

# ASSESSING THE EFFECT OF THE FINANCING GAP ON ENTREPRENEURSHIP IN EMERGING MARKETS: THE CASE OF THE UAE

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## ABSTRACT

**Purpose:** *This study investigates the effect of the financing gap on entrepreneurship in the United Arab Emirates. This is based on the premise that entrepreneurship has become the mainstay of economic activity in emerging markets and plays an essential role in creating jobs, generating income, and contributing to the countries' GDP. The proliferation of Small and Medium-Sized Enterprises (SMEs) has been phenomenal, justifying the growing importance of entrepreneurship. At the same time, entrepreneurs in emerging markets are facing myriad challenges revolving around financing gaps.*

**Design/methodology/approach:** *It is qualitative research and data were collected through interviews with entrepreneurs in the UAE. Purposive sampling was used to maximize the acquisition of relevant information. Potential respondents were identified by recommendations from professional organizations, such as regional Small Business Development Centers and incubators. A sample size of 26 was considered adequate for generating themes in an exploratory analysis.*

**Findings:** *Financial gaping negatively impacts entrepreneurship in emerging markets in various ways: lack of funding can be considered the main challenge of many entrepreneurs in emerging markets. Most small and medium enterprises (SMEs) face severe constraints in accessing credits. Our findings identify a lack of creditworthiness by major financial institutions in turning down requests made by SMEs. Loan bias is another key factor affecting the financing of entrepreneurs in emerging markets since most financial institutions only lend money to credit-worthy or well-established businesses, most SMEs find it difficult to prove worthy of loans.*

**Originality/value:** *This study focuses on the financing issues affecting entrepreneurs in the United Arab Emirates and evaluates the approaches applied by entrepreneurs in the UAE to overcome financial challenges. Its purpose is to assess the effect of the financing gap on entrepreneurship in emerging markets by focusing on the United Arab Emirates.*

**Keywords:** Entrepreneurship, Emerging Markets, Small and Medium-Sized Enterprises (SMEs), United Arab Emirates (UAE).

## INTRODUCTION

The significance of entrepreneurship in emerging economies is very noticeable, considering that Small and Medium-Sized Enterprises (SME) are the drivers of economic growth. The proliferation of entrepreneurs in emerging markets has been a good development characterized by high rates of job creation, reduced unemployment, income generation, and economic growth. Emerging economies have harnessed the role of entrepreneurship to chart a course for economic development (Aktan & Bulut, 2008). However, entrepreneurs continue to face a multitude of challenges in the process of launching startups, attracting funding, and

facilitating the growth of their businesses. There are many challenges in the process of launching a start-up, like sourcing for funds and facilitating the growth of these ventures. In particular, entrepreneurs in emerging markets still face many obstacles like the scarcity of funds, limitations, or conditions on loans, and an unsupportive regulatory framework that requires reform. Therefore, entrepreneurship in emerging markets is on the brink of collapse due to these numerous challenges. The failure of entrepreneurship in these areas will negatively affect the economic trajectory of the countries. There should be efforts to create a level playing field for entrepreneurs, particularly in the SME sector, to ensure they access funding, operate in a flexible regulatory environment, and face no restrictions in operations. Entrepreneurs try many innovative ways to stay afloat in the face of the challenges facing their businesses, to increase the efficiency of their startups. These challenges have dampened the vibrancy of the SME sector, threatening employment rates and economic growth. Entrepreneurs face challenges like lack of funding, inefficient regulatory infrastructure, low capacity, and poor business climate. Although emerging economies have supported entrepreneurs, governments have done little to boost the entrepreneurial spirit. They have implemented too many restrictions on loans, limiting credit, and increasing the interest rates, or setting too many conditions. Borrowing limits have hampered the ability of entrepreneurs to access credit to fund and grow their operations. Starting a business in emerging economies has been dogged with the red tape that demoralizes budding entrepreneurs (Barth et al., 2006). Despite the many challenges facing entrepreneurs in emerging economies, there has been very little scholarly or research focus on this topic. Studies on entrepreneurship and the SME sector did not focus on the issues decreasing the effectiveness of entrepreneurship in emerging economies. There is a need for a comprehensive study that will evaluate the challenges facing entrepreneurs in emerging markets as well as evaluate the innovative solutions and strategies used by entrepreneurs to overcome these challenges. Our study focuses on the financing issues affecting entrepreneurs in the United Arab Emirates and evaluates the approaches applied by entrepreneurs in the UAE to overcome financial challenges (Minhas, 2018). Its purpose is to assess the effect of the financing gap on entrepreneurship in emerging markets by focusing on the United Arab Emirates (Prabhu & George, 2000; Prabhu & George, 2003). This study is composed of two parts; first, it evaluates the general challenges of entrepreneurship in the UAE. Secondly, it examines how entrepreneurs in the UAE endeavor to overcome the challenges facing their firms Kantis et al. (2002).

