dominated the private sector with about 98% and employ around 60% of the workforce (General Organisation for Social Insurance, 2012). In addition, SMEs in Kuwait

account for around 90% of the private sector and have imported around 45% of the labour force. Also, in the United Arab Emirates, SMEs form 94% of all economic activities and employ 62% of the workforce (Emine, 2012).

Almobaireek (2009), summarised the most important advantages that can be achieved by SMEs as follows:

- They use simple production techniques which fit with the situation in case of surplus labour and capital scarcity in most developing countries.
- They can create more job opportunities as well as benefit from available local row material.
- SMEs can provide many services to large firms through their role as distributers that reduce the pressure on large enterprises. They also offer new employment and production opportunities.
- They can offer a significant proportion of products to local market, which decreases the amount of goods that must be imported.
- They can provide cheap small-sized goods and services.

  SMEs can observe the market closely, recognise the requirements of customers and have more elasticity than the large ones in terms of manufacturing, marketing and service. Small businesses are largely thought to be more innovative than larger firms for three reasons: less bureaucracy, more competitive markets, and stronger incentives (such as personal rewards) (Edmiston,2007).

2.4 The Concepts of the Entrepreneur and Entrepreneurship

There are numerous studies on entrepreneurship and entrepreneurs. For instance, Schumpeter (1934) has mentioned that an entrepreneur is a person who should be innovative, creative, and a risk taker. Pajarinen et al. (2006) stated that entrepreneurs who are very well educated are more innovative and they will exploit their modern techniques to run their businesses. Barringer and Bluedorn (1999) described entrepreneurs as persons who can deal with the environment and take advantage of the opportunities.

Kuratko (2009), distinguishes between entrepreneurs and owners of small firm. He mentioned that these two terms are used widely, but there are many differences between them. For instance, an entrepreneur hugely concentrates on innovation and growth of the firm, while a small firm owner wants to maintain on stable growth, such as sales and profits.Growth has many concepts, and it can be identified in terms of revenue generation, value addition, and expansion of the firm. Likewise, it can also be measured in terms of qualitative characteristics such as market position, quality of product, and satisfaction of the customers (Kruger 2004). According to Kirzner (1973), an entrepreneur is a middleman who buys products cheap and resells them at a higher price. Therefore, he benefits from price differentials. Kirzner argued that, in the long term, such differentials are not profitable for entrepreneurs, due to extreme competition. Nevertheless, in the short-term entrepreneurs can earn profits. Besides, entrepreneurs can be seen as responsible for equilibrating market movement in the absence of dramatic changes in production methods (Kirzner, 2008). Kirzner argued that improvements in production techniques would lead to disequilibrium in the market since there is an initial equilibrium, which means that there is nothing for the

entrepreneur to do and no exchange and profit opportunities for them since everybody will be able to carry out his initially determined exchange plans (Tiryaki,2005). But whenever the change has occurred, some planned activities will not be realized. In this point, the importance of the entrepreneur is understood, since they realize that the market is not in equilibrium due to either excess demand or excess supply and competition among entrepreneurs leads to equilibrium again (Tiryaki,2005). Therefore, Kirzner's perspective is that entrepreneurs play a key role in the market economy through the shift from disequilibrium to equilibrium (Bula, 2012).

Baumol (1990) distinguished between three sorts of entrepreneurs. First is the productive type, who conducts entrepreneurial activities related to innovation and has a positive impact on both individuals and society. The second is made up of unproductive entrepreneurs who are involved in bureaucracy, such as lawyers that sue companies to obtain money. Such activity benefits individuals, but not necessarily society. The third group comprises of destructive entrepreneurs who benefit themselves illegally, more than society. Baumol cited examples from ancient Rome and medieval China, of such entrepreneurs gaining wealth through political payments, such as taxes.

Likewise, Baumol (1990) also argued that a person himself chooses to become productive, unproductive, or destructive according to the rules of the game (Storey & Greene, 2010). Baumol (1990) stated that changes in the rules, such as rewards system among entrepreneurs could modify the structure of the class of entrepreneurs, as well as its size to evaluate whether it is productive, unproductive or destructive. However, such rules do not involve the supply of entrepreneurs or the nature of their goals. Leibenstein (1987) presented his theoretical initiative through re-introducing the entrepreneur into modern microeconomic theory. Leibenstein’s theory describes essential characteristics of the environment in which the entrepreneur operates. According to Leibenstein, in the world of the entrepreneur, it is

inefficiency which is the normal state of affairs. X-efficiency is defined as the degree of efficiency maintained by individuals and firms under conditions of imperfect competition (Investopedia, 2011) X-efficiency arises either because the firm's resources are used in a wrong way or because they are wasted. Leibenstein regarded entrepreneurship as a creative response to X-efficiency.

He also believed that individuals have different attitudes and hence different behaviours. Leibenstein identifies two main roles for the entrepreneur: (i) a gapfiller and (ii) an input completer. These functions arise from the basic assumptions of X-efficiency theory. Thus it is clear that "if not all factors of production are marketed or if there are imperfections in markets, the entrepreneur has to fill the gaps in the market. The second role is input completion, which involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones. The role of the entrepreneur is to improve the flow of information in the market (Smith & Chimucheka, 2014).

Knight identified the distinction between risk and uncertainty by exploring that uncertainty is uninsurable and is associated with unique events. Hence, the entrepreneur should be judgmental about such events (Bula, 2012). According to Knight, risk is measurable, and uncertainty is unmeasurable. Hence, under uncertainty decision making requires judgment. Risk stems from uncertain outcomes can be predicted. However, uncertainty exists once outcomes cannot be calculated in addition to unknown future (Knight, 1921).

Knight paid his attention to the function of entrepreneurs in market economy, since uncertainty associated with the success of business is a key feature regarding switch between an employee and self-employment. Knight argues that it is unlikely for entrepreneurship as a phenomenon to be perfectly specialised or exist in a pure form. Knight remarks that "judgment of men" is much more related to successful entrepreneurship than "judgment of

things" (Casson et al, 2006). According to Schumpeter's analysis of entrepreneurship, it appears that there are two distinctive features. Firstly, Schumpeter regarded innovation as a revolutionary process that is discontinuous instead of being marginal, gradual or cumulative. According to Schumpeter, capitalism plays an important role in the growth of firms and acts as powerhouses of innovation (Casson et al, 2006). Thirdly, Schumpeter regarded the entrepreneur as an agent of change in an economy and considered that through his or her action, economic growth can be achieved.

According to Schumpeter, the term "creative destruction" refers to different concepts which are related to his analytical plan of economic evolution that takes place through the following stages: (1) Initial equilibrium that refers to routine behaviour in the economic system, and enables agents to work in their usual ways. (2) Innovation that breaks down the initial equilibrium once innovators begin their businesses. Nevertheless, the innovations gradually vanish due to the exhaustion of innovative skills under unbalanced conditions. (3) Renewed equilibrium, through many old businesses that are selected out of the economic system, and survive by destructing old routine. (4) Economic evolution, which stems from a series of equilibrium and innovative imbalance as the process of creative destruction (Anderson et al, 2006). In addition, Schumpeter distinguished between innovation and invention. He stated that the theory of entrepreneurship built on the actual activity five essential entrepreneurial behaviours: the introduction of a new good; new production method, the opening of a new market, new source of raw materials, and creating a new organisation. Schumpeter argued that money is not an incentive for entrepreneurs to carry out entrepreneurial activities. Moreover, an entrepreneur is not an "economic man" theoretically (Dorin &Alexandru, 2014). Entrepreneurship is a pursuit of an opportunity that is irrespective of the already existing sources (Krueger & Brazeal, 1994; Krackhardt, 1995). According to Low and Macmillan (1988), the entrepreneurship is simply the "creation of new enterprise". According

to Casson (1982), an entrepreneur has special knowledge in making judgmental decisions even with the scarce resources. However, taking decision involves the use of resources that have a positive opportunity cost. Dyer and Handler (1994) found that the family played a crucial role in encouraging children to develop the essential skills for starting an entrepreneurial career. Many aspects are associated with the family and entrepreneurial dynamics such as early experiences; family involvement; employment of family members in the business; and Participation of the family in ownership as well as management succession. Dyer (1992) emphasises on the involvement of all groups such as women, disadvantaged minorities, and people from different age groups or education levels. Young people have fresh ideas, and they can be good as entrepreneurs (Global Entrepreneurship Monitor, 2013). According to the Amway Global Entrepreneurship Report (2013), 70% of the respondents surveyed in 24 countries had a positive attitude towards entrepreneurship. The survey revealed a strong relationship between uncertainty avoidance and fear of failure. For instance, in the US only 37% of respondents considered fear of failure to be an obstacle to becoming self-employed, while in Japan 94% did so.

2.5 Business Growth

2.5.1 Business Growth: Definitions and Measures

In general, the concept “business growth” is defined based on several criteria, including increase in sales, production, employment, the use of raw material and power. Growth of SMEs can also be defined using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins (Yeboah,2015). According to Govori (2013) the most popular measures of firm growth are sales and employment. Olawale & Garwe (2010) suggest that sales are an appropriate indicator of business growth. Barringer et al. (2005)

also agree that sales figures represent accurate measure of firm growth and performance. However, there are other authors that prefer to use employment as a measure of firm growth and they assume that a certain firm can grow if the number of employees increased. Davidsson et al (2006) stressed that using employment figures is better than sales data to measure the growth of SMEs because sales data might be influenced by inflation. On the other hand, some scholars recommend using market share and production levels for measuring SMEs growth but the issue of using them is they vary widely between industries that make it difficult to use them for comparisons. Govori (2013) further argues that profit as an indicator of growth and development is not relevant unless measured over a period of time.

2.6 Theories of Firm Growth

The growth of SMEs has been widely studied through several scholars who have proposed many different theories. Therefore, this section highlights and reviews the theoretical framework on the growth path of small firms. One central problem in explaining and understanding business growth is the huge number of proposed theories and factors to explain the reasons behind why some businesses grow faster than others (Storey and Greene, 2010).

2.6.1 Stage Model

One of the evolutionary approaches to explain business growth is the stage model approach, and a classic example is Greiner's (1972) model. Greiner's (1972) model proposes that businesses pass through five stages in their lifetime (cradle to grave), and that each transition between stages is characterised by crisis in a specific area; from leadership

through autonomy to control. By successfully manoeuvring their way through these crises as they arise, the entrepreneur is able to arrive at the next level or stage. Albeit the growth stage models offer the opportunity for the entrepreneur to undertake self-assessment of the development of the business, the approach has its own limitations. The limitations, as identified by Storey & Greene (2010: 224) among other things are as follows:

• The stage models assume and present a one-size-fits-all approach to growth. In reality, small businesses as well as entrepreneurs are so heterogeneous to the extent that having a generalised model of business growth is a difficult thing to do.

• The models assume that growth is unidirectional and lean towards upward movement, when in fact businesses that survive are more likely to wane than grow. Again, business growth in one period does seldom lead to growth in the next stage or level.

• The number of stages in the models and how long each stage lasts cast doubt on their reliability as the proposed number of stages can range from two to as many as ten, in contrast to the five stages in Greiner's (1972) model.

• The fact that there is ambiguity about the number of stages will lead to the question of number of crisis in each stage. Moreover, it will be difficult to clearly define what actually constitutes crisis.

• Stage models tend to lay emphasis on the formal management structures of the business. Davidsson et al. (2004) have argued that what is more essential and relevant is the informal interaction among the management team. The stage model approach stops short of addressing the value of interaction among management teams and the team's culture. In spite of the Greiner's (1972) stage model being intuitively appealing, and providing practical

assistance to entrepreneurs is able to identify the particular stage of the business; unfortunately, they are not able to stand up to conceptual or empirical scrutiny, making it remarkable that they have survived for such a long time (Storey & Green, 2010: 224). Again, growth is spotty and the fact that a business has achieved growth in one stage or period is no guarantee that it will grow at the same rate in the succeeding period (Storey & Green, 2010: 207). In the next section, the author discusses the other approach to explaining business growth, which is the resourced-based view (RBV), apart from the stage model approach.

2.6.2 Resource-based View (RBV)

The weakness of Greiner's (1972) stage model approach to measure or determine what influences growth of a business calls into consideration the second approach to explain business growth which is Resource-based view (RBV) and learning theory. Central to this approach in explaining growth is that the resources and capabilities at the disposal of the business could explain the growth of a business. The proponents (e.g. Wenerfelt, 1984; Barney, 1986) argue that businesses have at their disposal bundles of resources that vary between businesses; some (resources) serve as 'protective mechanisms' shielding the business from competitors. The resource-based view (Storey and Greene, 2010) is summarised as; (a) businesses are administrative units that connect bundles of resources;

(b) that these resources are heterogeneous in nature, implying that each business combines resources that are unique in some sense; (c) that these resources are likely to be immobile, meaning it is unlikely a business is able to switch resources from one use to another with

ease and; (d) that as a result of the immobility of resources, usage and exploitation of resources is likely to be path-dependent – past usage of resources is likely to influence its future usage. Concisely, RBV proposes that the discrepancy in business growth comes about for the simple reason that businesses are endowed with resources that are (i) valuable; (ii) rare; (iii) imperfectly imitable and; (iv) non-substitutable; thus the VRIN attributes (Storey and Greene, 2010). The resource-based views, in spite of the appealing nature of identifying that businesses have the overriding responsibility of their own growth devoid of chance and any external influence, the approach has, however, been subjected to criticisms. The following shortcomings have been identified as:

a) The validity of resourced-based view has been challenged by Priem and Butler (2001) and criticised it as being tautology. The authors implied that it follows a circular logic; having VRIN qualities results in business growth. However, business growth is dependent on having VRIN qualities.

b) How are businesses able to identify that they possess the requisite VRIN qualities? Is it as a result of their possession of specific tangible or intangible resources, and if intangible, how easily is it measured?

c) The resource-based view suggests that businesses that are able to carefully combine their resources will continue to do so, however, evidence (e.g. Cosh and Hughes, 2000; OECD, 2008; Storey and Greene, 2010) shows otherwise. The RBV fails to address why the VRIN qualities are usually so transitory. In brief, the problem with this approach in explaining what influences or determines business growth is that it is not that simple to actually point out that businesses have the responsibility for their own growth, besides, it is almost impossible, by definition, to measure intangible capabilities (Storey and Greene, 2010).

2.6.3 Jovanovic's 'learning' theory

The next theory of growth is Jovanovic's (1982: 649) theory of `noisy' selection which was based on the proposition that `efficient firms grow and survive; inefficient firms decline and fail'. According to Jovanovic (1982) businesses differ in sizes not because of the fixed capital structure but rather differences in the efficient levels of the businesses. Parker (2004: 208) noted that under Jovanovic's model owner-managers do not know their abilities when they start their businesses. However, as they continue to practice, they learn about their abilities and the able ones survive and grow while those who were less able shrink and exit. McPherson (1996: 258) also noted that Jovanovic's (1982) model predicts the annual growth rate of a business as a function of the accuracy of the manager's predictions regarding its ability, as well as the price of the product. Sutton (1997: 47) also noted that Jovanovic's (1982) model provided a qualitative description of the process of excess entry followed by some exit although the model said little with regard to the size distribution of the firm. However, this model has been criticised because it assumed that owner-managers who already have certain level of efficiency and while they learn over time they cannot change it (McPherson, 1996: 258). In spite of this criticism, Rodriguez et al. (2003: 292) and Parker (2004: 208) observed that a myriad of empirical studies have supported Jovanovic's model which has been described as the `learning' theory.

The next section discusses the factors that affect the growth of small businesses given that none of the approaches discussed above has been found to be suitable in explaining how businesses succeed or fail, in other words, factors that enhance or constrain small business growth. One central problem in understanding business growth is the huge number of theories and factors proposed in explaining why some small businesses grow faster than

others (Storey and Greene, 2010: 244). Given the inherent weaknesses of the theories to provide insight into business growth, in other words, providing anything new in explaining and understanding business growth, the author discusses or examines empirical evidence (influential factors) on business growth in the next section.

2.7 Factors Influencing Growth of SMEs

In this section, the researcher intends to explore the factors that influence the growth of the SME sector; factors enabling and/or constraining growth. SMEs have been the main source of the employment generation across the globe in excess of the previous two decades (Ahmad et al. 2012), however, only a small fraction of SMEs are perceived to be successful in achieving exceptional performance and sustainable growth, and that their growth is influenced by certain factors (Sidik, 2012). Based on extant literature, there are perceived micro and macro factors (Khan, Alam & Khan, 2005), on the other hand internal and external factors responsible for growth and development of the SME sector, or becoming barriers to growth.

- Environmental factors that influence the growth of firms can be categorised into two types, internal and external factors (ICFAI 2001).
- The internal factors are those which are under control and involve the enterprise's workforce, the strategy, the functional, operational, marketing, financial, and technical capabilities.
- The external factors are those which are out of control and involve economic, sociocultural, regulatory and legal, political, financial, trade, technological, demographics, geophysical factors, etc.

External factors are the factors that enhance or hinder a certain firm which come from an external environment. It takes the following forms: Social and cultural factors which play an important role in terms of human relationships and their effects on the society and the growth afterwards. Understanding a particular culture enable SMEs owners to establish and run their businesses. The political situation as an external factor also has a significant impact on the growth of SMEs, which needs to be dealt with. Economic situation for certain countries also consider a vital factor to influence growth of SMEs, which includes economic planning like five-year plans, budgets, monetary, fiscal, and trade policies. SMEs are working closely with financial institutions, in order to understand the dynamic nature of financial environment. SMEs can be affected by legal systems and it is essential that firms operate in global environment respects and abide the global laws. The regulatory factors also include the factors that associated with planning, promotion, and regulation by the government. Other factors also include policies related to import/export, distribution, pricing, public sector, small scale industries, etc.

2.7.1 External factors hampering the growth of SMEs

2.7.1.1 Legal and regulatory framework

The legal and regulatory factors which affect the growth of firms incorporate the constitutional framework, policies related to export, and import distribution (Gupta, Guha & Krishnaswami, 2013). The regulatory factors include the elements associated with planning, promotion, and regulation through government. According to Davidsson (1989) complex rules and regulations can heavily hinder SMEs' growth. Krasniqi (2007) also emphasised that the high tax rates and cost of complying with regulations significantly increased expenses of

small firms, whilst limiting their performance. A study carried out by International Finance Corporation (IFC, 2013), according to responses from more than 45,000 firms in developing countries, revealed that the major factors which affect their performance are a poor business climate, high tax rates, competition from the informal sector, and insufficient infrastructure, such as an unreliable power supply. In the context of developing countries, Tybout (2000) revealed strict governmental regulations limit the ability of small firms to grow. For instance, the expansion of small firms in Tanzania are discouraged by such regulations, and consequently a large number of small businesses may remain informal (Verspreet & Berlage, 1998). Entrepreneurs face similar issues such as the inability of government officials who offer services to them, as well as time-consuming measures due to “red tape”. These issues stem from a lack of expertise and knowledge of the market economy conditions, hence time-consuming measures and unreasonable requirements slow down the growth of existing and new firms (Krasniqi, 2007).

2.7.1.2 Access to finance

Lack of access to external fund represents a primary challenge towards the growth of SMEs, and also constitutes a high proportion of failure among such businesses. Small firms in developing countries face numerous financial difficulties, namely limited access to bank loans as result of the high risk of default loans, low profitability, and shortage of collateral required by banks (Harvie, 2005). All firms require funding irrespective of their size and the early survival of small firms will be determined by the amount invested in them when they

are first established (Mbugua; Wangoi; Ogada; and Kariuki, 2013). According to Orser (2000) the lack of information regarding available sources of finance and the inability of SMEs to access them were two of the most substantial problems faced by small firms. In addition, Krasniqi (2007) states that loan measures and collateral requirements prevent firms from obtaining loans from banks. Consistent with Berger and Udell (1998), Galindo and Schantiarelli (2003) revealed that small firms in both developed and developing countries have the least access to external funding, which in turn restricts the growth of such firms in comparison to larger ones.

2.7.1.3 Competition

Small firms in developing countries face a high competition from large firms and informal businesses, due to the low cost of establishing businesses in the unofficial sector. All firms, either large or small seek to find competitive advantages, which influence their survival. However, SMEs typically fail to compete with large companies due to poor market knowledge, lack of innovation and low levels of management, all of which are fundamental factors for improving the quality of firms (Govori, 2013). Kuramoto (2011) argues that competition among small firms enhances innovation and technological changes result in increased productivity. However, competition from large sized firms may result in serious implications to small ones and may lead to failure (Quartey, 2001). According to Jonathan and Magnus (2000) the competition resulting from new products in the market as well as new rivals can also affect the growth of firms.

2.7.1.4 Corruption

According to Kiggundu (2002) the primary obstacle affecting African SMEs are bribery, dishonesty and other illegal activities. Such activities particularly hinder firms in Sub-Saharan Africa and also enable those employed in high positions to make illegal profits. While the influence of corruption on SMEs remains vague in the literature (Okpara & Kabongo, 2009). Corruption is considered to be a socioeconomic phenomenon which proves costly for firms. Most importantly, corruption forces SMEs to engage in informal economies despite them not having adequate resources to pay bribes (Bartlett & Bukvic, 2001; Aidis, 2003).

2.7.1.5 Taxation

Taxation is a vital factor associated with the growth of small firms, which either stimulate or discourage owner-managers through an inappropriate and inefficient tax system. Vasak (2008) argues that complex tax systems place unequal pressure upon SMEs since the requirements and tax rates are similar for both small and large firms. Complex tax systems are more likely to lead SMEs to employ outside advisors, which in turn increases transaction costs. Therefore, low tax rates can facilitate the growth of small firms by increasing output and reducing the volume of informal economies (Krasniqi, 2007).

2.7.1.6 Economic and political instability

Economic factors play a significant role in the growth of SMEs, which include the fiscal and monetary policies of the government, inflation, interest rates and foreign exchange rates. These factors influence the demand for goods and services and hence the growth of new SMEs (Olawale & Garwe, 2010). Political instability on the other hand is crucial for small firms that seek investments, for instance, high crime rates may increase the cost of security and hinder SMEs from expanding. According to several past studies, political instability plays

a crucial role to hinder growth of small firms in many countries (Gayle et al., 2012; Hammed, 2018; Leydesdorff & Meyer, 2006; Varsakelis, 2006). According to Yang (2011), in Pakistan, small firms' owners ranked political instability as the major factor hampering growth in 2010.

2.7.2 Internal factors hampering the growth of SMEs

2.7.2.1 Size of firm

According to many authors, small firms may grow faster than large ones (Jovanovic, 1982; Evans, 1987; Hall, 1987; Dunne & Hughes, 1994). Storey and Greene (2010) argue that there are two approaches which explain that the initial size of firm is very important for subsequent growth. First is that firms which start small will grow fast, and in order to survive they must achieve the minimum efficient scale (MES) of production. If such a situation does not take place then firms are more likely to fail, due to high costs. The second approach is that large firms are more likely to grow than small ones, because of their adequate human and financial capital, which enable them to overcome any issues related to inefficiency. Since its presentation, Gibrat's Law (1931) has become a reference for empirical investigation on firm growth (Becchetti & Trovato, 2002; Distante, Petrella & Santoro, 2018; Parker, 2009; Sutton, 1997). However, most empirical analyses reject it (Almus & Nerlinger, 1999; Brenner & Schimke, 2015; Hall, 1987; Mateev & Anastasov, 2010): size presents an inverse relationship to the firm's growth. Small firms are expected to grow more (Liedholm, 2002) and more rapidly (Audretsch, 2012; Coad & Tamvada, 2012) than large firms (Oliveira & Fortunato, 2003; Simbaña-Taipe, Rodríguez-Gulías & Rodeiro-Pazos, 2018). This is because small firms typically have the need to achieve a minimum efficiency scale (or optimum size) that allows them to achieve profitability and survival within the sector (Burger et al., 2017;

Davidsson et al., 2002). As firms get older or become larger, their growth rate declines due to the scale effect (Tarfasa et al., 2016). Therefore, larger firms have possibly already found their optimal size, or they are really close to it. On the other hand, Canarella & Miller (2018) have different perspective mentioned it in the literature, and they arguethat the small firms in the information and communication technology industry do not grow faster than large firms. Other models emphasize the importance of learning for firm dynamics and are based on passive and active learning theoretic models derived by Jovanovic (1982) and Ericson and Pakes (1995). These approaches assume that new firms only receive information about their effectiveness after market entry, they operate in an unsure environment in the beginning, but they are able to learn from previous periods and experiences. And according to Jovanovic (1982) and Ericson and Pakes (1995), new and small firms should then grow faster, given that they survive.

Van Wissen (2002) argues that high growth may result in many opportunities, such as firm experience and learning. However, such growth can be fulfilled through firms that have been well-established of a significant period of time (Das, 1995; Smallbone & North, 1996).

2.7.2.2 Age of firm

Based upon extensive research, the age of a firm plays a significant role in affecting the growth aspiration (Storey, 1994; Barkham, et al 1996). Storey (1994) states that young firms struggle to achieve rapid growth, in order to reach an efficient scale, whilst some owner-managers are unlikely to seek growth once they generate high returns. Many scholars have found that new firms experience more rapid growth; in other words, the age of a business is negatively related to growth (Jovanovic, 1982; Evans, 1987; Dunne *et al.,* 1989; Storey, 1994; Wagner, 1995; Davis *et al., 1996;* Glancey, 1998; Almus & Nerlinger, 1999;

Wijewardena & Tibbits, 1999; Davidsson et al*.,* 2002; Andersson, 2003; Cabral & Mata, 2003). These findings have been reproduced in many countries, such as Spain (Calvo, 2006), Sweden (Davidsson *et al.,* 2002) and Japan (Yasuda, 2005) and across different sectors.

According to Storey (1994) such phenomenon can be explained by the fact that newer firms seek to rapidly grow in order to ensure an efficient scale is fulfilled, while other researchers suggest that owner-managers are less likely to seek growth when a satisfactory revenue is generated by the business. Smallbone & Wyer (2000) argue that new firms need to prioritise expanding their operations when striving to gather effective resources to overcome unpredicted external circumstances, and thereby achieve success and profitability.

Van Wissen (2002) suggests that high growth may present a number of other advantages and opportunities, including firm experience and learning. However, several authors argue that high growth can also be achieved by firms which have been long-established (Das, 1995; Smallbone & North, 1996). Heshmati (2001) suggests that older firms may benefit from their operations having been implemented for a longer period of time. Sleuwaegen & Goedhuys (2002) propose that the relationship between growth and age is consistent with the learning model introduced by Jovanovic (1982), who mentioned the management team gain an understanding of their overall efficiency and perform necessary adjustments to their business activities.

There is also a remarkable consensus that such firms may also benefit from dynamic economies of scale through a higher profit margin on sales, learning from experience, and firm reputation. According to Kimuyu (2001) longer established businesses are more likely to have successful management methods implemented and perfected over time, which help them to make profitability. Biesebroeck (2005) carried out a study across nine African countries, establishing a negative association between small business age and growth.

Harding *et al. (2004)* found that newly established firms in Africa show more substantial and rapid growth, greater constraints arc experienced, such as restricted access to export markets and limited demand. On the other hand, Sleu'vvaegen & Goedhuys (2002) found that in the Cote d'Ivoire such a relationship did not exist in regard to those firms established with 45 or more employees.

2.7.2.3 Legal form

Several authors (Storey, 1994; Rosa & Scott, 1999; Almus & Nerlinger, 1999; Davidsson, 2002) have mentioned that limited companies are more likely to achieve substantial growth rates compared with sole proprietorship and partnerships. The justification behind this theory is that the owners of limited companies tend to take risks when conducting business, due to their limited liability. Such firms have a large degree of credibility to both customers and banks, however, some argue that a higher rate of decline is found among limited companies than with that of sole proprietorships and partnerships, and this can be addressed by adopting multiple directorship over different firms (Almus & Nerlinger, 1999; Rosa & Scott, 1999).

2.7.2.4 Sector

According to Davidsson (2002) the firms that operate in technology, education and healthcare grew faster than those within the manufacturing sector. Several researchers argue that firms with high technology and innovation are able to produce new products, and therefore achieve high rates of growth, unlike firms in other sectors (Davidsson & Delmar, 1997; Chamanski & Waago, 2003; Calvo, 2006; Peneder, 2008; Wiklund et al, 2009; Littunen & Niittykangas, 2010). On the other hand, small firms are more likely to grow in any industry, due to their capabilities to operate within niche markets (Barkham, 1996). A study

into the growth of firms in five African countries (South Africa, Botswana, Lesotho, Swaziland and Zimbabwe) revealed variation among these countries in respect to sectors. For instance, in Lesotho metal fabrication, wood, and food firms grew fast, while in South Africa wood, paper, printing and publishing, and food firms fulfilled high growth (Mcpherson, 1996).

2.7.2.5 Age of owner-manager

Several researchers indicated that there is no relationship between firm growth and the age of owner-managers, while other authors revealed a positive relationship between the growth of small firms and the age of owner-managers (Westhead et al,2001; Mcgee & Sawyerr, 2003; Andersson, Gabrielsson & Wictor, 2004). Reynolds et al (2000) stated that owners aged between 25 to 44 years were the most successful entrepreneurs. Furthermore, Barkham et al (1996) proposed that a firm is more likely to grow if the owner-manager is young, due to such people having a higher level of incentive, energy and ambition to fulfil the growth of their businesses. While older owner-managers may have sufficient skills and more experience than their younger counterparts, but they are less willing to expand firms (Barkham, 1996

2.7.2.6 Gender of owner-manager

It is widely considered that the gender of the owner-manager is an important element to the growth of firms. According to Mazzarol et al (1999) females are less likely to be owners of new firm than males. Similarly, Kolvereid (1996) revealed that males had fundamentally higher entrepreneurial incentives than females. Nevertheless, other authors indicated that

there is no association between gender and growth of SMEs (Cooper et al, 1994; Cliff, 1998). Moreover, several factors may influence females once starting up their small businesses, such as family responsibilities which reveal why women generally have fewer working hours than men (Mazzarol et al, 1999).

