



**EVALUATION OF THE EFFECTS OF POLITICAL INSTABILITY ON
ENTREPRENEURIAL ACTIVITIES: THE CASE OF THE DEMOCRATIC
REPUBLIC OF CONGO.**

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Business and Management Sciences at the Cape Peninsula University of
Technology**

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DECLARATION

This thesis is a presentation of my original research work. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions.

The work was done under the guidance of Dr. Larry Enoch Jowah, at the Cape Peninsula University of Technology.



David Mukuna Kashala..... 5th, September 2015

In my capacity as supervisor of the candidate's master degree thesis, I certify that the above statements are true to the best of my knowledge.

Dr. Larry Enoch Jowah

ABSTRACT

Interest in the domain of Entrepreneurship is growing considerably. Nevertheless, the plan of this study is to discover the distinctiveness of entrepreneurship in the Democratic Republic of Congo (DRC). The cutting-edge hostile environment for business developments of underdeveloped countries. In the case of the DRC, entrepreneurship is developed under life-threatening conditions, rarely seen elsewhere. These extreme conditions for entrepreneurship are present as the result of transitional particularities and the marginalised context deriving from political circumstances surrounding the DRC. Apart from the barriers and particularities of a business environment derived mainly from a transitional phase, the political situation has heavily influenced entrepreneurial developments in the country.

Nowadays, however the important role of small firms for economic development is widely recognised. This role is further highlighted in underdeveloped countries where it is expected that these firms become a main engine of transformation, job creation and income generation. In most of these countries however small firms have failed to take on this role. The inadequate and often hostile institutional environment in those countries has been recurrently mentioned as playing a major role in constraining small business development. In such a setting, it was argued that the creation and the growth of new firms as well as the strategies that they implement are considerably influenced by external factors such as economic conditions, technological changes, social and cultural forces, physical variables, international forces and political and legislative variables.

On this note, I propose a new outlook on critical factors on the evaluation of the effects of political instability to entrepreneurial activities and its impact on Entrepreneurship in Africa generally and in the DRC in particular.

DEDICATION

The primary gratefulness however is owed to the Almighty, who provided me with life, strength, protection throughout my formative years in my years in exile. The initial dedication is given to the elders and all the many people I interacted with who impacted on my desire to meet the challenge of education.

My dedication goes first to my late mother Florence Ngoyi Mudimbi who passed away but is still living in my heart. I love you so much!

I dedicate this thesis to my beloved wife Christelle Ntumba Nsumpi Kashala, my son Joshua; my daughters Heaven and Michaela Kashala for their irreplaceable encouragement during this journey.

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GLOSSARY OF TERMS AND ACRONYMS

AfDB: African Development Bank

ADF: African Development Fund

AEO: African economic outlook

BCC: Central Bank of Democratic Republic of Congo

BCECO: Public Projects Central Coordination Office/ *Bureau Central de Coordination*

CDF: Congolese Franc

CIA: Central intelligence agency

COREF: Public Finance Reform Steering Committee

CSP: Country Strategy Paper

DGDA: Directorate-General of Customs and Excise

DGI: Directorate-General of Tax / *Direction Générale des Impôts*

DGRAD: Directorate-General of Administrative and State Land Revenue / *Direction Générale des Redevances Administratives et Domaniales*

DRC: Democratic Republic of Congo

EITI: Extractive Industries Transparency Initiative

FEC: Federation of Congolese Enterprises

GDP: Gross Domestic Product

GEM: Global Entrepreneurship Monitor

GPRSP: Growth and Poverty Reduction Strategy Paper

HIPC: Heavily Indebted Poor Countries' Initiative

HIV/AIDS: Human Immuno-Deficiency Virus/Acquired Immuno-Deficiency Syndrome

HRV: Hausmann, Rodrik & Velasco Growth Diagnostics Framework

HRW: Human Rights Watch

IDF: Institutional Development Fund

IMF: International Monetary Fund

MONUSCO: The United Nations Stabilisation Mission in the DR Congo

NGO's: Non-Governmental Organisation

NSDS: National Statistics Development Strategy

OECD: Organisation for Economic Cooperation and Development

OHADA: Organisation for the Harmonisation of Business Law in Africa.

PEASU: Semi-Urban Water Supply and Sanitation Project
PEPUR: Peri-Urban and Rural Electrification Project
PRGF: Poverty Reduction and Growth Facility
PRGSP: Poverty Reduction and Growth Strategy Paper
RBCSP: Result-Based Strategy Paper
PSRFP: Strategic Plan for Public Finance Reform
REDD+: Reduction of Emissions from Deforestation and Forest Degradation
REGIDESO: National Water Authority
RISP: Regional Integration Strategy Paper
SADC: Southern African Development Community
SMSEs: Small- and Medium-Sized Enterprise
SMI: Small- and Medium-Sized Industry
SMMES: Small Medium and Micro-enterprises
SNEL: National Electricity Company
TEA: Total Early-Stage Entrepreneurial Activity
TI: Transparency International
TSS Transitional Support Strategy
UN: United Nations
UNCDP: United Nations Conference on Trade and Development
UNDP: United Nations Development Program
UNICEF: United Nations Children's Fund
UNIDO: United Nations Industrial Development Organisation
UNCTD: United Nations Conference on Trade and Development
UNDP: United Nations Development Programme
USA: United States of America
US\$: United States Dollars
WB: World Bank
WDR: World Development Report
WEF: World Economic Forum
WTO: World Trade Organization

CHAPTER ONE

BACKGROUND TO THE RESEARCH

1. 1 INTRODUCTION

Entrepreneurship is the process of conceptualising, organising, launching and through innovation nurturing a business opportunity into a potentially high growth venture in a complex, unstable environment (Rwigema & Venter, 2004). The entrepreneurs take risks, both financial and physical in an effort to convert their ideas into business opportunities which should help with the development of a country (Leach & Melicher, 2011). Nelson (2007a) estimates that the large business and small business enterprises account for 30% and 70% respectively of employment in most economies. Entrepreneurship as a process causes changes in economic systems through innovations by individuals who respond to opportunities in the market. Furthermore, entrepreneurs are widely regarded as important players in the business, particularly as the engine for job creation and economic growth (Audretsh, Keilbach & Lehmann, 2006). By its definition therefore entrepreneurship is the emergence and growth of new businesses culminating from the effort of certain individuals to improve their living standards by getting involved in entrepreneurial activities. In reality, entrepreneurs are risk takers who provide an impetus for change, innovation, and progress in economic life (Moore, Petty, Palich & Longenecker, 2010). What is known of entrepreneurs is that they are at the heart of job growth and economic dynamics; they are creators of wealth through their association with innovation (Welsch, 2004). Such activities are essential for the development of countries; specifically so in those countries with high levels of unemployment and in which case poverty has become the fuel for civil unrest and never ending wars (Sacks, 2011).

Shi & Singh (2011) concur that governance is the set of values, policies and institutions by which a society manages economic, political and social process at all levels through

interaction among the government, civil society and private sector. Wilkinson (2005) argues that the concept of governance denotes the use of political authority and the exercise of control in a society. Moreover, governance refers to the process whereby elements in society wield power and authority (Poku, Whiteside & Sandkjaer, 2008), and influence and enact policies and decisions concerning public life (Berhanu, 2011).

Urlacher (2008) agrees that economic growth is the surest way to a substantial and maintained reduction of poverty in Africa. Policy for long term growth requires focusing on the larger and more formal parts of the financial system (Sharma, 2011). But even while growth enhancing policies are beginning to have their effect, the improvement of access of low income households and micro entrepreneurs to financial services should become an additional central focus of financial sector policy (Honohan & Beck, 2007).

1.2 BACKGROUND

The world fact book describes Democratic Republic of the Congo (*French: République Démocratique du Congo*), universally referred to as DRC, Congo-Kinshasa or the DRC, is a country located in Central Africa. It is the third largest country in Africa by area 2,345,410 square km, land 2,267,600 square km and water: 77,810 square km and the eleventh largest in the world. The DRC is the nineteenth most populous nation in the world, the fourth most populous nation in Africa, as well as the most populous Francophone country with a population of over 71 million (Central Intelligence Agency, 2011). The CIA report considers the DRC as the richest country in mineral resources in the world, its untapped deposits of raw minerals are estimated to be worth in excess of US\$ 24 trillion, but having the second lowest nominal GDP per capita (Vakunta, 2012).

Barber (2005) argues that the DRC had a tumultuous past, from 1885 to 1908; it was the personal property of King Leopold of Belgium. He transferred the ownership of the Congo to his country, Belgium due to political and social pressures. On June 30, 1960, this country gained its independence from the Kingdom of Belgium (Mwakikagile, 2006). Mwakikagile quoted Patrice Lumumba by saying that “for this independence of the Congo,

even as it is celebrated today with Belgium, a friendly country with whom we deal as equal to equal, no Congolese worthy of the name will ever be able to forget that it was by fighting that it has been won, a day-to-day fight, an ardent and idealistic fight, a fight in which we were spared neither privation nor suffering, and for which we gave our strength and our blood” (Mwakikagile, 2009). Spingola quoted Lumumba “we are proud of this struggle, of tears, of fire, and of blood, to the depths of our being, for it was a noble and just struggle, and indispensable to put an end to the humiliating slavery which was imposed upon us by force” (Spingola, 2011).