The financing gap has been identified as a major factor affecting the launch and operation of startups in the United Arab Emirates and can be divided into two subfactors, namely liquidity constraints and loan bias (Bakhouche et al., 2020). Whereas liquidity constraints underscore the lack of readily available cash for the routine operation of startups, loan bias underscores the unfair conditions or restrictions put on loans offered to small firms. Our research investigates how these financing gaps have negatively affected entrepreneurs in the United Arab Emirates. Through this study, it will be possible to understand the various financial challenges facing entrepreneurs in the UAE as well as determine the methods used by entrepreneurs to deal with those obstacles Asoni & Sanandaji (2014). Thus, the main objective of this study is to assess the effect of the financing gap in entrepreneurship in the United Arab Emirates. Through this objective, the study seeks to understand the effect of financing gaps in entrepreneurship in emerging markets. Therefore, the study is critical since it covers an area of interest for many stakeholders, such as the SME sector which is an important pillar in the economic growth trajectory of most economies Roth (2014). Therefore, it is important to understand the dynamics in the sectors to track developments and making decisions. The emerging markets have become

under sharp focus regarding the future state of the economy. Much of the global economic expansion today is happening in emerging markets (Panda, 2018).

This study serves as a template of the role and challenges of entrepreneurship in emerging economies across the world, therefore, the findings will influence the perception of entrepreneurship in the emerging economies. The study will also help policymakers, government, scholars, entrepreneurs, and people from the general population understand the developments in the SME sector (Herrera-Echeverria et al. 2014). For instance, the government will understand the dynamics of financing in the SME sector hence develop better regulatory frameworks and a reliable business environment for entrepreneurs and develop reforms that will encourage entrepreneurship. Policymakers will use the findings of this study to possibly recommend a new policy framework that will increase the ease of launching and operating small businesses in the United Arab Emirates. Entrepreneurs will find the findings of this study important as they can refer to them to learn more about the dynamics in credit access, the role of the government, and how their ingenuity can help them surmount these challenges. Scholars will break new deadlocks in SME financing and entrepreneurship. This study will be a basis for additional research on the subject.

## LITERATURE REVIEW

Entrepreneurship underscores the designing, launching, and operation of novel business entities. In most cases, new businesses or startups are small-sized businesses. The individuals that engage in entrepreneurship by launching new businesses are referred to as entrepreneurs. Alon & Rottig (2013) define entrepreneurship as the ability and willingness to create, coordinate, and run a business venture by taking risks in the pursuit of profits. Therefore, risk-taking is one of the most important traits of an entrepreneur since the process of designing, launching, and running a new firm requires risk-taking. Moreover, the desire to make profits drives entrepreneurs to take risks and engage in uncertainty. This implies that profits play a powerful role in determining the lengths to which entrepreneurs would go. McCormick & Burton (2003) observe that whereas entrepreneurship has focused on launching and operating startups because of the high risks it involves, most startups usually shut down due to the lack of funding. Therefore, the authors consider funding problems as major challenges to entrepreneurship by stating that irrespective of the risk-taking aspect of launching businesses, the absence of funding leads to the collapse of startups. Other issues that affect startups include lack of market demand, poor business decisions, and economic crisis (Aktan & Bulut, 2008). This implies that the success of startups is based on factors within and beyond the control of an entrepreneur. Therefore, the success of entrepreneurship is a function of several factors that include capacity building, risk-taking, government policy, business environment, and economic growth. Poor business decision-making is a problem that revolves around the capacity and ability of an entrepreneur to launch and effectively run a business Dana (2010). It also indicates that launching a business is just the first part of a startup, managing the firm requiring aptitude and capacity. This reinforces the role of capacity building as a process of incubating entrepreneurial skills and success (Aktan & Bulut, 2008). Backes-Geillner & Moog (2013) define entrepreneurship in economic terms by stating that it is an entity with the ability to recognize opportunities and translate them into products or services. As a result, an entrepreneur is an individual who can identify a commercial potential of an idea or invention and coordinate labor and capital in turning the potential into sustainable innovation. This definition implies that entrepreneurship is not only applicable to the launch of new businesses or startups; the term also

applies to the innovative tendencies of established or large corporations Cook & Plunkett (2006).