2.7.2.7 Education background

There is no doubt that basic education develops the essential skills of the owner-managers, and hence increasing the opportunity of survival for small firms (Carter & Jones-Evans, 2000; Storey, 1994). In the literature, there are two schools that discussed the educational level of the owner/manager tends. Some studies state that the fact that a manager has a higher education degree or even a postgraduate degree seems to stimulate the growth of the firm, thus having an impact on both survival and growth. The converse argument is that owner/managers of SMEs who had degrees generally achieved lower rates of growth than those less well educated (Hall, 2000; Barkham et al., 1996). In addition, Storey (1994) emphasised that people with a high degree of education are more likely to think that entrepreneurship, and start-up businesses are somewhat dull and uninteresting. However, Casson (1991) argues that well-educated entrepreneurs are likely to hire outstanding staff and experts, and also authorise functions as necessary in order to achieve desirable growth.

2.7.2.8 Motivation

Many authors have mentioned that growth of small firms is affected by the motivation of the owner-managers (Bouwen & Steyaert, 1990; Davidsson, 1991; Morrison, 2003; Swierezek & Ha, 2003; Mochrie, Galloway & Donnelly, 2006). Motivation for running a business can be classified as either positive or negative, the positive elements include a desire to earn money, independence and being your own boss, the negative factors may involve disappointment with past or existing employment, job dissatisfaction, and redundancy or unemployment (Deakins & Whittam, 2000; Smallbone & Wyer, 2000; Janssen, 2003; Delmar & Wiklund, 2008; Littunen & Niittykangas, 2010). Owner-managers who start up their firms with negative motivational factors are less likely to achieve successful expansion, while those who establish their firms through positive motivational factors are more likely to achieve rapid growth (Storey, 1994; Smallbone et al, 1995; Reynolds, 2001; Wiklund & Shepherd, 2003; Acs, 2006).

2.7.2.9 Prior business experience

According to Storey (1994) there is a positive relation between high growth aspiration and managerial experience. Storey explained that the ambition of owner-managers to become wealthy drive them to improve essential managerial skills, which in turn lead to rapid growth. Burt (1995) argues that having a prior knowledge and understanding of how a particular sector operates may be considered very useful and essential for entrepreneurs intending to start their own businesses in the said sector. The idea is to link prior sectoral experience to performance and growth of a business. Bart (1995) posits that it seems quite plausible that individuals equipped with prior sector experience are more likely to establish a business that grows than individuals without any prior knowledge of the sector. Notably,

equipped with detailed knowledge of a particular sector is an incentive for the entrepreneur to develop a range of strong and weak ties that could possibly serve to legitimise the business and help identify 'structural' holes (Burt, 1995). Storey (1994: 135) observes that individuals who have acquired some form of previous working experience in the sector in which they intend to start their business are more likely to have developed their expertise and experience about acceptable norms and practices in that sector. The assumption is that when such norms and practices are well understood and prudently implemented, a subsequent significant business growth can be achieved (Storey, 1994: 135).

Dobbs and Hamilton (2007) stressed that the positive influence of prior business experience can be identified by the capability of individuals to comprehend the measures that are to be taken to avoid errors. Similarly, Barringer et al (2005) stated that prior experience appears to make owner-managers meticulous at running firms, and thus reduces mistakes. However, Smallbone and Welter (2001) revealed that prior managerial experience alone is not sufficient to explain how small firms grow and suggest that prior experience is often gained through work in state-owned firms. Therefore, such experience is unlikely to be effective and positive in respect of firm growth.

2.7.2.10 Marketing skills

According to Stokes (2000) marketing is a major skill that distinguishes between the failure and success of small firms. Mazzarol and Ramaseshan (1998) illustrated a strong association between firm growth and formal marketing planning. Their findings mentioned that formalization is vital and a direct link between formal marketing and firm's growth may exist. The relationship between formal marketing planning and SMEs growth has been addresses in the literature (Crawford-Lucas, 1992; Knight & Knight , 1993; Morris, 1994;

Way, 1994). It has been argued that firm growth may increase the motivation to formalise its marketing planning, while some smaller firms may be able to conduct their activities successfully without the need for a formal planning process (Chae and Hill, 2000). Additionally, a formal marketing planning process, potentially, may result in improvements in planning through setting standards, encouraging better preparation, encouraging employees' involvement, and enhance the skills gained in planning. Therefore, the benefits of marketing planning would, arguably, be in direct relation to the achievement of the intended marketing objectives and the contribution that it may have to the realisation of the company's growth potential (Taghian & Shaw,2005). Smallbone et al (1995) and Tzokas et al (2001) have also identified a similarly positive relationship between success and marketing. Marketing factors, which need to be addressed to ensure the growth of SMEs involve competition, low demand for products, inability to meet customer needs, lack of knowledge, unsuitable location and misdirected pricing strategy (Cant & Wiid, 2013). Research undertaken in Kenya and Nigeria, revealed that educationa and training in marketing has a positive impact on firm growth (Winston & Dadzie, 2002).

2.7.2.11 Human resources

Small firms have a lack of skilled employees in developing countries, which consequently hinders the growth of SMEs (Sleuwaegen & Goedhuys, 2002). Small firms are generally managed by their owners, however, as long as an SME owner has the essential skills and knowledge, the opportunities for growth can be achieved (Shane,2003). For instance, innovative activities, cost reduction, production efficiency, and the overall growth of small firms rely highly on the entrepreneur's capability to react to changes in the environment (Hashi & Krasniqi, 2011). Furthermore, since education and entrepreneurship contribute to

the increase in the fundamental skills of human capital, these factors can help to predict the probability of whether SMEs will flourish or not. Chandler and Mcevoy (2000) stated that human resource capacities have a positive impact on the growth of SMEs, which in turn improves the personal skills and motivation of employees, and thus results in enhancing the productivity and sustainability of small firms. This is further supported by the numerous studies which indicate that low human resources abilities are a critical challenge for the development of SMEs in developing countries (Batra & Tan, 2003). Training is an important factor for owner-managers and employees, and that is why a large number of empirical studies address various training topics, starting from all forms of trainings for employees, training of managers, training of team, etc. (Arthur, et al., 2003; Keith & Frese, 2008; Morris & Robie, 2001; Powell & Yalcin, 2010). These studies provide arguments that when a training is well organized, then it will lead to positive results. The investment in trainings is crucial for SMEs since this investment will result in a higher employee's performance (Shaukat et al., 2015); increase the productivity and salaries (Barron et al., 1999); a suitable work environment and satisfied consumers (Wrigt et al. 2003); and that the training and development activities enable SMEs to adjust more easily, to be competitive in the market and to differ from other rivals, to be innovative, to be secure, to improve production and service, and this way to meet their goals (Salas et al., 2012)

2.7.2.12 Technological capacities

According to Storey (1994) technological capacities take several forms in relation to small firms, such as research and development (R&D), the exploitation of qualified scientists and engineers, investment in advanced equipment and facilities. Morse et al (2007) revealed that SMEs benefit from new technology in terms of improving efficiency, cutting costs and

widening market share. Wijewardena and Tibbits (1999) argue that owner-managers, who lack essential resources and skills can hinder technological sophistication. As noted by Storey (1994), access to technology requires more formal management structures, and sufficient numbers of highly qualified personnels.

2.7.2.13 Unreliable electricity supply

Undoubtedly small firms need a variety of power services to operate efficiently and profitably. The supply of electricity is significantly affected by cost, and as the cost is variable, access to an adequate and affordable supply of electricity is a vital measurement of the profitability and growth of small businesses (Frederick & Selase, 2014). According to Irjayanti and Azis (2012) the high cost of power constituted 62% of the barriers which hinder SMEs in Indonesia. The Confederation of Tanzanian Industries (CTI, 2011) revealed that the manufacturing sector in Tanzania faces unreliable, sporadic electricity supply and such outage makes small manufacturers experience poor service quality.

2.8 Empirical review on factors affecting SMEs performance in different contexts

This section reviews the literature on the SMEs in relation to the challenges and barriers that are confronting them in different countries worldwide. **In developed countries,** Pandya (2012) mentioned that there are several factors that the USA SME sector faces, especially in exports. These factors are, difficulty to access to finance, high cost of transport, problems with local and foreign regulations, and lack of knowledge of foreign markets. In Japan, SMEs are affected by several factors such as access to finance, hiring right employees, lack of

export orientation, and lack of innovation (Economist Intelligence Unit, 2010). According to Lee (2014), SMEs in the UK face obstacles in six areas: recruitment, skill shortages, obtaining finance, cash flow, management skills and finding suitable premises.

In developing countries, Agwu and Emeti (2014) investigated the factors that affect Small and Medium Enterprises (SMEs) in Port-Harcourt City, Nigeria**.** The authors revealed that inadequate financing, poor infrastructure, lack of managerial skills and taxation were major barriers hindering growth of SMEs.

Sitharam and Hoque (2016) investigated internal and external factors affecting SMEs performance in South Africa. The authors conducted an online questionnaire to 74 SMEs owners/managers who were members of the Durban Chamber of Commerce. The findings revealed that technology would improve the growth of SMEs. Concerning barriers, the study indicated that competition represents a major obstacle. Furthermore, the study also indicated that crime and corruption hinder small firms' performance. Franco and Haase (2010) revealed several factors that discourage performance among SMEs in Portugal as: limited access to finance, poor market conditions, lack of adequate staff, lack of institutional support, and lack of cooperation and networking.

Dragnić (2014) investigates in Croatia the impact of internal and external factors on the performance of fast-growing SMEs using descriptive analysis. Findings reveal that (business entity size, life cycle stages, technology and product innovation, organizational autonomy, centralization and formalization, market roles, and type/importance of goals) represent internal factors. In contrast, (general state of the economy, sector, and type of customers) are external factors.

Sherazi et al (2013) examine the obstacles that are confronting Small and medium enterprises in Pakistan. Their study was a questionnaire survey-based research with 107 SMEs firms as sample size. Findings establish that out of six key obstacles, Financial constrains was took the highest rank followed by corruption. In addition to, social, technological, training, management and infrastructure.

Bartlett & Bukvic (2001) examined the major barriers to small business growth and development in Slovenia using both descriptive analysis (percentages and rank) and Ordinary Linear Regression (OLS) analysis. Results show that critical barriers that are faced by SMEs were associated with the institutional environment including bureaucracy as well as external financial constraints, which include high cost of capital. Also, the study establishes that internal organisation and resource issues, and social support through local development coalitions are less important.

In MENA region (Middle East and North Africa), a study carried out in Algeria by Bouazza et al (2015) examined the factors that are influencing the growth rate of SMEs. Results of their study shows that the growth of SMEs in Algeria is constrained by several factors, which involve environmental factors or external factors and internal factors. The external factors include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities.

In Oman, Al-Maskari et al (2019) conducted a study using a structured questionnaire to a sample of 42 enterprises. The authors mentioned that SMEs face more barriers, both internal and external. External barriers include the lack of raw materials, the lack of skilled workers, visas for foreign workers and the high interest rate of business loans. While,

internal barriers are competitive pressure in the market, difficulty of external marketing, high labour cost and high operating cost. Some challenges, such as lack of skilled workers and difficulty getting visas for foreign workers are common to medium and large enterprises alike.

In Jordan, a study carried out by Mashal (2018) who investigated the non-financial factors that influence SMEs. The findings of his study revealed that government policy, innovations and training, and competition were found to be significant in improving the performance of SMEs in Jordan, other factors were not found significant. In addition, Hassanein and Adly (2008) noted that the lack of access to suitable sources of finance is a major obstacle to SMEs' growth in the Egyptian market.

Based on the above discussion, it seems both countries (Nigeria and South Africa) are located in African continent, and it is ranked by World Bank as the most difficult region to do businesses for SMEs.

It is notable that some barriers were very minimal in Nigeria but quite significant in South Africa and vice versa. However, lack of funds was the most critical challenge in both countries. Dragnic (2014) study was conducted only on Croatian fast-growing SMEs as there are not many similar studies carried out in transitional or small countries or those in the field of fast-growing businesses. The two studies were conducted in transition economies, particularly in east Europe which found to face barriers classified as institutional barriers, internal organisational and resource barriers, external market barriers, financial barriers and social barriers to growth which persist in the transition economies (Hanley, 2000; Broadman, 2000)

One can very well note from the brief analysis that despite of high SME growth, US and Japan are facing various issues of related to SME sector. Hence it becomes highly important for developing countries to tighten their efforts with more efforts. According to Lee (2014), SMEs in the UK face obstacles in six areas: recruitment, skill shortages, obtaining finance, cash flow, management skills and finding suitable premises. This study was conducted on high growth firms specifically.

According to results from the International Monetary Fund, the key direct barriers to SMEs growth in the MENA region are (a) difficulties in access to finance, (b) labour skill mismatches and shortages, and (c) electricity constraints (Bhattacharya and Wolde, 2010). Other studies have concluded that labour skill shortages are a key barrier to growth in the MENA region. Page and Gelder (2001) and Karshenas (2001), for example, argued that a prominent feature of the MENA economies, inherited from the past experience of development, is the low stock of labour skills and human capital compared to other countries with similar levels of per capita income, and the same authors also explained that, although recruitment agencies use low labour costs as a selling point to potential investors, many owner-managers referred to a shortage of workers that have the right skills for the job. Pissarides and Véganzonès-Varoudakis (2007) confirmed that countries in the MENA region failed to develop human capital efficiently, despite the fact that there is a high level of education. The problem, therefore, is potentially with education systems that cater for the recruitment needs of the public sector and not the growth enhancing activities in SMEs as they cited, and which is clear in some countries, for instance in the Gulf (Kassem and Habib, 1989), where the ambition of the majority of graduates is to be employed in the public sector.

In the Libyan context, many external and internal factors influence the growth of SMEs based on the studies in the table (2.3) below.

Table 2.3 Selected studies on SMEs growth factors in the Libyan context

Title	Authors	Constrains facing SMEs
Simplified Enterprise Survey and private sector mapping	(World Bank Group,2015)	political and economic instability, corruption and the high rate of crimes and theft.
Obstacles to innovation faced by Small and Medium Enterprises (SMEs) in Libya	(Elmansori & Arthur, 2014)	lack of access to finance, lack of innovation culture and lack of skilled management.
Formal versus informal financing of SMEs in the Libyan context	(Samawi et al,2016)	lack of funding and poor liquidity.
The Global Competitiveness Report 2014-2015	(Schwab, 2014)	Government instability, access to finance, an inadequately educated employees, inefficient government bureaucracy,

		policy instability and corruption.

2.9 Summary

This chapter has reviewed and discussed in detail the past studies on the concepts of entrepreneurship and the entrepreneur. Then it highlighted the numerous definitions of SMEs around the world, including SMEs in Libya. Moreover, this chapter discussed the economic importance of SMEs. A review of SMEs growth definitions and measures as well as theories of small firms 'growth have been discussed. Furthermore, this chapter highlighted the factors that influence SMEs' growth through reviewing many past studies that have been conducted in developed and developing countries including studies that have been done in Libya.

Chapter Three: Libyan Economy and SMEs

3.1 Introduction

As this study focuses on barriers among small businesses in Libya, it is essential to provide the reader with sufficient knowledge about the nature of Libyan economy and business environment that facilitate or constrain SMEs. This chapter is divided into seven sections. A general background of Libya will be presented in section 3.2 and section 3.3 will highlight the situation of Libyan economy with emphasise on four main phases. Section 3.4 discusses the environment of private sector in Libya. Moreover, section 3.5 and 3.6 focus on SMEs in Libya and financial and banking sector. Section 3.7 discusses the land and property rights in the Libyan context. Last section 3.8 is the summary of this chapter.

3.2 Overview of characteristics of Libya

Libya is an Arabic country that is located in North Africa and it has a strategic location.

It has a large area with nearly 678,400 square miles (1,760,000 square km) and it overlooks the Mediterranean Sea of North Africa (Buferna, 2005). Figure (3.1) below illustrates the Libyan location on the map.

Figure 3.1: Map of Libya

The south of Libya forms a large desert with a small population. In 2006, the population in Libya was estimated about six million people and the majority of them live in the north coast cities such as Tripoli, Azawia, Misurata, and Benghazi. Arabic language and Islamic religion are the main elements that characterise the Libyan culture (Buferna, 2005).

3.3 The Libyan economic situation (historical overview)

This section sheds light on important phases of Libyan economy since

independence in 1951. This historical period covers four main phases;

The first phase begins from independence until the discovery of oil

in 1959. The second phase begins from the discovery of oil in 1959 until Colonel Gaddafi's revolution in 1969. The third phase begins from 1969 until 1987, when the Libyan government started to move towards a more open economy. Then, the last phase when the government made economic reforms.

3.3.1 The Libyan economic situation before 1959 (Before the discovery of oil)

Prior to discover oil, Libya was an extremely poor country in the world. Majority of Libyan people worked in animal husbandry and agriculture. Libya at that time was colonised by Italy which controlled all economic activities in the country. The Italian colony did not establish industrial, commercial or agriculture firms in Libya as other colonial powers did in neighbouring countries such as Egypt, Tunisia or Algeria (Buferna, 2005). The Libyan economy relied on a tiny industry with limited productivity, as well as a weak agricultural sector. In addition, Libya in that period obtained financial assistance from the UN (United Nations), and from other international organisations that assist the country to tackle the poverty. Libya also gained financial resources from the use of American and British military bases (Buferna, 2005).

3.3.2 The economic situation from 1959 until 1969

The economic situation in Libya significantly changed after the discovery of oil in 1959, and the foreign capital flowed to Libya through the multinational oil companies. Hence, the need to financial helps decreased. Prior to 1969, the Libyan economic system was extremely capitalist and encouraged the private sector, while the public sector was only concentrated in large scale investment. During that period, several laws were

formulated by the Libyan government in order to regulate the economic activities of the country such as, importing and exporting laws. The Real Estate and Industrial Bank of Libya provided loans to many people to establish their businesses. Since discovery of oil, the Libyan economy achieved financial surpluses rather than a gross national deficit (Abusnina & Shameya, 1993).

3.3.3 The Libyan economic situation from 1969 until 1987

Since Gaddafi's revolution in 1969, the Libyan economy system changed dramatically from capitalism to socialism. The public sector dominated in most economic activities, while the private sector was cut back. In addition, the government intervention in the economy increased. Furthermore, in the late 1970's and early 1980's the Libyan government officially nationalised most firms such as retail trade, banking, insurance services and manufacturing (Buferna, 2005).

3.3.4 The Libyan economic situation after 1987 (economic reforms)

The Libyan economy witnessed many changes in the 1980s because of the drop in the world oil prices. Therefore, the Libyan government in 1987 decided to move towards a more open and liberal system. For instance, in the 1990's Libya witnessed changes in terms of establishing some private firms and hence the government performed several economic reforms in order to encourage the development of the private sector. This section will highlight the reforms that have been introduced to encourage and organise the private sector to participate widely in the economic activities.

Between the late 1990's and the early 2000's, the Libyan government introduced a number of laws to regulate the economy of the country. For instance, reforms that maintain the

stability of the exchange rates, which prevent dominance of the informal market and smuggling of foreign currency. These reforms contributed in enhancing the performance of Libyan banks in terms of their commercial operations. In 2005, the Libyan government made changes regarding lifted all customs fees (except cigarettes) and imposed only a service import tax of just 4 percent. Moreover, Libyan parliament issued several laws that encouraged the local and foreign companies to invest their capital in Libya.

The laws were as follows:

> Law number 9/ 2000 for organising the transit of commerce and free zones.

> Law number 21/2001 to regulate the economic activities for individuals and public companies.

> Law number 7/ 2003 to encourage foreign investment in Libya.

> Law number 1/2005 concerning banking regulation.

> Law number 2/2005 for combating money laundering.

Moreover, the General Peoples Committee introduced some economic regulations such as:

> Decision number 2/2002 to regulate the import and export sector.

> Decision number 21/2002 concerning foreign capital investment.

> Decision number 8/2005 regarding opening offices for foreign companies in Libya.

> Decision number 6/2008 for reorganization of the national program for small and medium sized firms (L.G.P.C, 2009).

These laws have been introduced in order to expand the base of ownership and allow the private sector to participate in the economic activities. Free zone trade is very important to promote and facilitate transit trade for SMEs. For instance, law no. 9/2000 regulates free zone trade through offering exemptions and benefits such as exemption from customs on machinery, equipment, parts and supplies that required for the operations. Free zones allow SMEs to access to storage for their goods to be imported and exported. Furthermore, The Libyan government made big efforts to attract foreign investments according to Law No. 7/2003 which allowed foreign investors to do joint venture firms with Libyan shareholders.

3.4 Private sector and economic situation in Libya

Since the beginning of the Gaddafi era, all economic activities such as manufacturing, agriculture, retail trade, banking and insurance were dominated by the state (AFDB,2011). Libyan economy faced international pressures which took a form of sanctions in the 1980s imposed by the United States. Therefore, the Libyan government launched a series of economic reforms in order to make the economy more open and liberal, which enhanced the role of the private sector. However, these reforms had limited impact, which contributed to creating entrepreneurship in certain sectors such as services and handicraft that carry low risks and require little private investment (OECD, 2016).

In 2006, the government recognised the vital role of private firms in generating wealth and employment in Libya, but after that little progress was made in enhancing the private sector and development of SMEs. Consequently, the private sector in Libya is very small which constitutes only about 5% of GDP and about 14% of employment. Public sectors such as oil and gas, defence, health, education, social services, electricity, and water supply constituted over 85% of GDP in 2012. The manufacturing sector accounted for about 3.2% of GDP in

2012, while construction and real estate sectors represent about 2% and 5% of GDP respectively. Furthermore, other private sectors such as hotels, restaurants and private education represent a very small proportion to GDP (OECD,2016).

During 2000-2010, the average production of oil in Libya has reached about 1.6 million barrels a day (mbd) (see table 3). In 2008, the oil production reached about 1.78 mbd as Libya benefited from higher revenues as a result from higher oil prices, and year later the prices dropped back to low levels. Over that period, real GDP increased at an average annual rate of 4.5 percent, which is slightly below the average growth rates of oil exporters in the Middle East and North Africa (MENA) (see table 3). Real non-oil GDP grew at an average rate of 6.3 percent per year, but this also below other MENA oil exporters. Inflation was moderate throughout 2000-10, averaging below 3 percent per year. However, in 2008 specifically, the inflation was high as international food prices rose significantly and Libya imports about 75 percent of its food.

Table 3.1 Libya: Main Economic Indicators, 2000-2012

	Average 2000-2010	**2011**	**2012**
Real GDP (percentage change)	4.5	-62.1	104.5
Non-oil real GDP (percentage change)	6.3	-52.5	43.7

Oil production (mbd)	1.6	0.48	1.45
Inflation (percentage change)	2.5	15.9	6.1
Fiscal balance (percent of GDP)	13.5	-18.7	20.8
Current account balance (percent of GDP)	24.5	9.1	35.9
Exports (billions of US dollars)	31.8	19.1	62.7
Imports (billions of US dollars)	15.9	15.6	32.2
International reserves (billions of US dollars)	41.8	111.6	124.5
Total foreign assets (billions of US dollars)	-	171.5	176.9

Source: IMF

Over the period 2000-2010, Libya's export earnings increased significantly as international oil prices rose steadily particularly in 2007 and the first half of 2008. Moreover, the Central Bank of Libya (CBL) has reserves with $101 billion by the end of 2010, plus an additional $70 billion which represents assets belonging to the Libyan Investment Authority.

Based on international indicators, the Libyan economy during the Qaddafi era was similar to other oil countries in the Middle East in terms of good performance. Real GDP grew during that period at an average annual rate of 4.5%, slightly below that of other oil-producing countries in the Middle East and North Africa countries, which reached (5.5%). Real non-oil GDP increased at a higher rate of 6.5%, slightly below the annual average in of Middle East

and North African countries, which grew by about (7.3%). In terms of inflation, Libya achieved a moderate average inflation rate of 3% per year during the decade, compared to almost all countries in the region, which recorded an average annual inflation rate of 7%. Libya's foreign reserves reached US $101,000m. by the end of 2010, with an additional $70,000m. in foreign assets transferred to the Libyan Investment Authority. As Libya's export earnings more than doubled, the country benefited from large surpluses due to the huge increase in the international oil prices, particularly in 2007 and the first half of 2008 (Mishrif, 2016). However, this positive performance does not reflect the true picture of Libyan economy that has a number of underlying structural imbalances. First, the private sector was almost totally dominated under the government control of the economy. The Gaddafi government ignored the development of the private sector and imposed a number of strict laws that hinder its growth. These measures included labour regulations that kept the private sector small and largely dependent only on providing services, particularly retail and wholesale trading. Consequently, the restrictions on the development of the private sector led to existence of the informal economy, which constitutes about one-third the size of the formal Libyan economy in 2010 (African Development Bank,2012).

A second issue was unemployment, which was estimated in 2010 to be 13.5 percent, and youth unemployment estimated to be 25- 30 percent. Furthermore, the public sector in Libya was employing around 85 percent of the labour force, which indicate the absence of employment opportunities in the private sector which struggle to find skilled Libyan employees who already have low productivity and labour laws in the country discourage private businesses from hiring workers. As in other MENA oil countries, the Libyan economy

relies on foreign nationals in most jobs that require certain skills in the private sector as majority of Libyan work for the public sector.

Third, the Libyan financial sector was remarkably underdeveloped given the country's level of wealth and GDP. In fact, the Libyan government realised this as a serious issue, and it made reforms to the banking system in 2006 to dealing with nonperforming loans and established a national payments system. Although some banks were privatised and got involved with foreign banks, access to financial services remained limited (Abdulhadi,2013). Therefore, the financial sector remains underdeveloped, based on the 2012-13 Global Competitiveness Report published by the World Economic Forum which rank Libya 140th out of 144 countries in terms of financial sector development. Furthermore, since the Gaddafi era there was the large and highly inefficient subsidy system. The government has subsidised almost all essential needs such as food products, fuel and electricity. For instance, total subsidies in 2010 was 10 percent of GDP, covering fuel (7 percent), food (2 percent), and electricity (1 percent). The prices of gasoline in Libya consider one of the lowest in the world, averaging $0.15 per litre; similar to Iran and Saudi Arabia which they had lower gasoline prices in 2010. The government allocated large amount of its resources on wages and subsidies, while other sectors received less resources and less focus. After 2011 the Libyan economy went into a recession due to the civil war which resulted in a massive decline in oil production, which drop to less than 0.5 mbd from 1.7 mbd in 2010, and because of the UN-sanctioned freezing of Libya's foreign assets. The drop in oil production which represents the country's main source of revenue, led to overall GDP falling by 62 percent (see table 1). Due to the dependency of Libyan economy on the oil sector, non-oil real GDP declined by 52 percent, while nominal GDP in 2011 drop to $35

billion from $75 billion in the previous year. Since the Transitional National Council controlled the country at the end of 2011, the economy began to recover. In 2012, oil production reached a near level of 1.47 mbd, and therefore overall real GDP grew by over 100 percent, with non-oil real GDP growing by 44 percent. Nominal GDP in 2012 also reached $81 billion, about 8 percent above the 2010 value. Inflation on the other hand dropped to 6 percent and the external current account and fiscal balances registered surpluses of 21 percent and 36 percent of GDP, respectively. This recovery was because of the increase in oil production only rather than any specific economic measures conducted by the government. (African Development Bank,2012).

3.5 Overview of SMEs in Libya

In 2012, the Libyan government established the Libya Enterprise to encourage entrepreneurial culture and offers the suitable environment for start-ups in Libya. The mission of Libya Enterprise is to develop entrepreneurship and innovation culture throughout the country and create a supportive environment for SMEs. Libya Enterprise currently runs eight incubators and enterprise centres nationwide (Gunto and Alias, 2013).

Libyan SME sector consists of the food products industry, clothing, wood products, ceramics and bricks, grain milling and metal for construction (Castel et al., 2010). Libyan SMEs also engage in activities such as glass and leather goods industries, fisheries, and tourism. Most SMEs of manufacturing activities in Libya are concentrated in the North Western; Misratah, AlJfara and Tripoli (approximately 46 percent), and North Eastern regions (around 36 percent) (Castel et al., 2010). About 80 percent of SMEs in Libya are owned and run by

persons while only 16 percent are established in the form of small corporations and 3 percent are family-owned. SMEs in Libya are defined officially by the General People's Committee in 2006, based on two quantitative criteria namely; the number of employees and the amount of invested capital. Accordingly, the definition of small and medium businesses in Libya includes the small businesses that employ up to 25 employees with an invested capital of maximum LD 2.5 million, whilst medium businesses that employ between 25 to 50 workers and have an invested capital above LD 2.5 million but not exceeding LD 5 million. Libyan officials claim that there are almost 180,000 small and medium firms registered in an official way with the Libyan tax authorities. However, it is believed that there are many other Libyan SMEs operating informally in risky and difficult environment (Porter and Yergin, 2006).

Porter and Yergin (2006) also stated that most SMEs in Libya prefer to operate in the informal sector to avoid paying taxes and other financial and administrative burdens. SMEs in Libya are located in three main cities: Tripoli, Benghazi and Misrata, with about 46% of them are located in north western Libya while about 36% in the northeast. Consequently, these percentages indicate to the distribution of the population since most of them live in the northern coast of the country (OECD,2016). The southern area of Libya is less developed and has a small population, with poor infrastructure and a lack of services, which in turn prevent the performance of SMEs. The three major cities as follows:

- Tripoli is the capital city of Libya, and it is the political, financial and commercial centre and one of the trade and manufacturing cities.
- Benghazi is the second largest city in Libya. It is the key central city in the Eastern region, and one of the country's leading economic centers. The city's port is vital to

the Libyan economy, serving as the main entry point for the import of food and manufactured products.

- Misrata is the third largest city in Libya and it is less dependent on public jobs than Tripoli and Benghazi. It is known as the industrial city as well as for having a strong private sector.

3.5.1 Challenges facing SMEs in the Libyan context

According to the Global Competitiveness Report 2014-2015, there are six challenges for doing business in Libya as follows: government instability, access to finance, lack of educated workforce, inefficient government bureaucracy, policy instability and corruption (Schwab,2014). The cost of obtaining market information is very high for SMEs and they have difficulty to access and utilise the most developed technologies, which make them less competitive with large firms.