Kasuka quoted Patrice Lumumba: “Dead, living, free, or in prison on the orders of the colonialists, it is not I who counts. It is the Congo, it is our people for whom independence has been transformed into a cage where we are regarded from the outside... History will one day have its say, but it will not be the history that Brussels, Paris, Washington, or the United Nations will teach, but that which they will teach in the countries emancipated from colonialism and its puppets... a history of glory and dignity”(Kasuka, 2013). For the 53 years since democracy, the DRC has experienced different forms of leadership. Patrice Lumumba lived from 2 July 1925 to 17 January 1961 and was a Congolese independence leader and the first democratically elected Prime Minister of the Republic of the Congo, after he helped win its independence from Belgium in June 1960. Only twelve weeks later, Lumumba's government was deposed in a coup during the Congo Crisis (Zeilig, 2008).

The main reason why he was ousted from power was his opposition to Belgian-backed secession of the mineral-rich Katanga province and was killed in what is said to be the actions of the former colonial master and the US governments (Nzongola-Ntalaja, 2004). Their surrogate Mobutu Sese Seko who was born on October 14, 1930 and died on September 7, 1997. He took over with the aid of the military and ruled for 32 years during which he introduced a program of indigenisation of the means of production from foreign companies (Haus, 2005). This though was not maintained and the program did not bring any meaningful change to the lives of the Congolese people (Boya, 2010).

Laurent Desire Kabila born on November 27, 1939 took power by military means and became the third President of the DRC on May 17, 1997. After his assassination by one of his bodyguards on January 18, 2001. He was succeeded by his son Joseph eight days later and ruled for a period of almost 4 years. He had established polishes that did not bring much change to the entrepreneurial prospects in the country (Gibney, Rhoda, Howard-Hassman, Coicaud, & Steiner, 2008).

The current president Joseph Kabila, born on June 4, 1971 and has been in power since January 2001 and has pronounced that entrepreneurship has not been much of his focus as he is involved in a civil war (Campioni & Noack, 2012). The DRC has an economic freedom score of 39.6, making it the 171st out of 177 freest economy in the 2013 Index. Its overall score is 1.5 points lower than last year, reflecting significant deterioration in control of government spending that is only partially mitigated by an increase in monetary freedom. The DRC is ranked 44th out of 46 countries in the Sub-Saharan Africa region, and its score is far below the regional average.

The index of economic freedom (2013) report agrees that Congo extractive industries and exports have generated high nominal rates of economic growth but little maintainable or broad-based development. Political risk remains high, relentlessly discouraging prospects for diversified growth and trapping a majority of the population in poverty. Informal economic activity is rampant, and businesses have little recourse in law and little protection for their property.

Hindman (2011) states that government economic activity lacks impact, and the basic supply of public goods, particularly infrastructure, is far below levels necessary to facilitate economic growth and entrepreneurial opportunity. The slow pace of reform, coupled with ongoing political instability (Routledge, 2007), has left the capacity of public institutions inadequate to support private-sector development and long-term economic expansion.

Nzongola-Ntalaja (2004) points out that “the real scandal, however, is that in 110 years of mineral extraction, the wealth of the country has not been used to the benefit of the great majority of its people. Since the days of King Leopold, it has gone to serve the interests of the country’s rulers and those of their political and business partners in the international community. The current status quo reflects largely on what was prevailing at the time of independence, because no indigenous people have been involved meaningfully in the development and economic growth of the country. Since the liberation days, there have been no effective policies which have been implemented to empower the indigenous population and to move the masses away from poverty. Today the DRC ranks 181 out of 183 on the low end of the ease of doing business scale as ranked by the World Bank. This measures the difficulties of starting a business, enforcing contracts, paying tax, resolving insolvency, protecting investors, trading across borders, getting credit, getting electricity, registering property, dealing with construction permits and registering property (World bank, 2013) and the situation has not changed drastically from the previous structures as stated above.

Zhang (2008) shows that entrepreneurship has provided the potential to support economic and social growth. It is the goal of various government policies to develop a culture of entrepreneurial thinking. Smallbone *et al* (2009) confirm that entrepreneurship can be encouraged in with a variety of ways: by integrating entrepreneurship into the education system, legislating to encourage risk taking, and the national campaign (Leatao & Baptista, 2009; Muffato & Giaco 2012; Brown & Ulijin, 2004).

The GEM economic conditions determine whether necessity or opportunity entrepreneurs are most predominant. Opportunity entrepreneurs are more prevalent in high income countries, while necessity entrepreneurs are more common in the low-income, poorer countries. Richer countries are more likely to have developed labour markets or access to social welfare, there is a lesser need to start a business to survive and therefore these countries exhibit lower necessity-based entrepreneurial activity rates (Bhola, Verheul, Thurik & Grilo, 2006).

Burke (2006) and Nieuwenhuizen (2006) assert that a push factor is a trigger that forces and thrills a person out of their present job into self-employment. Redundancy or retirement, disability, illness, accident, loss of license (medical license, legal license), for example becoming unemployed created a need to find a job to pay the bills (Rwigema & Venter, 2004; Erasmus et al, 2007).

Vermeulen & Curseu (2008) posit that the following triggers may force and boost a person into becoming a “necessity” entrepreneur: Poor pay and lack of prospects, disenchantment with current remuneration or employers can spur the start of one’s business, lack of improvement, this may tip the scale for ambitious employees who chafe under inflexible management. Increasingly, school leavers and youth graduates cannot find work and older workers are being retrenched (Roper, 2013).

A pull factor is a trigger that boosts and cajoles a person to leave their present employment to pursue something they recognise as better, for example to develop a hobby or marketable opportunity using the latest technology (Burke, 2006). “Opportunity” entrepreneurs are therefore driven by pull motivations (Rwigema & Venter, 2004).

Burke (2006) argues that pull factors are triggers that inspire and fascinate employees to leave their present job and use entrepreneurial skills to pursue an area of interest, hobby or passion, or attract people to doing their own business: A desire for a more meaningful lifestyle, becoming entrepreneurial, enables the entrepreneur to turn their hobby and interests into a lifestyle business; a desire to be independent; to be “your own boss” and feel in control of your own destiny (Fornahl, 2007).

Stokes & Wilson (2010) argue that a profit motive which is the financial reward from successful ventures is a powerful stimulant. While profit is not always the dominant motive, it is crucial for maintainability and as a barometer for growth. It serves as manifestation of entrepreneurial success and fuels the entrepreneur’s standard of living. Rusinovic (2006) concurs that the challenge of building a business from scratch into a respectable enterprise is motive on its own. In a globalising world, entrepreneurs have to contend with both domestic and multi- national competition. The challenge of growing a

business creates its own (financial and psychological) rewards: desire for independence: the passion to run one's own firm and control one's destiny, the freedom to work for oneself, is a perennial drive among entrepreneurs (Rwigema & Venter, 2004).

Stokes & Wilson (2010) affirm that blocks are opposite to triggers, meaning it puts obstacles in the entrepreneur's path making it difficult to set up a venture. For instance, needing a regular income for supporting the family, lack of capital and financial support to fund a new venture, lack of self-confidence and lack of courage to take the first step to entrepreneurship (Burke, 2006).

Rotberg (2004) concurs and asserts that there numerous resources that have not been correctly assessed. A number of International Monetary Fund and World Bank missions have met with the government to help it develop a coherent economic plan, and President Joseph Kabila has begun implementing reforms. Much economic activity lies outside the GDP data. A UNHDI report shows human development to be one of the worst in decades. The economy of the second largest country in Africa relies heavily on mining. However, the smaller-scale economic activity occurs in the informal sector and is not reflected in GDP data, according to Research and Markets (Cleaver, 2013). In 2006 Transparency International ranked the DRC 156 out of 163 countries in the corruption perception index, tying Bangladesh, Chad, and Sudan with a 2.0 rating.

Vakunta (2012) emphasises that the Congo main industries are mining (diamonds, gold, copper, cobalt, coltan, and zinc), mineral processing, consumer products (including textiles, footwear, cigarettes, processed foods and beverages), cement, and commercial ship repair. The GDP can be broken down into various sectors with the following proportions: agriculture (55%), industry (11%), and services (34%). The Congo main export goods are diamonds, gold, copper, cobalt, wood products, crude oil, and coffee. While it's main export partners are China (47.3%), Belgium (15.4%), Finland (9.6%), United States (8.1%), and Zambia (4.4%).