Entrepreneurs in emerging markets are facing numerous challenges summed up in the lack of access to credit and funding. The financing gap created by the absence of reliable and adequate funding for startups has made it difficult for entrepreneurs to launch and operate businesses Smallbone et al. (2014). According to Perry-Rivers (2014), most startups launched in emerging economies fail to operate due to funding problems. This further indicates that although entrepreneurs succeed in launching businesses, they fail to access the required funding to run the startup. Therefore, there is a problem in maintaining successful entrepreneurial operations in emerging markets. The failure by governments to establish reforms in the regulatory framework that free cash into the SME sector is gradually affecting the vibrancy and viability of entrepreneurship (McCormick & Burton, 2003). Strict conditions and limits are imposed on accessing credit, and this reduces the amount of credit available to companies and sets unreasonable terms. State that entrepreneurship has become the mainstay of emerging economies since it is through entrepreneurship that new companies are built, jobs created, and value generated. The authors affirm that entrepreneurship is the engine of economic development in the rising economy. The challenges facing entrepreneurs in emerging markets can be summed up into three categories, namely financing gaps, liquidity constraints, and loan bias Riddle et al. (2010).

Bruton et al. (2008) suggest that entrepreneurship is under siege due to the lack of proper financial and credit infrastructure leading to the failure of many startups. The authors describe poor regulatory frameworks that not only have made it difficult for entrepreneurs to start businesses, but also to finance them through credit. The lack of accessible credit and flexible terms has undermined the success of many startups. The author affirms that the importance of entrepreneurship lies in the elements of job creation, economic development, and social transformation (Perry-Rivers, 2014). The skyrocketing economic growth of emerging economies emanated from the robust SME sector, which is an offshoot of entrepreneurship. Therefore, there is a pressing need to develop mechanisms to rescue the entrepreneurial sector from collapsing. Funding is the main problem affecting the vibrancy and success of entrepreneurship since the viability and sustainability of startups rely on the accessibility to funding. Moreover, startups can only maintain a competitive advantage in the market through expansion, yet entrepreneurs lack the needed funds to expand their operations (Shane, 2013). Governments through regulatory initiatives should free funds to the SME sector to help startups manage the pressures of competition Thompson & Jacob (2010).

Bruton et al. (2008) describe liquidity constraints as the inability of entrepreneurs to access short-term funding or credit from financial institutions. Liquidity is an important aspect of business operations since businesses require readily available cash on a need basis. Entrepreneurs find it very difficult to access funding on short notice from credit providers due to credit limits and restrictions Zahra (2009).

Sharma and Kulshreshtha (2014) reinforce the threat of competition from established or large corporations to the survival of startups. The authors affirm that startups lack the financial muscle to take down large corporations, condemning them to failure. For instance, several multinational corporations have launched operations in emerging economies. The MNCs have huge capital resources that can be used for marketing, expansion, branding, and customer engagement. However, startups barely have the funds to run their operations, let alone indulging in market expansion and engagement. Entrepreneurs are individuals with innovative ideas and

the willingness to take risks but lack the funds to expand their businesses and compete favorably. Therefore, the absence of credit on friendly terms hurts the chances of startups in the market. In most cases, startups drop out of the market due to their inability to compete with established firms. Entrepreneurship is under threat in emerging countries due to the noticeable lack of funding, rendering firms unable to operate in a highly competitive market Ebbena & Johnson (2006).

Barth and his colleagues (2006) identify funding gaps, poor regulatory frameworks, and poor infrastructure as the major barriers facing entrepreneurship in emerging markets. The authors also affirm that the lack of funding or presence of loaning restrictions has stifled entrepreneurship leading to the closure of many startups (Minniti & Moren, 2010). Whereas entrepreneurs succeed in launching new companies, they lack the necessary finance to keep the business afloat, and this explains why most startups fail Foo (2011).

