

## Malagasy Entrepreneur's Perspectives: Case Study of The Barriers of Entrepreneurship in Madagascar

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### ABSTRACT

Entrepreneur is the term use to call people who develop their self-career, and it could be due to many reasons. Hence, as digging deeper into the field, many could be the reason that entrepreneurs in developing country faced on. By conducting qualitative research, this study is the result of a deep interview of three entrepreneurs in Madagascar. And such a result, we have found that there are three main reasons as obstacle of entrepreneurial in that country. First is the lack of knowledge, basically depends on the education. Second concerns about government policies, which is often corrupted and out of date, and the last not the least is about the economy of the country itself, which is not stable, so investors are afraid to use their money even though youth have a brilliant idea. Knowing these struggles lead us to know about the proposed solution which are obviously connected to the concerned issues.

**Keywords:** Madagascar entrepreneurial, issues of entrepreneurial in developing country.

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### INTRODUCTION

In 2018, the United Nations Conference on Trade and Development stressed the importance of entrepreneurship in the least developed countries in order to be able to turn its back on poverty in the long term, but at the same time respecting the UN Sustainable Development Goals (SDGs). Therefore, many economists, governments and international organizations argue that entrepreneurship promotes the growth and economic development. Yet, at first glance, these developing countries abound with entrepreneurs. And despite this, they are still considered the least developed countries economically. Thus, the purpose of this study is to conduct deep research to identify the barriers that prevent these entrepreneurs from succeeding in their business and to participate significantly in the country's economic growth. As already mentioned foreword, this is a case study the entrepreneurship in Madagascar, one of African countries, located in the south east of Africa. Most of the private sector is suffering from a lack of innovation and productivity, contributing to low levels of economic development. Entrepreneurship promotes economic growth and development through the introduction of

innovations that add value. Innovation can take different forms: designing new products or services, developing new processes or means that use production factors more efficiently, or implementation of technologies designed by others but not yet introduced to the local market. To better understand the issues of the entrepreneurship in the specified country, the following research questions are arisen to realize the main factors of the barriers of entrepreneurial:

- Does education play a crucial role in term of entrepreneurship in the country, if so, is there enough of training to acquire the knowledge in that field?
- How does government policies affect the private sector in term of entrepreneurship?
- It is said that entrepreneurship is one of the key major to raise the economics of the country. But how to initiate businesses if the economics and politics of the country is not at all stable, which make the country called developing country?

### **Novelties and objectives of the research**

Few are the scholars who have been studied about the issues related to this research. Either they are focusing to the whole continent in Africa, either they have focused to others countries. Especially in Madagascar, this research is could be categorized amid the first research in its field itself. Therefore, this research aims to analyze the barriers of entrepreneurship in Madagascar, then to expose every related solution. This will help also some scholars, especially from the country to refer their work if they are in the similar field as the author herself. For the government, author hopes that her research will be considered by the government in order to bring some positive aspect for the future success of entrepreneurs and so on the economics of the countries.

One of the reasons for to conduct this research is also about the country, which is a developing country and the author wants to contribute into the development of her country.

### **LITERATURE REVIEW**

In 1730, economist Richard Cantillon formally defined entrepreneurship as self-employment of all kinds. He points out in his theory that not everyone worked for a salary or was not recruited, was a contractor. Since then, many economists have defined entrepreneurship as three themes: first, uncertainty and risk, second, managerial competence, and third, creative opportunism. Later, (Meoli et al., 2019) reaffirms that entrepreneurship is complex, involves many actions, uncertainties, risks and requires analysis. (Omri, 2020) highlights two reasons for giving importance to entrepreneurship in the context of developing economies: they highlight the importance of entrepreneurship in the marketplace, they also explain that the level of entrepreneurship is much higher than in developing countries due to the existence of fewer barriers to entry and the strong need to enter as many people cannot find employment alternatives. (Hearn & Filatotchev, 2019) add that in developed countries, resources for entrepreneurship can be obtained from domestic markets, while in developing countries, it's much more complicated because they have to depend on foreign markets. But it is important to remember that successful entrepreneurship is strongly linked to innovation, mainly of a technological nature. (Kong, 2018) . It is also important to remember that innovative entrepreneurship can adopt many more formats than technology (Journal et al., 2016) (Westgren & Wuebker, 2019). Entrepreneurs also need financial, human and informational resources to put their ideas into practice (Baron et al., 2018). These resources enable entrepreneurs to seize opportunities related to business growth, innovation, profits or simply their inability to find a job (Amoro & Ciravegna, 2017). While business creation may be linked to the inability to find gainful employment, (Marshall & Gigliotti, 2018) argue that entrepreneurs generally choose this option