Lingonge (2004) argues that foreign businesses have curtailed operations due to uncertainty about the outcome of the conflict, lack of infrastructure, and the difficult operating environment. The CIA (2010) and the IBP (2009) acknowledged that the war has intensified the impact of such basic problems as an uncertain legal framework, corruption, inflation, and lack of openness in government economic policy and financial operations. A UNHDI report shows human development to be one of the worst in decades. Through 2011 the DRC had the lowest human development index of the 187 ranked countries (World Bank, 2012); classified lower than Niger despite a higher margin of improvement than the latter country from 2010's numbers.

The UNCTD (2012) has recognised six priority areas for policy focus that have a direct impact on entrepreneurial activity namely formulating national entrepreneurship strategy, optimising the regulatory environment, enhancing entrepreneurship education and skills, facilitating technology exchange and innovation, improving access to finance, and promoting awareness and networking (Tucker, 2008). The UNCTD (2009) asserts that entrepreneurship policy cannot, of course, be treated entirely distinctly from broader economic development policies. Draft *et al* (2010) claim that coordination and coherence are essential in order to achieve a positive impact, to benefit from the synergies of these policies, and to maximise the economic and social growth they can provide (Mehta, 2006).

Table 1.1. Poverty measures of DRC by province and area

	Poverty headcount (%)			Poverty gap (%)			Squared poverty gap (%)		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Total
National	71.3	61.5	75.7	32.2	26.2	34.9	18.0	14.1	19.8
Kinshasa	41.6	41.6	n.a	13.4	13.4	n.a	5.9	5.9	n.a
Bas Congo	69.8	70.5	69.6	23.8	29.9	22.3	10.6	15.9	28.3
Bandundu	89.1	71.9	91.7	44.8	29.9	47.1	26.6	15.9	28.3
Equator	93.6	83.5	95.3	50.7	44.4	51.8	31.4	27.4	32.1
Orientale	75.5	83.4	73.6	33.9	38.6	32.8	18.9	21.5	18.4
Nord Kivu	72.9	67.6	74.3	32.2	27.9	33.4	18.4	14.3	19.4
Maniema	58.5	69.4	57.1	20.9	27.7	20.1	9.8	13.8	9.3
Sud Kivu	84.7	84.6	84.6	38.6	42.8	37.4	20.9	25.9	19.5
Katanga	69.1	67.1	70.2	32.5	32.8	32.4	18.4	19.0	18.1
kasai Oriental	62.3	63.5	61.5	26.9	26.2	27.5	14.8	13.4	15.8
Kasai Occidental	55.8	76.1	52.7	21.5	30.9	20.1	10.7	15.8	9.9

Source: DRC Poverty Diagnostic (2006:24)

As illustrated in the table above; by means of consumption poverty measures, average poverty rate in the country is 71.7 percent for the headcount ratio, with 61.5 percent urban and 75.7 percent rural poverty (see Table 1.1 above for poverty analysis using three dissimilar poverty measures by provinces and urban vs. rural areas). It shows poverty headcount levels over the DRC provinces. One could identify three groups of provinces according to the poverty concentration. The provinces with high levels of poverty (above 80 percent) are Equateur 93.6 %, Bandundu 89.1 % and South Kivu 84.7 %. The provinces with low levels of poverty (below 60 percent) are Kinshasa 41.6 %,

Maniema 58.5 % and Kasai Occidental 55.8 %. In the middle, come the other five provinces: Kasai oriental 62.3 %, Bas Congo 69.8 %, Katanga 69.1 %, Nord Kivu 72.9 % and Orientale 75.5 %. Given this extensive heterogeneity, it is useful to think of provinces as the unit of analysis.

The African Economic Outlook (2013) considers that (GDP) growth slowed in 2011 in the DRC to 6.5%, as an effect of international price rises tendencies and an extremely indicted political air privileged in the country, and is anticipated to collapse to 5.1% in 2012 before increasing again to 6% in 2013. Convening to the World Development (2013): the country faces a major challenge in youth employment (Gunatilaka, Mayer & Vodopivec, 2010). In excess of 70% of those aged 15 to 24 do not have jobs, through urban areas predominantly exaggerated. Ewusi (2012) felt that the social condition persisted perilous in 2011, spitefulness of the growth verified and the enabling of rise densities and poverty disturbs 71.3% of the population of the DRC which has no public fortification plan.

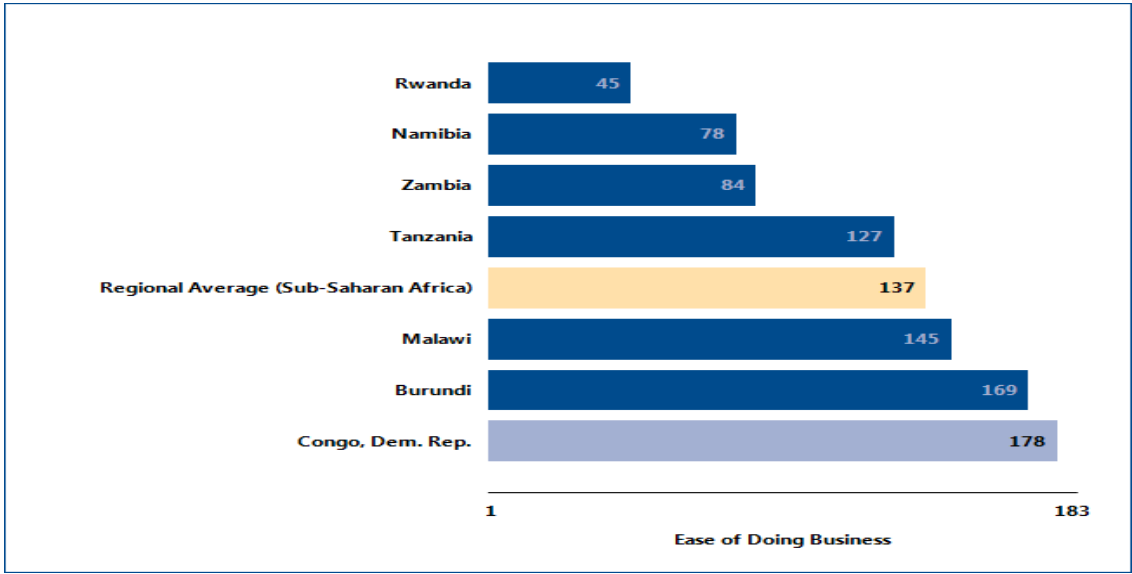
Nelson (2009) argues that for policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. The World Bank report (2011) provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 183 by the ease of doing business index.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the Doing Business sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a

high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Meseguer (2009) concurs that for policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. As valuable is to know how it ranks compared with other economies and likened with the regional average (figure1.1) below.

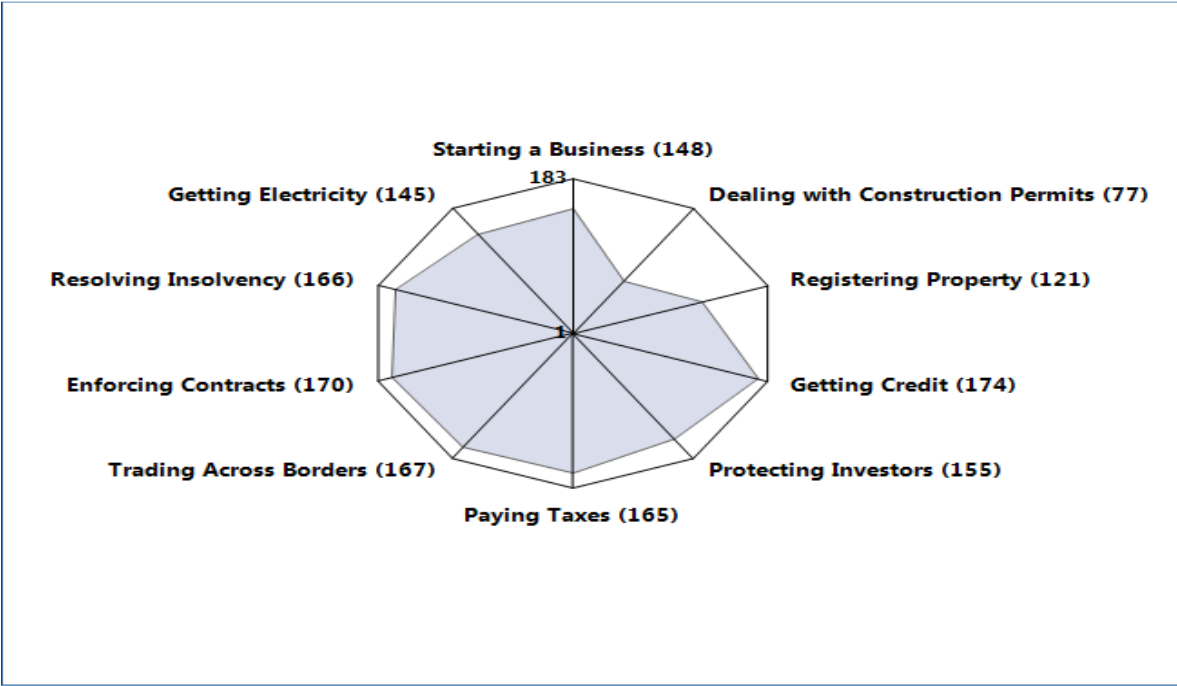
Figure1.1. How Democratic Republic of Congo and comparator economies ranks on the ease of doing business



Source: World Bank, 2012

As revealed in Figure 1.1, Rwanda is ranked 45 out of 183, Namibia 78 out 183, Zambia 84 out of 183, Tanzania 127 out of 183, Regional Average (Sub-Saharan Africa) 137 out of 183, Malawi 145 out of 183, Burundi 169 out of 183 and Democratic Republic of Congo 178 out of 183. The economy’s ranking on the factors included in the ease of doing business is illustrated in the figure below

Figure 1.2. The economy's rankings on the factors included in the ease of doing business index provide another perspective.