Entrepreneurs lack funding to start and run their businesses which leads to the failure of their business enterprises. Emerging markets have relied on entrepreneurial activity to spur economic growth, reduce unemployment rates, and facilitate socio-economic development. However, there are problems regarding the prevailing financing gaps that further hinder entrepreneurial activity.

## RESEARCH METHOD

To assess the effect of the financing gap on entrepreneurship in the United Arab Emirates, qualitative research is mobilized. This method offers a holistic investigation of a subject matter by examining inherent patterns and parameters. Qualitative research methodology provides an appropriate model of intervention that considers all elements and dynamics of research (Mesly, 2015). This approach is suitable for this study because it facilitates the comprehensive examination of the effect of financing gaps on entrepreneurship in the United Arab Emirates. Data were collected through interviews with entrepreneurs in the UAE. The topics of these interviews covered the following issues: 1) the effect of the financing gap on entrepreneurship in the United Arab Emirates; 2) the effect of liquidity constraints on entrepreneurship in the United Arab Emirates; 3) the effect of loan bias on entrepreneurship in the UAE; 4) the creative and innovative strategies used by entrepreneurs in the United Arab Emirates.

This study led to an investigation of the challenges facing entrepreneurs in emerging markets and the main challenge under review was financing gaps, therefore, this study asked respondents for their feedback on the effects of the lack of funding on entrepreneurship. The respondents were also asked to offer a response to the effects of liquidity constraints and loan bias faced by entrepreneurs. At the center of the inquisition was the role of funding in supporting entrepreneurship in emerging countries and how failing to access funding affects entrepreneurial operations. Respondents were asked to consider entrepreneurs in their areas and explain how financing gaps and other funding challenges influence their workflow. The respondents were also asked to offer a response on how entrepreneurs use their ingenuity and creativity to overcome challenges associated with the financing gap, liquidity constraints, and loan bias.

Purposive sampling was used for this study as it maximizes the acquisition of relevant information. Potential respondents were identified by recommendations from professional organizations, such as regional Small Business Development Centers and incubators. Criteria for the selection of entrepreneurs included their motivations relevant to the launch of a business venture.

A sample size of 26 was considered adequate for generating themes in an exploratory analysis. Criteria of saturation were used to assure that further data collection from other interviewees would yield similar results and serve to confirm emerging themes and conclusions. With the interviewees' consent, all interviews were audiotaped to ensure accuracy in transcription. Interviews ranged from 1 to 2 hours in length. The development of codes and themes was completed through an inductive technique utilized to achieve empirically driven labels. Codes were not predetermined before data collection; rather, interview data were transcribed and reviewed case by case for identification of codes. Independently, each researcher marked lines of text that clustered around specific descriptive and patterned ideas. Researchers extracted meaningful quotes that exemplified entrepreneurs' challenges.

## FINDINGS

The majority of the respondents affirmed the negative effect of the financing gap on entrepreneurs by stating that most entrepreneurs fail to launch and run their startups due to financing gaps Sørensen & Nanda (2010). This indicates that launching a startup requires money for processing certifications, securing a workplace, and operationalizing the startup, *“regulatory processes pose a huge financial burden on entrepreneurs by consuming much of their money”* (I5). The respondents cited the regulatory framework as inherently faulty since they spend too much money, securing approval and licenses to run startups. I4 states that: *“most entrepreneurs failed to launch their startup since they did not have funding”*. The respondents further affirmed that the failure to access funding to start a business was structured in the sense that most lenders do not offer loans to budding entrepreneurs. I12 claims that the requirements for lending include six months of bank statements, and this implies that banks and other financial institutions can only lend to businesses that are already well established. This makes it very difficult for entrepreneurs to gain funding for their startups. Our respondents recognize the significance of funding in entrepreneurship by stating that new businesses require credit since entrepreneurs are not endowed with huge financial resources.

*“Entrepreneurs venture into businesses to make money, and at the time of launching startups, they have no financial resources to operate them.... They rely on credit to fulfill the financial needs of their businesses”* (I19). According to I2, *“The failure of entrepreneurs to access credit is a huge blow to their operations since they cannot run businesses without funding”*.

