

## **A COMPREHENSIVE ANALYSIS OF THE HINDRANCES TO SME DEVELOPMENT IN MAURITIUS**

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**Abstract:** *Small and Medium-Sized Enterprises (SMEs) play a pivotal role in the economic development of nations, contributing significantly to GDP growth and employment. In Mauritius, the SME sector accounts for 40% of the country's GDP and employs around 300,000 people. Despite government efforts and initiatives like SME Mauritius Ltd, the longevity and growth of Mauritian SMEs are hindered by various challenges. Access to finance remains a significant challenge, with most initial funding coming from owner-managers' personal funds, as financial institutions perceive SMEs as high-risk ventures due to their size and limited business experience. Managerial skills are lacking among many SME owner-managers, often resulting in an intuitive, trial-and-error approach to management. Marketing receives inadequate attention, hindering sustainable growth. Additionally, globalization presents challenges, impacting firm performance. The growth of SMEs in less developed economies heavily relies on government support programs. This research aims to identify and analyze the factors affecting the growth of Mauritian SMEs through a conceptual framework.*

**Keywords:** *SMEs, Mauritius, economic development, growth factors, access to finance, managerial skills, marketing, globalization, government support.*

### **Introduction**

The SMEs are considered as the engines for the economic development of a country where they contribute in reducing unemployment and increasing the country's Gross Domestic Product (GDP) (Bholah, 2018). According to statistical records published by Statistics Mauritius in 2017, the contribution of the Mauritian SMEs in the country's GDP relates to 40%. Their annual production is estimated to be around 120 billion Mauritian rupees and they employ approximately 300,000 men and women (Statistics Mauritius, 2017). For the past decades, government has brought a number of measures to boost up this sector. One of these important actions is the creation of the SME Mauritius Ltd which had been set-up in 2018 in view of the present Government's vision, through a 10 years' master plan, to boostup the SME sector (SME Mauritius, 2018). The SME Mauritius Ltd took over the activities of the Small and Medium Enterprises Development Authority (SMEDA). However, statistics have revealed that despite so much efforts being done, SMEs have a rather short life span as compared to the SMEs in developed economies. There are many factors that impede on the growth of the Mauritian SMEs. Beck et al. (2004) consider access to finance as the main challenge where the initial source of financing are mostly from the owner-managers' own funds. Financial institutions are not willing to support them as they are being viewed as high risk due to their size and lack of business experiences. Anderson (1993) stipulates that many SMEs owner-managers lack managerial skills. They

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operate through a trial by error approach, resulting in a more intuitive style of management rather than being more analytical. According to Padachi (2012), marketing remains the area which lacks consideration in order to maintain sustainable growth. Griffin and Moorhead (2010) view globalization as a source of change that adversely impact on firms 'performance while Tambunam (2008) argues that the development of SMEs in less developed economies rely mostly on the promotional programs that governments put into place to support their growth process. Therefore, this research will determine the various factors, through a conceptual framework, that affect the growth of the Mauritian SMEs.

The findings and the set of recommendations formulated is expected to help the government to formulate new policies in view of enhancing the performance of these firms, put the owner-managers in a better position to operate their businesses effectively and efficiently while at the same time add to the existing literature on SME's performance. This paper is segmented into four major parts. The first section covers the literature surrounding the topics of discussion, following by the methodology to be adopted for data collection from the targeted population. Thereafter, the results are analyzed and discussed and the implications for the different stakeholders are then outlined in a systematic way.

## **Literature Review**

Previous studies have investigated into the different aspects of SMEs namely Bari et al. (2005) using a sample of 54 firms, identified the lack of financing and poor business support as the biggest challenges that SMEs face in Pakistan. Moktan (2007), through his study on 168 small firms in Bhutan, revealed that access to finance, suitable business regulations and proper infrastructure are the main determinants towards SMEs' success. The study further confirmed that size of firm, lack of labour force and economic resources, high lending rates and regulatory constraints impact heavily in the Bangladeshi market. Chilipunde (2010) revealed that the most current problems of SMEs in Malawirelate to lack of trained workforce, financial disability, poor managerial and IT skills. The owner-managers were found to have inadequate trainings, poor entrepreneurial skills and project unethical conduct. On a comparative note, almost all the previous studies reflect similarities in terms financing, entrepreneurial skills, marketing skills, globalization concepts and lack of governmental support as being the common challenges faced by the SMEs around the globe. However, the same set of studies do differ in terms of legal factor (e.g. embargo, tariffs and taxes). This study therefore, concentrates on these five major impediments to SMEs growth.