Source: World Bank, 2012

For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 factors included in the index in *Doing Business 2012* figure.2: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying tax, trading across borders, enforcing contracts and resolving insolvency. The ranking on each factor is the simple average of the percentile rankings on its component indicators (Doing Business, 2012).

1.3 PROBLEM STATEMENT

The intention of this study is to discover the distinctiveness of entrepreneurship in underdeveloped countries with a hostile environment for business developments. In the case of DRC, entrepreneurship is developed under life-threatening conditions, rarely seen elsewhere. The extreme conditions for entrepreneurship are present as result of transitional particularities and marginalised context deriving from political circumstances surrounding the DRC. Apart from the barriers and particularities of business environment that derive mainly from transitional phase, political situation has heavily influenced entrepreneurial developments in the country (Schweickart, 2010).

Nowadays, the important role of small firms for economic development is widely recognised (Van Stel, 2005). This role is further highlighted in underdeveloped countries where it is expected that these firms become a main engine of transformation, job creation and income generation. Yet in most of these countries, small firms failed to take this role (Szirmai, Naude & Alcorta, 2013). The inadequate and often hostile institutional environment in those countries was recurrently mentioned as playing a major role in constraining small business development (Welter & Smallbone, 2011). In such setting, it was argued that the creation and the growth of new firms as well as the strategies that they implement are considerably influenced by external factors such as economic conditions, technological changes, social and cultural forces, physical variables, international forces and political and legislative variables (Nieuwenhuizen, 2011).

Stokes, Wilson & Mador (2010) state that it is very important to consider the capacity building of entrepreneurship by supporting the creation of strong business institutions, such as chambers of commerce and other business associations, and providing other services that enable businesses to access information on international prices, potential clients, and investment opportunities. With regards to improving financial and trade services, possible interventions might include making credit more available and offering savings facilities and trade friendly banking instruments as well as ensuring that the

different priorities of men and women, youther and older people, and those working in small or larger businesses are taken into account (Nieuwenhuizen, 2011).

1.4. RESEARCH OBJECTIVES

1.4.1 Primary objective

- The main purpose of this study is to identify factors that favor or hinder entrepreneurship in the DRC.

1.4.2 Secondary objective

- To determine the disproportion in entrepreneurial development between DRC and other African underdeveloped countries.

1.5 RESEARCH QUESTIONS TO BE ADDRESSED IN THIS STUDY

The above objectives led to the following research questions:

- What are factors that favor entrepreneurship in the DRC?
- What are factors that hinder entrepreneurship in the DRC?
- Which are the main barriers to doing business in the DRC?
- How do these barriers influence small business development in the DRC?
- What forces have led to release the entrepreneurship in underdeveloped countries and across the globe?
- How do the environmental factors affect the results obtained by entrepreneurs?

1.6 RESEARCH HYPOTHESES AND THEORETICAL RESEARCH

Coldwell and Herbst (2004) describe a hypothesis as a statement about concepts that may be judged true or false with respect to observable phenomena, formulated in manner suitable for empirical testing. It is a conjectural statement of relationship between two or more variables (a symbol or concept that can assume any of a set of values) that carries clear implications for testing the stated relations (Kumar, 2008).

The following hypotheses are constructed on information from the previous literature review.

Hypothesis 1: The performance of successful and failed entrepreneurs in small industrial business is related to their political issues.

Hypothesis 2: The performance of successful and failed entrepreneurs in small industrial business is related to the informal issues (corruption, bribes).

Hypothesis 3: The performance of successful and failed entrepreneurs in small industrial business is related to the economic and infrastructure environment of business in the DRC.

1.6.1 DELIMITATION OF THE RESEARCH

The study emphasises the development of entrepreneurship under life-threatening environments and on DRC's entrepreneurial activities in formal and informal business environments.

1.6.2 SIGNIFICANCE OF THE RESEARCH

Developing entrepreneurial activities will provide better leverage to the DRC government and to uplift the level of activities of SMMES. Playing an energetic role will show the way to job creation, as well as empowerment of people for a competitive economy. The study will further allow the DRC to exploit best practices to effectively use entrepreneurial activities to diversify key resources within their economy. It will highlight government failures or successes in term of developing entrepreneurial activities.

1.7 RESEARCH DESIGN AND METHODOLOGY

A combination of qualitative and quantitative research will be used because of the nature of the problem and the primary research objectives that seek to look for cause and effect relationship (Jowah, 2013). In spite of the controversies around the positivistic and phenomenological research paradigms the researcher is of the opinion that both will contribute to the required knowledge.

The research method will be undertaken in two stages namely an extensive literature review and an empirical study.

1.7.1 Empirical Study

Blumberg (2008) defines empirical research as a way of gaining knowledge by means of direct and indirect observation or experience. Empirical evidence (the record of one's direct observations or experiences) can be analysed quantitatively or qualitatively. The central theme in scientific method is that all evidence must be empirical which means it is based on evidence. In scientific method the word "empirical" refers to the use of working hypothesis that can be tested using observation and experiment. Empirical data is produced by experiment and observation (Beare, 2012).

1.7.2 Research design

Research design is the blueprint or the plan and structure designed for the collection, measurement and analysis of the data used to answer the research questions (Blumberg, 2008). In this study the plan includes the interviews, analysis of records, and the nature of the data collection instrument that specify both the plan of investigation and the structure of the research problem. Both the quantitative and qualitative research methodologies will be used with the aid of a questionnaire.

1.7.3 Target population

Population in this study refers to objects or the subjects with specific characteristics which consist of the total collection of the individuals from which the study will be carried (Welman, Kruger & Mitchell, 2008). Mendenhall, Beaver & Beaver (2009) state that population is the set of all measurements of interest to the investigator. The population is an integral part of posing the primary question (Friedman, Furberg & DeMets, 2010). The target population will comprise entrepreneurship practitioners of all industries combined. A pilot questionnaire was sent to a small sample of the practitioners to enable the proper construction of an ideal questionnaire for the respective industries.

1.7.4 Sampling frames, sampling and sample size

A sample is a part of the population that is selected for the study and sampling is the method used to select that part of the population for the purposes of the study (Blumberg, 2008). The sample frame in this study is constituted by the list of the population members directly involved in entrepreneurship activities as entrepreneurs.

Simple random sampling will be used to identify organisations involved in entrepreneurship execution. From these organisations entrepreneurs in manufacturing, retail and services industries will be interviewed. The sample size has been determined on the basis of the cost of the exercise and accessibility to an assortment of small enterprises.

The sample size for the study has been fixed at a minimum of 300 entrepreneurs in all types of business. According to Welman et al (2008) the larger the sample the lower the standard error, thus the number of units involved in this study is critical for the proper analysis and conclusion of the study. Maree (2008) suggests the consideration of eight factors that influence the decision on the size of the sample. These are type of research, research hypotheses, financial constraints, and importance of the results, number of variables to be studied, methods of data collection, the levels of accuracy required and the size of the population.

1.7.5 Data collection method and the research instrument

A well-structured questionnaire will be used as an instrument to gather the required data from the randomly selected organisations. According to Stevens et al (2008), a questionnaire is a list of well thought and carefully structured questions with the intention of soliciting for reliable responses to research questions. The effort put into the designing of the questionnaire seeks to assist in obtaining information from the population as accurately as possible, obtaining maximum cooperation from respondents from the target population and facilitating the collection and analysis of the data.