Most of the respondents describe liquidity constraints as a major reason behind entrepreneurs failing to run their startups. They believe that after successfully launching startups, most entrepreneurs lack the money to operate the daily business operations like purchasing goods, paying suppliers, logistics, and other miscellaneous expenses, I21 confirms that *“liquidity constraints hampered the ability of entrepreneurs to effectively run their newly launched business”*. This is made worse by their inability to access short-term credit from financial institutions. For I7, *“Entrepreneurs spend most of their money on launching startups and lack the money required to operate them.... Banks do not lend newly formed businesses due to structural problems”*. Therefore, startups lack the thresholds to access funding from lenders, making it difficult for entrepreneurship to continue running them. The respondents stated that more than 50% of all startups fail due to liquidity constraints. According to I3,

*“most startups fail because they lack funding to run or operate in the market.... he further states that whereas most entrepreneurs succeed in launching startups, they fail to raise the required money to operate these startups leading to failure”.*

This underscores the role of liquidity constraints in obstructing entrepreneurial activity. The inability to access funds when needed is a major problem facing new small businesses. As opined by I19, *“newly formed businesses require readily available funds to deal with normal business operations, and such businesses need to access short-term lending”*. However, since this is not possible, most startups cannot run their operations. This explains why the rate of failure of new startups is high in emerging markets, and this poses a significant threat to entrepreneurship in general. As I26 states, *“unless a solution is found, there will be a decline in entrepreneurial activity due to liquidity issues”*.

The majority of the respondents identified loan bias as the biggest problem facing entrepreneurship in the process of launching, operating, and expanding businesses. The respondents stated that lenders discriminate against entrepreneurs in all stages of operation. According to I11,

*“new businesses find it very difficult to access credit from financial institutions. For example, during the launch of startups, most banks do not provide credit since they require documents indicating that a business has been operating for a minimum period of six months”.*

Therefore, entrepreneurs use their funds to launch startups. Subsequently, banks refuse to lend to startups facing liquidity issues since they are considered non-viable and risky. Therefore, entrepreneurs fail to access short-term credit to address liquidity issues. Thirdly, banks place a lot of restrictions on lending to new entrepreneurs making sufficient, timely, and reliable credit inaccessible *“while other large firms are easily provided with credit at favorable terms, startups and small businesses face numerous challenges when accessing credit”* (I14). Loan bias refers to a situation where the consideration of loan applications and dispensation of credit discriminates against some applicants. Financial institutions like banks consider entrepreneurs and their new businesses as nonviable and risky investments. So, they offer very minimal credit with terms and conditions that are difficult to meet. This makes the attainment of funding rather expensive and unreliable. The respondents indicated that most entrepreneurs could not access funding when needed which added to the difficulties of running a new small business efficiently Tracey & Phillips (2011).

Our participants claim that entrepreneurs apply a variety of creative methods to overcome the challenges associated with financing gaps, liquidity constraints, and loan bias. Some of these methods as identified by respondents include using personal savings, lending money from friends, adopting cost-efficient models of business management, and diversifying sources of income. I3 affirms that *“entrepreneurs in emerging markets have resorted to alternative sources of funding that are not structural”*. Due to the failure of governmental institutions and banks to provide accessible funding for startups, entrepreneurs have come up with their sources of funds. This shows that although entrepreneurial initiatives are booming in emerging markets, access to financing is quite limited. I2 says *“most startups were mainly funded through savings because most emerging markets do not offer credit for startups”*. Another important source of funding for entrepreneurs is informal borrowing, which may involve borrowing from friends, family members, colleagues, or fellow business owners. Entrepreneurs have resorted to informal solutions to funding challenges. According to I20, *“informal sources of funding have replaced structural or institutional credit, which have failed to help entrepreneurs meet their financing*

*needs”* Shane & Venkataraman (2000). Informal sources of funding are sometimes more efficient in the sense that they’re more flexible and customizable. Entrepreneurs can borrow small amounts of money from various sources and repay when possible. In most cases, this tends to be a more flexible arrangement since it offers payment flexibility and imposes less strict conditions. By adopting cost-effective models of business management, entrepreneurs also reduce their need for funding and thus overcome some of the financing gaps. This may involve venturing into areas that do not require much financing to execute operations. Entrepreneurs in emerging markets also tend to diversify their investments in several money-generating areas that help them fund their entrepreneurial activities. I14 claims that *“after learning that government systems and financial institutions are not supportive of their endeavors, entrepreneurs have embraced alternative ways of addressing their funding gaps”*.