## **Entrepreneurial Skills**

Macpherson and Holt (2007) state that to be able to grow the SMEs, owner-managers should possess some managerial knowledge. Trained managers help SMEs to progress (Thassanabanjong et al., 2009). Poor management is often linked to lack of business knowledge where many entrepreneurs do not know how to profitably maintain production, how to manage costs, inventory and financial systems (Leopairote, 1997). They also do not have a strategic plan for their organization. This is because SMEs are reluctant to invest financial resources in upgrading themselves in terms of knowledge and skills. Newlands (2014), however, argue that the first skill that an owner-manager should have is the ability to close sales which is the only way to keep money coming back and drive customers to a business. Motivating employees through good performance management system also form part of effective and efficient managerial skills of the owner-managers (Gunpath et al., 2017).

## **Access to Finance**

Access to suitable means of financing has always been stated as the main challenge in literatures. Padachi et al. (2012) purport that the main challenge that these categories of firms are facing towards growth is inevitably proper access to financing. They identify the use of own savings/ funds, lending money from relatives or friends and credit facilities offered by financial institutions as traditional sources of financing. Moktan (2007), however, argues that governmental support can also be a suitable means of financing where there are certain schemes designed especially for these firms to boost up their growth. There are certain entrepreneurs who also obtain financing from sales proceeds of their personal assets (Hamm et al., 2014).

## **Effective Marketing**

Beynon et al. (2018) argue that a marketing plan makes a business unique and remains focused on its marketing objectives. Likewise, the firm will be able to identify its priorities, thus maximizing on profits. The authors also point out the importance of operating a separate marketing unit. According to them, the enterprise will meet its objective if all marketing activities are channeled towards the same department. This will help in maintaining good follow-ups on certain marketing activities and at the same time identify new opportunities quickly. Digital trade is the new concept of marketing nowadays where companies tend to capture larger market share via social networks (Lepage, 2018). Linton (2018), however, stressed on the power of customer's feedback as being an important tool to gauge people perceptions on certain products, improving lacunas and weaknesses. Last but not the least, adopting suitable pricing strategies is a sign of effective marketing. Formal pricing strategies refers to the concepts of price skimming and price penetration which better help firms to capture markets easily (Mack, 2018).

## **Governmental Schemes**

Jones (2018) argues that to start a new business or to grow an existing one is very challenging. This explains the reason why entrepreneurs tap into all help they find along their way. However, businesses seeking help are most of the time confused by the various governmental schemes that are available on the market and tend to give up looking for them. This is because these schemes are not tailored enough to meet the new challenges being faced in new dynamic market. As per SMEDA (2009), government came forward with various support schemes in order to help the Mauritian SMEs. These are in terms of tax rebates, cheap financing mechanisms, free business counselling and training sessions and flexible administrative procedures to facilitate the start-up process.