SMEs in Libya have a difficulty to obtain loans from banks, as the lack of asymmetric information between lenders and borrowers is very problematic. Additionally, the weak property rights in Libya make it harder for SMEs to provide a secure collateral for obtaining loans from banks (OECD,2016). The challenges, which hindered SMEs in Libya changed significantly over the period 2011 to 2014. For instance, in 2011 the main obstacles were access to land, regulatory policy uncertainty and access to finance (World Bank,2011). However, in 2014 the top three obstacles were political instability, macroeconomic uncertainty and corruption (Calice et al, 2015). In comparison with the perceived barriers in 2011, there are new obstacles have perceived by small firms' owners in Libya after 2011.some constraints were found to play less important role for business managers, and due to the conflict, some obstacles linked to security, stability and justice. Not surprisingly,

Libyan SMEs were experiencing more difficulty operating and greater growth challenges in 2014 than in 2011.

The conflict in Libya since 2011 has affected small and medium businesses in many ways. First, there is no transparency related to regulatory structure, fragile rule of law and poor government services. The Libyan regulatory system lacks transparency, and there are no clear measures in terms of the function and responsibilities of Libyan government institutions. Libya ranks poorly regarding transparency International, which ranks 168 out of 180 countries in its 2019 Corruption Perceptions Index, and it ranks 186 out of 190 on the World Bank's "Doing Business" Index. Libya's bureaucracy is widespread within almost all institutions. For instance, the issuance of licenses and permits is often delayed for significant periods for unreasonable reasons, and the approval of these applications is often done in a non-transparent way (U.S. Department of State, 2020). Secondly, due to insecurity in Libya SMEs are affected directly in terms of their daily activities. Thirdly, the uncertainty makes SMEs owner-managers focus only on survival rather than achieving growth in long term. Fourthly, the conflict has influenced SMEs in terms of infrastructure. For instance, poor electricity and water supply affected negatively on production and trading, also poor communications and damaged roads make the distribution of products very difficult and small firms may face the risk that resulted in damage to their own properties by violence in the country. Additionally, the fragility of Libyan economy and oil dependency has seriously disrupted the education system of the whole generation which in turn impacts on the ability of the private sector to find properly qualified employees (OECD,2016).

The conflict in Libya resulted in material damage and site closures. The eastern region of Libya was significantly affected due to the highest rates of conflict events over the period

2013–2018. In addition to material damage, firms have witnessed drop in their revenues, higher input costs, supply disruptions, and lost days of production and operation. Other issues include difficulties in purchasing intermediate inputs, lack of accessing finance, decreased worker nonavailability of workers, and greater import risks. Even though these obstacles have affected all private firms in Libya, intensity varies significantly by firm size, sector, and location (Rahman&Di Maio, 2020).

3.6 The financial sector in Libya

Well-functioning financial sector is very important to provide the essential fund to private firms, including SMEs. This typically involves banks, insurance companies, pension funds, microfinance institutions, trade credit and venture capital funds that provide set of financial products to encourage business development. There are three main requirements for access finance. (1) On the supply side, lenders should have sufficient fund to meet the needs of SMEs. (2) On the demand side, entrepreneurs and SMEs managers should have the appropriate financial skills and knowledge. (3) There should be a financial transparency in order to minimise information asymmetries between lenders and borrowers, and it should be a legal framework that secure the rights of all parties (OECD,2016).

The financial sector in Libya is very weak and heavily dominated by the public sector which considers the main source of fund. Access to finance constitutes a major obstacle to the private sector, particularly to SMEs. Based on the World Bank's 2011 investment climate assessment, 58% of small firms surveyed in Libya consider access to finance as a major barrier. Prior to the conflict in 2011, domestic credit to the private sector accounted only 12.4% of GDP, far below the regional average of 57.2% (World Bank, 2013). Furthermore,

there was a sharp fall in domestic credit to GDP in Libya from 22.7% to 9.8% between 2000 and 2009 (Farazi et al., 2011).

The banks in Libya have sufficient liquidity and their deposits increased from LD 5 billion (EUR 3 billion) in 2003 to LD 30 billion (EUR 18 billion) in 2010 (World Bank, 2013). However, banks did not utilise their deposits in lending a long-term productive private sector activity due to the lack of collateral and high risk. In contrast, commercial banks only lend on a short-term basis to low-risk activities such as trade financing.

3.6.1 The Libyan banking sector

The Libyan banking sector consists of the Central Bank of Libya, commercial banks, and specialised banks. Central banks have a vital role to play. The central bank is the main tool in implementing the financial and monetary policies of the state or country. Thus, it sets roles and guidelines for banks to ensure that banking activities are serving both bank goals and state interests at large. In Libya, the responsibilities and tasks of the Central Bank are determined in the fifth article of the Banking Law No. 1 of 2005.

Commercial banks, on the other hand, are considered the most important financial institutions in Libya (Habara, 2009). There are two main types: private commercial banks and state-owned commercial banks. The aim of these banks is to accomplish commercial goals. Private banks appear to have more freedom when concerned with profitability. By the end of 2010 there were 15 commercial banks operating in Libya. The second section of Article 65 in the Law No (1) 2005 stipulates the activities of these banks. In addition, a number of specialised banks have also been established exclusively to support and finance specific sectors such as agriculture, housing and industrial activities, and for other specific

purposes. At the end of 2010, four specialised banks were in operation (Elsakit,2017). Figure below illustrates the structure of the Libyan Banking Sector.

Figure 3.2: Structure of the Libyan Banking sector

Source: The Central Bank of Libya (2006)

Libyan banks have substantial liquidity; however, banks are often unwilling to offer loans to SMEs. According to a study conducted by Eltaweel (2012) the Libyan banking sector does not work well for SMEs. This is because this sector is highly concentrated, rudimentary, and

shallow. Moreover, the financial conditions set by banks to finance business are either very difficult or difficult (Elmansori and Arthur, 2014). Several factors are contributing to this including: inflexibility, bureaucracy, interest-based loans, and centralisation. Porter and Yergin (2006) reported that apart from privately owned companies in the energy sector which have better access to formal capital from banks thanks to their relative sophistication and profitability, other businesses in the Libyan private sector especially SMEs lack access to banking capital. Some of the reasons that have led to the mismatch of supply and demand of bank finance for SMEs in Libya include (Porter and Yergin, 2006):

- Since SMEs lack standardised and reliable information on their financial conditions and market share banks find it difficult to assess their riskiness. As such, Libyan banks disburse loans primarily to clients who are personally known by bank staff. Otherwise, substantial collateral, in some cases as much as 125 percent of the total loan amount, is demanded to mitigate lending risks.
- There is a low availability of privately owned land with clear undisputed titles of ownership that can be offered as collateral. This has resulted in SME borrowers being discouraged from applying for bank loans.
- As bank managers are not rewarded for disbursing good loans and face severe penalties in case of bad debts Libyan banks tend to follow a defensive lending policy avoiding lending to SMEs which are often perceived risky.

In addition, another main reason why Libyan banks refuse to fund SMEs is the absence of Islamic finance products as the banking system in Libya like other countries relies on interest. Elmansori and Arthur (2014) revealed that SMEs owner-managers in Libya are afraid of imposing interest when they access to finance from banks. The authors argued that

the Islamic finance could be the solution to overcoming this obstacle. Likewise, the Islamic banking and finance can play a vital role to meet SMEs owners that lead to boosting the development in the Libyan society (Abdulsaleh, 2017). In contrast, the financial sector in Libya failed to play a role in financing small firms compared to the size of deposits in the banks. The reason being that Libyan banks experienced difficulties about the assessment of loan risks in the absence of reliable standards and information on borrowers' financial situations. This made banks impose strict conditions on the borrower such as high collateral requirements reaching up to 125 per cent of the total loan in some cases and the requirement of peremptory land ownership (ESCWA,2020).

3.7 Land and property rights

Private property rights through their protection by clear and fully enforced laws is a vital tool in any functioning market economy (Heritage Foundation, 2010). Secure property rights enable SMEs to operate in long-term without fear of unfair expropriation or theft. Similarly, securing property rights is vital for obtaining fund for new and existing firms because property ownership represents a main source of collateral for bank loans (OECD,2016). Since the Gaddafi regime, property rights were restricted by Libyan laws which resulted in weak and limited protection of property rights. The Libyan government has nationalised any property that has been privatised. Consequently, Libya scores only 10 out of 100 as a low property rights score in the 2016 Index of Economic Freedom (Heritage Foundation, 2016).

Since 2011, all successive Libyan governments have committed to return all buildings and other properties to their owners, but this considers a very difficult task given the large volume of requests that have been made especially in the absence of clear law which organise the ownership of land and property rights.

After 2011, the Libyan land registry, which contains all documents related to land ownership, had been closed, and the official property ownership documents were damaged which made the situation very complicated to prove a clear ownership to properties throughout Libya. Due to uncertainty of property ownership, banks are unwilling to deal with property as collateral for obtaining loans until property ownership be clear, which is a critical issue for SMEs because land is the main source of collateral in Libya (OECD, 2014).

3.8 Summary

In this chapter, the researcher has discussed and presented the background and the developments of the Libyan economy. Furthermore, this chapter highlighted the situation of the Libyan economy since independence, in 1951 before the discovery of oil and it covers the period of 1969 until 1987, when the government policy emphasised public ownership, and after 1987 until recent years were discussed. This chapter has also provided important information about the nature of private sector and small businesses in Libya and challenges that face them. Moreover, main economic indicators that covered the period from 2000 to 2012 in Libya have been presented. This chapter has also highlighted the structure of the Libyan financial and banking sector related to SMEs. The purpose of this chapter is to present a detailed overview about the Libyan context which enabled the researcher to interpret and understand the study's findings.

Chapter Four: Research Methodology

4.1 Introduction

This chapter explains in detail the methodology used for this research as well as the research process followed. Researchers make their decisions regarding what cases to study, data collection methods, data analysis techniques and in all means lead to implement the research (Silverman, 2006). It is very vital for researchers to understand and distinguish between the term "method" and "methodology" (Bryman, 1984). On one hand, methodology concentrates on research strategy whether qualitative or quantitative. On the other hand, method refers to the ways of collecting data.

This chapter consists of the following sections: Research design, Research methods, Justification of selecting the quantitative method, The study area, Sample method, Sampling frame and data collection, Questionnaire design, Reliability and validity, Model specification, Procedures for processing, analysing collected data and Summary of the chapter. The aim of this chapter is to demonstrate a proper research strategy and data collection method associated with the research questions.

4.2 Research design

Research design is an important step that comes after defining the research problem. There are several approaches related to how research work can be implemented, which reflects the need to determine the proper method in collecting and analysing the data used in this research in order to test the validity or hypothesis (Kothari, 2011).

According to Oladele (2007) research design is the research plan, which will involve the certain way to conduct the study. Once investigating the research problem in any field will contribute in specify the proper type of design to be carried out.

This research adopted a descriptive research design that is useful once the problem has been formulated well and the researcher can conduct field survey by focusing on the population of certain study in order to explain what the respondents state based on their own understanding about the problem under study (Creswell, 2013). According to Saunders, Lewis and Thornhill (2003), survey strategy is a very familiar approach in business research. Aggarwal (2008) explains that descriptive research is all about the gathering of information about certain conditions or situations with a purpose of undertaking description and interpretation. Creswell (2003) argues that a descriptive research design is adopted when collected data describe certain phenomena or organisations.

4.3 Research Methods

In order to answer research questions and achieve the aim and objectives, it is required of any researcher to decide the best possible method. In social sciences field and based on the literature researchers typically utilise quantitative, qualitative or a mixed method which involves both quantitative and qualitative (Creswell, 2012). These three types of methods

will be explained in the following sections, and the researcher will select the most appropriate approach for use in this study.

4.3.1 Qualitative research

According to Obadara (2007) qualitative research can be defined as a method to investigate certain phenomena such as ethnographic, naturalistic, anthropological, field and participant observer research. The importance of qualitative research stem from looking at variables in the natural environment as well as interaction between these variables.

Qualitative research enables the researcher to analyse and develop theories in certain fields (Onwuegbuzie and Leech, 2005). Furthermore, qualitative research has been defined *as: "a means for exploring and understanding the meaning individuals or groups ascribe to asocial or human problem"* (Creswell, 2009, p.4). In qualitative research, verbal evaluation is more important than statistical analysis (Shankar and Goulding, 2001). In fact, the main characteristics of this method are: *"(1) a recognition that researchers need to listen to the view of participants in studies; (2) a recognition that researchers need to ask general, open questions and collect data in places where people live and work; and (3) recognition that researchers have a role in advocating for change and bettering live of individuals"* (Creswell, 2008, p.51).

(Saunders *et, al,.* 2009) argued that qualitative research is a secure way when taken into account that it leads to non-numerical, narrative data. Moreover, (Johnson *et al,.* (2007) claimed that qualitative research explains, what actually happens within field study which is considered as an effective way to test the effectiveness of processes. In addition, qualitative research facilitates understanding the meaning of perceptions in the respondents‟ *own*

verbal or non-verbal language, which in turn contribute to clarify their beliefs" (Cavaleri, 2008; Eldabi et al, 2002).

4.3.1.1 Advantages

Compare to quantitative method, this type of research approach is very straightforward in terms of design and performance (Bryman, 2006). Unlike quantitative method, qualitative research method does not rely on big sample size. For instance, analysing a small sample from case study could produce significant results (Malhotra & Birks, 2000, p.180).

4.3.1.2 Disadvantages

Qualitative method cannot be analysed mathematically in the same way as quantitative method (Sandelowski, 1986). Furthermore, qualitative method tends more towards personal belief and judgment. Therefore, it gives observations rather than results (Merriam, 2002). Also, data in qualitative method are too much due to open-ended questions which could cost a lot of time and money to analyse. Data in qualitative method is unique and could not be reconstructed exactly, which means the lack of ability to be repeated (Malhotra & Birks, 2000, p.182).

4.3.2 Quantitative research

Johnson *et al,* (2007) stated that the quantitative research is a very familiar method within social and management researches. The nature of quantitative research is objective, and its data are numerical (Saunders *et al,* 2009). Obadara (2007) stated that quantitative research allows collecting data, which gives information such as comparisons, relations and predictions. The importance of producing figures, is that data can be analysed and interpreted through statistics (Alam, 2005). In other words, (Eldabi *et al,.* 2002) stated that

quantitative method enables the researcher to verify and formulate a hypothesis. In contrast, (Cresswell, 2007; Johnson *et al,* 2007), argued that in quantitative research the researcher is not very confident about what the author intends to do, because of the lack of accurate information.

According to (Eldabi *et al,* 2002) the nature of quantitative research is inflexible, which means that questions must be accurate to get the right answers as researchers cannot be changed once data collection has begun.

4.3.2.1 Advantages

Quantitative method allows the researcher to describe a certain social phenomenon that is not visible. The strategy of quantitative method is a good instrument of proving or disproving hypotheses. It gives comprehensive answers through statistical analysis and the results could be discussed and published (Malhotra & Birks, 2000).

4.3.2.2 Disadvantages

Quantitative method is described as expensive and needs a lot of time to conduct, and it seems more difficult to compare to qualitative method. The randomisation of the sample in quantitative method requires more attention and careful planning. Typically, quantitative approach needs a major statistical analysis, which could be significantly difficult for non-mathematicians since many researchers are not statisticians. In addition, the successful statistical analysis in quantitative method needs advanced systematic approach since any uncertain results require retesting and modification to the design. Compared to qualitative methods, this consumes more time (Thomas, 2003).

4.3.3 Mixed methods approach

Harrison and Reilly, (2011) and Krauss, (2005) mentioned that the mixed research methods are a popular approach and acceptable in social researches, as it consists both quantitative and qualitative methods to expand and deeply understand in the study field. (Amaratunga *et al,* 2002 and Jarratt, 1996) stated that the qualitative and quantitative methods should be used together rather than each one separately. In addition, (Amaratunga *et al,* 2002 and Jack & Raturi,2006) argued that mixed method plays as an important role to enhance the reliability of the study and to avoid individual approaches through several perspectives that serve the research.

4.4 Justification of selecting the quantitative method

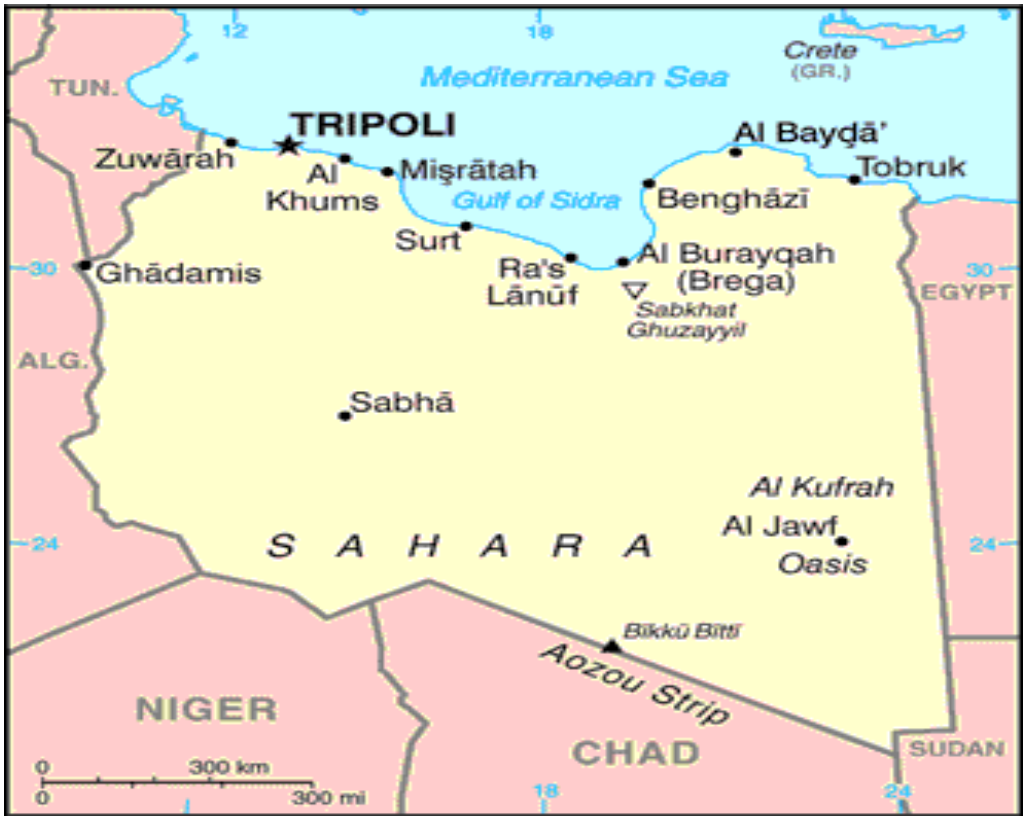
In this study, the researcher employed a quantitative method in order to achieve its aim, fulfil research objectives and answer research questions. Researchers have to specify and justify clearly their selected research method, because the process of the study from the aims and objectives through the analysis of the findings, must follow the quantitative method used (Avis, 2003). Therefore, by selecting quantitative method in this research, the researcher can discover the relations between the internal and external factors in terms of performance, differences between SMEs, owners/managers characteristics and how these lead to success or failure (Creswell, 1994). Additionally, the purpose of using the quantitative research method in this study is that the results can be generalised in all objectively similar situations (Bryman and Bell, 2015). Furthermore, most studies on SMEs

which have been reviewed from the literature pointed out that they utilise a quantitative method in order to collect sufficient data to investigate the factors which affecting small firms performance (e.g. Isaga , 2015 ;Arasti et al., 2014 ; Marom and Lussier, 2014; Siow Song Teng et al., 2011; Temtime and Pansiri, 2004 ;Lussier and Pfeifer, 2001).

4.5 The study area

This research was conducted in two main cities in northwest of Libya. Tripoli is the capital city and it is the political, banking, financial and commercial centre. Misrata is the third largest city and it is home to a number of large and small businesses. According to OECD (2016) 46% of SMEs are located in the north western Libya while about 36% in the northeast. This reflects the distribution of the population since two-thirds of them live in the major cities such as Tripoli and Misrata. Figure (4.1) below illustrates the selected cities on the map.

Map of Libya



4.6 Sample method

Researchers have clarified sample size as a statistical tool taken from the total number of observations (Creswell & Clark, 2007). Sampling is a process that depends on certain techniques to determine the representative part of population that will be selected based on certain characteristics of the whole population (Cochran, 2007). Two major methods of sampling include probability sampling and non-probability sampling. Probability sampling method is a process which makes each participant of the population has probability to be selected as a sample of the study (Cooper, Schindler, & Sun, 2003). For instance, probability sampling takes forms such as random sampling, systematic sampling, and stratified sampling. On the other hand, non-probability sampling method is a process which makes

each participant selected in a non-random way from the selected population of research (Orodho & Kombo, 2002). Convenience sampling, judgment sampling, quota sampling, and snowball sampling are the examples of the non-probability sampling method.

4.7 Sampling frame and data collection

This study employs the definition of SMEs provided by the General Planning Council (GPC) in 2006, which defining small and medium firms as follows:

- Small firms as those employing not more than 25 employees and having invested capital not more than 2.5 million Libyan dinar LYD (1.6 million EUR).
- Medium firms as those employing 26 to 50 employees with invested capital of between 2.6 million Libyan Diner and 5 million Libyan dinar LYD (1.7 million EUR and 3.3 million EUR).

Access to small firms represents hard task that facing researchers. In this research, the population targeted was that of SMEs operating within the two Libyan cities, Tripoli and Misurata. Based on the officials in Business Centres and Chamber of Commerce and Industry, this population is about 7011 firms. However, this figure is not accurate since there is no up-to-date comprehensive list of small firms. This can influence the research design and any attempt to generalise the findings of the study. A sample size between 200 and 400 is usually acceptable (Hair, Anderson, Tatham & Black, 1998).

The researcher distributed 400 questionnaires by hand (drop and collect) using a non-probability sampling technique to collect the data, the snowball technique seemed ideal for the study. This approach is commonly used in Libya due to the lack of an accurate and up-to-date sampling frame (e.g. World Bank, 2015; Elmansori & Arthur, 2013). Thus, there is no reliable data regarding the number of SMEs in Libya, some of which are not registered and

many of which are very mobile, which makes it very difficult to count them. 209 responses were obtained out of the 400 questionnaires distributed, leading to a response rate of around 52 % which seems good. The data collection process took place from January to March 2016.

4.8 Questionnaire design

This section explains the structure of the self-designed questionnaire used in this research, the questionnaire designed with number of questions that identifying perception of the factors which are believed to be associated with the growth of small and medium enterprises (SMEs) and to make the respondents aware of the nature of the barriers that face them in the Libyan context (see Appendix). The questionnaire consists of three main sections, the first section (A) identified demographic questions or general personnel questions, that identify the owners or managers and their characteristics, such as qualification, work experience. Furthermore, in this section, there are questions about the firm, such as the number of employees, the sectors and the sort of partnership. All questions are closed-ended questions, which give various distinctive answers from which the respondent is instructed to select. Closed– ended questions are usually faster and easier to answer (Dillman and Christian, 2005).

The second section (B) of the questionnaire addresses the financial information, which highlights the financing needs and problems the SMEs deal with. The final section (C) is about internal conditions such as, proprietor managers' characteristics and business attributes, that have an effect on SMEs' execution in the Libyan market. This section of the questionnaire asks the respondents about their opinions on the variables that are created from the outside condition which have an effect on Libyan SMEs' execution. The questions

in both of these parts are ordinal, and are measured using an easily understood Five-Point Likert– compose scale ran from “strongly disagree” (coded 1) to “strongly agree” (coded 5), corresponding to different studies in the field (e.g. Islam *et al.,* 2011; Okpara, 2011; Arasti *et al.,* 2014).

A Likert scale is embraced due to its a psychometric scale regularly received in several types of the questionnaire and is the most well-known and broadly used scale in surveys across most disciplines. Also, for the most part used in questionnaires with the end goal to empower respondents to obviously show their level of concurrence with a statement. Consequently, the large volume of responses is completely coded by the use of the five-point Likert Scale, which enables measurement standardisation inside the survey. Nevertheless, the use of additional points such as 7 or 9 points on a Likert scale could increase the time required for finishing the questionnaire, especially when there are numerous variables to be measured and a Five-Point Likert Scale provides sufficient discrimination among levels of understanding (Saunders *et al.,* 2011).

The questions were designed by focusing on the constructs and variables that have been identified in the literature, e.g (Coad & Tamvada, 2012; Gupta et al, 2013; Hadjimanolis, 1999; Hashi & Krasniqi,2010). However, some of the questions were produced especially for this research. In addition, the configuration and the level of knowledge that entrepreneurs have should be taken into consideration which in turn lead to the increasing the rate of response.

The respondents in the strategy planned by the researcher should understand all questions and the researcher must understand the answer given by the respondent in the same significance proposed by the respondent (Saunders *et al.,* 2011). It has been reasoned that

the best method for getting a legitimate response to questions is by making the appearance of the questionnaire attractive and each question simple.

The questionnaire in this study is considered clear, understandable and not too long. It is designed to contain seven pages. The length of the questionnaire affects the response rate. There is a widespread view that more extended questionnaires decrease response rates with respect to shorter questionnaires. Conversely, the planned respondent may just discard a questionnaire, which takes two or three hours to be completed. Researchers have discovered that a length of somewhere in the range of four to eight A4 pages to be adequate for a self– administered questionnaire. To sum up, researchers should not be obsessed with the length of the questionnaire, as they need to control the length without lessening decipherability, an equalisation that will assist and persuade the respondents to experience it (Saunders *et al.,* 2011). The questionnaire in this research was initially constructed in English. However, since all the participants to be targeted were Arabic native speakers, therefore the questionnaire was translated into Arabic.

4.9 Pilot Study

The pilot study allows a researcher to collect data and modify his or her methods properly in order to ensure they are the suitable questions, and the most beneficial collected data. In addition to assessment of their selected method of data collection. Therefore, those researchers who are unwilling to conduct a pilot study will face a problem of wasted and irrelevant data, which is make a pilot study is beneficial in determining any potential differences that an instrument or method may present. For instance, respondents may face certain questions that make them unable to respond because they are complex or ambiguous, and there are some questions that might have many answers, which leads to

multiple interpretations (Winter, 2000). The pilot study for this research was conducted based on a questionnaire that was handed to sample of 10 respondents who were working in the Business Centre for SMEs in city of Misurata. Valuable feedback was obtained from the respondents who commented that the questions were clear, understandable, and straightforward to complete. In addition, they indicated that the length of the questionnaire was suitable and not onerous.

4.10 Reliability of research instrument

The research instrument considers reliable if the results of any study are reproduced using similar methods. The estimates of reliability are used to assess the stability of measures at different times to the same individuals or using the same standard or the equivalence of sets of items from the same test or of different observers notice a behaviour or event using the same instrument (Walliman, 2011). To test reliability, the researcher used Cronbach's Alpha (α) which the most common internal consistency measure. According to Tavakol and Dennick (2011) Alpha ranges between 0 and 1 was developed by Lee Cronbach in 1951 to measure the internal consistency of a scale. The acceptable value ranges from 0.50 to 0.60 within the behavioural and social sciences, and 0.70 or above in the coefficient alpha (Hancock and Mueller, 2010).

4.11 Ethical considerations

The integrity and honesty in this research are carried out in order to protect the rights of the respondents. The researcher had a responsibility to ensure the confidentiality for respondents. According to Polit and Hungler (1997) the information that will be offered by respondents should be confidential and not shared to public under and condition. The

researcher was given written permission from the Department of Economics, University of Reading to conduct this study. The respondents have the right to either accept or decline to participate in the research. Furthermore, the researcher notified the respondents about the goal of this study, and the procedure that would be used to gather the data. The respondents were informed that no potential costs were included in participating in this research.

4.12 Model specification

In this research, ordered logistic regression is adopted in order to estimate non-linear relationship between the independent variables (firm characteristics and barriers to SMEs growth) and the dependent variable (growth of SMEs). On the other hand, we shall estimate the relationship between the independent variable (firm characteristics) and the dependent variables (barriers to SMEs growth).

The ordinal logit regression (OLR) is a very common statistical technique that is used when the dependent and independent variables are categorical and ordered (Scott and Carrington, 2011).

The form of equation in ordered logit model is:

Where p is the probability that a firm will experience growth or not. By applying logistic transformation, we obtained a linear relationship between the log odds and independent variables.

4.13 Data Preparation

After the identification of the research problem which resulted in developing an appropriate research design for this study. The researcher edited, coded and cleaned the collected data to check any missing responses. Afterwards, the researcher selected the appropriate statistical analysis technique. (See Figure below)

Figure (4.2) : Data Preparation Process

Source: Designed by the researcher

4.14 Procedures for processing, analysing collected data

This section explains the way that the author followed in order to analyse the data collected in field study. In this study, the researcher analysed the collected data in order to produce a frequency distribution table by using Software Package for Social Sciences (SPSS 16.0) while the regression model is run using Stata. The returned questionnaires were edited consistently to ensure accuracy and completeness. After editing the data, it was coded into excel software before exporting to SPSS for analysis. The main reason for exporting the data to the SPSS was the large volume of the survey data coded which could not be analysed effectively using Microsoft Excel software.

4.15 Summary

In this chapter the researcher presented the research design used in this study and based on many research strategies in previous literature related to SMEs, the researcher selected the most suitable method for this study. The quantitative method was selected to gather the primary data through distributing questionnaire survey which is already discussed in this chapter. The Statistical Package for the Social Sciences (SPSS) programme will be used to process the data by frequency and percentage. The results will be presented and discussed in the following chapters.

Chapter five: PRESENTATION OF DATA ANALYSIS

5.1 Introduction

This chapter presents the results of the field data that was analysed. The chapter is structured into seven sections. In section one, the characteristics of enterprises in Libya are presented and the financing issues are in Section Two. Section three describes the growth aspirations of the entrepreneurs and the growth criteria of owner-managers are in section four. Section five describes the motivation of firms, and the barriers and constraints in SME's growth and development are presented in section six. Finally, the section seven contains the chapter summary.