after gaining work experience for others. (Edwards et al., 2020) even argue that some entrepreneurs create businesses knowing they could make more money by being employed by others; however, they prefer to become entrepreneurs so that they can put their own ideas into action. The contractor's level of engagement is also highlighted by (Cavallo et al., 2018), (Journal et al., 2019) and (Fritsch et al., 2020) emphasize that the link between entrepreneurship in a country and its economy is a political issue driven by improving the well-being of its citizens. An even more specific reference can be found in (Barba-sánchez, 2017), which argue that entrepreneurship acquires special interest when governments recognize that their actions alone are not sufficient to generate adequate production and employment standards. (Gupta et al., 2020) point out that from a practical point of view, the economic value generated by entrepreneurship is linked to the associated benefits.

X has states that entrepreneurship is a primary key of the development of the country. While Y proves that it affects a positive insight for the growth of country. This statement proves the importance of the private sectors, which is also relevant to the growth of the country's economics. YY states that the percentage of women succeed in entrepreneurship is equal to YY if ZZ is the total of entrepreneurs.

## METHODS

Methodology is required to lead good research. Without any plan, there is no strategies to follow to conduct research, then, misunderstanding will be there. It is a must to adopt methodology in order the facility of the reading of the findings and discussions, also the aims of this research. It helps also the reader and other scholars to not get confused. Hence, author is using a qualitative approach to enlighten more this research.

As it is known, there are many types of qualitative research, but in this one, deep interview is used to collect the primary data. And as we are in digital era, interview have been delivered online. That is also due to the health restriction to avoid the spread of the COVID-19 virus.

### Respondents and data collection

As this is qualitative research, the respondents will be presented in this section. Due to their demands, most of the respondents have requested to not mentioning their identities, but only their activities and their post.

Names/Labels	Activities	Starting	Post occupied
A (information hidden)	Beauty and cosmetic products sales	2020	Relationship Marketing
B (information hidden)	Restauration (Food delivering)	2019	Owner
C (information hidden)	Developers	2016	Chief executive officer

### Data presentation

In this section data will be presented according to each respondent mentioned foreword. In total, we have chosen them and was ask the same question which concern the barriers of entrepreneurship in Madagascar. All of them were interviewed online through social media, some preferred by answering with a message text, some have chosen to leave voice note as answer. And some decided answer as their company itself.

These are their following answers:

### **Respondent A**

“Being entrepreneur has a lot of domain concerned, some could be interested in transportation, importation, trade, and so one. For me, I would say that I am an entrepreneur because all my activities are based to the use of technology, which is internet to be more precise. All of the services I provide depends on trust, as I do not have yet any official office. So customer come to me because they trust on me. And from that mouth to mouth marketing, business growth faster.

With the question you asked me, I could say that many are the reason of the “why” you asked to me. I would like to categorize them to facilitate your research.

Everything start from the expertise, yet, as you mentioned, we are in developed country. People still struggle to find what they have to eat in the day. Their mind focused more on their necessity, so the knowledge is not working that well. I agree that it is not men that we should go to school and work about entrepreneurship, but learning by doing also is sometimes the great idea of learning something. Because they have a gape of knowledge, make them to not focus and work 100% about their work.

The education teaches us to understand the field of what we want to do, to analyze the risk that we should face, then to manage well the system of information. Sometimes, people are afraid to take risk while in entrepreneurship, zero risk does not exist.