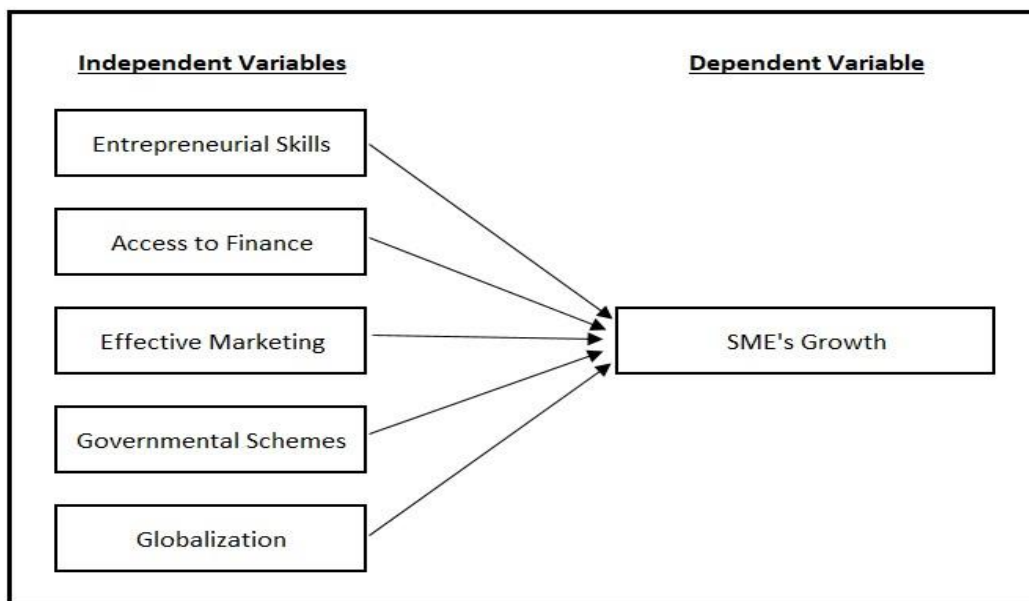
## **Globalization**

Griffin and Moorhead (2010) considered globalization as a source of change that impact on many firms. The main reason for this is that firms want to control expenditures by reducing labour costs. Companies who are internationally active are those who grow faster than their local competitors. This, however, put more pressures on SMEs in developing suitable strategies to remain competitive. Once again, the aspect of financing becomes the main challenge to internationalize. Glenn (2008) argues that globalization has allowed substitutes of local products to enter the local market. This put more pressure on the local SMEs to trade their commodities and render them uncompetitive in certain cases. Carnegie (2018) states that due to globalization, local SMEs face the difficulty in attracting skilled labour to

manage their operations better. Siringorino et al. (2009) revealed that certain economies' legislations act as a barrier for SMEs to trade internationally such as tariffs, import and export taxes.

### Research Methodology

Based on the objectives of the study a descriptive survey approach using the mixed research paradigm was adopted. The targeted population constituted the full list of SMEs extracted from the SMEDA directory. The participants to the survey were identified on grounds of both convenience and purpose. Likewise, a paper-based survey questionnaire was designed to capture the variables of interest forming part of the conceptual framework under investigation as shown in Figure 1 below. The item statements were measured on a 5 Pt Likert Scale using the state of 1 to denote strongly agree to 5 for strongly disagree.



**Figure 1: A Conceptual Framework for this Study**

Out of 120 questionnaires distributed, 109 duly filled survey forms were received. 9 were found to be invalid and were discarded to finally obtain a total figure of 100, thus giving a response rate of 83.33% which satisfies the sampling criteria. It is deemed appropriate to highlight that the Mauritian SMEs are not used to answer such kind of survey. The collection of data was possible through the proximity and past relationship that the authors had developed with the SME Association. The data analysis tool used for the analysis of the survey is SPSS version 22.0.

Cronbach Alpha and Kaiser-Meyer-Olkin Measure of Sample Adequacy (KMO) tests were employed to assess the reliability and validity of responses for ordinal questions respectively. The coefficient value for the different constructs are within the acceptable value as showed in Table 1 and Table 2 below.

**Table 1: Reliability Statistics**

<u>Variables</u>	<u>KMO</u>	<u>No. of Items</u>
Entrepreneurial Skills	0.827	6
Governmental Schemes	0.844	6
Globalisation	0.939	5

**Table 2: Validity Statistics**

<u>Variables</u>	<u>KMO</u>
Entrepreneurial Skills	0.770
Governmental Schemes	0.777
Globalisation	0.887

The factor analysis was used as a data reduction technique to group the different item statements for Entrepreneurial skills. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) and Barlett's Test of Sphericity were used to examine the appropriateness of the factor analysis. To identify whether the mediating variables follow a pecking order, it was appropriate to rank them by their respective mean score.