5.2 CHARACTERISTICS OF SME'S IN LIBYA

In this section, the characteristics of SME's in Libya based on the data of 209 firms surveyed are presented. SMEs owner-managers were asked about their experiences regarding

general information, the types, nature and kind of enterprises, the age and size, the qualification of the team members and the annual turnover of their firms.

5.2.1 General Information of Firms

It emerged as shown in Table 5.1 that firms operate as sole proprietorship businesses as they constitute about 33.00% of the respondents. It is followed by private limited company and partnerships businesses with 25.40% and 21.10% respectively. On the other hand, 13.40% of the firms are family owned business whiles 7.20% are public limited companies. The above results confirm similar findings from the African Development Bank (AFDB, 2010), that individuals privately own about 80% of SMEs in Libya. Abdulsaleh (2015) also made similar arguments that individuals solely own nearly half of SMEs in Libya. The possible reasons behind the findings are that the legalities and taxation issues. Thus, it is easier for sole proprietorship enterprises to go around with the filing and meeting their tax obligations than limited liability companies in Libya. However, it will be appropriate to suggest that the government should reconsider formulating policies that will graduate some of these sole proprietorships into limited liability enterprises. Although, sole liberalisation of the tax regime has enabled many to start small enterprises, such policy will not encourage sector development. These companies should be encouraged to go into partnerships and the government should consider absorbing some of them into public limited liability companies.

Table 5.1: Types of Enterprises

Types of Enterprise	Frequency	Percent
Private Limited Company	53	25.40
Partnership	44	21.10
Sole Proprietorship	69	33.00
Family Owned Business	28	13.40
Total	**209**	**100.0**

Source: Field Study, 2016.

5.2.2 The Nature and Kind of Enterprises

The results in Table 5.2 show that the sampled enterprises are mostly into manufacturing with 25.40% followed by the construction sector with 24.40%. The retail sector recorded 20.10% whiles the service sector recoded 15.30%. The least recorded sector is farming with 14.80%. The results are not surprising because, the manufacturing sector in Libya consists of subsectors such as food production, wood and metal products. Although the manufacturing sector represented the highest proportion of the sample, it is still considered as underdeveloped as it contributes close to about 3.20% of the country's GDP as reported in 2012 by OECD, (2016). However, it is contrary to neighbour countries such as Tunisia where the European Investment Bank (2015) points out that SMEs in the manufacturing sector constituted the highest proportion among other sectors.

By the nature and characteristics of the construction sector in most emerging markets such as Libya, there is flexibility and mobility of both contractors and their labour force. The sector therefore adds to depth, vitality, and resilience to the country's economy. The findings therefore suggest that an improvement of the construction sector would raise the skill levels and capability of the Libya local construction industry, thus enhancing construction productivity.

Table 5.2: Nature and Kind of Enterprises

Nature of Enterprise	Frequency	Percent
Retail Trading	42	20.10
Manufacturing	53	25.40
Construction	51	24.40
Services	32	15.30
Farming	31	14.80
Total	**209**	**100.00**

Source: Field Study, 2016.

5.2.3 Age of the Firm

In Table 5.3, it is quite clear that the majority of SMEs were established not quite long ago. Close to about 47.40% operated between 1 to 5 years and 40.70% operated within 6 to 10 years. Moreover, 4.80% operated between 11 to 15 years and 3.80% operated for over 15 years. Those operated for less than a year constitute 3.30%. The findings reflect the fact that the SMEs sector now is dominated largely by relatively young enterprises.

Table 5.3: Age of the Firms

Years of Experience	Frequency	Percent
Less than one (1) year	7	3.30
Between 1 and 5 years	99	47.40
Between 6 and 10 years	85	40.70
Between 11 and 15 years	10	4.80
Over 15 years	8	3.80
Total	**209**	**100.00**

Source: Field Study, 2016.

5.2.4: Number of Employees

Table 5.4 shows that out of (209) respondents, 102 (48.80%) constitute those who employed more than 15 workers. Again, 67 (32.10%) and 26 (12.40%) constitute those who employed 11 to 15 and 6 to 10 workers. While only 9 respondents representing (4.30%) employed between 1 to 5 workers. Our sample indicates that the highest percentage of firms are classified as small based on General Planning Council (GPC) definition in Libya 2006. Our findings are in line with World Bank enterprise survey 2015 in Libya which pointed out that more than half of respondents (59.00%) were small firms with employees between 5 and 19.

Table 5.4: Number of Employees

Number	Frequency	Percent
1-5	9	4.30
6-10	26	12.40
11-15	67	32.10
Above 15	102	48.80
Total	**204**	**97.60**

Source: Field Study, 2016.

5.2.5 Qualification of Management Team

Table 5.5 indicates that the highest number of respondents who constitute (48.30%) are diploma certificate holders. First degree certificate holders constitute (36.80%). MBA certificate holders constitute a very tiny proportion (0.50%). While Senior High School certificates holders constitute (14.40%). Our results explain that most owners of sampled small firms in Libya are educated. The educational system in Libya has witnessed remarkable improvement during last decades, however there is a lack of required skills among people in the private sector (OECD,2016).

Table 5.5: Qualification of Enterprise Management Team

Team Qualification	Frequency	Percent
Senior High School Certificates	30	14.40
Diploma Certificate	101	48.30
First Degree	77	36.80
MBA	1	0.50
Total	**209**	**100.00**

Source: Field Study, 2016.

5.2.6 Availability of a Business Plan

A business plan is a formal document that submitted by entrepreneurs to a bank or any other financial institution in order to gain a financial support. A business plan may be either short term or long term. In addition, business plan can be a growth plan or a startup plan. Besides serving as a roadmap for the improvement in the management of SMEs business plan can also serve as a means to assure better channels of communication between SMEs and external finance providers (Abdulsaleh, 2016).

Regarding business plan, Table 5.6 reports many respondents of sample (71.30%) indicated that they have a business plan for their firms while (28.20%) have no business plan. According to (Yilmazer & Schrank ,2006) a written business plan has positive impact on obtaining external finance for SMEs. This high proportion of respondents illustrated that

SMEs in Libya rely on a business plan in order to access finance, however a study carried out by Abdesamed and Abd Wahab in 2014 indicated that a business plan negatively affect obtaining loan from banks. In other words, banks in Libya do not rely on a good business plan itself however there are other requirements such as collateral.

Our sample confirm (Abdesamed and Abd Wahab, 2014) study which found the significant influence of written business plans on loan access is not observable in Libya. This result suggests that banks in Libya rely more on collateral requirements than business plans in providing loans. The availability of financing on the local market is weak. Libyan banks can only offer limited financial products, loans are often made based on personal connections rather than business plans.

Table 5.6: Availability of a Business Plan

	Frequency	Percent
No	59	28.20
Yes	149	71.30
Total	208	99.50
Total	209	100.00

Source: Field Study, 2016.

5.2.7 Enterprise Annual Turnover

Table 5.7 shows that almost half of the respondents (48.80%) have an annual turnover of between $ 62,501 to $ 87,500. Also, (23.40%) and (23.00%) of respondents have an annual turnover of $ 37,501 – $ 62,500 and above $ 87,500 respectively. The remaining (4.80%) of respondents claim an average annual turnover of less than $ 37,500. Based on the World Bank enterprise survey in 2015, majority of SMEs in Libya generated an annual turnover up

to $ 100,000. This supports our results, which show that the high proportion of SMEs in our sample had an annual turnover ranging between $ 62,501 to $ 87,500. These figures reflect the fragility of the private sector particularly SMEs in Libya since the revolution in 2011, which made revenues of SMEs to be reduced due to instability in political situation (Calice *et al*, 2015).

Table 5.7: Average Annual Turnover of Enterprise

Annual Turnover	Frequency	Percent
Less than $ 37500	10	4.80
$ 37501 – $ 62500	49	23.40
$ 62501 –$ 87500	102	48.80
Above $ 87500	48	23.00
Total	**209**	**100.00**

Source: Field Study, 2016.

5.3 FINANCING OF SME IN LIBYA

This section shows the descriptive results of the survey on the perspectives of financing of SMEs in Libya. These perspectives range from the source of funding, access to credit from banks and the relationship between SMEs and financial institutions in Libya.

5.3.1 Sources of Funding

Table 5.8 reveals that the high percentage of respondents in our sample (40.70%) claimed that bank loan is the source of funding for their businesses, followed by personal savings with about (31.60%) of the total respondents. Also (12.90%) and (12%) of respondents used trade credit and family/friends as the sources of finance. Compared to results from World Bank enterprise survey in 2015, a very tiny proportion with about (2%) of total sample of SMEs in Libya had loans from banks as a source of fund. The reason is some firms in Libya succeeded to build a good record over the years, and they may consider bank finance more accessible and becoming attractive for external finance providers especially banks. One of the banks is The Trade and Development Bank, which was established in 1981 to fund economically feasible firms that operate in the sectors of agriculture, industry, tourism, and services, with

an equity capital of 100 million LD. The bank provides loans to the firms that have collateral such as estates, machinery and equipment and any other type of guarantee accepted by the administration. The bank has funded some Libyan industrial firms that working in minerals, food, wood, plastic and chemicals, and textiles, as well as general contractors and service companies (Al-Basha, 2008). Other SMEs seem to benefit from a relationship lending they may have with some banks which may affect the pricing and availability of bank finance in their favour.

The second-high percentage in our sample is personal savings, which indicates that some owners of firms are not able to access external fund. In respect to the Libyan context, the financing options for SMEs are limited and mostly relying on informal finance especially personal savings. Moreover, informal finance of SMEs is estimated around 81.6% at the initial stage of establishing the enterprise while the bank loans represent only 17.1% (Abd Wahab & Abdicated 2012; Eltawel 2011; Elmansori & Arthur 2013).

Table 5.8: Sources of Funding for Business

		Frequency	Percent
Valid	Bank loan	85	40.70
	Personal savings	66	31.60
	Retained profits	3	1.40
	Private institutions	3	1.40
	Trade credit	27	12.90
	Family/friends	25	12.00
	Total	209	100.00

Source: Field Study, 2016.

5.3.2 Access to Credit from Banks

Firms were asked whether they had applied for loan or not. Table 5.9 reveals that more than half of our sample (55.0%) were of the view that they had applied for credit from banks to

fund their firms, while (45.0%) of respondents had not applied for any loan. Our results are in line with (Dabo, 2006) who found that 69.4% of sampled firms applied for bank loan in Nigeria. In contrast, our findings are unlike Abd Wahab and Abdesamed' study in 2012, who found that 27.6% of sampled firms in Libya have applied bank loan while 72.4% have used informal financing.

Table 5.9: Credit from Banks

		Frequency	Percent
Valid	No	94	45.00
	Yes	115	55.00
	Total	**209**	**100.00**

Source: Field Study, 2016

5.3.3 Access to Credit from other Sources

Table 5.10 shows that a high proportion of respondents (27.30%) applied for finance from microfinance institutions, followed by (15.30%) access external fund from other sources. The remaining respondents in our sample constituted (3.80%) and (3.30%) for credit union and venture capital fund respectively. Despite the important role from the Rural bank in Libya in providing microfinance services in some rural regions across the country. The microfinance institutions in Libya still lack the regulatory framework compared to most developing countries including the MENA region such as Egypt and Morocco (OECD,2016).

Table 5.10: Other Sources of Finance

		Frequency	Percent
Valid	Microfinance institution	57	27.30
	Venture Capital Fund (VCF),	7	3.30
	Credit Union	8	3.80
	Others	32	15.30
	Total	**104**	**49.80**
Missing	System	105	50.20
Total		209	100.00

Source: Field Study, 2016.

5.3.4 SMEs Relationship with Financial Institutions

Table 5.11 shows that more than half of the respondents (53.10%) have good relationships with their bankers. While (29.20%) of respondents have poor relationships with their bankers. The remaining (15.80%) claim that they have excellent relationships with their bankers. According to Mills *et al* (2006) the good relationship between owners of SMEs and banks has positive impact on the approval of loan.

Table 5.11: Relationship with Bankers

		Frequency	Percent
Valid	Excellent	33	15.8
	Good	111	53.1
	Poor	61	29.2
	Fair	3	1.4
	Total	**208**	**99.5**
Missing	System	1	.5
Total		209	100.0

Source: Field Study, 2016.

5.4 SMEs BUSINESS GROWTH STRATEGY

5.4.1 Employ More workers

Table 5.12 indicates that (29.70%) and (20.60%) of the respondents agreed and strongly agreed to the view that they would employ more workers in the future to increase growth of their firms. The number of workers in the firm will be based on how it is performing in the market. For instance, if the firm employs more hands to meet the product demands, then it may be said it is doing well because its performance related to its production. While if it is not able to employ more workers to meet market demands then it is not performing well.

On the other hand, a very tiny proportion of respondents (3.30%) disagreed with the statement. However, the highest percentage of respondents (45.90%) indicated that they were not sure whether they would employ more staff or not. The reason for this is because many qualified foreigners left the country in July and August 2014 while some Libyans also preferred to seek protection outside of Libya (mainly moving to Tunisia and the Arab Republic of Egypt). Out of the staff members who had to abandon their positions, 70% of enterprises identified that workers were both foreigners and Libyans, while another 30% identified Libyan only.

The results from World Bank enterprise survey report in Libya (2015) revealed that about half of the sampled firms were very keen to employ more staff to compensate the reduction in employees which happened in the summer 2014 crisis in Libya. Only 20% of sampled firms were not sure if they would employ more staff or not. The Libyan Political Crisis in 2014 happened after the conflict among the three Libyan political bodies: the elected Parliament named Libyan House of Representatives, the old one called Libyan General National Congress and the newly formed body named the Presidential Council. This conflict has led to a critical war which reflected negatively on the State of Libya (Elkrghli,2017). The conflict-affected business environment of Libyan SMEs in a number of ways. For example, material damage and site closures are direct effects of the conflict. In addition, firms have experienced reduced revenues, higher input costs, supply disruptions, and lost days of production and operation. Other issues include difficulties in purchasing intermediate inputs, lack of accessing to finance, and decreased worker availability. (Rahman & Maio,2020).

Table 5.12: SMEs Future Business Growth

		Frequency	Percent
Valid	Strongly Disagreed	1	0.50
	Disagreed	7	3.30
	Not Sure	96	45.90
	Agreed	62	29.70
	Strongly Agreed	43	20.60
	Total	209	100.00

Source: Field Study, 2016.

5.4.2 Open Many Branches

Table 5.13 shows the distribution on the question relating to SMEs expanding their businesses to the other cities of the country. 60.80% of the respondents agreed to the statement that they would like to expand their businesses, while 25.80% of the respondents are not sure whether they will expand or not. One critical point is that only 3 respondents disagree and 1 strongly disagree with the statement of whether SMEs would like to establish more branches in other Libyan cities. Our results are in line with (Awuah and Addaney, 2016) and (Ackah and Vuvor,2011) who revealed that (68%) and 60% of respondents are willing to open more branches for their small firms in Ghana.

Table 5.13 Establish More Branches

		Frequency	Percent
Valid	Strongly Disagreed	1	0.50
	Disagreed	3	1.40
	Not Sure	54	25.80
	Agreed	127	60.80
	Strongly Agreed	24	11.50
	Total	209	100.00

Source: Field Study, 2016.

5.4.3 Need of Professional Help

Table 5.14 shows that (43.10%) and (41.60%) of total respondents were not sure and agreed respectively with the view that they would welcome professional help from banks when given credit to help manage it to increase growth. On the other hand, our results indicate that only (10%) of respondents disagreed with the statement. Based on study carried out in Ethiopia 2008, Singh and Belwal found that (62%) of the total respondents indicated that they do not receive any support from banks for their businesses. It is worth noting that the banking sector in Libya is underdeveloped and the financial services from banks are very limited (OECD,2016).

Table 5.14 Need Professional Assistance

		Frequency	Percent
Valid	Strongly Disagreed	3	1.40
	Disagreed	21	10.00
	Not Sure	90	43.10
	Agreed	87	41.60
	Strongly Agreed	7	3.30
	Total	208	99.50
Missing	System	1	0.50
Total		209	100.00

Source: Field Study, 2016.

5.5 SMEs BUSINESS SUCCESS Criteria

Table 5.15 shows that how successful the respondents 'businesses were in the last four years. The general overview of the findings in relation to sales growth, employment growth, assets growth, market share growth, profit growth, output growth and annual turnover growth shows that the respondents achieved reasonable growth. In other words, their performance across all the business growth indicators have been fair and good. For instance, regarding the sales, the table shows that 59.3% of respondents revealed that they achieved fair growth while 29.2% saw their sales was good. This is due to the moderate growth which has

been achieved during the first half of 2013 especially from retail firms. Another evidence is the middle region in Libya was positively impacted by the dynamics of some firms in Misurata (World bank,2015) which is consistent with our sample as half of firms are located in Misurata. The table shows that 53.1% of respondents claimed that their firms achieved fair growth in terms of employment, while 27.3% achieved good performance. In the Libyan context, construction, real estate and manufacturing sectors showed reasonable level of employment (World bank,2015). 12% of respondents reported reduction of their employment. This reflects different trends as many qualified foreigners left the country in July and August 2014 while some Libyans also preferred to seek protection outside of Libya (mainly moving to Tunisia and the Arab Republic of Egypt). The table shows also that 50.7% and 34.4% of sampled firms reported fair and good growth in terms of their assets. This reflects the optimism from the owners to maintain a recovery of their firms even though the business climate in Libya is unstable. The table shows also that 44.5% and 41.1% of the respondents reported that their profits were fair and good respectively. It is worth noting that after the Libyan revolution in 2012 until the first two quarters of 2013, SMEs generally reported growth in their profits despite the continuous climate of instability (World bank,2015). According to the World Bank enterprise survey (2015) about 66% of sampled firms in Libya witnessed sharp drop in their sales over the period between June 2013 to June 2014. The reason why this decrease happened is due to localized conflicts beginning in early 2013, particularly in the east of Libya, and the appearance of weak economic governance and policy. Since the revolution in 2011, many factors affected SMEs performance in Libya such as destruction in infrastructure, lack of supply of raw materials and lack of foreign employees which led to decrease sales growth (Calice *et al*, 2015).

Table 5.15: SMEs Business Success Criteria

		Poor	Fair	Good	Very good	Excellent	Total
Sales growth (	Count	9	124	61	15	0	209
	(%)	4.3	59.3	29.2	7.2	0.0	100.0
Employment growth	Count	25	111	57	16	0	209
	(%)	12.0	53.1	27.3	7.7	0.0	100.0
Assets	Count	16	106	72	13	2	209
	(%)	7.7	50.7	34.4	6.2	1.0	100.0
Market share	Count	22	94	82	10	1	209
	(%)	10.5	45.0	39.2	4.8	0.5	100.0
Profits	Count	18	93	86	9	2	209
	(%)	8.6	44.5	41.1	4.3	1.0	100.0
Annual Output	Count	15	112	75	5	2	209
	(%)	7.2	53.6	35.9	2.4	1.0	100.0
Annual turnover	Count	10	117	72	7	3	209
	(%)	4.8	56.0	34.4	3.3	1.4	100.0

Source: Field Study, 2016.

5.6 MOTIVATIONAL FACTORS FOR SMEs

Table 5.16 displays that most responses were in favour of agree with all motivational needs of the respondents' firms in Libya. On a five-point Likert scale with five (5) being strongly agree and one (1) being strongly disagree. It was found that the highest motivation for the total sample is (to increase income and growth) with about (56.9%) of the total respondents agreed to increase income and growth for their firms. To increase income' is the highest motivator for entering into entrepreneurial career. individuals who want to become rich people are entering into entrepreneurial career rather than selecting salaried jobs which provide a relatively stable income. The motivation for growth may be understood as the "aspiration to expand business" (Delmar & Wiklund, 2008, p. 438).

The second highest motivation is (to ensure good product at competitive price) with about (56.2%) followed by (55.5%) said (to have fun) and (54.1%) of total sample said (to provide employment). In comparison with some African countries, our results are consistent with

(Benzing and Chu, 2009) who found that the most important motivation for SMEs owners in Kenya and Ghana is (to increase income). According to (Benzing *et al*, 2009) the most important motivation among SMEs owners in Turkey is (to increase income) which supports our findings as well.

Table 5.16: Motivational Factors for SMEs Existence

Motivational for SMEs Existence	SA	AG	UN	DS	SD
To increase income and growth	41(19.6%)	119(56.9%)	48(23.0%)	1(0.5%)	0[0.0%]
To ensure good product at competitive price	38(18.2%)	118(56.2%)	53(25.4%)	0	0[0,0%]
To provide good customer service	46(22.0%)	109(52.2%)	53(25.4%)	1(0.05%)	0[0.0%]
To provide employment	40(19.1%)	113(54.1%)	52(23.9%)	4(1.9%)	0[0,0%]
The desire to satisfy basic psychological needs	32(15.4%)	101(48.3%)	70(33.5%)	6(2.9%)	0[0.0%]
The flexibility for achievement realization	29(13.9%)	100(47.8%)	67(32.1%)	13(6.2%)	0[0,0%]
Less constrained by organizational systems	20(9.6%)	93(44.5%)	83(39.7%)	13(6,2%)	0[0.0%]
To be my own boss	22(10.5%)	91(43.5%)	76(36.4%)	20(9.6%)	0[0,0%]
To be able to use my past experience and training	19(9.1%)	102(48.8%)	70(8.6%)	0(0.0%)	0[0,0%]
To prove I can do it	22(10.5%)	93(44.5%)	77(36.8%)	17(8.1%)	0[0.0%]
To provide jobs to family members	20(9.6%)	105(50.2%)	68(32.5%)	14(6.7%)	2(2.0%)
For my own satisfaction and growth	18(8.6%)	99(47.4%)	78(37.3%)	12(5.7%)	2(2.0%)
So I will always have job security	15(7.2%)	108(51.7%)	74(35.4%)	11(5.3%)	1(0.5%)
To build a business to pass on	14(6.7%)	102(48.8%)	78(37.3%)	14(6.7%)	1(0.5%)
To maintain my personal freedom	13(6.2%)	98(46.9%)	78(37.3%)	19(9.1%)	1(0.5%)
To be closer to my family	11(5.3%)	98(46.9%)	74(35.4%)	25(12.0%)	1(0.5%)
To have fun	8(3.8%)	116(55.5%)	66(31.6%)	19(9.1%)	0[0,0%]

Source: Field Study, 2016.

5.7 BARRIERS AND CONSTRAINT TO SMEs GROWTH

Table 6.17 shows the results of the responses of the respondents as regards to the barriers and constrains confronting the growth and development of SMEs in Libya. In respect to all the items that measure all the barriers and constrains such as financing, institutional, technological, social, legal and property right the respondents responded positively that the growth of SMEs is hampered by all these barriers. For instance, under financing barriers, high proportion of total respondents with about (65.60%) agreed that high cost of financing hinders growth of their firms. The second highest percentage of respondents (63.60%) agreed that

there is difficulty in obtaining external financing. The remaining barriers are a lack of funds and high collaterals on borrowing with about (52.20%) and (47.90%) of total respondents. Thus, it seems that SMEs in Libya do not have adequate collateral to provide as a guarantee. As this is one of the main requirements to obtain bank credit it would translate to difficulties in obtaining finance from providers. these issues place a big burden on small businesses in Libya especially during the early years of existence and hamper their survival and growth.

These figures are not surprising since Libya has a very weak financial system in terms of the availability and affordability of financial services, access to loans easily, equity financing, venture capital, regulation and so on (OECD,2016). Compared to Tunisia as a neighbour country to Libya, only one-fourth of SMEs consider access to finance as an obstacle while almost (45%) of them look at access to finance not an obstacle (European Investment Bank, 2015). Surprisingly, access to finance was not listed as an obstacle in Libya based on the World Bank survey report in 2015, while it was perceived as a constraint based on Investment Claimant Assessment (ICA, 2011).

Regarding institutional barriers, political instability and unfair competition in the informal sector represented a high percentage of total respondents with about (51.70%) who agree to

consider them as obstacles. The other institutional barriers were Frequent changes in laws and regulations, Shortage of qualified and skilled workers and corruption with about (51.20%), (51.20%) and (45%) of total respondents who agree to consider them as barriers. According to the World Bank Enterprise Survey (2015) the top three obstacles constraining businesses in Libya are political and economic instability, corruption and the high rate of crimes and theft.

Business environment in Libya is quite like Tunisia as a neighbour country, based on European Investment Bank (2015) political instability is a top obstacle for SMEs operations. Based on a study conducted by (Bitzenis and Nito, 2005) 75% of total sample of 226 SMEs in Albania said that unfair competition is the principal barrier that supports our findings.

In respect of technological barriers, more than half of the respondents (52.20%) agreed that the lack of infrastructure is an obstacle, followed by (49.30%) of them agreed that lack of innovation is an obstacle. Based on the World Bank enterprise survey in 2015, (50%) of total sample mentioned that poor infrastructure in Libya particularly electricity, transport and internet services is a barrier to their firms. Libya has very poor infrastructure compared to other regions in MENA countries. In 2010-2011, Libya ranked 115 of 139 countries based on (the quality of overall infrastructure) according to Global Competitiveness Index. However, by 2014 the rank decreased to 144 due to damage and destruction that happened since 2011.

Table 5.17: Barriers and Constraint in SMEs Growth and Development

		SA	AG	UN	DS	SD
Financing Barriers	Barrier in obtaining external financing	62(29.7%)	133(63.6%)	13(6.2%)	1(0.5%)	0[0.0%]
	High cost of financing	54(25.8%)	137(65.6%)	17(8.1%)	1(0.5%)	0[0,0%]
	Lack of funds and funding	76(36.4%)	109(52.2%)	24(11.2%)	0[0,0%]	0[0.0%]
	High collaterals on borrowing	75(35.9%)	100(47.9%)	34(16.3%)	0[0,0%]	0[0,0%]
Institutional barriers	Political instability	67(32.1%)	108(51.7%)	33(15.8%)	1(0.5%)	0[0.0%]
	Frequent changes in laws and regulations	61(29.2%)	107(51.2%)	38(18.2%)	3(1.4%)	0[0.0%]
	Corruption	34(25.0%)	94(45.0%)	48(23.0%)	12(5.7%)	1(0.5%)
	Shortage of qualified and skilled workers	57(27.2%)	107(51.2%)	42(20.1%)	3(1.4%)	0[0.0%]
	Unfair competition in the informal sector	46(22.8%)	108(51.7%)	50(23,9%)	5(2.4%)	0[0,0%]
Technological barriers	Lack of innovation in the SMEs sector	31(14.8%)	108(49.3%)	71(34.0%)	4(1.9%)	0[0.0%]
	Lack of infrastructure	49(23.4%)	109(52.2%)	48(23.0%)	3(1.4%)	0[0,0%]
Social barriers	Cultural difference in the urban set up	19(9.1%)	109(51.2%)	71(34.0%)	11(5.3%)	0[0.0%]
	Lack of trust among entrepreneurs in the sector	21(10.0%)	111(53.1%)	67(32.1%)	10(4.8%)	0[0,0%]
Legal barriers	Lack of legal framework governing SMEs growth and development	31(14.8%)	101(48.3%)	66(31.6%)	11(5.3%)	0[0.0%]
Property right barriers	Weak or no patent right	39(18.7%)	123(58.9%)	43(20.6%)	4(1.9%)	0[0.0%]
	Weak or no trademark rights and systems in place	40(19.1%)	118(56.5%)	48(23.0%)	3(1.4%)	0[0.0%]
	Weak or no copyright laws in the system	40(19.1%)	126(60.3%)	3(1.4%)	1(0.5%)	00[0.0%]
	Weak or no laws governing buildings and land ownership right	39(18.7%)	40(19.1%)	3(1.4%)	1(0.5%)	0[0.0%]

Source: Field Study, 2016.

5.8 Chapter Summary

The characteristics of SME's in Libya were analysed which involves both firms and their owner-managers. The financing perspectives of SMEs especially in relation to access to bank and other sources of finance. The business growth strategies adopted by SMEs owners were also analysed. The annual turnover and annual incomes of these firms have been ranked as the most important motivational factor in our sample. Finally, the barriers and constraints to SMEs growth and development in Libya identified are financing, institutional, technological, social, legal and property right barriers hinder their firms.

Chapter six: Empirical Analysis and Discussion of Findings

6.1 Introduction

The main aim of the thesis was to investigate the factors that influence (either enhance or constrain) the development and growth of SMEs in the Libyan context. This chapter seeks to examine the relationship between independent and dependent variables using ordered logit model. This chapter is organised as follows. After the introduction section, the reliability analysis and factor analysis results are presented. The results of ordered logit regression and their interpretation are discussed. Lastly, a summary of the chapter is provided.

6.2 Reliability Analysis

Babbie (2010) revealed that the reliability as a case in which the same results will be achieved whenever the same technique is repeated many times to do the same study. Hayes (1998) argued that the most common method utilised for assessing the reliability for a measurement scale with multi-point items is the Cronbach coefficient alpha. Therefore, to test the reliability of the questionnaire, the Cronbach coefficient alpha was used.

The purpose of Cronbach's Alpha analysis is to test the reliability of the scale and survey data to assess the correlation between observed variables which are the influencing factors in the survey questionnaire to see whether the observed variables are closely related with each other. For example, external factors were measured with 13 items or indicators. Hence, it is important to test whether all these indicators measure the concept of “external factors” well or not. It can be seen from Table 6.1 that the majority of the values of Cronbach’s alpha show a very good internal consistency. The alpha for most of the factors

exceeds the accepted value of 0.60 (Malhotra, 1993). Overall, reliability is achieved with a coefficient alpha ranging from 0.729 to 0.932.

Table 6.1 : Reliability of Constructs

Constructs' Measurement Scale	No. of Items	No. Cases	Cronbach's Alpha
External Factors	13	209	.781
Internal Factors	18	209	.735
Motivational Needs	4	209	.808
Financial Barriers	5	209	.767
Institutional Barriers	2	209	.790
Technological Barriers	2	209	.734
Legal Barriers	2	209	.729
Property Right Barriers	4	209	.932

6.3 RESULTS OF FACTOR ANALYSIS

In order to ensure that the variables used in our analysis are really measuring the constructs under study, the items are subjected to factor analysis. These are done differently under the following headings: SMEs' Barriers (Financing, Institutional, Technological, Social, Legal and Property right), External and Internal Factors confronting the SMEs, and Motivational needs of the Entrepreneur. This was decided based on eigenvalues. Factors were obliquely rotated using Promax rotation.