Government issues, Hence, I would like to dig deeper. The government system in developing country are usually compromised and corrupted. In which, I consider that is the first blockage for every startup business. How can we start a good project while we have to corrupt to be legalized? The license is often also expensive, the tax is not considered also, startup or a big firms, and they could pay the same amount of tax. For youth who want to enter in exportation and importation, the fee are very high, which is almost four times of the real price, so you will understand straight why the failure is.

As the economy also is not yet stable, whatever business will follow the upside-down as well. So, to me, strengthening the government policies is one of the big solution. One the economic is stable, many investors from outside want to invest, so youth will have financial investor to their project.”

### **Respondent B**

“The obstacle of the entrepreneurial in developing countries:

- About the capital or financial startup

It is hard to build a startup even there is a good project. For example, there is a young entrepreneur who had a good project in mind, but does not know anything about the financial issues and where to find some funders. It could be due to the economic situation in the country, where funder do not trust people living in developing country because they are afraid of losing their investment.

Another option is like the young entrepreneur does not have the possibility of affording materials for the presentation of the project, so the project is not well understood by the investors.

In this case, the young entrepreneur is blocked and the project is closed preliminarily. Success could be there if the entrepreneur has the mean to present well his project so investor could see.

- Lack of knowledge and competences

As it is mentioned, we are currently in developing country. The expertise, competences and knowledge of youth is not enough regarding to term of entrepreneurship. There should be some institutions that teach, train them about the concept.

- Afraid of taking the risk

An entrepreneur is not a person who is afraid of the risk. They embrace the risk and like to challenge it. It is one of the success of the project. And it could not be avoided if they are looking for success.

- Underestimating.

Young are usually having that feeling to compare their live to other successful people or entrepreneurial people. Facing the first failure leave them a big consequences, until they drop the

project of. They are also afraid of updating their marketing tools, always waiting for their friends to be part of the business so there is just waste of time."

### **Respondent C**

"Since 2008, we can see the development of the entrepreneurial ecosystem in Madagascar. Although the creation of enterprises and companies has mostly been dominated by foreign investment attracted by the cost and quality of labor (especially in the textile sector, which accounts for about 30% of GDP), the question of security (despite the political crises, Madagascar has never experienced a civil war), the various reforms (single window for business creation, the simplification of the tax system, the commercial court, etc.), more and more young locals create businesses, commercial or social, in different fields.

The first obstacle to entrepreneurship development is access to financing, according to 22.6% of entrepreneurs consulted. Then comes the Malagasy culture. 20.8% of the participants consider that our culture is a hindrance to the development of entrepreneurship. The details consulted in the replies indicate a lack of originality, a lack of initiative or an entrepreneurial culture. Legislation and corruption each account for 13.2% of the participants' opinions. It should be noted that corruption was not put on the multiple-choice list but was proposed by the participants through the "other" tab. Unfair competition and the complexity of the certification system were discussed in the details of the legislation. Then came the difficulty of finding workers (11.3%), the purchasing power of local customers (7.5%), the administrative slowness (5.7%) and the lack of original ideas, in the sense of lack of innovation and/ or creativity (5.7%).

## **RESULTS AND DISCUSSION**

Based on the results of the interview, there is a common answer from our respondents. Hence, I would like to underline that, our respondent does not know each other's and they were picked up randomly. The only common thing that they share in this research is just they are in the same country, so it is obvious if they state the same observation, even they execute different activities.

By analyzing one by one the answer of each respondent, the respondent A has mention that due to the instabilities of the country, it is hard to build new businesses. And that could be due to the corruption which can be found within the government or to procure the legalization for the startup company. "How can we start a good project while we have to corrupt to be legalized?" Respondent A.

Moreover, he mentioned about the policies of government, which should be updated, because most of them are obsolete. He also states the importance of education is not adequate. To succeed more, young entrepreneurs should follow some training, and acquire knowledge before they start to undertake that domain. It is good to learn by doing, but success need more preparation. It is also seen in his answer that internet cost is quite pricey in Madagascar, so his expenses are high and he has to balance that to the profit, which has an impact to the number of his customer, because most of customers are not using internet, and they just critics to the price of his services.