The instrument will initially be sent to a minimum of 20 entrepreneurs chosen randomly that should be included in total of the sample. The feedback from the entrepreneurs will then be used to reconstruct the questionnaire for the research. The reconstructed instrument was subsequently be used to collect data from the respondents including the

20. This data will need to be analysed properly to give accurate information to the researcher.

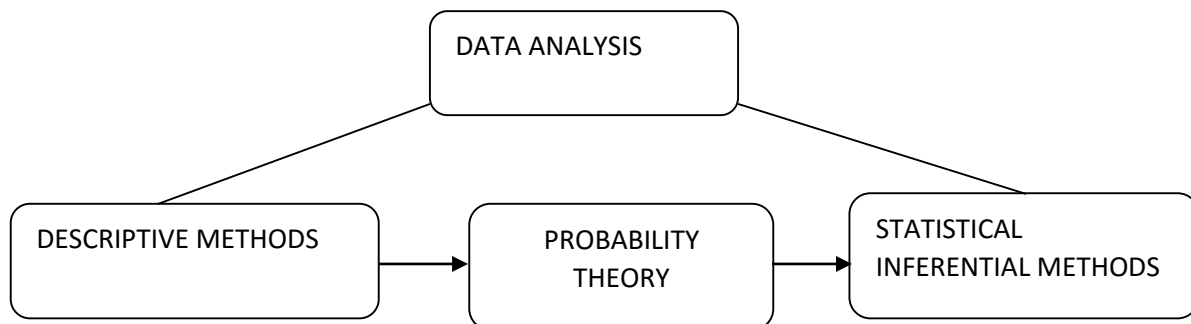
1.7.6 Data analysis

The research process goes through five steps, namely, planning, the data collection or fieldwork, editing of data collecting instruments to eliminate obvious errors during the collection of data, the coding of the information collected (this is captured on to the computer), and data analysis follows as the last step.

The first step in the analysis is descriptive statistics which entails ordering and summarising of the data through tabulation and graphic representation. This is followed by the calculation of the descriptive measures. This displays the inherent trends observed from the data collected.

The second step is statistical inference, which entails drawing inferences about the population from which the sample was drawn. This is done by using descriptive measures that have been calculated. Descriptive statistics and statistical inference are the two main aspects of the data analysis. Cognisance should be taken of the reality that information on any population will never be 100% correct. This introduces another concept to data analysis, the theory of probability; this is the bridge between descriptive and inferential statistics. The diagram below shows this point.

Figure 1.6. Data analysis process



Source: Jowah 2013:282.

The objectives of data analysis are essentially to get a feeling of the data, testing the reliability and validity of the data and testing the hypothesis for the research (Sekaran & Bougie, 2010). This is based on statistical regularities in the occurrences of certain elements of the research instrument. This regularity assists in establishing inferences and identifying possible characteristics that may be required as critical core competencies for effective entrepreneurship. Blaikie (2010) postulates that the choice of the methods and techniques used for data analysis depend on the type of data; qualitative or quantitative. The data to be analysed in this study is quantitative, the questionnaire will be assigned numerical values to measure the importance of given behavioural expectations by the respondents.

Three principles were be used for the actual statistical analysis, namely:

- 2 The data was undergo exploratory factor analysis to assess discriminate validity of the measuring instrument.
- 3 Testing the measuring instrument's reliability by measuring internal consistency (Cronbach alpha reliability coefficients).
- 4 The instruments found both reliable and valid was be used in the model for regression analysis to assess the independent variables.

The statistical package SPSS version 14.0 will be used.

1.8 ETHICAL CONSIDERATION

Researchers have on numerous occasions carried out research without considering the conditions, values, beliefs and or interests of their target population. Too often they have trampled on the civil rights of the objects of their study, be they human beings or animals. In view of this, there has been many complaints from human and animal rights organisations of the practice of researchers towards the target population. In accordance with the regulations of the Cape Peninsula University of Technology on ethical considerations, the research will respect the target population's rights, among which are; they have a right to refuse to participate in the research. They are free to pull out once they have started the interviews or filling in of questionnaires. They have a right to know

what is expected of them and why they may participate in the research. And many other issues, like not wanting to answer certain questions, etc.

1.9 CLASSIFICATIONS OF CHAPTERS

Chapter 1; this chapter is the proposal introducing the study and comprises of the elementary literature review, problem statement, research methodology and a section on ethical consideration.

Chapter 2; Broad general overview of the entrepreneurship in developing countries (conditions conducive to entrepreneurship – China, Malaysia and India)

Chapter 3; Economic growth and development models used in successful entrepreneurial countries, the government policies adopted and the role these played in the economic development and reduction of poverty.

Chapter 4; Factor that impact on effective entrepreneurship and the condition of affairs in the DRC (Education, Training, Financing, Policies, Resources, and Governance).

Chapter 5; Conceptual model, summarisation of the literature reviewed and blended together with experience of the researcher and other authorities interacted with.

Chapter 6; Research methodology encompassing the target population, sample chosen sampling, sampling techniques, the instrument used for data collection, data coding and capturing, data analysis methods used.

Chapter 7; Data analysis and Interpretation (graphs, tables, histograms, pie charts, etc) of findings detailed by question each followed with the response from the respondents.

Chapter 8; Conclusions of the findings and recommendations provided on each finding item by item.

1.10 SUMMARY

The greatest cause for the failure of the development of the African continent in general is their failure to focus on the internal – the continent. The DRC is among those countries that have failed to move to the level of poverty eradication. It is estimated that the DRC

has one of the continent's largest natural resources unexploited, regardless of the many years of plundering by the colonisers. The country is not under the grip of a civil war, primarily caused by the lack of development, the high levels of poverty, and the apparent inability of the leadership to move the country from poverty. With the experience gained by the Asian Tigers and indeed India and China as recent arrivals, it is expedient that the country (DRC) look to entrepreneurship as a panacea for the chronic poverty so endemic in the country. For this reason the researcher is focusing on the impact of entrepreneurship to this mineral rich and yet chronically poor country.

CHAPTER TWO

SUCCESSFUL ENTREPRENEURSHIP IN SOME DEVELOPING COUNTRIES THE STORY OF CHINA, INDIA AND MALAYSIA

2.1 Introduction

Zhongua Renmin Gongheguo, conventionally known as the People's Republic of China (PRC) is ruled by the communist party from the 1st October 1949 when it was established. For centuries China stood as a leading civilisation, outpacing the rest of the world in the arts and sciences, but in the 19th and early 20th centuries, the country was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the communists under Mao Zedong established an autocratic socialist system that, while ensuring China's sovereignty, imposed strict controls over everyday life and cost the lives of tens of millions of people (Mathur, 2011).

CIA World Fact book (2014) report shows that Bharatiya Ganarajya conventionally known as the Republic of India is a federal republic since gaining its independence in 1947. Large-scale communal violence took place before and after the subcontinent partition into two separate states - India and Pakistan.

Malaysia was formed in 1963 when the former British colonies of Singapore, as well as Sabah and Sarawak on the northern coast of Borneo, joined the Federation. The first several years of the country's independence were marred by a Communist insurgency, and Indonesian confrontation with Malaysia (Cuhaj, 2010).

2.2 Entrepreneurship in developing economies

Throughout the world, shifts in population demographics, technological transformation, unsettled economies and other dynamic forces have altered societies as never before, carrying new challenges and opportunities to the forefront (Xavier *et al*, 2012). Among the

responses to these fluctuating forces is an increased emphasis on entrepreneurship by governments, organisations and the public. While entrepreneurship may not be a stand-alone panacea to eradicate chronic poverty rampant on the continent of Asia, it is inevitably indispensable as part of the solution. Though economies may grow by constant direct investment into existing structures, it is necessary that economic growth through entrepreneurship be acknowledged as a means to address issues of exhaustiveness and to ensure these efforts advance societal well-being (Crane, 2004). There are, by far, more jobs created from start-ups than there are from expansion of existing businesses.

The World Bank report of 2013 advocates that the private sector delivers an estimated 90% of jobs in developing economies. As implied by this report, start-ups will assist in job creation which by derivation will assist in the economic and social development of communities and countries at large. Where government policies support a dynamic business environment with private firms making investments, creating jobs and increasing productivity, more people have greater opportunities.

A growing body of evidence suggests that policy makers seeking to strengthen the private sector need to pay attention not only to macroeconomic factors, but also to the quality of laws, regulations and institutional arrangements that report daily economic life. Worldwide, economies at all income levels are narrowing the gap with the barrier on the average but low-income economies more so than high-income ones (Maddison 2005). This is a significant achievement. Indeed, while business regulatory practices in all lower income groups are joining toward those in high-income economies; on average low-income economies have reduced the gap the most by 4% since 2005. Lower middle-income economies have closed the gap with high-income economies by 3% points, and upper-middle-income economies by 2% points (World Bank 2012).

Although economies in the Southern African region have made some advances in reducing the complexity and cost of regulatory processes, entrepreneurs across the region still struggle with weak investor and property rights protections (UNCTD 2010). Such rules would facilitate rather than impede private sector activity in economies where

the state has traditionally had an outsized presence in the national economy and in a region where the need to inspire entrepreneurship is thus perhaps more intense than in any other (Ferranti, et al, 2005). Even in countries in the region that are politically stable, the levels of entrepreneurial activities still remain low and worrying. This is an indication that there are other factors that may be conducive to entrepreneurship and therefore economic growth and development.