### **Results and Discussions**

#### **Owner-Managers' Profile and Business Structure**

The demographic variables from the survey instrument have been used to assess any significant differences grounded on the characteristics of the firm and the profile of the owner-managers. Table 3 provides a descriptive summary in regard to these main variables which represent the Mauritian SMEs. The male gender is being viewed as the one who dominates the SME's market by slightly more than twice the percentage of its opposite sex (69% male against 31% female). The owner-managers are rather of younger age where 77% of them are less than 45 years. Most of them have a minimum level of secondary education (88%). The small-sized SMEs occupy the larger market share with a presence of 49% as compared to the micro and medium sized enterprises which indicate a level of occupancy of 31% and 29% respectively. However, the life expectancy of the SMEs is rather short as only 26% of the sample size has more than 10 years of existence.

**Table 3: Statistics of the Demographic Variables**

	<b>Variables</b>	<b>Frequency</b>	<b>Percentage</b>
Gender	Male	69	69
	Female	31	31
Age	18 to 25	11	11
Education	26 to 35	38	38
	36 to 45	28	28
Annual Turnover	of 46 to 55	18	18
	Above 55	5	5
Experience	Primary	12	12
	Secondary	57	57
	Tertiary	31	31
	Up to MUR2.0m	31	31
	Above MUR2.0m	49	49
	MUR10.0m	till 29	29
	Above MUR10.0m	15	15
	MUR50.0m	till 33	33
	From 0 to 1	26	26
	Above 1 till 4	13	13
	Above 5 till 9	13	13
	Above 10 till 14		
	Above 14		

**Entrepreneurial Skills**

To identify whether the different entrepreneurial skills pattern follow a pecking order, it was appropriate to rank them by their respective mean score as being illustrated in Table 4. The results showed clearly that the ownermanagers generally possess the ability to close sales, with a lowest mean score of 1.85. This might be due to their business instinct where sustainable profitability of the business need to be ensured to maintain their survival. This finding collaborates with the study of Newlands (2014) who stipulates that the owner-manager should have the ability to close sales to ensure profitability.

**Table 4: Ranking on Entrepreneur Skills**

<b>Self-Statements</b>	<b>Mean Scores</b>
I have the ability to close sales without the help of a Business Development Manager	1.85
I prepare my own costings	1.98
My past experiences in the line of business in which I am operating is adequate	1.99

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I have a strategic plan for my organisation	2.60
I enrol myself in continuous personal development by attending to trainings	2.93
I have a good performance management and reward system to motivate my employees	3.41

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The respondents, however, demonstrate an aversion in mastering the human resource skills, with a mean score of 3.41. The possible reason for this predicament might be the owner-managers school of thought which focus only in bringing working capital and profitability. They tend to neglect the individual in the organization, who, apart from being a resource for the enterprise, do also have personal needs that necessitate to be aligned to the goals of the organization to promote a culture of motivated workforce that will work towards the achievement of the organizational objectives. This evidence is congruent with Temtime and Pansiri (2006) who state that owner-managers tend to poorly manage their human capital which adversely affects the performance of the firm. Entrepreneurial skills are viewed as components of both organizational and personal factors. Using a Factor Analysis model through the 6 self-rated statements, the independent variables have been reduced dimensionally into two groups as illustrated in Table 5.

**Table 5: Dimensional Reduction of the Entrepreneurial Skills**

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**Self-Statements Group**

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I have a strategic plan for my organisation	Organisational Factor
I enrol myself in continuous personal development by attending to trainings	Personal Factor
My past experiences in the line of business in which I am operating is adequate	Personal Factor
I have a good performance management and reward system to motivate my employees	Organisational Factor
I prepare my own costings	Personal Factor
I have the ability to close sales without the help of a Business Development Manager	Personal Factor

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The Cronbach's Alpha reliability test was then performed to verify the consistency of the items included under each component. The results as displayed in Table 6 confirmed the internal consistency of the organizational factors only. The initial statistics which have been displayed beneath the table suggest that the variables would factor well. The Varimax rotated factor demonstrates that the variables cluster as to what has been predicted. The organizational factors account for 55.48% of the cumulative variance. The variables that load heavily onto this specific component include strategic planning skill, performance management and human resources skill. The personal factors, however, reflects a variance of 17.921 where the items which account for this dimension are business know-how, accounting and sales skills.