The respondent B underline 4 main points to her answer. First, she mentioned about the financial issues, "It is hard to build a startup even there is a good project. For example, there is a young entrepreneur who had a good project in mind, but does not know anything about the financial issues and where to find some funders. It could be due to the economic situation in the country, where funder do not trust people living in developing country because they are afraid of losing their investment" she said. Furthermore, she highlights that expertized is also need, with that statement, we could see the interconnection of the answer of the respondent A and B, which is related to the education. She added up with the afraid of taking a risk, we can say that if the

knowledge is well placed, entrepreneurs should know that taking a risk is the primary keys of business success's, every single risk could be studied with their impact, and zero risk does not exist in term of businesses.

As she is in the field of restauration, she states that lack of generator of electricity in the country caused detriment for her, because sometimes, when there is electricity turns off, some of her products and ingredients get damaged. So, she has outlined that there is a role of the government that should be fixed in term of management.

For the respondent C, is quite detailed as they provide some statistics of what could be the reason of success in entrepreneurial in Madagascar. The answer is not far from the respondents A and B. the first reason is due to the financial issues, then, about Malagasy culture, which is not used in term of product consumption. They mentioned as well the insufficient of creativity, which should be acquired by digging deeper the knowledge and the competences. As the respondent A, they also emphasize about the corruption in the country in term of status legalization of the company, and administration things. The lack of creativity could be due to the lack of labor which are able to do some specific tasks.

## DISCUSSION

In many ways, is the most important section in an article (Feldman, 2004:4). Because it is the last thing a reader sees, it can have a major impact on the reader's perceptions of the article and of the research conducted (Summers 2001:411).

Different authors take different approaches when writing the discussion section. According to Feldman (2004:5), Perry et al. 2003: 658), and Summers 2001: 411412), the discussion section should:

- Restate the study's main purpose
- Reaffirm the importance of the study by restating its main contributions
- Summarize the results in relation to each stated research objective or hypothesis without introducing new material
- Relate the findings back to the literature and to the results reported by other researches
- Provide possible explanations for unexpected or non-significant findings
- Discuss the managerial implications of the study
- Highlight the main limitations of the study that could influence its internal and external validity
- Discuss insightful (i.e., non-obvious) directions or opportunities for future research on the topic

The discussion section should not merely restate the findings reported in the result section or report additional findings that have not been discussed earlier in the article. The focus should rather be on highlighting the broader implications of the study's findings and relating these backs to previous research. Make sure that the conclusions you reach follow logically from and are substantiated by the evidence presented in your study (Varadarajan 1996: 5).

## CONCLUSION

Even though these barriers of success in entrepreneurship in Madagascar, there are those small and medium enterprises who embrace their success. But all of them have been struggle to all of these barriers. There is a quote who said that the big failure is the fear of making a mistake. As it is already exposed, entrepreneurs should learn from their mistake, they should explore more about the specified required knowledge in their domain or service proposed.

Madagascar have a lot of potential whatever in natural resources, or others domain of activities. But few are those people who dare to exploit their abilities. Reinforcing the expertise, mastering the action of taking risk, then fighting for the corruption in the country will be the success of every factors of development of the country, especially in field of entrepreneurship. The politics of the country is the only big barriers of being successful in developing country like Madagascar. Once the politics issues is stable, investor will start to finance youth's project, which are often brilliant and interesting. It is just due to the politic crisis who affect an economic crisis. In this section, author present brief conclusions from the results of research with suggestions for advanced researchers or general readers. A conclusion may review the main points of the paper, do not replicate the abstract as the conclusion.

Not only do author write down the major flaws and limitations of the study, which can reduce the validity of the writing, thus raising questions from the readers (whether, or in what way), the limits in his studies may have affected the results and conclusions. Limitations require critical judgment and interpretation of their impact. The author should provide the answer to the question: is this a problem with error, method, validity, and or otherwise?

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