Most countries in the African region have degrees of political instability. The issues of governance are therefore highly unpredictable. The consequences of this unpredictability, has far reaching effects that create an environment that may be difficult to encourage start-ups (Cooke, 2004). The unique circumstances are far reaching in their effects, and this compels governments to substantively address many of the impediments to private sector development that have plagued the region in recent decades. There is an urgent need for governments to move towards a more transparent system with policies and regulations that speak to the conditions and circumstances encountered by the business community (Sachs, 2011).

Le Grand (2007) observed that the absence of democratic systems that assist in narrowing the gap between the legislation and practice by the powerful people is a danger to the efforts to grow the economies. This discouragement of new start-ups therefore impacts on negatively on job creation which should result from active entrepreneurship in the countries concerned. With the changing character of development in the 21st century, the “20th century developmental state” needs to be reconsidered (Greenwood & Holt, 2014).

While the narrative of the 20th century state was mainly focused on manufacturing, industrialisation and its links to well-being, in recent years there is an increasingly larger strategic role of services in the economic growth of countries (White & Kotval, 2014). Economic activity changed to what Chiu and Wong referred to as “bit-driven growth”. This growth was “driven more by ideas and information (both as means of production and objects of consumption) than by the physical transformation of nature” (Chiu & Wong,

2012). This type of growth based on changes in ideas, created the possibility of indefinitely increasing returns for profit in a global market. Whereas the shift in the 20th century was a narrative built around the promise of a move from agriculture to manufacturing (Hotes, 2011), the current shift from manufacturing to service jobs did not hold the same promise. Chiu and Wong stated that a narrative constructed on the basis of shifting from industrial to service economies will most likely result in the creation of a new, relatively affluent working class, but expanding inequality and stagnating wages for the majority of workers. With the prominence of “intangible assets”, the state maintained an important yet different role than with the 20th century developmental state. Human capabilities, with investments into capability expanding services like education are crucial in this new service economy (Wren, 2013). The state’s role in development was essential to expand human capabilities, which markets did not optimally deliver.

A dynamic small business sector can make a significant contribution, not only in employment creation, but also in diluting concentrations in developing countries generally oligopolistic industrial structure (Hill & Stewart, 2007). However, for the small business sector to make a meaningful contribution to the economy it needs to be integrated into the majority. According to Bolton & Thompson (2004) this will require a concerted effort both from government and the formal private sector to allow for the growth of small businesses. The 1990’s saw a remarkable shift in emphasis towards the establishment and subsequent role of small business development within overall economic development strategies.

Chaudhuri & Mukhopadhyay (2010) posit that in the past small-scale enterprises were defended on the basis of social reasons as a panacea for the unskilled, surplus labour in existence in developing countries. These small businesses were not considered critical to the overall growth of the economy, and they were merely allowed to exist because they provided income-earning opportunities for the informal sector and those with less skills. As such it was perceived as a marginal sector and integrating this sector into majority economic activity was considered unimportant. Recent studies by Hill (2010b) indicates that the presence of small businesses has demonstrated that small-scale enterprises

have a valid claim to a greater contribution towards economic growth and development in a country. Deliberate strategies may therefore be necessary for any government seeking to reduce chronic poverty and to boost economic growth and development through the mushrooming of start-ups.

The policy environment faced by SMMEs determines their capacity to contribute to the process of development (Murray & Dainty, 2009). It is important, therefore, to identify possible policies that retard the growth of this sector, such as import licenses that small firms find difficult to obtain. Leitner, Peck & Sheppard (2007) acknowledge that market imperfections constrain small firm businesses and get them to be under-capitalized, thereby frustrating what should otherwise have been successful and maintainable business operations. Access to business finance is one large impediment to the development of new start-ups which are known to help in the eradication of poverty.

To develop a conducive framework for SMMEs to thrive in, the government may have to correct such distortions and 'level the playing field'. Governments worldwide have assisted SMMEs for various reasons, as reported by Murray & Dainty (2009). Some of the benefits of SMMEs are:

- Small enterprises, broadly defined, have shown a remarkable capacity to absorb labour.
- Assistance to small enterprises displays sensitivity to poverty mitigation. Small enterprise promotion then becomes a political necessity.
- SMMEs are usually locally owned and controlled, and can strengthen the extended family and other social systems and cultural traditions.
- Indigenous people have been prevented from playing their due role in the economy, and their first attempts are likely to be in SMMEs. Indigenous businesses are usually small, requiring various forms of assistance.
- The products of SMMEs tend to originate from indigenous craft traditions, and they are also more likely to satisfy the needs of poor people than are the products of large enterprises and foreign technology (Zeng, 2008).

- Because the profits of small enterprises are not dependent on long production runs, small firms can manufacture smaller quantities of products which have a regional or even a local market. In poor communities, with less efficient communications, local differences in taste are far more pronounced, and only small enterprises can economically cater for them.
- SMMEs satisfy local needs not only by making differentiated products, but by also being scattered throughout the country. This ensures a more equitable distribution of employment opportunities.
- Local technology is more likely to use locally produced raw material and equipment, saving foreign exchange. When transport is expensive and internal communications are inefficient, there is merit in promoting local small units using local materials to satisfy local needs.
- Research in industrialised countries suggests that people working in small enterprises are happier in their work than those who work in large firms, despite generally lower wages and poorer working conditions (Patten, 2008).
- SMMEs provide a nursery and proving ground for entrepreneurship and innovation. They also provide a valuable outlet and proving ground for the entrepreneurial ambitions of government employees wishing to switch careers.
- SMMEs provide employment to, and sometimes exploit the entrepreneurial talents of women particularly in rural areas, cottage industries or informal firms (sewing, knitting, and food preparation) serving as a valuable source of income and personal development, as well as outside contacts, for the otherwise unemployed.
- SMMEs tend to use less capital, a scarce resource, than large firms. They also use less management, which is even scarcer.
- For the economy as a whole: 'small businesses are likely to be more resilient to depression, and to offer a steadier level of employment than large ones, their activities and locations are diverse, they depend on a wide variety of sources and types of raw material, and their owners, if only for the want of any alternative, are likely to stay in business and maintain at least some activity and employment in conditions where foreign investors would have closed their factories...' (Krugman, 2013).

- Comparative studies of large and small businesses, carried out in countries at all stages of development, confirm that small firms generally employ more labour per unit of capital, and require less capital per unit of output, than do large ones (Natziger, 2012).

Small businesses typically complain that shortage of capital is their major problem and that this impacts their ability to invest in a particular asset, whether it be raw material, equipment, customer credit or finished products. Another issue often raised is deficient demand (sacks, 2007). In developing countries, governments have tried to attend to the first issue of finance through organisations. The latter issue of ineffective demand is perhaps a more serious problem which the government has attempted to address through its procurement strategy. Inadequate demand arises from inadequate access, disadvantages of scale, and lack of skills and initiative in marketing; and here assistance programs can try to fill these gaps (Boylan, 2008).

Hence the establishment of some Enterprises Promotions Agencies by the government of the DRC which seek to address access to markets, training, technology, information, counselling and infrastructure. The private sector has a more important role to play in addressing SMMEs' inadequate demand problems by promoting complementarity between small and large firms (Reinecke & White, 2004).

Van Hoa & Harvie (2008) point out that in some Asian countries such as India and China with well-developed urban industrial and financial systems, small enterprises have benefited from subcontracting arrangements with larger firms and as a result have gained easier access to finance. To ensure that such arrangements are mutually beneficial it is vital to avoid policies that favor imported inputs and in ensuring that the tax system does not penalize inter-firm transactions (Baud, Post & Furedy, 2004). Direct interventions, such as India's policy of reserving certain products for small enterprises, may be counterproductive if they protect expensive, low quality goods (Leitner et al, 2007).

Even in 'normal' economic conditions governments have recognised that, to survive and grow, SMMEs need specific policies and programmes – hence the comprehensive range

of SMMEs measures currently in place across the OECD members. However, at the present time, SMMEs have been especially hard hit by the global crisis (IMF, 2009). These firms are more vulnerable now for many reasons: not only has the traditional challenge of accessing finance continued to apply, but new, particularly supply-side, difficulties are currently apparent.

Broere (2010) argues that it is important to stress that SMMEs are generally more vulnerable in times of crisis for many reasons among which are:

- It is more difficult for them to downsize as they are already small;
- They are individually less diversified in their economic activities;
- They have a weaker financial structure (i.e. lower capitalisation);
- They have a lower or no credit rating;
- They are heavily dependent on credit and
- They have fewer financing options.