**Table 6: Rotated Component Matrix of Respondent’s Entrepreneurial Skills**

<b>Entrepreneurial Skills Components</b>		
Organisational Factors		Personal Factors
Planning	0.873	
People Management	0.834	
Personal Development		0.912
Business Know-How		0.676
Accounting		0.701
Selling		0.884
Eigen Value	3.327	1.075
Percentage of Variance Explained	55.457	17.921
Cronbach's Alpha	0.889	0.611
Extraction Method: Principle Component Analysis (PCA)		
Rotation Method: Varimax with Kaiser Normalization		
Percentage of Variance Explained: 73.378		
Barlett's Test of Sphercity: 273.25 (0.000)		
Kaiser-Meyer-Olkin Measure of Sample Adequacy: 0.770		

The PCA eliminated the distorting consequence that the robust inter-correlations within the 6 items statements would have in calculating the various ‘distance’ and ‘variance’ measures used in the grouping process. The PCA has established that there is eventually a distinct pattern of entrepreneurial skills.

**Access to Finance**

Table 7 elucidates the results obtained regarding the initial source of finance of the SMEs. The question was a multi-response answer but all the respondents opted for only one option. This might be of the fact that owner-managers didn’t have much choices in varying their capital structure.

**Table 7: Initial**

			<b>Initial Source of Financing</b>
			<b>Frequency Percentage</b>
Own Savings	57	57 %	
Acquaintances	19	19 %	
Credit Facility	12	12 %	
Sale of Property	12	12 %	
Financial Aid from Government	0	0 %	

**Source of Financing Options**

Setting up a business with a credit facility (12%) while others (88%) obtained their initial capital through personal means may be justified by the lack of supply of finance for startup firms where financial institutions are reluctant to support them. The findings harmonize with the research work of Angori et al. (2017). The authors revealed that financial institutions prefer to channel their cash reserves towards larger corporations who have strong positions on the market. Therefore, these small businesses find themselves in such a situation that they can no more rely on these financial institutions to access finance. Those who succeeded in obtaining financing might be due to third party guarantees. However, none of the surveyed firms have benefitted financial aid from the Governmental. This might be because the fund under the governmental financial aid scheme has been exhausted by the long-established SMEs. After investigating the different sources of initial financing options, the focus of this study turns towards the accessibility of finance during business operation. Table 8 provides an illustration of the number of owner-managers who acquired working capital through credit facilities with reasonable linkage towards collateral that had to be given and transaction costs associated.

**Table 8: Frequencies for accessing finance for working capital**

<b>Requirements to Obtain Credit Facility</b>	<b>Frequency</b>	<b>Percentage</b>	
Access to credit facility as Yes	36	36 %	
working capital No	64	64 %	
Collateral given for Yes	36	36 %	
contracting credit facility No	64	64 %	
Rate of interest for the credit facility	Less than 4%	3	8 %
	From 4% to 7%	9	25 %
	Above 7 % to 24 10%		67 %

The findings demonstrate only 36% of SMEs have been able to contract credit facilities for working capital needs. Despite the SMEs have started to operate, they are still facing difficulties to access finance in terms of working capital, which might be due to their smaller size. Aidis (2005) revealed that the most important barrier which makes financial institutions reluctant in financing SMEs is their small size which generally make them being perceived as highrisk borrowers. From the above statistics, it can also be concluded that collaterals (N = 36) are mandatory to obtain credit facilities. This implies that owner-managers should possess assets to give as collateral where in several occasions, they are reluctant to do so in fear of assets seizure. Furthermore, 67% of these borrowers pay interest rates above 7% per annum which rendered the transaction costs for having a credit facility relatively high. Not all SMEs can afford to pay such rate of interest. Aidis (2005) reported that high administrative and transaction costs of lending options destabilize the financial position of the SMEs.