6.3.1 Barriers to SMEs

From the table of correlation matrix there are correlation coefficients greater than 0.3 in magnitude. This implies that factor analysis is appropriate. In the correlation matrix there are

a number of correlations greater than .3, which tentatively suggests factor analysis is appropriate here. The KMO is .767 which is well within acceptable limits (Table **6.2** below). The Bartlett's Test of Sphericity should be significant (less than .05) and in this example we have met this criterion as the test is significant (p=.000).

Table 6.2 : KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.767
Bartlett's Test of Sphericity	Approx. Chi-Square	2.360E3
	Df	171
	Sig.	.000

The first and most popular method for deciding on the retention of factors is Kaiser's eigenvalue greater than 1 criterion (Fabrigar et al, 1999). This rule specifies all factors greater than one are retained for interpretation. Findings show that only six factors are retained (table 6.3). The total variance explained by the six factors is 74.918% out which the total eigenvalues for the first dimension is 32.475% of the variance extracted. The total variance explained by the six factors is greater than the 60% threshold.

Table 6.3 : Total Variance Explained			
Component	Initial Eigenvalues	Extraction Sums of Squared Loadings	Rotation Sums of Squared Loadings[a]

	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.170	32.475	32.475	6.170	32.475	32.475	5.103
2	2.241	11.794	44.268	2.241	11.794	44.268	3.228
3	2.028	10.673	54.942	2.028	10.673	54.942	3.459
4	1.602	8.431	63.372	1.602	8.431	63.372	2.202
5	1.295	6.814	70.187	1.295	6.814	70.187	3.173
6	1.899	4.731	74.918	.899	4.731	74.918	2.388
7	.818	4.306	79.224				
8	.657	3.460	82.684				
9	.570	3.002	85.687				
10	.494	2.603	88.289				
11	.438	2.303	90.593				
12	.354	1.861	92.453				
13	.302	1.590	94.043				
14	.291	1.531	95.574				
15	.258	1.359	96.933				
16	.215	1.132	98.065				
17	.202	1.064	99.129				
18	.101	.533	99.662				
19	.064	.338	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

The table below shows the Pattern Matrix which displays the rotated factor loadings and is used to interpret the dimensions. It shows the loading of each of the items to the six factors extracted. A loading is the coefficients of the items to the constructs . A threshold 0.4 is used and loadings less than 0.4 are suppressed in the output to aid interpretation. The first factor(1) measures property right barriers, the second factor(2) measures financing barriers, the third factor(3) measures technological barriers, the forth factor(4) measures social barriers, the fifth factor(5) measures institutional barriers while the sixth factor(6) measures social barriers. This was decided based on eigenvalues. Factors were obliquely rotated using Promax rotation.

	Table 6.4 : Pattern Matrix for Coefficients						
	Barriers to SMEs	1	2	3	4	5	6
Financing Barriers	Barrier in obtaining external financing		.933				
	High cost of financing		.919				
	Lack of funding		.702				
	High collaterals on borrowing		.605				
Institutional barriers	Political instability					.792	
	Frequent changes in laws and regulations					.800	
	Too much bureaucracy					.743	
	Shortage of qualified and skilled workers					.809	
	Unfair competition in the informal sector					.694	
Technological barriers	Lack of innovation in the SMEs sector			.894			
	Lack of technological infrastructure			.753			
Social barriers	Cultural difference in the urban set up						.574
	Lack of trust among entrepreneurs in the sector						.909
Legal barriers	Lack of legal framework governing SMEs growth and development				.746		
	Long delays and adjournment of cases involving	.			686		
Property right	Weak or no patent right system	.882					

	Weak or no trademark rights and systems in place	.916					
	Weak or no copyright laws in the system	.932					
	Weak or no laws governing buildings and land ownership right	.928					

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization

Shah and Burke (2003) define labour shortage as follows: "A shortage occurs when the demand for workers for a particular occupation is greater than the supply of workers who are qualified, available and willing to work under existing market conditions." Shortages of workers is measured using a 5 point Likert scale and recoded into dichotomous variables based on question 38 in the questionnaire survey .

Unfair competition**:** This variable aims to pick up the impact of the informal economy, and other illegal methods used by entrepreneurs to improve their competitive position. The greater size of the informal sector constrains the growth of SMEs as it disadvantages the position of firms that operate in the formal sector. This variable is measured on a 5-point Likert scale from 1 (Strongly disagree) to 5 (Strongly agree) based on question 38 in the questionnaire survey

6.3.2 External and Internal Factors.

From the table of correlation matrix there are correlation coefficients greater than .3 in magnitude. This implies that factor analysis is appropriate. In the correlation matrix, there are a number of correlations greater than .3 which tentatively suggests factor analysis is appropriate here. The KMO is 0.803 which is well within acceptable limits (see Table 6.5). The Bartlett's Test of Sphericity should be significant (less than .05) and in this example we have met this criterion as the test is significant (p=.000). The total variance explained by the

two factors is 43.059% out which the total eigenvalues for the first dimension is 33.682% of the variance extracted. The total variance explained by the two factors is less than the 60% threshold.

Table 6.5 **: KMO and Bartlett's Test**		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.803
Bartlett's Test of Sphericity	Approx. Chi-Square	2.2483
	Df	210
	Sig.	.000

Table 6.6 **: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	7.073	33.682	33.682	7.073	33.682	33.682	6.072
2	1.969	9.378	43.059	1.969	9.378	43.059	5.609
3	.702	8.106	51.165				
4	.341	6.387	57.552				
5	.205	5.739	63.291				
6	.142	5.438	68.729				
7	.951	4.529	73.258				
8	.906	4.315	77.573				
9	.798	3.799	81.372				
10	.636	3.030	84.402				
11	.487	2.320	86.722				
12	.445	2.121	88.843				

13	.419	1.997	90.840				
14	.380	1.810	92.651				
15	.286	1.361	94.012				
16	.276	1.314	95.326				
17	.250	1.189	96.515				
18	.241	1.146	97.660				
19	.189	.899	98.560				
20	.174	.827	99.387				
21	.129	.613	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

Table 6.7:	**Pattern Matrix Coefficients**	Internal	External
		1	2
External and business Environment Factors	Legal and regulatory framework		.815
	Access to sustainable funding and financing (internal & external)		.805
	Human resources capacities		.478
	non-diversification of Libya economic activities		.586
	labour market inefficiency		.523
	Higher taxation and stiffer regulatory policies on SMEs		.680
	Political instability		.505
	Economic instability		.667
	Corruption		.621
	Bureaucracy		.667
	Access to industrial real estate		.579
	Unfair competition from the informal Sector		
	Unavailable and reliable electricity supply in the country	.500	
SMEs internal	Firm characteristics	.636	

	Entrepreneur characteristics	.807	
	Lack of management training and capacities	.857	
	Weak managerial structure	.577	
	Lack of management capacities	.488	
	Lack of managerial Skills	.829	
	Marketing skills	.755	
	Technological capacities	.528	

Rotation Method: Promax with Kaiser Normalization

The table above shows the Pattern Matrix that displays the rotated factor loadings on the external and internal factors (constructs). It shows the loading of each of the items to the two factors extracted. In addition, a threshold of 0.4 is used and loadings less than 0.4 are suppressed in the output to aid interpretation. Items that load on the first dimension suggest it represents external factors and second measures internal factors. The items under these constructs have good loadings. In other words, these items measure the latent variables. Managerial variables definition (see, Appendix C).

6.3.3 Motivational Needs of Entrepreneurs

Under the motivational needs of an entrepreneur, only one component was extracted. Therefore, the solution cannot be rotated. KMO is .750, which is well within acceptable limits (see table 6.8). The Bartlett's Test of Sphericity should be significant (less than .05) and in this example we have met this criterion as the test is significant (p=.000). The total variance explained by one factor is 32.826% and this is less than the 60% threshold.

Table 6.8 : KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.750
Bartlett's Test of Sphericity	Approx. Chi-Square	1.9003

	Df	153
	Sig.	.000

Table 6.9 **: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.909	32.826	32.826	5.909	32.826	32.826
2	.695	9.417	42.243			
3	.635	9.086	51.329			
4	.433	7.963	59.292			
5	.368	7.601	66.893			
6	.126	6.253	73.146			
7	.974	5.410	78.556			
8	.736	4.087	82.643			
9	.598	3.321	85.964			
10	.475	2.639	88.603			
11	.414	2.300	90.904			
12	.358	1.990	92.894			
13	.311	1.726	94.620			
14	.251	1.395	96.016			
15	.224	1.244	97.260			
16	.200	1.113	98.373			
17	.174	.968	99.341			
18	.119	.659	100.000			

Extraction Method: Principal Component Analysis.

Pattern Matrix	1
Motivational needs of entrepreneurs	
To increase income and growth	.797
To ensure good product at competitive price	.883
To provide good customer service	.827
To provide employment to the masses	.630
The desire to satisfy basic psychological needs	.403
The flexibility for achievement realization	.460
Less constrained by organizational systems	.567

To be my own boss	.468
To be able to use my past experience and training	.603
To prove I can do it	.560
To increase my income	.408
To provide jobs to family members	.595
For my own satisfaction and growth	.489
So I will always have job security	.422
To build a business to pass on	.412
To maintain my personal freedom (To maintain my personal freedom includes controlling one's own time and work, making independent decisions and being able to being flexible finding a desired work-life balance)	.456
To be closer to my family	.460
To have fun	

From the Pattern Matrix table above, the rotated factor loadings on the motivational needs of entrepreneurs (latent Variable) shows the loading of each of the items to the factors extracted not highly loaded. A threshold of 0.4 is used and loadings less than 0.4 are suppressed in the output. Items that load on the dimension measure the motivational needs of the entrepreneur. The items under this latent variable show some loadings below average load.

6.4 Conceptual framework of the study

This literature review widely discussed the factors that are considered influential on the growth of small firms. From these factors, a conceptual model was developed (see figure 6.1

below). In the proposed framework, the firm -owner characteristics and the perceived barriers faced by SMEs were treated as independent variables, while the dependent variable was the growth of SMEs. On the other hand, this proposed framework examines the relationship between firm-owner characteristics and the barriers faced by SMEs similar to that of Sleuwaegen and Goedhuys (2002) and Robson and Obeng (2008) and Coad and Tamvada (2012).

The framework illustrates the growth of SMEs as the dependent variable which is measured by annual turnover based on question 33 in the questionnaire survey. The figure shows that growth is determined by firm-owner characteristics as independent variables, which includes age of firm, size of firm, management qualification, and growth aspiration of entrepreneur. These variables are defined and measured in (appendix c). On the other hand, growth of SMEs is also hindered by a set of perceived barriers as independent variables, which include fourteen factors that were selected from the literature review that are consistent with Libyan context. The figure below shows also that there is a relationship between firm-owner characteristics as independent variables and barriers to SMEs in Libya as dependent variables.

Figure 6.1: Conceptual framework of the study

Source: Author

6.5 Variable definition and Measures

6.5.1 Dependent variable

6.5.1.1 SMEs growth

Scholars have used a variety of different measures of growth. These measures include, for example, growth of sales, employees, assets, profit, market share, etc (Davidsson and Wiklund 2000; Weinzimmer et al. 1998). Also, in many studies growth and other categories of performance are usually calculated as the relative change in size of the growth measures in last three years (Wiklund et al., 2009). The growth in this research as a dependent variable is measured by percentage of firms' annual turnover over the last four years based on question number 33 in the questionnaire survey.

6.5.2 Independent variables

6.5.2.1 Firm and owner characteristics

6.5.2.2 Firm age

The firm age can be defined as the duration of existence of the firm. Specifically, relating to its date of establishment as a legal entity. According to Shumway (2001) firm age is defined based on the total number of years in operation, which is said to define the firm's existence. In this study firm age was measured by the years a firm has been in operations. The young firms are those firms that have been in operation for less than 1 year and between 1-5 years while the old firms are those who have been in operation for between 6-10 years, 11-15 years and over 15 years.

6.5.2.3 Firm size

There are several ways to measure firm size such as number of employees, assets, sales, revenue and market value of firm are used as measurement of firm size in the studies dealing with the issue of Law of proportional effect. The number of employees is the most commonly used indicator (Nassar, Almsafi r and Al-Mahrouq, 2014). In this study, the firm size was measured by the number of employees based on questionnaire survey.

6.5.2.4 Management qualification level

Education level has been widely recognized that positively impacts business growth opportunities (Dunkelberg and Cooper, 1982; Cooper et al., 1994; Gimeno et al., 1997). Education provides knowledge that may help overcome financial constraints (Evans and Leighton, 1989). Moreover, the firms' owner–managers who have better education level are more efficient in their work and will tend to build their character and enhance the skills (Souitaris et al., 2007). In this study management qualification level was measured with ordered category as Senior High School certificates, Diploma certificate, First Degree and MBA.

6.5.2.5 Growth aspiration of entrepreneur

A number of previous studies have related motives to aspirations; for example, Kolvereid (1992) finds that the achievement motive is positively related to growth ambitions. Curiously, financial motives are not included in this study. Davidsson (1989) explains growth willingness based on differences in the expected outcomes of growth. He finds that, if business owners expect increases in financial rewards and in independence, they have more ambitions to grow. Conversely, if they fear a loss of control, or expect that employee well-being will be reduced in the case of growth, their ambitions to grow tend to be limited.

Wiklund et al. (2003) also explain growth ambitions from its expected consequences and find that concern for employee well-being is the strongest predictor: if business owners would expect employee well-being to go up in case of growth, their growth ambitions would be large, and vice versa. The authors note that the high importance attached to employee well-being may be specific to Sweden. In this study, growth aspiration of entrepreneur was measured by three questions and the respondents were asked to assign value between 1and 5 with (5)Strongly agreed, (4)Agreed, (3)Not sure, (2)Disagreed and (1) Strongly disagreed on the following statements:

[1] I would like to employ more hands in the future for growth purposes.

[2] I would like to establish more branches in the major cities of the country to signify growth.

[3] I would welcome professional help from banks when given credit to help manage it to increase growth.

6.5.3 Barriers to SMEs

6.5.3.1 Legal and regulatory framework

Regulation usually involves the means by which the government controls or regulates the actions and economic activity of individuals and firms (King and Levine, 1993). Regulations on SMEs may be manifested in such forms as regulations over business start-up, regulations on labour practices, taxation and foreign trade (Quartey, 2001). Okeke and Eme (2014) also highlighted corruption in politics, the law enforcement system and taxes as regulatory constraints to SMEs growth. In this study, legal and regulatory framework was measured

based on perception from our sampled firms as a barrier using a five-point Likert scale in the questionnaire.

6.5.3.2 access to finance

according to Fowowe (2017) who used data from enterprise survey and examined access to finance and performance of the firm in African context. Using the subjective measure, he found that lack of access to finance affect negatively firm growth. Our measure of access to finance constraint is a subjective measure which is obtained from the respondents' perception on a scale of 1-5 (1 being strongly disagree and 5 being strongly agree).

6.5.3.3 Taxation

Taxation is crucial to the development of businesses because policy makers can change the pattern and decision of entrepreneurs to invest through taxation. Incentive-based taxes stimulate business and growth, but this means less money for government. In addition, in some countries, there is a large number of taxes and sometimes the procedures to comply with tax authority requirements are very complicated. Complicated methods of taxation very often force SMEs to employ outside advisors, thus increasing transaction costs further. Hence, lowering taxes and contributions imposed on SMEs can facilitate growth, increase the overall output and decrease the size of the unofficial economy (KRASNIQI,2007). Taxation barrier was measured based on a 5-point Likert scale.

6.5.3.4 Corruption

Corruption is defined "as the misuse of public office for private gain" (World Bank, 2000). Along the same line of thought, Wraag et al. (2009, p. 5) define corruption as "an inducement to show favour" and "the perversion of destruction of integrity in the discharge

of public duties by bribery of favour." This implies that corruption involves any attempt by a person to use entrusted power to advance personal and selfish advantages. In this study corruption was measured using a 5-point Likert scale.

6.5.3.5 Economic instability

economic instability explains the fluctuation or variability of those environmental factors such as interest rate, exchange rate, growth rate, unemployment, inflation rate, balance of payment etc. However, the combination effects of these variables contribute to the instability in an economy, especially the fluctuation of these variables could worsen the growth of small and medium scale enterprises in an economy. This is because, small and medium scale enterprises operate in dynamic environments in which they have limited control over, and it is essential for them to transact their businesses in such environments. Therefore, any shocks in the environment tends to affect their productivity (Thomas et al, 2020).

6.5.3.6 Political instability

political instability can be described as any unforeseen change in government strategy and policy that impacts on the business landscape where companies operate (Butler & Joaquin, 1998). Political instability is the leading concern for firm managers in MENA, according to a study based on the Enterprise Survey. It has a negative impact on sales and productivity growth (de Lima et al, 2016). This variable was measured using a 5-point Likert scale.

6.5.3.7 Marketing skills

Marketing skills has been considered as one of the most effective factors to firm survival and growth. According to Van Scheers (2012) the lack of marketing skills has a negative

impact on the success of small businesses. Marketing of an SME determines in the long term whether the business will succeed or go under. The assumption is if the potential customers are not aware of your products or services no one will do business with you. This variable was measured using a 5-point Likert scale in questionnaire.

6.5.3.8 Unreliable and non-availability of electricity supply

Electricity insecurity is defined as the regular experience by firms of interrupted electricity supplies. Access to a reliable electricity supply is widely considered to be vital to the operations of most small and medium-scale businesses. Surveys suggest that, in middle and lower income countries, firms themselves consider access to electricity to be one of the biggest constraints to their business. Inadequate electricity services can constrain business operations because a supply of electricity may simply be unavailable and, if it is available, securing a connection may be difficult and the supply unreliable, even before its cost is considered. High quality and accessible infrastructure encourages productivity, business growth and investment, but when it is poor and unreliable, businesses' productivity and growth suffer. In this study, this variable was measured using a 5-point Likert scale based on perception from the respondents.

6.5.3.9 Lack of managerial skills

managerial skills are defined as the organizational resources, which can deal with upcoming challenges, development of organizational planning, and lead the firm's operations by utilizing the organizational recourses (Ahmad& Bin Ahmad, 2021) Management skills are the critical success factors of all businesses, and small business is no exception. The lack of

managerial skills places significant challenges on SME development. This variable was measured based on 5 point Likert scale from the questionnaire survey.

6.5.3.10 Lack of management training and development

Training is important factor to enhance entrepreneurial activity and performance. The importance of entrepreneurship education and training is well established. From an economic perspective, education is seen as a crucial agent in promoting long-term employment and economic growth (Romjin, 1989). Several empirical investigations have positively, linked management training with the subsequent growth of small businesses (Pasanen, 2007). Therefore, training for small business owners and managers allows them to develop the substantial skills to ensure the survival and success of their firms. This variable was measured based on a 5- point Likert scale from the questionnaire survey.

6.5.3.11 Lack of technological capacities

Drucker (1985) noted that new technologies improve efficiency, enable greater production, and are a source of profit for SMEs. According to Morse et al. (2007), technological capabilities benefit SMEs in several ways: they enhance SME efficiency, reduce costs, and broaden market share, both locally and globally. As noted by Lee (2001), a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. This variable was measured based on a 5- point Likert scale from the questionnaire survey.

6.5.3.12 Weak or no trademark right system

Trademark is a distinctive sign which identifies certain goods or services. Trademarks can take different forms such as words, letters, and numbers. A trademark is used as a

marketing tool to enable customers recognise certain product (Sukarmijan & Sapong, 2014). Registration of Trademark will give the product a strong rights which guarantee the protection of the use from other rivals. This variable was measured based on a 5- point Likert scale from the questionnaire survey.

6.6 Interpretation of estimated Firm growth regression

In this firm growth regression estimation, there are four major independent variables and industry dummy variable. The major independent variables in this model are age of the firm (AGE), size of the firm (SIZE), management qualification level (MANAQUL) and growth aspirations of the entrepreneur (GROWTHASP) while others are industry dummies. More information on these variables can be found in the variable definition table in the appendix. Three equations are estimated. The first equation whose estimates are shown on column 2 on the table (6.15.1) that contains all the firms while the other two equations are subsample of young firms and old firms. Concerning the separation of firm age, previous studies showed different views existed amongst researchers. For instance, Abu Bakar (2011) and Ayyagari, Demirguc-Kunt and Maksimovic (2011) classified firm age into three categories; young firms which operating less than five years; intermediate/middle age firms and matured/established/older firms are those operating from six to ten years, and more than ten years respectively. On the other hand, Ismail, Che Rose, Abdullah and Uli (2010) and LiPuma, Newbert and Doh (2013) divided firm age into two groups, young firms and old

firms. Reiss (2011) and BERNAMA (2006) claimed that higher failure rate of small and medium enterprises is within the first five years of operation. Persson (2004) and Fort, Haltiwanger, Jarmin and Miranda (2012) added that 58 percent of small business in Sweden did not survive within five years period after establishment. Firm age in this study is divided into two groups, young firms and old firms; where young firms refer to firms that is operating less than five years and old firms is those operating more than five years.

The coefficients of the age of the firms in all the three estimated equations are negative (see table 6.10) below. This implies that there is an inverse relationship between firm growth and the age of the firm. The results in research indicated that growth seemed to have a negative relationship with firm age, in which longer established firms experiencing growth at a slower rate than their younger ones. This is consistent with the results of Bigsten and Gebreeyesus (2007) who indicated that growth and age are negatively related only in the first few years after entry and stay constant for most of the age group until it starts to have a positive relation beyond age 50. The results are also in line with the "learning theory" (Jovanovic, 1982) discussed earlier, i.e. that younger firms grow faster than more mature firms because of the diminishing returns to learning and experience. The results also support many studies carried out, e.g. Storey (1994), Glancey (1998), Davidsson *et al.* (2002) and Yasuda (2005). In contrast, the positive relationship of firm's age and growth has been found by Rafiki and Abdul-Wahab (2013), Das (1995) and Elston (1993). However, Rafiki (2019) has found that firm's age does not have a significant relationship with the firm's growth in Saudi Arabia. The descriptive analysis in this study also supports the findings that indicate that the majority of firms in the sample are 1-5 years old.

The coefficients of the size of all the firm, young firm and old firms are also negative. This implies that as the size of the firm increases, the propensity to growth decreases. The findings

conform with results of Coad and Tamvada (2012) who argued that the increase in the size of firm reduces growth of such firm. In line with their study, there exists a negative dependence of growth on size most especially for small firms. In their study, it was hypothesised that smaller firms will grow faster than bigger firms.

This implies that the size of the firm has a negative significant impact in reducing the growth and development of the firm in Libya, and this complies with work of (Geroski 1995; Sutton 1997). Despite the fact that firms may face problem of finance to grow, it has been established that the propensity to grow is high among the large firms than small ones.

The results of the study mentioned that firm size had a significant negative impact on growth, this is in line with many studies in developed countries which suggest that small firms in general tend to grow at a faster rate than medium-sized and large firms (e.g. Hall, 1987; Dunne & Hughes, 1990; Barkham *et al.,* 1996; Bridge *et al,* 2003). In contrast, other studies by Wiklund (1998), Philp (1998), Rafiki and Abdul-Wahab (2013), Federico et al. (2012), Storey (1994) and Abdulsaleh and Worthington (2013) agreed on the positive relationship between the size of the firm and firms' growth.

The results show positive effects of management qualification levels on the growth of firms as shown by the coefficients of the management qualification level of the entrepreneur on young firms while having a negative effect on old firms in Libya (see table 6.10). These results confirm the view of Henry et al (2003) that management training, workforce training and education have significant positive effect on the growth of firms. The quality of management qualification has more impact on young firms than old firms. These results support the theory of human capital development.as put forward by Lucas (1988). It is argued that investment in education leads to production of human capital which crucial determinant in the growth process. An educated workforce is more productive both in production processes and strategic management decision making and all these influences the growth of

firms. However, a study carried out by Rafiki (2019) in Saudi Arabia found no significant relationship between the education and SMEs growth.

The growth aspirations of the entrepreneur also reveal significant positive impact on the firm growth as exemplified by the positive value of the coefficients in all firms, young firms and old firms as well (see table 6.10). Aspirations of the entrepreneurs that are growth oriented will affect progressively on the firm growth. For instance, entrepreneurs whose growth aspiration is to employ more hands in the future or establish more branches in the major cities of the country as well as welcoming professional help from banks when given credit to help manage it will have growth inducing impact on the firm growth. This is consistent with Lee & Tsang (2001) and Wiklund & Shepherd (2003) who stressed that the owner-managers of SMEs who seek the growth are more likely to achieve it. In Libya, government policy towards privatisation of the economy had a positive effect on market growth and growth aspirations, resulting in the entry of a number of foreign companies to the Libyan market and becoming involved in the country's development and construction. This led to the demand for domestic goods increasing, especially within a number of certain industries, such as construction, food, metal and wood.

In the three estimated equation, the log likelihood ratio Chi-Square test with 9 degree of freedom, LR $\chi 2$ (9) = 16.17, p = 0.0049'; LR $\chi 2$ (9) = 19.48 , p =. 0.0941 and LR $\chi 2$ (9) = 8.49 , p=0.0854 indicated that the ordered logit regression coefficients of the predictor, age, size, management qualification level and growth aspirations were statistically different from 0. The Pseudo R^2 in the three equations 0.0362, 0.0641 and 0.0375 suggested that the relationship between the response variable, firm growth, and the predictor, was small.

Table 6.10: Determinants of Firm Growth

Variable	All Firms	Young Firms	Old Firms
D_R	-.2432681 [.4997627] (-0.49)	-.09818 [.7980735] (-0.12)	-.3672637 [.6550529] (-0.56)
D_M	.2828999 [.484876] (0.58)	.6041851 [.7791798] (0.78)	.2453305 [.6235339] (0.39)
D_S	.0950725 [.4890487] (0.19)	.0914317 [.8157009] (0.11)	.004968 [.6070617] (0.01)
D_C	.4682473 [.5267708] (0.89)	.3740329 [.8446909] (0.44)	.9298024 [.6803516] (1.37)
D_F	0 (omitted)		
AGE	-.0006238** [.0002012] (-3.10)	.-.2312692** [.1126441] (-2.10)	-.2802452** [.0826045] (-3.40)
SIZE	-.5641904* [.1901128] (-2.97)	-.6476447** [.2646046] (-2.45)	-.6229938** [2806083] (-2.22)
MANAQUL	.0086151* [.0028469] (3.03)	1858991** [.0615372] (3.02)	-.0635148** [.0237721] (-2.67)
GROWTHASP	.1012075* [.0164476] (6.15)	.0938794** [.0259091] (3.62)	.0728692*** [.0225504] (3.23)
Number of obs	199	84	122
LR chi2(9)	16.17	19.48	8.49

	(0.0049)	(0.0941)	(0.0854)
Pseudo R2	0.0362	0.0641	0.0375

Notes: Standard error are given in parenthesis [ ] and z-value in small parenthesis ( ). *** p-v\0.01, ** p-v\0.05, * p-v\0.1. The young firms are those firms who have been in operation in less than 1year and between 1-5years while the old firms are those firms who have been in operation between 6-10years, between 11-15years and above 15years.

6.7 Barriers to the Growth of Firms regression results

Table (6.11) below shows the results of estimated equations on the external and internal factors as the independent variables to the growth of firm in Libya as the dependent variable. Three different equations were estimated. The first equation considers all the firms under study while the other two equations deal with young firms and old firms respectively. In the three estimated equations, the log likelihood ratio Chi-Square test with 9 degree of freedom, LR $\chi 2$ (9) = 71.80, p = 0.0185'; LR $\chi 2$ (9) = 68.93 , p =. 0.0254 and LR $\chi 2$ (9) = 72.58 , p=0.0185 indicated that the ordered logit regression coefficients of the predictors as shown on table below were statistically different from 0. The Pseudo R^2 in the three equations

0.1865, 0.4344 and 0.3224 suggested that the relationship between the response variable, firm growth, and the predictor was small.

6.7.1 Legal and regulatory framework

Both all firms and the old firms indicate that legal and regulatory framework has a significant negative effect on the growth of the firms. The coefficients (-1.396708) and (-2.472281) in both equations reveal that there is a negative relationship between the firm's growth and legal/regulatory framework obtainable in the Libyan economy. this finding indicates that SMEs in Libya consider this variable as a barrier through complex administrative measures such as dealing with construction permits and property

registration. In addition, SMEs in Libya struggle to obtain business license easily and it may take several months (World Bank,2011).

Our results are consistent with Nyarku and Oduro (2018) who found a negative relationship between legal and regulatory framework and SMEs growth in Ghana. According to Davidsson (1989) complex rules and regulations can heavily hinder SMEs' growth. The conflict in Libya after 2011 resulted in very weak business environment, the policy and regulatory framework for private investment has been unclear. During Gadhafi era, Libya has introduced a series of policies and measures, but all remain incomplete or have been suspended due to the ongoing conflict. Lack of clear regulatory framework in Libya constituted a big challenge to small firms that spend a very long time in order to deal with regulatory procedures. According to the Doing Business Index, Libya ranks 188 of 189 economies in terms of poor performance in all indicators (World Bank, 2016a). Registration procedures for SMEs in Libya are complex and take a long time. Establishing new business requires 10 steps and 35 days, while in other MENA countries firms can do about 8.2 steps and 18.8 days (World Bank, 2016c). The process is very straightforward in neighbouring countries. For example, 7 procedures and 8 days in Egypt, 4 procedures and 10 days in Morocco, 10 procedures and 11 days in Tunisia and 12 procedures and 20 days in Algeria.