Paleo (2009) concurs that SMMEs in global value chains are even more vulnerable as they often bear the brunt of the difficulties of the large firms. Impact of the global crisis on SMMEs and entrepreneurship financing. Although there is no internationally agreed definition of small and medium sized enterprises (SMMEs). The evidence suggests that these firms are being affected by the financial and economic crisis across economies. There was evidence that SMMEs in most countries were confronted with a clear downturn in demand for goods and services (Broere, 2010) if not a demand slump in the fourth quarter of 2008.

Broere (2010) suggests there are two related stress factors for the SMMEs, these are:
For SMMEs there are two related stress factors:

a) Increased payment delays on receivables which added - together with an increase in inventories- result in an endemic shortage of working capital and a decrease in liquidity and;

b) An increase in reported defaults, insolvencies and bankruptcies.

The main factors exacerbating the banks' attitude towards lending to SMMEs are:

- The poor SMMEs economic prospects already discussed;
- Stagnation in inter-bank lending and increased cost of capital and;
- The desire to rebuild bank balance sheets.

In all reporting countries, banks are under pressure and are trying to preserve or strengthen their capital base (Jain, Trehan & Trehan, 2011). As a result, they are seeking fully collateralised transactions. In consequence, by choosing to keep only the strongest clients, banks and other financial institutions are contributing to a polarization process. For example, India reported that lending to blue-chip SMMEs has increased whereas lending to SMMEs with poorer credit ratings has deteriorated (OECD, 2009). For many banks this may be a sensible survival strategy and their survival is vital. In some countries it is also a case of returning to "normal" lending practices after a number of years of excessive flexibility and generosity in lending.

Koyuncugil & Ozgulbas (2011) postulate that the stagnation in lending is true even of banks in countries where governments have deliberately strengthened banks' balance sheets to allow them to grant additional credit to SMMEs and/or where credit guarantee schemes exist. As it will be seen later in the summary, most countries have not only recapitalized their banks, but also extended the funds and guarantees available for SMMEs financing (Tavidze, 2007). But the effects of the incentives to lend to SMMEs put in place by governments in some countries (such as the provision of additional capital) have not yet yielded the desired results.

OECD (2009) suggests that some governments are closely monitoring this situation or have put in place "credit mediators" to ease the flow of credit to SMMEs or have enacted binding codes of conduct for SMMEs lending. Confronted with worsening access to credit, SMMEs are exploring alternative sources of finance such as the mobilisation of reserves, self-financing and factoring. Access to venture capital and private equity also appears to

be constrained but there is no official statistical data available covering the fourth quarter of 2008 (Brainard, 2006).

OECD (2009) believed the financial crisis has had a three-fold impact on venture capital and private equity markets: First, exit opportunities are reduced. Second, fundraising activities seem to be shrinking. And thirdly, invested capital has stagnated or even slowly started to decline. OECD report (2009) speculates that access to financing continues to be one of the most significant challenges for the creation, survival and growth of SMMEs, especially innovative ones.

2.3 Malaysia

Nee (2014) asserts that Malaysia was formed in 1963 when the former British colonies of Singapore, as well as Sabah and Sarawak on the northern coast of Borneo, joined the Federation. The first several years of the country's independence were marred by a Communist insurgency, and an Indonesian confrontation with Malaysia (Cuhaj, 2010). Malaysia was successful in diversifying its economy from dependence on exports of raw materials to the development of manufacturing, services, and tourism. Malaysia has continued these pro-business policies and has introduced some civil reforms (Bauman, 2007).

2.3.1 Entrepreneurship in Malaysia

The World factbook report (2009) points out that Malaysia, a middle-income country, has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. Nevertheless, Taylor & Weerapana (2009) state that Malaysia could be vulnerable to a fall in commodity prices or a general slowdown in global economic activity because exports are a major component of GDP.

2.3.3 The Malaysian entrepreneurship model

Montesano & Onn (2011) outline that in 2010, Malaysia launched the New Economic Model (NEM) which aims for the country to reach high income status by 2020 while ensuring that growth is also maintainable and inclusive. Das (2012) emphasises that the NEM envisions economic growth that is primarily driven by the private sector and which moves the Malaysian economy into higher value-added activities in both industry and services. To achieve these goals, Malaysia will need better skills, more competition, a leaner public sector, a better knowledge base, smarter cities, and greater efforts to ensure environmental maintainability.

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies (Johnson & Turner, 2010). Doing Business provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index (World Bank, 2013).

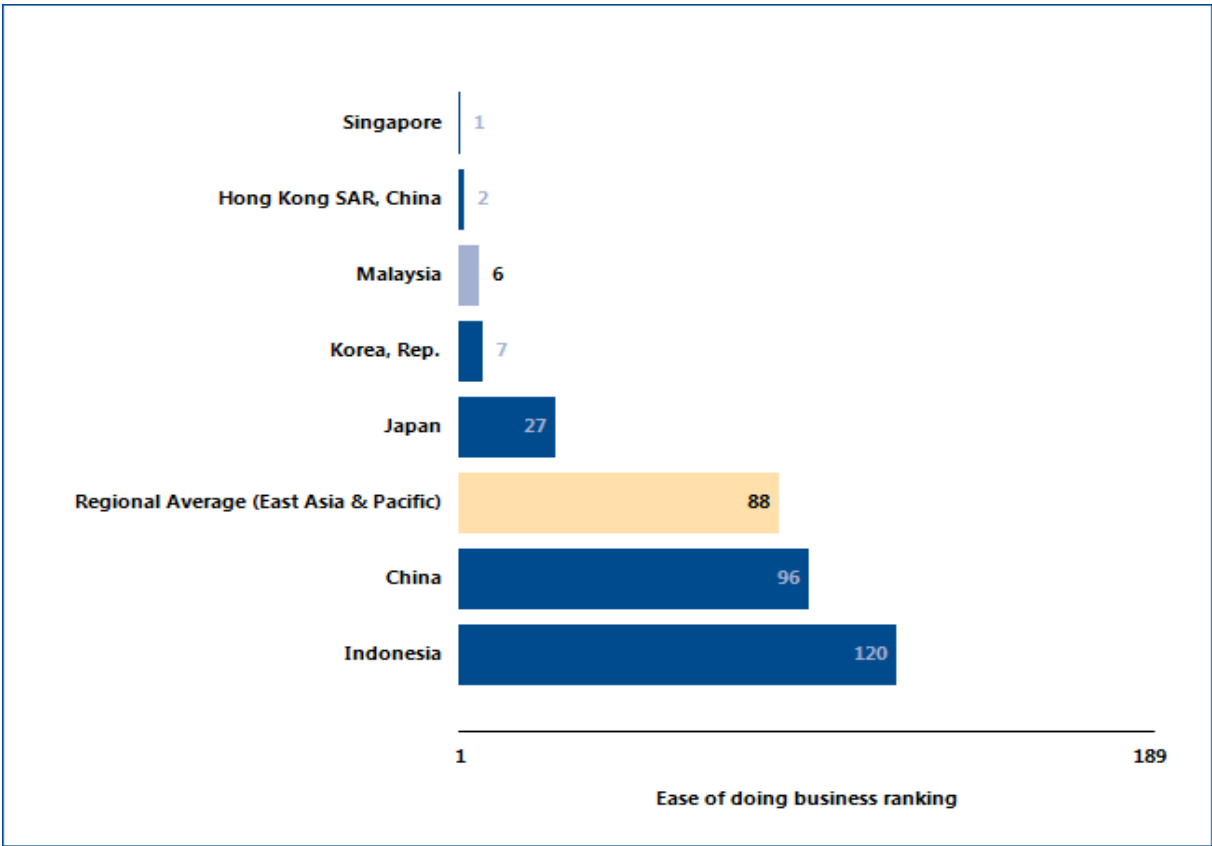
For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 factors included in the index in Doing Business 2014: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying tax, trading across borders, enforcing contracts and resolving insolvency. The ranking on each factor is the simple average of the percentile rankings on its component indicators (World Bank, 2010).

The employing workers indicators are not included in this year's aggregate ease of doing business ranking, but the data is presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the Doing Business sample (World Bank, 2011).

While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business (World Bank, 2013). The figure below shows how Malaysia and comparator economies rank on the ease of doing business.