**Effective Marketing**

To assess the effectiveness of the marketing strategies being adopted by the owner-managers, a series of dichotomous questions have been formulated to easily capture their responses. Table 9 displays the results regarding the owner-managers approach to effective marketing.

**Table 9: Frequency Statistics for Marketing Strategies**

Marketing Strategies	Frequency	Percentage
Yes Separate Marketing Unit	29	29 %
No	71	71 %
Yes Marketing Plan	63	63 %
No	37	37 %
Yes Social Media Awareness	82	82 %
No	18	18 %
Yes Client's Feedbacks	53	53 %
No	47	47 %
Yes Pricing Strategies	26	26 %
No	74	74 %

From the above findings, it can be deduced that despite most SMEs do not have a separate marketing unit (71%), they do operate through a marketing plan (63%) and are up to date with digital advertisements (82%). Approximately 53% of them do treat clients' feedbacks effectively in view of increasing their market share. However, only 26% adopt formal pricing strategies such as price penetration and price skimming. In general terms, it can be deduced that Mauritian SMEs do have a notion of marketing strategies. Involvement in major marketing activities requires injection of additional resource. This is in line with Padachi (2012) who revealed that advertising and sales promotion appears to be on the head list of the owner-managers when it concerns marketing activities. However, business owners must invest adequate resources and, in many situations, marketing remains the area where not enough considerations are being given to.

**Governmental Schemes**

The results regarding the appreciation of the different governmental schemes revealed a satisfaction level of 54.4% as being shown in Table 10. These might be those entrepreneurs who are enjoying the benefits of tax holiday and duty exemption which are impacting on their financial stability. 3.3% were neutral to this measurement which may be represented by those who has just started their business activities and didn't have the time to explore the different facilities that are available to them. However, 42.3% expressed their dissatisfaction. The probable reasons for this may be the lack of financial support

from the government and the fact that these firms are struggling to maintain the existence of their enterprises.

<b>Governmental Schemes</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Percentage of Cases</b>	<b>Table 10: Satisfaction Level of the Governmental Schemes</b>
Very Satisfied	46	7.7%	46.0 %	
Satisfied	280	46.7%	280.0 %	
Neutral	20	31.3%	20.0 %	
Dissatisfied	188	11.0%	188.0 %	
Very Dissatisfied	66	100.0%	%	
Total	600		600.0 %	

To verify whether the different Governmental schemes pattern follow a pecking order, it was appropriate to rank them by their respective mean score. The results are displayed in Table 11.

**Table 11: Mean Scores of the Governmental Schemes**

<b>Governmental Support</b>	<b>Mean Scores</b>
Tax incentives	2.18
Duty exemption on importation of equipment	2.62
Facilities being offered by MyBiz	2.73
Government acting as guarantor	3.05
Preferential borrowing terms from banks	3.14
National Resilience Fund	3.76

The findings revealed that the owner-managers are most satisfied with the tax incentive scheme having a lowest mean score of 2.18. This might be because they do not have to pay tax for 8 years which may allow them to invest this money back in their businesses. As regards to the National Resilience Fund scheme (highest mean score: 3.75) the scheme appears to be unpopular for the probable reason that it might not be accessible whenever required. This goes in line with the new 10 years master plan of the new Government where obsolete schemes shall be replaced by new and interesting ones for the betterment of the SME sector in Mauritius.

**Globalization**

Findings from Table 12 revealed that, in general, there is a high impact of globalization on the Mauritian SMEs (54.4%). These might be those firms which trade with common products, thus having competitors around the world. 10.8% of the respondents face an average impact of globalization which might be due to the fact that they trade in less common products while 34.8% of respondents face low

impact of globalization. These enterprises may be those who have freshly entered the market by trading in new products.

Britt (2007) argues that companies compete on products and services where much emphasis is being put on commoditization which means that having the best quality product at the lowest cost value is only valuable if it reaches the intended customer before the competitors.