6.7.2 Lack of access to finance

Findings show that poor access to sustainable funding both internally and externally pose a serious challenge to the growth of firms in Libya. As shown on table (6.11) below based on the coefficient (-.840861), there is a significant negative relationship between growth of firms and poor access to financing under all the firms at 10 per cent significance level. According to Hyz (2011) access to finance enables SMEs to operate properly, and develop

new products, and hire new staff. Moreover, short-term bank lending is more expensive for small than for large enterprises in Libya because of the higher inherent risk and the lack of collateral. The high rate of interest on loans and credit in most financial institutions or other institutions that are given out credits to investors is a major constraint to the rapid growth and development in Libyan SMEs. In fact, access to finance and credit is a serious problem that most SMEs are finding it difficult not only to expand but also to compete favourably with counterparts in other parts of the world particularly in the well-developed economies. This is almost a common problem highlighted by many studies conducted in many regions of the world (Harvie,2005; Mbugua et al , 2013; Orser ,2000; Berger & Udell, 1998; Galindo & Schantiarelli, 2003; Levy, 1993; Liaw, 1999). Based on the Libyan context, SMEs have limited options to access financing and most of them rely on informal finance especially personal savings. Moreover, informal finance of SMEs is estimated around 82.9% at the initial stage of establishing the enterprise while the bank loans represent only 17.1% (Abd Wahab & Abdesamed, 2012). Access to finance is considered as a major obstacle to the private sector, particularly to SMEs. The World Bank's 2011 investment climate assessment notes that 58% of Libyan firms surveyed perceive access to finance as a major or very severe constraint.

6.7.3 Economic Instability

Our results reveal that economic instability has a negative impact on the growth of small firms in Libya. Economic instability includes fluctuation of several factors that affect business environment such as interest rate, exchange rate, growth rate, unemployment, inflation rate, balance of payment etc (Thomas et al, 2020). This is consistent with Olawale & Garwe, (2010) who claim that economic instability affects the demand for goods and services and therefore affect the growth of new SMEs. Our findings are in line with findings

of the World Bank enterprise survey (2015) which revealed that 80 per cent of owner-managers in Libya ranked economic instability as a major barrier towards the growth of their small firms. In reality, the liquidity crisis, exchange rate instability, reduced demand, and inflation are the most critical factors which lead to economic instability in Libya. Most firms consider the liquidity crisis and exchange rate instability are two main issues that hinder their performance. High levels of inflation have affected consumers' purchasing power and further dampened the domestic demand that had already deteriorated because of the conflict. Inflation also increases firms' production costs (Rahman & Di maio, 2020).

6.7.4 Lack of Managerial Skills

Lack of managerial skills and training is seen to have a negative relationship with the growth and performance of SMEs in Libya. In this study, the coefficients of lack of managerial skills is significantly negative for both all firms (- 1.074887) and old firms (- 2.839349) in Libya. This is consistent with Aliyu (2015) who found that the lack of managerial skills in particular establishing goals, allocating resources, managing conflict, communication, measuring performance, taking action and self-control have negative impacts on performance of SMEs in Nigeria. According to Rogers (2002) inefficient small firms have a lack of essential skills which relate to production, marketing, maintenance, and finance will experience negative effects on the growth of firms.

According to Storey (1994) there is a positive relation between high growth aspiration and managerial experience. Storey explained that the ambition of owner-managers to become wealthy drive them to improve essential managerial skills, which in turn lead to rapid growth. The results of this research are also in line with Rahman et al. (2011), who found that managerial skills are very vital to entrepreneurs in order to enable them perform their

roles effectively, and to achieve a firm's growth. Our findings are also consistent with previous studies carried out in developing countries (see Benzing, Chu, & Bove, 2005; Chu, Benzing, & McGee, 2007). Some scholars argue that skills are typically driven by aspirations to achieve growth and business success (Spencer & Spencer, 1993) this is in line with Storey (1994).

6.7.5 Marketing skills

According to Stokes (2000) marketing is a major skill that distinguishes between the failure and success of small firms. The results of this study show that there is a strong positive relationship between firm growth and marketing skills of the firms. The coefficients both in all firms (1.098248) and young firms (2.171674) as well as old firms (3.127395) are statistically significant at 10 per cent. This implies that good marketing skills are benefits to firms in terms of growth while poor marketing skills are barriers to the firms' growth. These findings are in line with Mazzarol and Ramaseshan (1998) who illustrated a strong association between firm growth and formal marketing planning. A similarly positive relationship between success and marketing has also been identified by Smallbone (1995) and Tzokas and Kyriazopoulos (2001). Marketing factors which need to be addressed to ensure the growth of SMEs involve competition, low demand for products, inability to meet customer needs, lack of knowledge, unsuitable location and misdirected pricing strategy (Cant & Wiid, 2013). Research undertaken in Kenya and Nigeria, revealed that education and training in marketing has a positive impact on firm growth (Winston & Dadzie, 2002).

6.7.6 Political Instability

Political instability is crucial for small firms that seek investments, for instance, high crime rates may increase the cost of security and hinder SMEs from expanding. According to Yang (2011), in Pakistan, 20% of small firms ranked political instability as the major factor

hampering growth in 2010.The results of this study show that there is a significant negative relationship between firm' growth and political instability in all firms and young firms. The coefficients of this variable for all firms (- 1.04684) and young firms (- 2.133271) imply that political unrest reduces the growth of firms. This is in line with previous literature (Gayle et al., 2012; Hammed, 2018; Leydesdorff & Meyer, 2006; Varsakelis, 2006). The ongoing conflict in Libya since 2011 had affected SMEs in many forms. For instance, political instability allows firm owners to focus only on short term activities instead of long term which, achieve growth and create employment. The buildings and equipment of Libyan SMEs are more likely to be damaged by violence and fighting (OECD,2016).

6.7.7 Corruption

In any country with fragile environment and weak legal systems, corruption represents a big barrier which constrains the growth of SMEs (Kochanova, 2012). Sherazi et al (2013) reveal in their study that access to finance and corruption were ranked as the highest barriers to small firms in Pakistan. Gbetnkom (2012) identified the public sectors' corruption in Cameroon as a barrier to SMEs, which have to pay bribes to it. The results pointed out that a range of people, such as tax inspectors, police officers, officials in ministries and electricity officers played a key role in obtaining bribes. The research was carried out through 137 face to face interviews with managers in four cities in Cameroon. The findings showed that unofficial payments(corruption) had a negative effect on SMEs' growth. Findings in this study show that the coefficient (-2.328265) of corruption is negative and significant at 5 per cent. This means that there is a negative relationship between firms' growth and corruption, which is in line with numerous studies in both developed and developing countries (e.g. Kiggundu, 2002; Bartlett and Bukvic ,2001; Beck et al. 2002 and Aidis, 2003). On the other hand, the results are contrast with Hashi and Krasniqi (2011) who found a positive

relationship between corruption and growth of SMEs. This means that the corruption acts as facilitator rather than a constraint, the culture of corruption in Libya is widespread in the public sector. The country ranks 161 out of 168 countries (Transparency International, 2016).

6.7.8 Shortage of qualified and skilled workers

Skills of workers are defined as an ability to perform certain task efficiently. According to Darren et al (2012) the skills are always related to the qualifications that are gained by training and experience. They also pointed out that the lack of skills exists once there is high demand for qualified workers while the supply is less. This study found that there was a shortage of qualified and skilled workforce that will impact on growth of firms negatively. The results of the study have shown that the coefficient (-1.187396) is negatively statistically significant at 5 per cent significance level. This implies that shortage of qualified and skilled workers hinders the performance of firms in terms of growth. These results are consistent with (Trulsson, 2002 & Owusu ,2007 & Doern,2008). In the Libyan context, it is evident that the shortage of skilled workers is due to mismatch between the education system and labour market needs. Although the education system in Libya considers good, the quality of educational programmes leaves many people unprepared for the labour market. Libya performs poorly on the overall quality of the educational system and ranking 128 out of 144 countries on (quality of basic education) and 144 on (quality of the higher education system) (Schwab,2014). Furthermore, the Libyan market is highly dependent on foreign workers who consider a very important source for many small firms because they are qualified and after 2011 most of them left Libya due to conflict and instability (Elgazzar et al., 2015).

6.7.9 Unreliable and non-availability of electricity supply

Firms need a variety of power services to operate efficiently and profitably. The supply of electricity is significantly affected by cost, and as the cost is variable, access to an adequate and affordable supply of electricity is a vital measurement of the profitability and growth of small businesses (Erederick & Selase, 2014). According to Irjayanti and Azis (2012) the high cost of power constituted 62% of the barriers which hinder SMEs in Indonesia.

The coefficient (-1.090545) is unreliable and u

navailable electricity supply is significantly and negatively related to growth of old firms. This is consistent with Afraz et al (2013) who revealed that a lack of electricity is considered the top barrier towards SMEs in Pakistan between 2007 and 2010, and the percentage has increased from 44% to 65%. Our findings are in line with Forkuoh & Li (2015) who revealed that power outages had a negative effect on SMEs growth in Ghana. The results also agree with Erederick & Selase, (2014) who stated that SMEs in Ghana suffer from frequent power fluctuation which affect their profitability.

SMEs in Libya considered the unreliable electricity as a main obstacle to growth and Over 80%, reported suffering from recurrent power outages resulting in productivity losses (World Bank, 2011). Furthermore, the electricity supply dropped after 2011 and firms affected by the time to get connected to the electricity grid.

6.7.10 Taxation

Taxation is a vital factor associated with the growth of small firms, which either stimulates or discourages owner-managers through an inappropriate and inefficient tax system. Vasak (2008) argues that complex tax systems place unequal pressure upon SMEs since the requirements and tax rates are similar for both small and large firms. Complex tax systems are more likely to lead SMEs to employ outside advisors, which in turn increases transaction

costs. Therefore, low tax rates can facilitate the growth of small firms by increasing output and reducing the volume of informal economies (Krasniqi, 2007). The poor tax policy in Libya has a negative impact on the growth of firms. The coefficient (-2.270448) of taxation is significantly and negatively related to growth of young firms. This means unhealthy tax policy is inimical to growth of firms. A further impact of the inefficiency of the taxation system has been encouraged by the growth of the informal economy, in line with findings of a number of authors (e.g. Bartlett & Bukvic, 2001; Small bone & Welter, 2001; Aidis, 2003; Welter & Smallbone, 2003). In Libya, tax evasion is widely spread, and tax awareness does not exist between firms as well as absence of disclosure. SMEs in Libya are struggling to deal with the Tax Administration, and according to the Doing Business indicators, Libya ranks 160 of 189 countries on the ease of paying taxes (World Bank, 2016). Furthermore, Libya has a lack of database related to the number of taxpayers as well as the administrative processes for estimating the volume of due tax. Tax officials in Libya are not qualified enough and there is no clearly identified organisational structure (OECD,2016).

6.7.11 Lack of technological Capacities

The coefficient (- 2.134665) of lack of technological capacities is negatively and significantly related to the growth of young firms in Libya. This implies, the lack of research and development (R&D), exploitation of qualified scientists and engineers, investment in advanced technology in terms of improving efficiency, cutting costs and widening market share will slow down growth of firms. The results are consistent with the findings of previous studies undertaken in Pakistan and Algeria. Hussain et al (2012) who revealed that absence of technological capabilities is one of the constrains that hinder the growth of SMEs in Pakistan. Bouazza et al (2015) who found that technology capacities are one of internal factors that influence growth of SMEs.

Based on (Arinaitwe, 2006) lack of technological implementation hinder Small firms to compete and grow. Morse et al (2007) reveal that SMEs benefit from new technology in terms of improving efficiency, cutting costs and widening market share. Furthermore, such results are also in line with Wijewardena and Tibbits (1999) who argue that technological sophistication can be hindered by owner-managers, who lack essential resources and skills. As noted by Storey (1994), access to technology requires more formal management structures, and sufficient numbers of highly qualified personnels. Based on the Global Competitiveness Report 2014-2015, Libya has very weak technological base despite the availability of scientists and engineers and the public expenditure on R&D is about less than 0.5% of GDP.

6.7.12 Weak or no patent right system

According to Hu and Png (2010), effective patent rights promotes industry growth through technical progress while weak patent rights hinder growth of firms. In this study, there is a negative relationship between weak or no patient right and the growth of firms. The results of this study show that the coefficient (-2.17626) of weak or no patent system is significantly and negatively related to the growth of young firms. This finding reveals that our sampled firms perceive this variable as a constraint towards growth of their firms. Our sample do not indicate the technological level of the firms however in the Libyan context, most firms do not have a technological base to drive new products or processes (OECD,2016). Hu and Png (2010) found that firms, which have strong patent rights, achieved higher growth. A stronger patent rights leads to more innovation, which in turn, generates faster growth of firms, through save costs of technologies and new products and services. It was evidenced from their findings that stronger intellectual property rights were associated with faster industrial growth measured by the value added. Based on International Property Rights

Index (IPRI) in 2015, Libya ranks last among 129 countries below other North African countries. IPR protection laws need to be updated as they are a critical factor in encouraging SMEs to pursue innovation activities (OECD,2016).

6.7.13 Weak or no trademark right and system in place

The impact of trademarks on firm growth is scarce in the literature (Greenhalgh & Rogers, 2007) A trademark enables consumers to select goods and services with ease while shopping. Furthermore, trademark may also serve quality function as it describes the product for its known quality. Importantly, trademark plays a significant role in advertising and consumers are greatly influenced by advertisement (Sukarmijan & Sapong,2014).

The existence of strong trademark has a positive impact on the performance of firms. A strong trademark can influence the customers in so many ways; either changing the attitude of the consumers in favour of such firms or influencing the consumption habit of the consumers. All these have a positive effect on the firms' sales and as such trigger growth of the firms, while weak or no trademark can, on the other hand, affect negatively on the firms' growth.

In the words of Millot, (2012), trademark can be viewed from three perspectives. Namely; in substance, by its function and in legal terms. As a substance, it can take form of symbols, logos, letters, or combination of all of them, while in terms of its function, it is seen in the angle of sign and such sign must be distinctive and able to fulfil the public policy objective of consumer protection such that public are prevented from being misled as to the origin or quality of such product.

In terms of legal terms, it is a type of industrial property that protects the owner the exclusive right to use the signs to identify the goods or services produced or to authorise

another party to use them in return of payment. According to Davies and Davies (2011),the main economic goal of trademarks is to motivate firms to invest in research and development (R&D), and to mention to the quality of the certain product, as well as to enhance efficiency by reducing consumer search costs.

In this study, it is hypothesised that weak or no trademark will impact negatively on the performance of firms in terms of growth. The results in table (6.11) show, by the coefficient of weak trademark (- 2.70905) in young firms, that there is a significant negative relationship between firms' growth and weak or no trademark. Even though this finding reveals that SMEs in the sample perceive weak or no trademark to be as a constraint to growth of their firms. However, this research was not able to identify from within the sample the type of firms where trademark matter, this is because the objective of this research is to identify the perceived barriers to SMEs growth in Libya in general sense and therefore in the designing of the research there was no intention to make it more specific. The existing studies (Greenhalgh and Rogers , 2007; Helmers & Rogers, 2008) found a positive correlation between trademarks registration and productivity of firms. Inference from these studies implies that there exists negative relationship between firms' growth and weak or no trademark. In Libya, the ministry of economy is responsible for enforcing the law of consumer and intellectual property protection however trademark violations are widespread particularly in the retail sector (OECD, 2016).

6.7.14 Lack of management training and development

There is no doubt that training and development play a vital role to enhance firm performance in many ways. Firstly, training programmes increase the employee skills, which, in turn, increases employee productivity and reduces job dissatisfaction (Huselid,

1995). Secondly, training programs which focus on internal employees, reduce the cost and risk of hiring people from external labour markets. In this study, the lack of management training and development impact negatively on the growth of old firms. Findings as shown by the coefficient (-1.080879) of lack of management training and development reveal that there is negative and significant relationship between growth of firms and lack of management training and development. This result is in line with the work of Michie and Quinn (2001) where they examined the relationships between UK firms' use of flexible work practices and corporate performance and they found that low levels of training are negatively affected corporate performance. Our results are consistent with Donga et al,(2016) and (Njoroge & Gathungu, 2013) in South Africa and Kenya who found that the lack of training one of the perceived barriers which influence negatively the growth of SMEs.

Table 6.11 : Regression Results on Barriers to the Growth of Firms

Variable	All Firms	Young Firms	Old Firms
D_R	.1661035 [.6989781] (0.24)	-1.709193 [1.769274] (-0.97)	.9338646 [1.036287] (0.90)
D_M	1.165305 [.720403] (1.62)	.5244107 [2.029724] (0.26)	1.739743 [1.070344] (1.63)
D_S	.7060829 [.6920724] (1.02)	-.0505394 [2.07351] (-0.02)	.6100584 [.9835869] (0.62)
D_C	1.525936 [1.7379329] (0.88)	.5370376 [2.021695] (0.27)	2.260092 [2.130657] (1.06)
D_F	(omitted)	(omitted)	(omitted)

Q36_EXB_001: **Legal and Regulatory Framework**	-1.396708** [.4693504] (-2.98)		-2.472281 ** [.8595713] (-2.88)
Q36_EXB_002: **Lack of access to finance**	-.840861*** [.5101111] (-1.65)		
Q36_EXB_006: **taxation**		-2.270448** [.914895] (-2.48)	
Q36_EXB_**007: Corruption**		-2.328265** [1.115392] (-2.09)	
Q36_EXB_008: **Economic Instability**	-.6043313*** [.321741] (-1.88)	-4.721407** [2.030915] (-2.32)	
Q36_EXB_011: **Unreliable and non-availability of electricity supply**			-1.090545*** [.5987549] (-1.82)
Q36_INB_017: Lack of management training and development			-1.080879*** [.6469552] (-1.67)
Q36_INB_020: Lack of Managerial skills	- 1.074887** [.4975911] (- 2.16)		- 2.839349** [1.261888] (-2.25)
Q36_INB_021: Marketing skills	-1.098248** [.4388457] (-2.50)	-2.171674** [1.019493] (-2.13)	-3.127395** [1.191117] (-2.63)
Q38_IB_01: Political instability	- 1.04684** [.3837587] (- 2.73)	- 2.133271*** [1.24962] (-1.71)	

Q38_IB_05: Shortage of qualified and skilled manpower			-1.187396** [.5488942] (-2.16)
Q38_TB_02: Lack of technological capacities		- 2.134665** [.8786244] (-2.43)	
Q38_PRB_01: Weak or no patent right system		-2.17626*** [1.313622] (-1.66)	
Q38_PRB_02: Weak or no trademark right system		- 2.70905*** [1.49915] (-1.81)	
Q2_PRLC :	(omitted)	-.5991897 [1.628796] (-0.37)	-2.537542 [1.099849] (-2.31)
Q2_PULC:	.1680617 [.9762864] (0.17)	(omitted)	-1.576296 [1.287005] (-1.22)
Q2_PARTSHIP:	-.0196475 [.5786322] (-0.03)	-.1598973 [1.118871] (-0.14)	-2.006927 [2.121412] (-0.95)
Q2_SOLPRSHIP:	.6800164 [.7577997] (0.90)	1.069166 [1.602655] (0.67)	-1.430959 [1.044702] (-1.37)
Q2_FMLBNS:	- 1.687014 [1.919740] (-0.89)	.8109389 [2.817164] (0.29)	(omitted)
Number of obs	209	89	120
LR chi2(9)	71.80	68.93	72.58
Pseudo R^2	0.1865	0.4344	0.3224

Notes: Standard error are given in parenthesis [ ] and z-value in small parenthesis ( ). *** p\0.1, ** p\0.05. The young firms are those firms who have in operation in less than 1year and between 1-5years while the old firms are those firms who have been in operation between 6-10years, between 11-15years and above 15years.

6.8 Firm owner characteristics and their relationship with growth barriers

6.8.1 Firm age

new-born firms are quite likely to be more sensitive than their more mature ones in terms of the costs when seeking to establish a new firm. The reasons for such an assertion are varied. For example, more experienced firms are more likely to be able to rely on their own internal funds, because they benefit from their profits over the years. Additionally, young firms find difficulty to build a good reputation in the financial markets, since they will only have built a short-term relationship with the banks and their sources of collateral will be limited (see Petersen and Rajan, 1995; Martinelli, 1997; Berger and Udell, 2002). It might be expected that young firms will face more obstacles when seeking to hire highly qualified (and costly) employees. Young firms, because of their big financial constraints and smaller size, are more likely to utilise alternative sources of innovation (such as acquisition of machinery and equipment and outsourced R&D, see Pellegrino et al., 2012). Nonetheless, knowledge-related obstacles may also hinder old firms. In fact, firms with considerable market experience, characterised by organisational measures and production practices may experience difficulties in adapting and modifying their skills and expertise to change (Nelson and Winter, 1982; Hannan and Freeman, 1984), especially when seeking to establish an innovative firm. Moreover, old firms may find difficulties when having to identify new

technological opportunities, being limited by certain knowledge barriers such as lack of information on technology and markets. Therefore, the following hypothesis is proposed:

Firm age is influenced by growth barriers.

6.8.2 Management qualification level

Education is a vital factor to the entrepreneurs in many countries (Kalyani and Kumar, 2011). Entrepreneurship education and training has been found to be a major determinant in the growth and survival of SME. According to the human capital theory, education through obtaining knowledge, skills and the abilities enhance the productivity of the individuals (Njoroge and Gathungu, 2013). education enables entrepreneurs to be self-reliant through creating a new cultural and productive environment (Arogundade, 2011). It is not just the financial capital that is lacking, but rather knowledge, ability, and entrepreneurship skills that people obtain. It would be generally expected that those entrepreneurs with high levels of education encountered fewer problems than those with lower levels of education (Robson and Obeng, 2008). Thus, the following hypothesis is proposed:

Management qualification level is affected by growth barriers.

6.8.3 Firm size

The previous literature provides evidence that there is a significant correlation between growth barriers and firm size (e.g., Orser et al. 2000; Okpara 2011; Coad and Tamvada 2012;

Lee 2014). Many researchers suggest that barriers to SMEs growth are partly dependent to the context, and they have been noted to vary across institutional and regional settings (e.g., Henrekson and Johansson 1999; Okpara and Wynn 2007; Lee and Cowling 2015; Wang 2016; Lee and Luca 2019). Although much interest has been done regarding perceived growth barriers, however, there is still limited evidence on their relationship to firm size.

Beck et al. (2005), examine the relationship between firm size, firm growth and perceived growth barriers including finance, law, and corruption. The authors found that find that firms with 5–50 employees are more likely than larger ones to face perceived growth barriers associated with financing and corruption.

Hence, the following hypothesis is proposed:

Firm size is influenced by growth barriers.

6.8.4 Growth Aspiration of the Entrepreneurs

The study of entrepreneurs' growth aspiration has been widely studied in the literature with emphasizing about its importance as indication of subsequent firm growth (Davidsson et al., 2006; Henrekson & Johansson, 2010; Stam & Wennberg, 2009; Hermans et al., 2015). Identifying the determinants of entrepreneurs´ growth aspiration can contribute to understand the factors that encourage or hinder entrepreneurial activity at different levels (Autio & Acs, 2009; Hessels, Van Gelderen & Thurik, 2008; Storey, 1994; Terjesen & Szerb, 2008).

The national context in particular, the state's capacity to provide the foundations for the functioning of markets, such as political stability, a clear regulatory framework, and accountable rule enforcement mechanisms shapes incentives for both opportunity or

necessity-based entrepreneurial activity, which also have several implications for economic development (Acemoglu & Robinson, 2012). Bowen and De Clercq (2008), find that financial capital, educational capital, and regulatory protection are related positively to potential high-growth entrepreneurship, whereas corruption and regulatory complexity are negatively associated with it.

The authors examined the average annual rates of entrepreneurial venture creation from the GEM (Global Entrepreneurship Monitor) in 40 countries. Their findings revealed that lack of regulatory framework and the enforcement of laws as well as corruption, are linked negatively to the growth aspiration of the entrepreneurs. Based on the above the following hypothesis is proposed:

Growth Aspiration of the Entrepreneurs is affected by growth barriers.

6.9 Barriers to firms' growth and characteristics regression results

This section examines relationships between the firms' characteristics and those identified barriers to firms' growth based on similar approaches to that of Sleuwaegen and Goedhuys (2002) for Ivorian firms and to that of Robson and Obeng (2008) who analyse Ghanaian firms and Coad and Tamvada (2012) for Indian firms. Based on the results in tables (1,2,3 and 4 in appendix D), only those barriers that had significant impact on the growth of firms are regressed on the firms' characteristics. The identified factors that constitute barriers to the growth of firms based on their significant impact are; legal and regulatory framework,; lack of sustainable funding and financing; higher taxation ; corruption; economic instability; unreliable and non-availability of electricity supply ; lack of management training and development; lack of managerial skills; marketing; political instability; shortage of qualified

and skilled manpower ; lack of technological capacities; weak or no patent right system; weak or no trademark right system. . Each of these identified barriers serve as dependent variables and assume the value of 5 for strongly agreed, 4 for agreed, 3 for undecided, 2 for disagreed and 1 for strongly disagreed that firms suffer from these barriers. The independent variables are firms' characteristics and these include age of the firm (AGE), size of the firm (SIZE), management qualification level (MANAQUL) and growth aspirations of the entrepreneur (GROWTHASP). In all estimated equations under young firms, the log likelihood ratio Chi-Square test with 9 degree of freedom, indicated that the ordered logit regression coefficients of the predictor, age, size, management qualification level, growth aspirations, dummy for retail trading, dummy for construction firm, dummy for services firms, dummy for manufacturing firms, dummy for private limited liability company , dummy for partnership and dummy for sole-proprietorship were statistically different from 0 (see tables 1 and 2 in appendix D). The Pseudo R^2 in the estimated equations suggested that the relationship between the response variable and the predictors, was relatively small. Also, under old firms, the equations were estimated, the log likelihood ratio Chi-Square test with 9 degree of freedom, indicated that the ordered logit regression coefficients of the predictor, age, size, management qualification level, growth aspirations, dummy for retail trading, dummy for construction firm, dummy for services firms, dummy for manufacturing firms, dummy for private limited liability company, dummy for partnership and dummy for sole-proprietorship were statistically different from 0 (see tables 3 and 4 in appendix D). The Pseudo R^2 in the estimated equations: implied that the relationship between the response variable and the predictors, was small. Under the young firms, analysis shows that the sole-proprietorship is more likely to be affected by higher taxation while, the retail trading firms are more likely affected by shortage of

qualified/skilled manpower and weak/no patient right system compare to farming firms. Manufacturing firms are statistically more likely affected by political instability while services firms are statistically influenced by barriers shortage of qualified/ skilled workers; and weak/ no patent right system. The construction firms are statistically and significantly more hindered by the shortage of qualified/ skilled workers. Private limited company is statistically more affected by barriers in obtaining external financing while partnership is more likely to be influenced by weak/no patent right system compare family owned business. On the other hand, findings under old firms reveal that construction firms and Private limited company are statistically significantly hindered by political instability.

6.9.1 Age of Firm

Analysis of the relationship between the age of the firms and identified barriers show that the young firms in Libya are statistically more likely to be constrained with poor legal and regulatory framework, lack of sustainable funding and financing compare to the old firms (see tables 1 and 2 in appendix D). This implies that the younger the age of firm the more difficult for them to overcome these barriers. These results affirm the work of Beck, Demirguc-Kunt, & Maksimovic, (2005) that financial/financing, legal/regulatory framework impedes the growth of smaller firms. The in-conducive regulatory and legal frameworks will affect SMEs because of activities involving in getting businesses registered, dealing with the tax authorities, meeting other documentation requirements and array of others. The study reveals that the old firms are more statistically agreed to the fact higher taxation pose a big barrier to the growth of firms compared to young firms. This implies that the older a firm

the more tax it faces unlike the young firms that may enjoy some level of incentives in forms of tax holiday. This is against the work of Krasniqi (2007) that argues that the high tax rates and cost of complying with regulations significantly increase expenses of young small firms and this reduces their performance.

Findings show that young firms are statistically more agreed that corruption; economic instability; lack of management training and development; lack of managerial skills; marketing; are barriers to growth compared to old firms. The young firms may be more vulnerable to corruption because they may lack necessary knowledge of technical-know-how of the business at the initial stage of the operation and in an environment with weak policies and legal systems this may hinder progress. This affirms findings of Sherazi, et al. (2013) in their study in Pakistan that access to finance and corruption were ranked as the highest barriers to small firms. Economic instability is found to influence more on young firms than old firms do. Unstable and poor economic conditions in terms of poor finance and inadequate infrastructure are seen as the most crucial factors to growth of firms. This is more impactful on young firms than old firms. According to Akingunola,(2011) in his study carried out in Nigeria, the inability of young SMEs to have access to financial support in terms of funds/loans and good infrastructure are responsible for the business failures of young firms. Lack of management training/development and lack of managerial skills are more impactful on the young firms than old firms are. This constitutes a major challenge to the existence of SMEs. The young firms are said to lack managerial skills and the resources to undertake management training and development unlike old firms. Therefore, the younger a firm is the more the lack of management training and lack of managerial skills pose as a problem to growth of firms. Smallbone and Welter (2001) argue that prior managerial skills are essential to the growth of small firms but not sufficient. Findings show

that marketing; political instability; lack of technological capacities and weak or no trademark right system are more statistically impactful on the young firms than the old firms are. By implication, the younger the firms, the more these factors parade themselves as barriers to such firms. (See tables 1,2,3 and 4 in appendix D). Lack of technological capacities are more likely to be relevant to young firms on the ground that they lack required funding and essential resource and skills to acquire relevant and benefit of new technology in the area of improving efficiency that may cumulate into cutting costs and widening market share. In the words of Storey (1994), management structure and sufficient numbers of highly qualified personnel are required for technological capacities of young firms to be built and they may not be available for young firms to achieve unlike old firms. Marketing is seen to be more impactful on young firms than old firms are, as revealed by the results. Since the young firms may not have found their feet in the market for their products or services unlike the old firms, marketing may pose serious challenges to the growth of young firms. Using the words of Stokes (2000) '' marketing is a major skill that distinguishes between the failure and success of small firms''. Therefore, the fear of failure to be able to secure market or some proportion of market share may be more perceived as a problem by the young firms than the old firms who are already occupying the market. In spite of the positive impact of trademark right system on the performance of firms, the huge costs involved for a firm to achieve it and the ability of the young firms to meet the necessary requirement may constitute a serious problem to young firms. Weak or no trademark right may be a serious threat to growth of young firms due to failure to meet up with finances and other requirements needed to be in place before a trademark right is given to the firms.