## DISCUSSION

The findings of the study reveal that financial gaping negatively impacts entrepreneurship in emerging markets in various ways. For instance, due to financial constraints, most entrepreneurs cannot successfully launch a start-up and cater to its day-to-day operations. Additionally, finances are needed to acquire the various certifications thus this lack of money could prevent the attainment of needed certification. Therefore, the financing gap is the main challenge that entrepreneurs in emerging markets need to overcome.

The first research objective investigated the impact of lack of funding on entrepreneurship. The majority of the respondents posited the argument presented. While the authors argued that entrepreneurs in emerging have a hard time accessing reliable funding, the respondents added that lack of funding not only affects the launch and operations of a business but also the morale of entrepreneurs. Therefore, lack of funding can be considered the main challenge many entrepreneurs face in emerging markets. Funding does not only comprise money, it can also include the governmental and official requirements stipulated to launch and run a business. An entrepreneur may not afford to acquire certifications or finalize the paperwork needed to legalize business operations.

Since most businesses incur operating costs, cash flow must be provided to ensure the continuity of daily operations. However, most small and medium enterprises (SMEs) face severe constraints in accessing credits. Our findings identify a lack of creditworthiness by major financial institutions in turning down requests made by SMEs. As a result, as per Shane (2013), most businesses in emerging markets cannot access funds to sustain their operations, let alone expand their activities. Additionally, while entrepreneurs have innovative ideas, such ideas cannot be implemented and developed into successful businesses or projects due to the lack of flexible credit. As such the entrepreneurial spirit is negatively affected Schoon & Duckworth, (2012).

The study also reveals that loan bias is another key factor affecting the financing of entrepreneurs in emerging markets. Since most financial institutions only lend money to credit-worthy or well-established businesses, most SMEs find it difficult to prove worthy of loans. For instance, banks normally only approve loans to businesses with six months’ worth of bank statements. Therefore, such loans exclude start-up businesses. The findings support Bruton et al. (2008) that entrepreneurship is negatively affected by a lack of a proper financial and credit infrastructure, especially during the initial stages. Loan bias also includes the strict loaning terms and conditions set by financial institutions. Barth et al. (2006) hypothesize that in addition to the



poor regulatory framework and poor infrastructure, strict borrowing conditions hinder the operations of most SMEs leading eventually to their shutdown.

The majority of the respondents agreed that financial constraints are the main obstacles that hold back entrepreneurial activities and businesses from advancing. As such, several amendments must be made to provide more flexible borrowing terms for an optimal business environment.

## CONCLUSION

In summary, this study was conducted to assess the effect of financing gap challenges of entrepreneurship in the United Arab Emirates and aimed to investigate the challenges facing entrepreneurs in emerging markets. For purposes of specificity, the financing gap was identified as a significant challenge, and the UAE was used as a case study. The study was based on the premise that financing gap, liquidity constraints, and loan bias are significant obstacles affecting entrepreneurs in the United Arab Emirates. Therefore, the study proceeded to examine these three areas following the qualitative research methodology. The findings of this study were clear as to the lack of flexible funding options being the major challenge facing entrepreneurs and start-up businesses in emerging markets, specifically the United Arab Emirates. This study also found that entrepreneurs have resorted to creative ways of sourcing for credit, including informal sources, personal savings, and borrowing from friends. In addition, many entrepreneurs get involved in several activities to diversify sources of income and funding to their start-up businesses. The findings affirmed that entrepreneurs in the UAE face financing gaps, liquidity constraints, and loan bias. All these factors contribute to the failure of entrepreneurship due to the closure of startups.