**Table 12: Level of Impact Due to Globalisation**

<b>Impact of Globalisation</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Percentage of Cases</b>
Very High	55	11.0%	55.0 %
High	217	43.4%	217.0 %
Average	54	10.8%	54.0 %
Low	161	32.2%	161.0 %
Very Low	13	2.6%	13.0 %
Total	500	100.0%	500.0 %

In order to identify the global factor that is most likely to impact on the Mauritian SMEs, a mean score ranking method has been applied as being displayed in Table 13.

**Table 13: Mean Score of Global Factors**

<b>Global Factors</b>	<b>Mean Scores</b>
International Competition	2.50
Cost Effectiveness	2.59
Import and Export Regulations	2.67
Substitutes of Products	2.80
Skilled Labour	3.04

From the above findings, it can be argued that international competition has the highest impact on the Mauritian

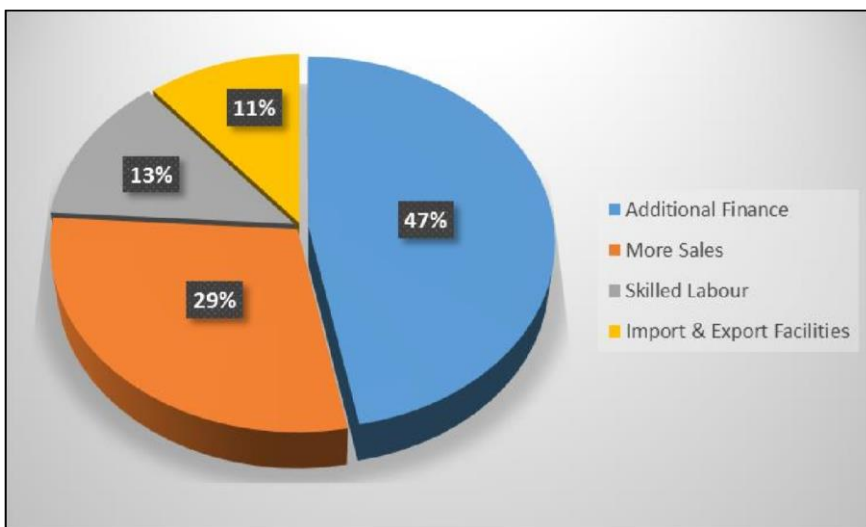
SMEs with a lowest mean score of 2.50. This may be due to the adoption of the Free Trade Policy that the Mauritian Government has signed with the member countries which has led to easy entry of foreign firms on the Mauritian market, thus making competition fiercer. This is in line with the argument of Pettinger (2016) who said that due to freedom of entry in a market, competition tends to be high especially when many firms offer a homogeneous product. Skilled labour is viewed to have the least impact on the SMEs with the highest mean score of 3.04. This may be due to the reason that SMEs do not employ high profile employees in general as they face the problem of resource-poverty. The ownermanager himself tend to be multi-functional in order to cut down cost of labour. Mazar (2017) raised this issue where SMEs tends to restrict their recruitment due to lack of resources while at the same time focus on doing multi-tasks to overcome this gap in human resources.

### **Personal Views of Respondents**

The survey also attempts to capture the views of the respondents in order to ascertain the accuracy of the previous responses obtained. The qualitative open-ended question is read as follows:

#### **What are your immediate requirements to increase the performance of your business?**

From the multiple responses received, the answers have been categorized into 4 main headings: (i) need for additional finance, (ii) more sales, (iii) need for skilled workers and (iv) import and export facilities. The graphical presentation of the data obtained is showed in Figure 2.



**Figure 2: Requirements of Respondents**

As expected “finance” remains the main problem of the Mauritian SMEs (47%). This issue can be related to the characteristics of the SMEs which are restricted in terms of experiences, size, expertise and assets. This hinder them from obtaining suitable financing from financial institutions and is in line with the study of Padachi (2012), who argues that the main challenge of the SMEs towards growth is inevitably proper access to financing strategies which are further being restricted on account of their characteristics. Apart from this, other factors have been revealed by the ownermanagers such as more sales (29%), skilled labour (13%) and import and export facilities (11%). These factors have already been outlined in the literature section and empirically tested through the survey instrument.