Results show that higher taxation, unreliable and non-availability of electricity supply; shortage of qualified and skilled manpower; weak or no patent right system are more impactful on the old firms compared to young firms (see tables 1,2,3 and 4 in appendix D). This implies that the older the firms are, the more these factors pose challenges to the growth of firms. In case of higher taxation, the old firms are exposed to many multiple taxes such as personal income tax, company profit tax and import duties etc. This is possible since most of the old firms are likely to have been asked by the regulatory agencies to publish their annual statement of accounts and other relevant documents that may reveal their financial status unlike young firms. Literature has documented that poor infrastructure development in terms of electricity supply, low quality of labour force, lack of e-commerce and poor law and order situation and so forth are big obstacles to both young and old small firms (Reddy, 2007 ; Bezic, Vojvodic, and Stojcic, 2010).

6.9.2 Management Qualifications

Management qualifications play a key position in the running and management of business. Management qualifications spur entrepreneurship education and training that develop entrepreneurial capacities and mind-sets which benefit economies by engendering creativity, innovation and self-employment (European Commission, 2008). It is believed that education and training play an important role in development. The skills required by the entrepreneur to create businesses is developed through education and training (Henry et al, 2003). Based on the ordered logit regression analysis findings as shown in table (1,2,3 and 4 in appendix D). Management qualification level of owner-mangers in the Libyan firms as (Independent variable) significantly correlated with perceived barriers as (Dependent variables).

Management qualifications in the Libyan young firms are seen to be more impactful on these factors : lack of sustainable funding and financing; lack of management training and development; unreliable and non-availability of electricity supply, lack of Managerial skills, shortage of qualified and skilled manpower, lack of technological capacities and Weak or no patent right system. On the other hand, management qualifications in the Libyan old firms have a significant relationship with the following barriers: lack of sustainable funding and financing, corruption, lack of technological capacities, lack of managerial skills, lack of management training and development, shortage of qualified and skilled manpower and unreliable and non-availability of electricity supply. (see tables 1,2,3 and 4 in appendix D). Our results indicate that management qualification level related positively with lack of finance in both young and old firms in Libya. This is unlike Irwin and Scott (2010) who found that people with a higher level of education in UK SMEs face fewer difficulties in obtaining bank financing than others. However, Ed Vos et al., (2007) found that less educated SME owners tend to use the external financing more, while higher educated SME owners are less likely to resort to the external financing that support our findings. Management qualification level related positively with a lack of management training and development and lack of managerial skills in young firms, which means the higher educated entrepreneurs are more likely to consider both as barriers to their firms. Nevertheless, in old firms the negative coefficient of management qualification level indicates that less educated entrepreneurs are more likely to be constrained by the lack of management training and development and lack of managerial skills than high educated ones.

In respect of unreliable and non-availability of electricity supply, the results show that level of management qualifications in both young and old firms related negatively with unreliable and non-availability of electricity supply barrier. This means that low level of educational

qualifications of entrepreneurs are more vulnerable to unreliable/non-availability of power than high educated entrepreneurs. There is no clear evidence from the literature regarding the link between both variables. However, the results show that less educated level of SME owners consider unreliable electricity supply as a barrier that hamper their firms to grow, while high educated level of SME owners less likely to be constrained by non-availability electricity supply. Insecurity supply of electricity hamper SMEs owners when they access to online training programs and courses that contribute to enhance the growth of their firms.

This study, further, reveals that corruption is more influenced by the management qualifications of entrepreneurs in old firms than young firms are. .Kochanova,(2012) argues that corruption grows in countries with weak policies and legal systems, and this affects economic functioning, growth, and development of the economy. The low level of education and high level of education may propagate corruption among the old firms. High level of education among the entrepreneurs in old firms may not translate to growth in the event of good management training/development and application of advanced technological capacities if there is no moral conscience among the entrepreneurs. Therefore, corruption, either within the economy or within a system may thrive more even in the face of high level of education if the moral conscience is lost. The old firms, due to(experience) having been within the system may have known all the loopholes to perpetrate corruption than the young firms. Therefore, they are more likely to have more corruption that may pose threat to the growth of firms in form of barrier.

6.9.3 Growth Aspiration of the Entrepreneurs

The results reveal that growth aspiration of the entrepreneur in the Libyan young firms is more impactful on these factors : legal and regulatory framework; lack of sustainable funding and financing; higher taxation; corruption; lack of management training and development; lack of managerial skills; political instability; shortage of qualified and skilled manpower ; lack of technological capacities; weak or no patent right system; weak or no trademark right system as barriers to firms' growth. While, in the Libyan old firms the growth aspiration of the entrepreneur is impactful on these barriers: Legal and regulatory framework, lack of sustainable funding, higher taxation, lack of management training and development , lack of managerial skills, political instability, Shortage of qualified and skilled manpower, Lack of technological capacities, Weak or no patent right system and Weak or no trademark right system (see tables 1,2,3 and 4 in appendix D). Our results are in line with Estrin et al (2009) who found a negative relationship between weak protection of property rights and the motivation of entrepreneurs to expand their businesses.

The entrepreneurs with high growth aspiration tend to have access to financing/funding through loans from banks and related financial institutions. This is so, because banks look at prospect of firms in terms of profitability and survival as well as growth of firms in giving out loans, credit, and other financial assistance. Therefore, firms with low growth aspiration are more likely to get out of operation due to these challenges. These results reaffirm Autio (2008) that the difference between high-aspiration entrepreneurs and low-aspiration entrepreneurs account for different growth performances of small firms.

6.9.4 Size of the Firms

The the number of staff employed by the firms measures the size of firm in this study. Therefore, in respect of the size of firm, results show that the size of young firms statistically significantly more impactful on the legal and regulatory framework; lack of sustainable funding/financing; corruption; economic instability; weak or no patent right system; weak or no trademark right system than the size of old firms (see tables 1,2,3 and 4 in appendix D). Each of these factors may constitute serious challenges to the growth of small firms.

This finding is consistent with Cosh and Hughes (2003) who reported a strong relationship between the size of the firm and the firm's constraints. Schiffer and Weder (2001) also show that small firms consistently report higher growth obstacles than medium-size or large firms. On the other hand, our results show that the size of the old firms more statistically impactful on higher taxation; unreliable and non-availability of electricity supply; lack of management training and development; lack of managerial skills; marketing; political instability; shortage of qualified and skilled manpower; lack of technological capacities. This means that these factors pose a threat to the growth of the old firms (see tables 1,2,3 and 4 in appendix D). Our results are consistent with Beck, et al (2005) who found that legal and financial framework, and corruption constrain significantly the growth of the smallest businesses in 54 countries.

6.10 Summary

In this chapter the reliability analysis using Cronbach's alpha and factor analysis technique were presented. Then, the chapter interpreted and discussed the empirical results using ordered logit model, which examine the relationship between the independent variables and dependent variable. The findings in this chapter were compared with other findings from previous studies in developed and developing countries. The following chapter presents an overall summary of the entire study and its limitation, together with recommendations based on the findings of this research.

Chapter Seven: conclusion and recommendations

7.1 Introduction

The primary aim of this research was to establish a deep understanding of the factors that influence the growth of small and medium enterprises in Libya, as perceived by owner-managers. A quantitative approach was utilised in order to fulfil the aim of the study. A survey questionnaire was administered to a population of 400 SMEs in two main Libyan cities (Tripoli and Misrata). The broad goal of the survey was to build a general overview of the factors influencing the performance of SMEs, as seen by their owner-managers. The findings of the research were presented and analysed in chapters 5 and 6, respectively. This chapter aims to summarise the main findings and to draw conclusions from the research. These findings are interpreted and discussed related to the findings of previous research in the literature review (Chapter 2). This chapter presents the study's contributions to knowledge and discusses the limitations of the research.

7.2 Summary of the findings

Based on descriptive analysis results in chapter 5, Findings show that there are external and internal factors and a host of financing, institutional, social, technological, legal and property rights barriers that are hampering the growth and development of SMEs and entrepreneurship in Libya. Financing barriers constituted the high proportion of total

respondents with about (65.60%) agreed that the high cost of financing hinder growth of their firms. The second- high percentage of respondents (63.60%) agreed that there is difficulty in obtaining external financing. These results consistent with many studies in both developed and developing countries, for example (Pandya, 2012; Sherazi et al, 2013, Bartlett & Bukvic, 2001; Hassanein & Adly, 2008). The majority of the owner-managers in the sample mentioned that there is a lack of access to finance. This is explained by the fact that owner-managers of small Libyan firms generally have to rely on their savings and earnings or the contributions of their family or friends due to their inability to gain such finance. In the Libyan context, this result is in line with the findings of the studies by Eltaweel (2012) and Porter and Yergin (2006) who indicated the importance of owner-managers' personal wealth to establish their firms. However, these savings and earnings to some extent are limited, and not all owner-managers had a family member or friend with capital who was willing to contribute to their business. In this context, owner-managers have been forced to seek other methods, such as purchases on credit in an attempt to overcome cash flow-related problems. This approach particularly has become familiar among Libyan owner-managers, who are often required to utilise raw materials from traders through such a method. However, not all owner-managers are capable to gain access to trade credit as this requires trust and a sound business history, in addition to a good personal reputation of the owner-manager him/herself. Some owner-managers are unable to seek finance and loans from banks, because of the interest system in Libya, which is banned under Islamic law. Regarding institutional barriers, political instability and unfair competition in the informal sector represented high percentage of total respondents with about (51.70%) who agree to consider them as obstacles. The other institutional barriers were frequent changes in laws and regulations, shortage of qualified and skilled workers and corruption with about (51.20%),

(51.20%) and (45%) of total respondents who agree to consider them as barriers. In respect of technological barriers, more than half of respondents (52.20%) agreed that lack of infrastructure as an obstacle, followed by (49.30%) of them agreed that lack of innovation is an obstacle.

With regard to estimated results from ordered logit regression in chapter 6, in the first part the findings revealed that there are four main independent variables which determine the growth of SMEs in Libya (age of the firm, size of the firm, management qualification level and growth aspirations of the entrepreneur while others are industry dummies.

Age of the firm: The results indicated that growth seemed to have a negative relationship with firm age, in which longer established firms experiencing growth at a slower rate than their younger ones. This is in line with (Jovanovic, 1982; Evans, 1987; Dunne *et al.,* 1989; Storey, 1994; Davis *et al., 1996;* Glancey, 1998; Almus & Nerlinger, 1999; Wijewardena & Tibbits, 1999; Davidsson et al*.,* 2002; Cabral & Mata, 2003).

Size of the firm: the findings show that firm size had a significant negative impact on growth, this is in line with many studies in developed countries which suggest that small firms in general tend to grow at a faster rate than medium-sized and large firms (e.g. Hall, 1987; Dunne & Hughes, 1994; Barkham *et al.,* 1996; Bridge *et al,* 2003).

Management qualification level: The results of this study showed positive effect of management qualification level on the growth of firms in young firms only, which consistent with Henry et al (2003) who mentioned that management training, workforce training and education have significant positive effect on the growth of firms. The quality of management qualification has more impact on young firm than old firms. Such results support the theory of human capital development.as put forward by Lucas (1988). It is argued that investment in education leads to production of human capital which crucial

determinant in the growth process. Furthermore, the study revealed negative effect of management qualification level on the growth of old firms.

Growth aspirations of the entrepreneur: our results indicated that the growth aspirations of the entrepreneur has a significant positive impact on the firm growth in all firms, young firms and old firms as well. This consistent with Lee & Tsang (2001) and Wiklund & Shepherd (2003) who stressed that the owner-managers of SMEs who seek the growth are more likely to achieve it. In Libya, government policy towards privatisation of the economy had a positive effect on market growth and growth aspirations, resulting in the entry of a number of foreign companies to the Libyan market and becoming involved in the country's development and construction. This led to the demand for domestic goods increasing, especially within a number of certain industries, such as construction, food, metal and wood.

In the second part of regression analysis, the researcher estimated the internal and external factors or barriers as independent variables while growth of firm as dependent variable.

- Lack of Sustainable funding and financing: results revealed that lack of fund affect growth of SMEs negatively, this is consistent with (Harvie,2005; Mbugua et al , 2013; Orser et al ,2000; Berger & Udell, 1998; Galindo & Schantiarelli, 2003; Levy, 1993).

- Lack of managerial skills: our results show negative relationship between growth of firms in Libya and lack of managerial skills. This findings in line with Rahman et al. (2011), who revealed that generic skills helped entrepreneurs to perform effectively, and they directly contributed to a firm’s growth. The results also consistent with previous studies specifically in developing countries (see Benzing, Chu, & Bove, 2005; Chu, Benzing, & McGee, 2007).

- Marketing: the results indicated that marketing skills has positive impact on growth of both young and old small firms in Libya. This finding confirms the results of (Smallbone et al ,1995; Tzokas et al, 2001; Winston & Dadzie, 2002; Stokes, 2000).
- Corruption: Findings in this study show that there is negative relationship between firms' growth and corruption, which confirm the results of numerous studies in both developed and developing countries (e.g. Kiggundu, 2002; Bartlett & Bukvic ,2001; Beck et al. 2002; Aidis, 2003). However, the results of this research are contrast with Hashi and Krasniqi (2011) who found positive relationship between corruption and growth of SMEs. This means that the corruption acts as facilitator rather than a constraint.
- Unreliable and non-availability of electricity supply: our findings show that there is 2negative relationship between growth of firms and non-availability of electricity supply in Libya. This finding consistent with with (Afraz et al, 2013; Frederick & Selase, 2014; Irjayanti & Azis, 2012).
- Higher taxation: the study found higher taxation affects growth of firms negatively. This is in line with (Bartlett & Bukvic, 2001; Small bone & Welter, 2001; Welter & Smallbone, 2003).
- Lack of technological Capacities: lack of technological capacities is negatively and significantly related to the growth firm in Libya. The findings are consistent with Morse et al (2007) who mentioned that SMEs benefit from new technology in terms of improving efficiency, cutting costs and widening market share. Moreover, our results are also in line with Wijewardena and Tibbits (1999) who argue that

technological sophistication can be hindered by owner-managers, who lack essential resources and skills.

- Shortage of qualified and skilled workers: This study found that shortage of qualified and skilled workers affects growth of firms negatively. This finding is consistent with (Trulsson, 2002; Owusu ,2007; Doern,2008). In the Libyan context, it is evident that the shortage of skilled workers is due to mismatch between the education system and labour market needs.
- Political Instability: the findings of this study show that there is negative relationship between firm growth and political instability in both firms young and old. This is in line with Gayle et al (2012), who revealed that "*political instability causes budget shortage for R&D activities at national and enterprise levels, and weakens collaborations between academicians and practicing enterprises, lessens government spending on technology, and deteriorates quality of education*".

7.3 Contribution of the study

This research has made significant contribution to the body of knowledge by developing a framework that integrates firm-owner characteristics and perceived barriers with the growth of SMEs in Libya. In addition, this study contributes to knowledge based on our findings that show two different effects of management qualification levels on the growth of small firms in Libya. Positive effect of young firms and negative effect of old firms.

Few prior studies on factors affecting the growth of the sector have given attention to finance as a major challenge; access to finance has been identified as the dominant growth constraint of SMEs in Libya and developing countries as a whole (Abdwahab and Abdesamed, 2012; Almbrok and Ayedh, 2015; Eltaweel , 2012;

Abdulsaleh and Worthington, 2018). This research addressed this gap by examining the role of other factors in the development and growth of the SMEs in Libya.

7.4 Limitation of the thesis

- Typically, any human work cannot be complete, and this research is no exception. Firstly, this study was carried out within only one country and therefore, the results may lack generalisability. On the one hand, it is recognised that a number of Arabic countries, especially those in North Africa, have similarities with Libya in a number of different aspects, such as culture, language, religion and social life. On the other hand, all of these countries vary largely from Libya in terms of political history and economic structure. Consequently, the results of this study cannot be generalised to countries in the MENA region nor any other developing country.
- This research not dealing with particular sectors of firms which means maybe some factors influence growth in some sectors while others are less affected. If the researcher concentrates on one sector that will enable him or her to be more specific and to recognise critical factors that affect SMEs rather than covering all sectors. Therefore, it is very important to investigate the factors across different sectors. In addition, this study recommends researchers in future studies to concentrate more on specific sectors, in order to increase understanding of the SMEs' environment in the Libyan context.
- This study focused only on two regions located in the west of Libya with regard to gathering data and the reason is that Libya is a large country and it was not possible to reach other cities in east and south due to political instability and the lack of security. Therefore, sample may be not representative of the whole population.

- Data collection in this study utilised only one method which is a quantitative through questionnaire survey. Hence, there might be weakness or bias in the credibility and validity of the findings, which can be avoided through using more than one data collection method, such as by adding interviews. On the other hand, there are several issues resulted from utilising more than one method such as sampling, analysis and reporting issues, and reduces the wide-ranging demand on research skills and the finance and time required (Barney, 2009). For example, a mixed methods approach needs to deal with a large number of participants, which is may not be possible and takes long time.
- There is no specific factors or barriers that influence growth of SMEs based on the past literature. Hence, it is very difficult to select which factors to be examined in this research. This problem was addressed through cover the common factors which exist in similar environments to the context of Libya.

7.5 Recommendations

It has been established that the role of the SMEs in developing economies cannot be underestimated, given the fact that SMEs are the backbone of economic growth and development of a nation that wants to reduce the rate of unemployment and ensure sustainable wealth creation within the emerging economies. Despite this significant position that SMEs occupy, lots of challenges are hampering the small and medium scale enterprises

in most developing economies and this does not except Libyan SMEs. This study has established that there are external and internal factors and a host of barriers raging from financing, institutional, technological, social, legal and property rights that are hampering the growth and development of small and medium scale enterprises in Libya.

Based on the findings of this study, this study has put forward following policy recommendations:

- Considering the present political instability, the country in passing through, it is a well-known fact that no level of growth and development that take place under the condition of political unrest. The Libyan government should make a greater effort to create a peaceful political atmosphere that can engender conducive business environment that can ensure sustainable growth and development of SMEs in Libya.
- Appropriate meaningful and comprehensive economic policies, through legislations, must be put in place by the government to improve the country's business climate, which is currently inimical to growth and development of the private sector.
- In addition, the central bank of Libya, through its monetary policy, should create conducive business environment for prospective SMEs investors through expansionary monetary policy that can allow investors to have access to loans and credits from the financial institutions with low rate of interest. This will boost the morale of the investors to invest more, thereby increase the SMEs' growth and development in Libya.

- The legal framework should be restructured to ensure that proper property rights are put in place to protect the initiatives and ideas of prospective investors, this will go a long way in reducing piracy. Piracy is seen as dis-incentive to growth and development of investment.
- Decision makers should take into account enhancing SMEs through design proper legislative and regulatory framework. In addition, the policies and rules should match with each sector.
- The government should reform the banking sector in Libya through lifting restrictions such as interest rates, collateral requirements as Libyan entrepreneurs do not prefer loans with high interest rates and the high collateral requirement.
- Policy makers should take further measures to promote and develop the financial tools to benefit SMEs and make them operate in Libya. For instance, leasing as a financial tool is not widely applied and only a few credit guarantee schemes operate in Libya. In addition, government should pay more attention to facilitate entrepreneurs' access to financing.
- Taxation system in Libya needs more reform in terms of reducing the tax burden as well as simplified regulatory procedures that in turn encourage small firms to operate in formal sector rather than informal economy.
- It is important to spread culture of entrepreneurship through cooperation between the universities and SME owners which includes offer internships to graduated students and assist them through business incubators.
- SMEs owners should focus on more training programs to promote the productivity of their employees. Furthermore, they should focus more on R&D (Research and

Development) activities and technology in partnership with foreign firms to benefit from their technological capacities.

7.6 Suggestions for Further Research

Both the findings and limitations of this study provide opportunities for future study. As a result of the dynamic nature of issues relative to development and growth of businesses, extending this study by way of longitudinal research of similar sample, stretching between two to six years would be ideal to help unearth the complex nature of factors influencing the

development and growth of SME in Libya. In addition, as SMEs work through different sectors in an economy, and as this study did not focus on a certain sector. Therefore, researchers can conduct studies regarding specific sectors because certain factors may play a vital role in one sector than in others. Hence, investigations in certain sectors of SMEs would enable any researcher to deeply understand the exact factors hindering or enhancing SMEs. Finally, and importantly, researchers should distinguish between the different conditions especially in developing countries. In other words, not all countries have similar characteristics which require researchers to be aware. For instance, some countries have weak infrastructure while others have good and modern. Therefore, it is crucial to take into consideration the variation between contexts.

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Appendices

Appendix A: Questionnaire for SMEs’ owner-managers

Dear Respondent,

This is an academic survey questionnaire which is aimed at exploring and evaluating the factors affecting the growth and development of the SME sector in Libya. Your kind and objective response will significantly highlight these challenges from your perspective and contribute to finding practical solution to this problem.

This is purely academic exercise and any information given would not be disclosed

Section A: General information of the firm

1. Name of organization/Enterprise: …….

2. Nature of Organization. (Please tick as appropriate)

Private Limited Company, Public Limited Company, Partnership, Sole Proprietor, Family Owned Business, Others (please specify)……

3. Nature/Kind of organization (please tick as appropriate)

Retail trading Manufacturing Services Construction Farming other……

4. For how long has your firm been in operations (please tick as appropriate)

Less than one (1) year Between 1 and 5 years Between 6 and 10 years Between 11 and 15 years Over 15 years

5. How many people are employed by your firm ……..

6. What is the qualification of your management team?

Senior High School certificates Diploma certificate first Degree MBA Other ……

7. Does your organization have an existing business plan? Yes No

8. What is the average annual turnover of your business?

Less than $ 3,7500.00

$ 3,7501.00 – $ 6,2500.00

$ 6,2501.00 –$ 8,7500.00

Others (specify) ……

Section B.

The following questions relate to the financing issues of your business: the difficulty in accessing credit, options your company is resulting to and future of your business.

9. Has your firm ever applied for credit from a Bank? Yes No

10. If No, why not? Do not like Bank Loan Interest rate too high No collateral to pledge, others (specify) ……

11. How do you rate your relationship with your bankers?

Excellent Good Average Poor

12. Have you ever been refused or denied credit from a bank? Yes No

13. What was the main reason your bankers refused offering you loan?

Default on previous loan No Security to pledge too small equity base

Lack of experienced Management Others (Please specify) ……

14. What was the highest amount your firm ever borrowed from a Bank?

Less than $ 7,500.00 $ 7,501.00 to $ 20,000.00 $ 20,001.00 to $ 32,000.00 above $ 32,000.00

15. What was the purpose of the loan? Start-up capital Working capital Expansion of business other (specify)……

16. What information did your bank asked for? (Tick all that apply)

Collateral Cash flow statement total Assets Audited financial statement (account)

Business plan other (specify)……

17. Have you ever had challenges repaying a Bank loan? Yes No

18. If yes, what created these challenges? Short duration High monthly repayment amount

High interest rate Low turnover others (specify) ……

19. What was the maturity period of the loan?

Up to 1 yea

Up to 2 years

Up to 3 years

Other (specify)……..

20. How did you find the lending rates?

Extremely High

ii. High

iii. Acceptable

iv. Low

21. What percentage of interest is on the loan?

i. Less than 20%

ii. 21 – 30%

iii. 31-40%

iv. above 40%

22. How did you finance the start -up capital of the business?

i. Personal Savings

ii. Bank credit

iii. Friends & Relations

iv. Others (Specify)……

23. What are your sources of funding for the business? (Tick all that apply)

i. Bank loan

ii. Personal savings

iii. Retained profits

iv. Private institutions

v. Trade credit

viii. Family/friends

ix. Other (specify)……

24. In your opinion, what are the major constraints to the growth of your business? (Tick all that apply)

i. Lack of finance

ii. Competition

iii. High interest on bank loans

iv. Taxes

v. Other (specify)…….

25. Have you accessed credit from other sources other than a bank? Yes / No

26. If Yes, Where?

i. Microfinance institution, ii. Venture Capital Fund (VCF), iii. Credit Union, IV. Others (Specify)……

27. Would you say the nature of requirements demanded by these institutions is less stringent? YES / NO

28. What information was requested? (Tick all that apply)

vii. Collateral, viii. Cash flow statement, ix. Total Assets, x. Audited financial statement (account)

xi. Business plan, xii. Other (specify)……

Please state if you agree or disagree to the following statements by ticking the appropriate box below.

29. I would like to employ more hands in the future for growth purposes

Strongly agree Not sure Disagree Strongly disagree

30. I would like to establish more branches in the major cities of the country to signify growth

Strongly agree Agree Not sure Disagree Strongly disagree

31. I would welcome professional help from banks when given credit to help manage it to increase growth.

Strongly agree Agree Not sure Disagree Strongly disagree

32. What does your business's growth strategy aim at?

i.To increasing the revenue of the business than firm growth ( )

ii. To hire more employees than firm growth ( )

iii. Firm growth is not an aim ( )

33. By what percentage has your firm annual turnover grown over the last four years?

Less 5% between 5-10% between 10 -15% between 15 -20%

34. By what percentage has your firm annual number of employees grown over the last four years?

Less 5% between 5-10% between 10 -15% between 15 -20%

35. How successful has your business been over the last four years based on the following measures?

	Poor	Fair	Good	Very good	Excellent
Sales growth					
Employment growth					
Assets					
Market share					
Profits					
Output					
Annual turnover					

Section C.

SME growth and development in Libya

36. Which of the following are the critical factors affecting the growth and development of your firm?

	Critical Factors	Very critical	critical	Not sure	Not critical	Not all

External and business Environment Factors	Legal and regulatory framework					
	Access to sustainable funding and financing (internal and external)					
	Human resources capacities					
	non-diversification of Libya economic activities					
	labour market inefficiency					
	Higher taxation					
	Political instability					
	Economic instability					
	Corruption					
	Bureaucracy					
	Access to industrial real estate					
	Unfair competition from the informal Sector					
	Unavailable and reliable electricity supply in the country					
SMEs internal Factors	Firm characteristics					
	Entrepreneur characteristics					
	Lack of management training and capacities					
	Weak managerial structure					
	Lack of management capacities					
	Lack of managerial Skills					
	Marketing skills					
	Technological capacities					

37. Which of the following do you think are the motivational needs for your firm?

Motivational needs of entrepreneurs	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
To increase income and growth					
To ensure good product at competitive price					
To provide good customer service					
To provide employment to the masses					

The desire to satisfy basic psychological needs						
The flexibility for achievement realization						
Less constrained by organizational systems						
To be my own boss						
To be able to use my past experience and training						
To prove I can do it						
To increase my income						
To provide jobs to family members						
For my own satisfaction and growth						
So I will always have job security						
To build a business to pass on						
To maintain my personal freedom						
To be closer to my family						
To have fun						

38. What are the barriers and constraints in SME's growth and development in your business ?

	barriers and constraints	Strongly agree	agree	Not sure	disagree	Strongly disagree
Financing Barriers	Barrier in obtaining external financing					
	High cost of financing					
	Lack of funds and funding					
	High collaterals on borrowing					
Institutional	Political instability					

	Frequent changes in laws and regulations					
	Too much bureaucracy					
	Shortage of qualified and skilled workers					
	Unfair competition in the informal sector					
Technological barriers	Lack of innovation in the SMEs sector					
	Lack of technological infrastructure					
Social barriers	Cultural difference in the urban set up					
	Lack of trust among entrepreneurs in the sector					
Legal barriers	Lack of legal framework governing SMEs growth and development					
	Long delays and adjournment of cases involving SMEs					
Property right barriers	Weak or no patent right systems					
	Weak or no trademark rights and systems in place					
	Weak or no copyright laws in the system					
	Weak or no laws governing buildings and land ownership right					

Appendix B: Questionnaire in Arabic

عزيزي المستجيب،

هذا الاستبيان الأكاديمي يهدف إلى استكشاف وتقييم العوامل التي تؤثر على نمو وتطور قطاع المشاريع الصغيرة والمتوسطة في ليبيا .استجابتكم الكريمة والموضوعية سوف تسلط الضوء بشكل كبير على هذه التحديات من وجهة نظرك والمساهمة في إيجاد حل عملي لهذه المشكلة.

ان المعلومات في هذا الاستبيان سوف لن يتم الكشف عنها الا للأغراض الاكاديمية

القسم الاول :المعلومات العامة عن المشروع

1. اسم المشروع /المؤسسة: ....

2. طبيعة المنظمة)يرجى وضع علامة حسب المكان المناسب(

شركة خاصة محدودة،

شركة عامة محدودة،

شراكة،

ملكية فردية،

مشروع عائلي،

أخرى..... ( ) .رجاء حدد (

3. نوع المشروع التجاري)يرجى وضع علامة حسب المكان المناسب(

تجارة التجزئة

صناعي

خدمي

زراعي

أعمال بناء وانشاءات

رجاء حدد (أخرى.....)

4. كم مضى من الوقت على انشاء مشروعكم التجاري)يرجى وضع علامة حسب المكان المناسب(

أقل من سنة واحدة

من 1 - 5 سنوات

من 6 - 10 سنة

من 11 - 15 سنة

أكثر من 15 سنة

5. كم عدد العاملين حاليا في هذا المشروع .....

6. ما هي مؤهلات فريق الإدارة في المشروع ؟

شهادة ثانوية

شهادة دبلوم

شهادة جامعية

ماجستير ادارة اعمال

أخرى) رجاء حدد .....

7. هل للمشروع خطة عمل حالية ؟ نعم /لا

8. ما هو متوسط المبيعات السنوية لمشروعك ؟

أقل من 3750 $

$ 3،751.00 - $ 6،250.00

$ 6،251.00 - $ 8،750.00

أخرى)رجاء حدد (.....