These findings imply that the absence of governmental strategic efforts to provide credit for entrepreneurs places funding at the top of the challenges facing the entrepreneurial sector in emerging markets. These findings also indicate that there is a looming crisis that could lead to many start-up businesses shutting due to lack of funds. And as more entrepreneurs give up and shut down their start-ups, the SME sector faces the risk of collapsing, jeopardizing the whole economy. This is based on the fact that the vibrancy of emerging economies is attributed to entrepreneurship. The role of SMEs in economic growth in emerging economies cannot be overemphasized; therefore, if no measures are taken to ensure credit access for entrepreneurs, the SME sector will fail, creating more serious economic threats. Another implication of this study would be the fact that the regulatory and financial frameworks of emerging economies do not align with the growing needs and contemporary trends. The 21<sup>st</sup> century marketplace is an offshoot of entrepreneurship, which drives economic growth by creating jobs and reducing poverty. Entrepreneurship is essential in guaranteeing socioeconomic equality and poverty eradication. Therefore, reforms must be made to provide access to funds and thus incentivize entrepreneurs to grow their businesses. So, loan bias, increased loan interest rates, and complex restrictions should be reconsidered and possibly even eliminated to provide flexible funding to SMEs. Moreover, previous studies have highlighted the theoretical and empirical causes of the difficulties of financing innovative entrepreneurship. An innovative project is characterized by a very high level of uncertainty, linked in particular to the profitability of the project, the need for confidentiality, and the risk of failure. Even less technologically competent than innovators, the financiers in charge of selecting projects to be funded (internal or external) do not have effective evaluation tools. The use of experts and consultants only partially addresses this lack, without completely remedying it. Another reason for the reluctance of financiers is related to high

bankruptcy costs. Innovative SMEs spend financial investment mainly on the salaries of engineers and researchers in charge of Research and Development and not on financing assets that can be achieved in liquidation. Finally, innovative start-ups are suffering from the contraction of the liquidity available for financing from the top and bottom of the balance sheet of the enterprise. With the 2008 financial crisis, which prompted banks to reduce their risk exposure, and with Basel III increasing the cost of allocating assets in equities, credit institutions have significantly reduced their exposure to entrepreneurial financing. The "classic" methods of financing, therefore, do not seem to respond well to the needs of entrepreneurs, whether they are in a traditional or innovative setting. Fortunately, there is an alternative. Innovative start-ups can turn to new tools to finance their development. Crowdfunding appears to be a popular solution in developed countries. A real movement of financial innovations aimed at entrepreneurs and SMEs is developing: innovative factoring, new types of private equity funds, guarantee funds between SMEs, next-generation corporate venture are just a few examples.

In light of the findings of this study and considering that financial gaps affect the viability of startups and the motivation of entrepreneurs, various recommendations can be proposed. First, the financial system should be reformed to free up credit to entrepreneurs. For instance, loan biases should be abolished since they limit the role of entrepreneurs. Secondly, the regulatory framework in emerging markets should be modified to increase the ease of creating startups. Startups and other small businesses should be exempted from specific regulations and tax obligations to allow them some sort of competitive advantage against large enterprises and firms. Thirdly, capacity-building mechanisms for entrepreneurs should be launched to build competence and financial literacy among budding entrepreneurs. Also, more mentorship programs for entrepreneurs should be made available to encourage entrepreneurial initiatives. Fourth, the government should establish an entrepreneurship fund to bail out struggling startups. Lastly, the government must create a positive and supportive environment to unleash entrepreneurs' creativity and help startups grow and make a profit.

Even though this study presents some important managerial insights, it also has some limitations. The main limitation of this study is that it considers a single case, that of the United Arab of Emirates. A future study could expand the scope and collect and examine data from various countries and validate those data sets statistically. Entrepreneurship is a concept that may be interpreted differently, so care needs to be taken to establish a comprehensive definition. Hence, the need to analyze entrepreneurship with a broad range of decision-makers with different backgrounds in the future. Overall, the study clearly defines that entrepreneurship barriers exist primarily due to the lack of funding. When multiple stakeholders weigh-in, there will inevitably be various approaches for start-ups. Among those multiple stakeholders, the government plays a vital role, since the majority of barriers in emerging markets are interrelated to the government's disdain and/or lack of support. As suggested, a fruitful research area would be to examine why the government is not more involved or is not paying enough attention to entrepreneurship. It is of high importance to explore the reasons behind the government's lack of interest, from where the shortcomings arise, and up to how this much-needed endorsement would be managed.

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