### **Conclusion**

Most owner-managers possess selling skills while a few of them have planning, personal development and people management skills. Organizational factors are the main determinants of the effectiveness of the entrepreneur skills as compared to personal factors. Furthermore, the majority of the respondents obtained initial financing from personal means while only few of them got support from financial institutions. Collaterals are mandatory to get working capital support, resulting in high transaction costs. SMEs operate through a marketing plan despite not having a separate marketing unit. Yet, they don't adopt efficient pricing strategies. Tax incentive scheme has been found to be highly valued while the National Resilience Fund scheme has not been popular among the SMEs. International competition impact heavily on the SMEs contrary to the need for skilled labour. Lastly, the respondent's personal

views confirmed that access to finance remains a major obstacle that impact on their growth. However, there are also some other requirements such as the need for market openness, skilled labour and improved import and export facilities have been outlined.

## **Implication of the Study**

It is acknowledged that the growth of the SMEs is increasingly dependent on the 5 factors identified, namely; entrepreneur skills, access to finance, effective marketing, governmental schemes and globalization. Therefore, based on the findings and conclusion drawn from the current research, the following recommendations are formulated for the SME sector at large to contribute towards growth:

### **Entrepreneurial Skills**

The focus should be in achieving strategic objectives rather than deploying all efforts in meeting short term goals. Online learning, attending trainings and conferences delivered by the SME Mauritius Ltd or even engaging in tertiary education can improve the personal development skill of the owner-managers. A robust performance management system to motivate employees towards meeting the organizational objectives should be implemented.

### **Access to finance**

Entrepreneurs should be encouraged to be financially literate by following extracurricular courses. Likewise, they will be able to determine suitable formulas to improve their credit scorings in obtaining credit facilities.

Third party guarantees or turning towards the two SME Banks namely; The Development Bank of Mauritius Ltd and the Mau Bank Ltd can also be relevant options in overcoming the issue of collateral and at the same time enjoy concessionary terms and conditions to reduce transaction costs.

### **Effective Marketing**

Operating a small marketing unit so as to not lose focus on marketing activities should be an option. Key concepts such “price-penetration” and “price-skimming” should be adopted to capture more markets. Management of customer’s feedback should be improved and acted upon.

### **Governmental Schemes**

The National Resilience Scheme should be replaced. Rather, new schemes should be designed to facilitate SMEs’ development. For example a loan package with a specific moratorium period will help the SMEs to strengthen their foundations by avoiding transaction costs at the entry stage on the market. Continuous support in terms of counselling and follow-ups will be essential to lead them towards success.

### **Globalization**

Barriers of entry such as large investment required in terms of capital equipment, robust licensing requirements, high tariffs and taxes may protect SMEs from global adversities. To be cost-effective, SMEs may turn themselves towards economies of scale. They can import raw materials from low-cost-producing countries rather than self-producing same.

### **Limitation of the Study**

It is important to highlight that this study had started before the launching of the different Governmental Schemes by the SME Mauritius Ltd. Hence, the schemes under the management of the SMEDA have been put under investigation, thus ignoring the new vision and mission of the SME Mauritius Ltd which could have painted a different picture of the current situation. Furthermore, this

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research's findings are grounded on the responses obtained from the sample of SMEs identified. Since some areas under investigation were subjective, errors and biases were likely to happen while collecting and measuring the data. Furthermore, the lack of consent from certain SMEs to collect data and the limited resources to conduct this research have limited the scope of this study, on the contrary, it could have produced more interesting and practical findings.

## **Scope for Further Study**

The author finds it plausible to put the schemes proposed by the SME Mauritius Ltd under investigation in order to measure their acceptance within the Mauritian SME community. Moreover, conducting researches based on other factors impacting on the growth of the SMEs such as innovation, legal frameworks and financial literacy can be areas to exploit in the future. A logistic regression model can give more insight in determining the significant factors impeding growth. Furthermore, conducting a comparative analysis between sister countries (Mauritius, Rodrigues and Reunion Island) can determine whether the same hindering factors hold true across these boundaries. This, however, remains a challenge for future research where a longitudinal investigation may be used.

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