القسم الثاني

الأسئلة التالية تتعلق بقضايا التمويل لمشروعك التجاري :الصعوبة في الحصول على الائتمان، وخيارات شركتك ومستقبل عملك

9. هل سبق لك التقديم لطلب تمويل من المصرف ؟ نعم /لا

10. إذا كان الجواب لا ، لماذا ؟

لا أرغب في القرض المصرفي

معدل الفائدة عالي جدا

لا توجد ضمانات

اخرى) . .....رجاء حدد (

11. كيف تقيم علاقتك مع العاملين في المصرف الخاص بك؟

ممتاز

جيد

متوسط

ضعيف

12. هل سبق لك أن رفضت أو رفض الائتمان من المصرف ؟ نعم /لا

13. ما هو السبب الرئيسي الذي جعل المصارف ترفض أن تقدم لك القرض؟

التقصير في سداد قرض سابق

لا توجد ضمانات

عدم وجود إدارة من ذوي الخبرة

.... اخرى)الرجاء التحديد(

14. ما هو أعلى مبلغ لمشروعك سبق لك اقتراضه من المصرف ؟

أقل من 7500.00$

7501 $ - 20000 $

20001 $ - 32000 $

اكثر من 32000$

15.؟ماذا كان الهدف من القرض

تأسيس رأس مال للمشروع

التوسع في المشروع

.....أخرى)الرجاء التحديد

16.) ما هي المعلومات التي طلبها منك البنك الذي تتعامل معه ؟)ضع علامة على كل ما ينطبق

بيان التدفقات النقدية الضمانات الاصول الاجمالية

خطة عمل

..... أخرى)الرجاء التحديد(

17. هل واجهت تحديات في سداد قرض البنك؟ نعم /لا

18. إذا كانت الإجابة بنعم، ما نوع هذه التحديات؟

مدة السداد قصيرة

مبلغ السداد الشهري مرتفع

ارتفاع سعر الفائدة

انخفاض العائد من المشروع

..... أخرى(الرجاء التحديد

19. كم كانت فترة استحقاق القرض؟

سنة

سنتان

ثلاث سنوات

أخرى)حدد(..... .....

20. كيف وجدتم أسعار الفائدة على القروض؟

عالي جدا

عالي

مقبول

منخفض

21. ما هي نسبة الفائدة على القرض؟

أقل من 20٪

21 - 30٪

31-40٪

فما فوق 40٪

22. كيف تم تمويل رأس مال المشروع ؟

المدخرات الشخصية

الائتمان المصرفي

الأصدقاء والاقارب

آخرون)الرجاء حدد .....

23. ما هي مصادرك لتمويل مشروعك التجاري ؟)ضع علامة على كل ما ينطبق)

قرض من البنك

المدخرات الشخصية

الأرباح المحتجزة

مؤسسات خاصة

الائتمان التجاري

الأصدقاء /العائلة

أخرى)حدد .....

24. في رأيك، ما هي المعوقات الرئيسية لنمو الأعمال التجارية الخاصة بك؟)ضع علامة على كل ما ينطبق)

نقص التمويل

المنافسة

الفائدة المرتفعة على القروض المصرفية

الضرائب

)حدد (أخرى .....

25. هل تحصلت على تمويل من مصادر أخرى غير البنك؟ نعم /لا

26. إذا كانت الإجابة نعم، من أين؟

مؤسسات التمويل الصغرى

صندوق رأس المال المشترك

) اخرى الرجاء التحديد.....

27. هل طبيعة الاحتياجات التي تطلبها هذه المؤسسات أقل صرامة ؟ نعم /لا

28. ما هي المعلومات التي طلبت ؟)ضع علامة على كل ما ينطبق(

ضمانات

بيان التدفقات النقدية

الأصول الاجمالية

خطة المشروع

أخرى)الرجاء التحديد .....

يرجى ذكر إذا كنت توافق أو لا توافق على العبارات التالية بوضع علامة في المربع المناسب أدناه.

29. أود أن أوظف المزيد من الأيدي العاملة في المستقبل لأغراض نمو المشروع

أوافق غير متأكد لا أوافق لا أوافق بشدة

30. أرغب في إنشاء المزيد من الفروع في المدن الرئيسية في البلاد

أوافق بشدة أوافق غير متأكد لا أوافق لا أوافق بشدة

31. أود أن أرحب بالمساعدة المهنية من البنوك عند منح الائتمان للمساعدة في زيادة النمو.

لا أوافق بشدة لا أوافق أوافق بشدة أوافق غير متأكد

32. ماذا تهدف استراتيجية نمو الأعمال التجارية الخاصة بك ؟

( ) زيادة إيرادات مشروعك التجاري

( ) توظيف المزيد من الموظفين

( ) نمو المشروع ليس هدف

33. ما هي النسبة المئوية التي نمت بها مبيعاتك السنوية على مدى السنوات الأربع الماضية ؟

٪أقل 5٪ بين 5-10٪ ما بين 10 -15٪ بين 15 -20

34. ما هي النسبة المئوية التي نمى بها الرقم السنوي من الموظفين على مدى السنوات الأربع الماضية ؟

٪أقل 5٪ بين 5-10٪ ما بين 10 -15٪ بين 15 -20

35. ما مدى نجاح عملك على مدى السنوات الأربع الماضية على أساس المعايير التالية ؟

	ضعيف	مقبول	جيد	جيد جدا	ممتاز
نمو المبيعات					
نمو العمالة					
الاصول					
الحصة السوقية					
الارباح					
مخرجات المشروع					
الايرادات السنوية					

36. أي من هذه العوامل تؤثر على نمو وتطور المشروع الخاص بك؟

	العوامل المؤثرة	مهمة جدا	مهمة	غير متأكد	غير مهمة	ليس كل ما سبق
العوامل الخارجية وبيئة العمل	الاطار القانوني والتنظيمي					
	الوصول الى التمويل الداخلي والخارجي					
	قدرات الموارد البشرية					
	عدم تنوع الانشطة الاقتصادية في ليبيا					
	عدم كفاءة سوق العمل					
	الضرائب المرتفعة والسياسات التنظيمية الصارمة على المشروعات الصغرى والمتوسطة					
	عدم الاستقرار السياسي					
	عدم الاستقرار الاقتصادي					
	الفساد					
	البيروقراطية					
	المنافسة غير العادلة من القطاع غير الرسمي					
	انقطاع الكهرباء وعدم توفرها في البلاد					
	خصائص المشروع					

	خصائص مالك المشروع					
	نقص التدريب والقدرات الإدارية					
	ضعف الهيكل الاداري					
	نقص المهارات الادارية					
	مهارات التسويق					
	القدرات التكنولوجية					

37. أي مما يلي هي الاحتياجات التحفيزية للمشروع الخاص بك؟

احتياجات تحفيزية لصاحب المشروع	اوافق بشدة	اوافق	غير متأكد	لا أوافق	لا أوافق بشدة
زيادة الدخل والنمو					
ضمان المنتج الجيد بسعر تنافسي					
تقديم خدمة جيدة للزبون					
توفير فرص عمل للشباب					
الرغبة في تلبية الحاجات الاساسية					
المرونة لتحقيق الانجاز					
اكون انا الرئيس					
اكون قادرا على استخدام خبرتي السابقة والتدريب					
زيادة دخلي					
توفير فرص عمل لأفراد اسرتي					
ضمان مصدر رزق					
الحفاظ على حريتي الشخصية					
الحصول على المتعة					

38. ما هي العوائق والقيود التي تواجه المشروعات الصغرى والمتوسطة وتنميتها في البلد ؟

	العوائق	اوافق بشدة	اوافق	غير متأكد	لا اوافق	لا اوافق بشدة

	والقيود					
عوائق التمويل	صعوبة الحصول على تمويل خارجي					
	ارتفاع تكلفة التمويل					
	نقص في التمويل					
	ضمانات مرتفعة على الاقتراض					
عوائق تأسيسية	عدم الاستقرار السياسي					
	التغيرات المتكررة في اللوائح والقوانين					
	البيروقراطية الشديدة					
	نقص في العاملين المؤهلين والاكفاء					
	المنافسة غير العادلة في القطاع غير الرسمي					
عوائق فنية	نقص الابتكار والابداع في المشروعات الصغرى والمتوسطة					
	نقص في البنية التحتية وتكنولوجيا المعلومات					
عوائق اجتماعية	الاختلاف الثقافي بين المناطق الحضرية والريفية					
	نقص الثقة بين اصحاب المشاريع في القطاع الخاص					
عوائق قانونية	غياب الاطار القانوني الذي يحكم نمو المشروعات الصغرى والمتوسطة					
عوائق حقوق الملكية	ضعف القوانين في تسجيل براءات الاختراع					

	ضعف في قوانين حماية العلامات التجارية					
	ضعف قوانين حماية حقوق النشر					
	ضعف قوانين تسجيل ملكية الاراضي والمباني					

Appendix C: Table 1 Definition of Variables

VARIABLES	DEFINITIONS
Growth of Firm (GRWF)	This measured by percentage of firms' annual turnover over the last four years [1] Less 5% [2] between 5-10% [3] between 10 -15% [4] between 15 -20%
Age of the firm [AGE]	This measured by the years a firm has been in operations. [1] Less than one (1) year [2] Between 1 and 5 years [3] Between 6 and 10 years [4] Between 11 and 15 years [5] Over 15 years
Size of the firm [SIZE]	This measured by the number of staff employed by the firms
Management Qualification Level [MANAQUL]	This measured by the management qualification level; [1] Senior High School certificates [2] Diploma certificate [3] First Degree [4] MBA
Growth Aspiration of Entrepreneurs	The growth aspiration of the

[GROWTHASP]	entrepreneur is measure by three questions and the respondents were asked to assign value between 1and 5 with (5)Strongly agreed, (4)Agreed, (3)Not sure, (2)Disagreed and (1) Strongly disagreed [1]I would like to employ more hands in the future for growth purposes [2]I would like to establish more branches in the major cities of the country to signify growth [3]I would welcome professional help from banks when given credit to help manage it to increase growth.
D_R	Dummy for retail
D_M	Dummy for manufacturing
D_S	Dummy for Services
D_C	Dummy for Construction
D_F	Dummy for farming

Managerial variables definition

Lack of management capacity: Several studies have considered the management capacities of the top management team as key factors for small business growth. According to Olawale and Garwe (2010), management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient.

Lack of management skills: Singh et al. (2008) emphasize that management skills are necessary for SMEs to survive and achieve growth. Aylin et al. (2013) state that management skills are a crucial factor for the growth of SMEs and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure.

Lack of management training: Entrepreneurship training and education facilitate entrepreneurial activities, mainly by stimulating entrepreneurial activity and performance. The importance of entrepreneurship education and training is well established. Several empirical investigations have positively, linked management training with the subsequent growth of small businesses (Pasanen, 2007).

Appendix D

Table 1: Young firms

Variable	Q36 Legal and Regulatory Framework [1]	Q36 Lack of sustainable funding and financing [2]	Q36 Higher taxation [3]	Q36: Corruption [4]	Q36 Economic Instability [5]	Q36 Unreliable and non-availability of electricity supply [6]	Q36 Lack of management training and development [7]	Q36 Lack of Managerial skills [8]
D_R	.1817752 (1.076742) [0.17]	.2026304 (1.091427) [0.19]	.3737612 (.9470755) [0.39]	.6207012 (1.036318) [0.60]	.4506712 (4506712 1.158343) [0.39]	.761932 (.996986) [0.76]	.3476192 (1.052802) [0.33]	.0906985 (1.007314) [0.09]
D_M	-.0309786 (1.189578) [-0.03]	.4563205 (1.206723) [0.38]	.212932 (1.046702) [0.20]	1.133338 (1.162305) [0.98]	.7408972 (1.261437) [0.59]	.5212141 (1.133651) [0.46]	.0684468 (1.136194) [0.06]	-.7915803 (1.124554) [-0.70]

D_S	-.5526624 (1.180077) [-0.47]	.4197856 (1.191742) [0.35]	.8799008 (1.037036) [0.85]	-.124448 (1.126865) [-0.11]	.4017148 (1.226529) [0.33]	.8007522 (1.107873) [0.72]	.2618313 (1.107625) [0.24]	-.3648184 (1.09762) [-0.33]
D_C	.0159219 (1.176943) [0.01]	.5015526 (1.196518) [0.42]	1.187384 (1.072577) [1.11]	-.7199834 (1.190001) [-0.61]	.3782605 (1.285362) [0.29]	1.693328 (1.152294) [1.47]	-.4993732 (1.127947) [-0.44]	-.3486 (1.11881) [-0.31]
D_F	0(omitted)	0 (omitted)	0(omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)
Q2_PRLC :	.7716477 (1.861188) [0.41]	.393755 (1.926116) [0.20]	-.8161528 (1.670005) [-0.49]	-1.163938 (1.863427) [-0.62]	-.9372975 (1.83442) [-0.51]	1.250161 (1.739918) [0.72]	35.00094 (1461.385) [0.02]	-.3655243 (1.792886) [-0.20]
Q2_PULC:	.3663527 (.9487964) [0.39]	-.3932726 (1.054385) [-0.37]	1.181501 (1.119946) [1.05]	.5300505 (.5035291) [1.05]	1.340519 (1.046973) [1.28]	1.236741 (.8920025) [1.39]	.0837983 (.2942209) [0.28]	-.2724395 (.3049494) -[0.89]
Q2_PARTSHIP:	-.3826976 (.532676) [-0.72]	-.432474 (.5562127) [-0.78]	-.1637705 (.4562469) [-0.36]	-.3750194 (.5046311) [-0.74]	-.5330197 (.4601164) [-1.16]	-.0179793 (.4617214) [-0.04]	16.19023 (730.6921) [0.02]	.1313636 (.4950253) [0.27]
Q2_SOLPRSHIP:	.1820074 (.6936067) [0.26]	.3633384 (.707197) [0.51]	1.06152*** (.6194675) [1.71]	-.2493578 (.6672654) [-0.37]	-.1692396 (.6990512) [-0.24]	-.4320442 (.647332) [-0.67]	8.345007 (365.3467) [0.02]	-.1889981 (.660766) [-0.29]
Q2_FMLBNS:	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0(omitted)	0 (omitted)	0 (omitted)	0 (omitted)
AGE	1.041535	1.02559	-.035029	.989082	1.08796	.245821	-.7727668	.477089

	* (.3403065) [3.06]	8* (.347707) [2.95]	2 (.0130491) [-2.68]	5* (.3343834) [2.96]	1* (.3521236) [3.09]	(.0718328) [3.42]	** (.0358922) [-2.03]	** (.2352287) [2.03]
SIZE	.3305729 * (.1000938) [3.30]	.2787001** (.102224) [2.72]	-.0489075 (.0222051) [-2.20]	.466077 * (.190964) [2.44]	-.1825551** (.0949279) [-1.92]	.2101571 (.074484) [2.83]	.5183503 (.2953313) [1.76]	.053338 (.0222368) [2.40]
MANAQUL	.2602324 (.3444301) [0.76]	.2285749** (.0605589) [3.77]	.4821384 (.306093) [1.58]	-.2393062 (.1145006) [-2.10]	.3376893 (.3291999) [1.03]	-.1349483** (.0465226) [-2.90]	.7136294** (.3305489) [2.16]	.2610917* (.080565) [3.24]
GROWTHASP	-.8566587*** (.4902235) [-1.75]	-.5272391** (.187878) [-2.81]	-1.052576** (.4526401) [2.33]	-.5977223** (.2635334) [-2.27]	.0232944 (.4493881) [0.05]	.7060844 (.4523401) [1.56]	-.4719545*** (.255121) [-1.86]	-.276102** (.0893821) [3.09]
Number of obs	89	89	89	89	89	89	89	89
LR chi2(9)	48.57* [0.0094]	35.64* [0.0081]	27.29** [0.0389]	21.61** [0.0422]	27.35** [0.0371]	21.15*** [0.0620]	25.32** [0.0134]	26.28** [0.0414]
Pseudo R2	0.4190	0.2053	0.1868	0.1211	0.1953	0.1558	0.1266	0.1364

Notes: Standard error are given in small parenthesis ( ) and z-value in big parenthesis [ ]. * p-v\0.01, ** p-v\0.05, *** p-v\0.1. The young firms are those firms who have in operation in less than 1year and between 1-5years.

Table 2: Young firms

Variable	Q36_INB_021 : Marketing [9]	Q38_IB_01: Political instability [10]	Q38_IB_05: Shortage of qualified and skilled manpower [11]	Q38_TB_02: Lack of technological capacities [12]	Q38_PRB_01 : Weak or no patent right system [13]	Q38_PRB_02 : Weak or no trademark right system [14]
D_R	-.8950577 (1.047148) [-0.85]	1.884594 (1.186032) [1.59]	1.651589*** (.9753716) [1.69]	1.553002 (1.019049) [1.52]	2.143927** (1.041097) [2.06]	.1542788 (1.042229) [0.15]
D_M	-1.337999 (1.151335) [-1.16]	2.333135*** (1.289671) [1.81]	1.773566 (1.103008) [1.61]	1.59205 (1.114846) [1.43]	1.286382 (1.135679) [1.13]	-.679625 (1.149738) [-0.59]
D_S	-1.57795 (1.142459) [-1.38]	1.670088 (1.251543) [1.33]	2.074406*** (1.093703) [1.90]	1.095532 (1.075646) [1.02]	1.914025*** (1.121718) [1.71]	-.4068036 (1.136063) [-0.36]
D_C	-.1383221	2.040036	1.977074***	1.398116 (1.11114)	.3919421 (1.123756)	-.8054398 (1.136065)

	(1.159877) [-0.12]	(1.292969) [1.58]	(1.10228) [1.79]	[1.26]	[0.35]	[-0.71]
D_F	0(omitted	0(omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)
Q2_PRLC :	-.7301378 (1.80386) [-0.40]	31.99136 (3750.993) [0.01]	2.441907 (1.742279) [1.40]	27.99131 (1674.272) [0.02]	-.5683927 (1.806941) [-0.31]	-1.482713 (1.787435) [-0.83]
Q2_PULC:	-.187266 (.4254069) [-0.44]	.1502007 (.2982267) [0.50]	.0233272 (.2711732) [0.09]	-.2648357 (.4388324) [- 0.60]	.2543759 (1.038827) [0.24]	1.181501 (1.119946) [1.05]
Q2_PARTSHIP:	.1865112 (.5082993) [0.37]	15.80705 (1875.496) [0.01]	-.2833781 (.4723215) [0.60]	13.35991 (837.1356) [0.02]	- 1.251756** (.5045535) [-2.48]	-1.232907 (.5033316) [-2.45]
Q2_SOLPRSHIP :	.2485837 (.6694381) [0.37]	6.713106 (937.7487) [0.01]	-.7391167 (.6518234) [-1.13]	5.392238 (418.5684) [0.01]	-.6212629 (.67218) [-0.92]	.066308 (.6750205) [0.10]
Q2_FMLBNS:	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)
AGE	.504443*** (.3012429) [1.67]	.7220685** (.3135756) [2.30]	-.0228437 (.007304) [-3.13]	.3901766* * (.1927224) [2.02]	-.0761921 (.0371656) [-2.05]	-.419062** (.1780243) [-2.35]
SIZE	-.0513182 (.0251691) [-2.04]	.3505748 (.1886436) [1.86]	.1721152 (.0456413) [3.77]	.0117185 (.0047376) [2.47]	.6236115** (.2821425) [2.21]	.5329745** * (.2823639) [1.89]
MANAQUL	.1730027 (.3283456) [0.53]	.3401878 (.3436573) [0.99]	.2589555** (.1173741) [2.21]	- .0735399* * (.0339429) [- 2.17]	.5691635** * (.3290473) [1.73]	.4705776 (.3186266) [1.48]
GROWTHASP	-.2644615 (.4654576) [-0.57]	.5289228** * (.2784823) [1.90]	.6609401* (.255043) [2.59]	.3798135* * (.1547919) [2.45]	.3706005** (.174158) [2.13]	.4432023* (.1614107) [2.75]
Number of obs	89	89	89	89	89	89

LR chi2(9)	19.41*** [0.0676]	24.51 [0.0173]	31.10** [0.0205]	35.39** [0.0209]	19.91 [0.0687]	37.63 [0.0974]
Pseudo R2	0.0535	0.1510	0.2607	0.2845	0.1154	0.2200

Notes: Standard error are given in small parenthesis ( )and z-value in big parenthesis [ ]. * p-v\0.01, ** p-v\0.05, *** p-v\0.1. The young firms are those firms who have in operation in less than 1year and between 1-5years.

Table 3: Old firms

Variable	Q36_EXB_001: Legal and Regulatory Framework	Q36_EXB_002: Lack of sustainable funding and financing	Q36_EXB_006:Higher taxation [3]	Q36_EXB_007: Corruption [4]	Q36_EXB_008: Economic Instability [5]	EXB_011: Unreliable and non-availability of electricity	Q36_INB_017:Lack of management training and development [7]	Q36_INB_020: Lack of Managerial skills [8]

	[1]	[2]				supply [6]		
D_R	.1802538 (.6976245) [0.26]	-.1965728 (.7111288) [-0.28]	.8858142 (.7048639) [1.26]	.7478908 (.7117832) [1.05]	-.7623684 (.7203371) [-1.06]	-.6491333 (.6909487) [-0.94]	-1.101141 (.7184968) [-1.53]	-.2100643 (.7931856) [-0.26]
D_M	.0784496 (.6985491) [0.11]	-.3261961 (.7419112) [-0.44]	-.1587859 (.7015633) [-0.23]	-.6619973 (.6947538) [-0.96]	-.8568854 (.7057235) [-1.21]	-.4271515 (.7347791) [-0.58]	-.8532082 (.7325049) [-1.16]	-.9199909 (.8102509) [-1.14]
D_S	.0165121 (.6670585) [0.02]	.0757777 (.6905148) [0.11]	.1671186 (.6342466) [0.26]	.174957 (.6444916) [0.27]	-.3755229 (.6675445) [-0.56]	.6921678 (.6871391) [1.01]	.4734069 (.688075) [0.69]	-.2345581 (.7451998) [-0.31]
D_C	.3713181 (.7035537) [0.53]	.2193540 (.7287745) [0.30]	.3565604 (.6914196) [0.52]	-.0748578 (.6919158) [-0.11]	-1.368464*** (.7201713) [-1.90]	.4017332 (.7201132) [0.56]	.4025811 (.7408751) [0.54]	-.5405007 (.7948813) [-0.68]
D_F	0 (omitted)	0 (omitted)	0(omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)
Q2_PRLC:	-1.965528 (2.348966) [-0.84]	1.212276 (2.363946) [0.51]	1.625446 (2.322144) [0.70]	5.504083 (4.356546) [1.26]	3.307765 (2.237816) [1.48]	-1.050405 (2.331809) [-0.45]	-1.763468 (2.315917) [-0.76]	4.050693 (2.588635) [1.56]
Q2_PULC:	-.3326015 (1.719096) [-0.19]	.8756602 (1.745175) [0.50]	.2611466 (1.711706) [0.15]	3.668254 (3.718317) [0.99]	2.120289 (1.660464) [1.28]	-1.474285 (1.727048)	-.728821 (1.695419) [-0.43]	2.881837 (1.900785) [1.52]

						[-0.85]		
Q2_PARTSHIP:	-.9461404 (1.043223) [-0.91]	.427438 (1.068241) [0.40]	.7924305 (1.032701) [0.77]	2.461159 (2.146877) [1.15]	1.52946 (1.003375) [1.52]	-.321381 (1.050235) [-0.31]	-.0514891 (1.043545) [-0.05]	1.955635 (1.17128) [1.67]
Q2_SOLPRSHIP:	-.0961125 (.2597928) [-0.37]	1.298347 (.429188) [0.79]	-1.337999 (1.151335) [-1.16]	1.960249 (1.593135) [1.23]	2.040036 (1.292969) [1.58]	1.651589 (1.9753716) [0.84]	-.0449251 (.4545918) [-0.10]	.2485837 (.6694381) [0.37]
Q2_FMLBNS:	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0(omitted)	0 (omitted)	0 (omitted)	0 (omitted)
AGE	.0799445 (.0367549 6) [2.18]	.1590039 (.0762525) [2.09]	.5733086** (.2868169) [2.00]	.3380351 (.1689086) [2.00]	.2220595 (.1146614) [1.94]	.5243166*** (.2848582) [1.84]	.4026825 (.1745293) [2.31]	-.1293039 (.046514) [-2.78]
SIZE	-.1374071 (.0563425) [-2.44]	-.2278904 (.1207771) [-1.89]	-.2114513*** (.110138) [-1.92]	-.0026608 (.0011028) [-2.36]	.1697279 (.0863946) [1.96]	-.4684081** (.191391) [-2.45]	-.7483883** (.2984449) [-2.51]	.1281245* (.0385803) [3.32]
MANAQUL	.0978491 (.2682716) [0.36]	.1250158*** (.0669626) [1.87]	.189011 (.2703546) [0.70]	.5182899*** (.2651293) [1.95]	-.0434125 (.2674854) [-0.16]	-.0275328* (.0075464) [-3.65]	-.1735598* (.0463754) [-3.74]	-.4448306** (.2072448) [-2.15]
GROWTHASP	-.0289355* (.0105803) [-2.71]	.0091295** (.0044246) [2.06]	-.0676514** (.0279973) [-2.42]	.0255971 (.2330995) [0.11]	.0123251 (.2339949) [0.05]	.2487966 (.2479974) [1.00]	.315216** (.1275543) [2.47]	-.2423923* (.0719415) [-3.37]
Number of	115	115	115	115	115	115	115	115

obs								
LR chi2(9)	36.13* [0.0093]	22.69*** [0.0974]	12.73*** [0.0891]	16.57*** [0.0663]	19.06*** [0.0977]	16.54*** [0.0676]	22.76** [0.0298]	28.44** [0.0496]
Pseudo R2	0.3263	0.2127	0.1473	0.1567	0.1329	0.0639	0.0897	0.1445

Notes: Standard error are given in small parenthesis ( )and z-value in big parenthesis [ ]. * p-v\0.01, ** p-v\0.05, *** p-v\0.1. The old firms are those firms who have been in operation between 6-10years, between 11-15years and above 15years.

Table 4: Old firms

Variable	Q36_INB_02 1: Marketing [9]	Q38_IB_0 1: Political instability [10]	Q38_IB_0 5: Shortage of qualified and skilled manpower	Q38_TB_02 : Lack of technologic al capacities	Q38_PRB_0 1: Weak or no patent right system	Q38_PRB_0 2: Weak or no trademark right system

			[11]	[12]	[13]	[14]
D_R	-.6052061 (.8077105) [-0.75]	-.2488584 (.7093715) [-0.35]	.3514807 (.6725197) [0.52]	-.818477 (.6843807) [-1.20]	.0781499 (.7014738) [0.11]	-.0908971 (.6834882) [-0.13]
D_M	-.336109 (.8165806) [-0.41]	.0272109 (.7341925) [0.04]	.362574 (.6979154) [0.52]	.4538498 (.7036387) [0.65]	.0310318 (.7165898) [0.04]	-.4417686 (.7076037) [-0.62]
D_S	.1384983 (.7778716) [0.18]	-.2525179 (.6739763) [-0.37]	-.0843262 (.6560346) [-0.13]	-.5325044 (.6708004) [-0.79]	.4372611 (.6721453) [0.65]	.0178808 (.6581703) [0.03]
D_C	-.4133781 (.8144793) [-0.51]	-.3673019 (.731524) [-0.50]	.2637541 (.7203246) [0.37]	.115099 (.6999542) [0.16]	.0343815 (.7385684) [0.05]	-.457911 [-0.63]
D_F	0(omitted	0(omitted)	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted)
Q2_PRLC :	2.697627 (2.648388) [1.02]	4.768004*** (2.392293) [1.99]	1.585578 (2.195361) [0.72]	1.730466 (2.247832) [0.77]	3.576744 (2.32142) [1.54]	3.166702 (2.250931) [1.41]
Q2_PARTSHIP:	1.304354 (1.184142) [1.10]	1.910167* (1.067089) [1.79]	1.211153 (.9870496) [1.23]	.2304974 (1.014896) [0.23]	1.468282 (1.037951) [1.41]	1.254347 (1.01405) [1.24]
Q2_SOLPRSHIP:	-1.57795 (1.142459) [-1.38]	1.960249 (1.593135) [1.23]	2.040036 (1.292969) [1.58]	.2485837 (.6694381) [0.37]	-.0708012 (.6459672) [-0.11]	2.040036 (1.292969) [1.58]
Q2_FMLBNS:	0 (omitted)	0 (omitted)	0 (omitted)	0 (omitted	0 (omitted)	0 (omitted)
AGE	.5002703 (.2098354) [2.38]	.8895181 (.3006264) [2.96]	.0424242** (.0202755) [2.09]	.6159462 (.2811929) [2.19]	.0957051* (.04039139) [2.37]	.0351161 (.0173323) [2.03]
SIZE	-.6143657*	-1.207841*	- .1377629**	-.6315266**	-.3639328	-.4447003

	(.3354417) [-1.83]	(.3072007) [-3.93]	* (.0734598) [-1.88]	(.2844741) [-2.22]	(.1868074) [-1.95]	(.1826693) [-2.43]
MANAQUL	.0065711 (.3095557) [0.02]	.2121741 (.2777575) [0.76]	.6386103 ** (.2759756) [2.31]	.1971062* (.055761) [3.53]	-.1239473 (.2803624) [-0.44]	-.1591655 (.2738961) [-0.58]
GROWTHASP	.0595556 (.276724) [0.22]	.931507* (.2662175) [3.50]	-.1225133* (.0345067) [-3.55]	.4097659*** (.2432828) [1.68]	.3716853* (.1502135) [2.47]	.2830274* (1421772) [2.00]
Number of obs	115	115	115	115	115	115
LR chi2(9)	18.10 [0.0774]	34.30* [0.0006]	15.09** [0.0364]	25.35** [0.0229]	47.52** [0.0214]	47.48* [0.0002]
Pseudo R2	0.0443	0.1432	0.0581	0.0619	0.3320	0.4308

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Notes: Standard error are given in small parenthesis ( ) and z-value in big parenthesis [ ]. * p-v\0.01, ** p-v\0.05, *** p-v\0.1. The old firms are those firms who have been in operation between 6-10years, between 11-15years and above 15years.