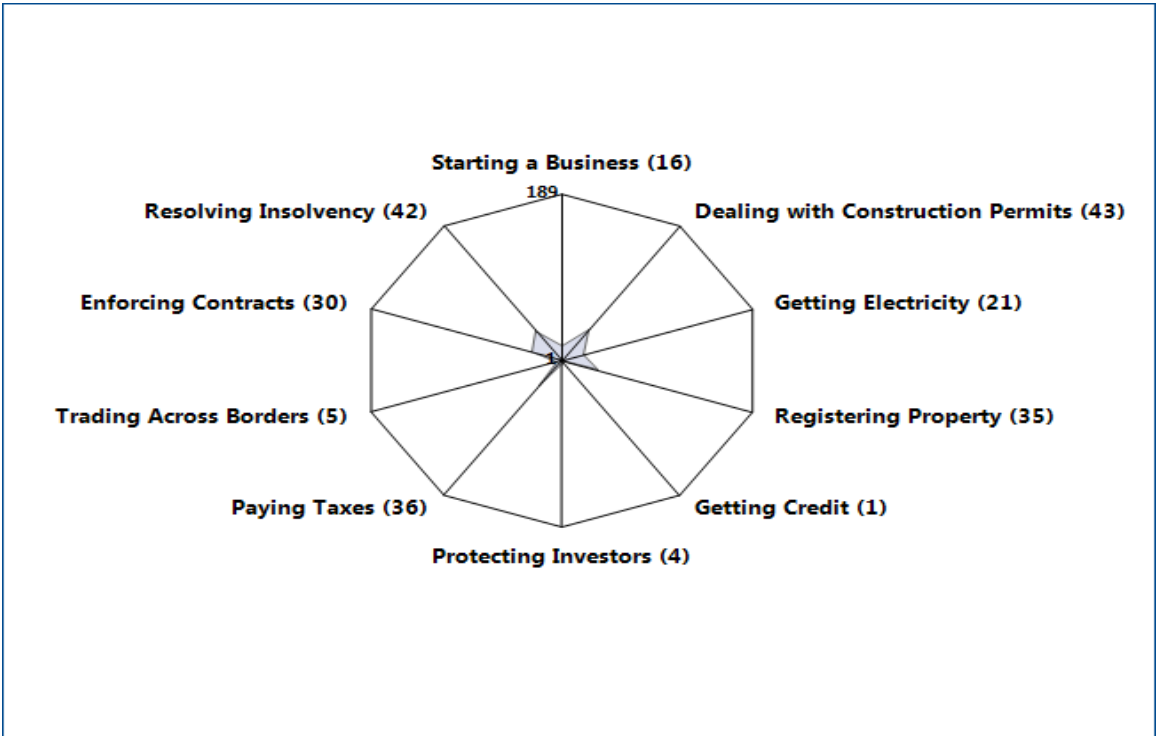
Figure 2.3.3.1 How Malaysia and comparator economies rank on the ease of doing business



Source: Doing business database 2014

As revealed in Figure 2.3.3.1: Singapore is ranked 1 out of 189, Hong Kong SAR, China is ranked 2 out of 189, Malaysia is ranked 6 out of 189, Korea Republic is ranked 7 out of 189, Japan is ranked 27 out of 189, Regional Average (East Asia & Pacific) is ranked 88 out of 189, China is ranked 96 out of 189 and Indonesia is ranked 120 out of 189. The figure below shows how Malaysia is ranking on the doing business factors.

Figure 2.3.3.2. How Malaysia ranks on *Doing Business* factors



Source: Doing business database 2014

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been

greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities (World Bank, 2010).

For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 factors included in the index in Doing Business 2014: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying tax, trading across borders, enforcing contracts and resolving insolvency. The ranking on each factor is the simple average of the percentile rankings on its component indicators (World Bank, 2013).

Table 2.3.3.3 How has Malaysia made starting a business easier—or not? By *Doing Business* report year

Doing business year	Reform
Doing Business (BD)2014	Malaysia made starting a business less costly by reducing the company registration fees.
Doing Business (DB) 2013	No reform as measured by Doing Business.
Doing Business (DB)2012	Malaysia made starting a business easier by merging company, tax, social security and employment fund registrations at the one-stop shop and providing same-day registration.
Doing Business (DB)2011	Malaysia eased business start-up by introducing more online services.
Doing Business (DB)2010	Business start-up was eased with a new one-stop shop to streamline registration. In addition, the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) reduced company incorporation charges and corporate fees. The service is still new, and the government is planning a public awareness campaign about the new system.

Doing Business (DB) 2009	Amendments to the Companies Act simplified business registration and reduced the time required by introducing online filing of registration documents.
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Source: Doing business database 2014

As revealed on Table 2.3.3.3 of Doing Business database 2014, Malaysia made starting a business less costly by reducing the company registration fees in 2014. No reform as measured by Doing Business in 2013. Malaysia made starting a business easier by merging company, tax, social security and employment fund registrations at the one-stop shop and providing same-day registration in 2012. Malaysia eased business start-up by introducing more online services in 2011. Business start-up was eased with a new one-stop shop to streamline registration. In addition, the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) reduced company incorporation charges and corporate fees. The service is still new, and the government is planning a public awareness campaign about the new system in 2010. Amendments to the Companies Act simplified business registration and reduced the time required by introducing online filing of registration documents in 2009.

2.3.3 Pros and cons of Malaysia’s economy

Malaysia is currently experiencing fiscal expansion policies to help increase domestic income and hence spending. The global recession especially in the US has reduced electronics exports, a primary Malaysia revenue sources. Malaysia is continuing with its pegged exchange rate, holding at 3.80 ringgit/US dollar, helping maintain stable interest rates and keeping inflation low (Hossain, 2009).

Fortunately, recent global growth especially in silicon-based products – help the Malay economy. Current account still maintains a large surplus. Short-term foreign debt remains low. Reserves remain adequate. Low inflation persists. Early May 2001 authorities levied the 10% exit tax on repatriated profits from less than a year and eased the rules of the

purchase of property by foreigners. In addition, political stability has enabled the Malaysian bounce back after the crisis (Hollingsworth, 2007).

Jomo (2013) affirms that the Malaysian economy remains heavily dependent on electronic exports (\$60.2 billion or 62% of total exports). Thus, it responded quickly to the global slowdown in information technology. Furthermore, the Malaysian economy also responded quickly to the depreciation of the yen and other regional currencies, resulting in ringgit appreciations, short term capital outflows and reserve losses. Domestic investment has not recovered to prior 1998-level (Jovanovic, 2011).

Leclerc & Hall (2007) state that Malaysia's economy has remained healthy and vibrant since moving to a pegged exchange rate system. The benefits of a fixed system include highly effective fiscal policies, which can result in high domestic income and output with fiscal expansion.

Although the fixed system is working well for Malaysia currently, we recommend that it return to a floating system in the next two to five years. The reasons behind this recommendation are many. First, there is a possibility that the ringgit could appreciate or not be truly representative of its current market valuation. Furthermore, a currency crisis could occur if combined with regional economic instability and market expectations of overvaluation (Harman & Williams, 2013).

This change in expectations could lead to unacceptably high interest rates putting pressure on the Malaysian government to devalue the ringgit. To maintain the pegged rate, the Central Bank would have to contract money supply. Contracting the money supply leads to higher interest rates and depreciated currency. The move to a floating exchange rate system should be made carefully and after necessary banking and corporate reforms are fulfilled (Hollingsworth, 2007).

Policy recommendations must also be followed with other progresses within the economy such as:

Firstly, the openness to trade of an economy is an important factor to select what kind of exchange rate system is required. If the country relies deeply on trade a fixed exchange rate may be better because it provides stability. However, having the exchange rate fixed does not allow the economy to remain competitive in foreign trade when other countries are facing inflation. This leads to the second element, inflation rates (Hill, Yean & Zin, 2012).

The domestic inflation rate, as well as the inflation rate of the trade partners is another relevant factor. In this case, the strategy is not straightforward. If the country remains with the fixed rate it can stop the inflationary tendencies in the economy (Wan, 2007).

Thirdly, labour market flexibility is also relevant to adopt which exchange rate system is better in a given period. In general, if the labour market is pretty elastic, a fixed exchange rate system seems to work better. Contrariwise, if the labour market is rather inflexible, the exchange rate should be flexible, to avoid unemployment due to output shocks. This means that if the exchange rate were fixed, if the level of the spot rate output has to shrink, thus unemployment would rise (Askari, 2006).

A fourth important factor is the degree of financial development of the country. If the country inclines to be weak financially, a fixed exchange rate may be better to avoid large effects of foreign speculation. A fifth relevant factor is the credibility of policymakers. If policymakers are pretty reliable in the country, a flexible exchange rate may be better. Contrariwise, if the policy institutions are weak, a fixed exchange rate would be better (Jomo & Wong, 2008).

Pollin *et al* (2007) acknowledge that to ease the changeover Malaysia will need to continue to implement consistent macroeconomic policies to maintain financial stability and maintainable fiscal and external positions. Also, it needs to carry on current structural reforms to reach healthy balance sheets of the banking and corporate sectors. Another economic problem in Malaysia is the negative consequence of a heavy reliance on electronic exports.

Malaysia's economy rebounded significantly well from the 1997. Asian crisis without incurring in IMF loans and hence future debt. Economic forecasts are positive even though there was a slowing in the economy due to a slowdown in the market for information technology. Likewise, macroeconomic numbers ensure stability and there is a strong sureness in the country's future performance. So, we discover Malaysia capable of energising its economy to becoming one of the few strong economies in Southeast Asia (Kegley, 2009).

2.4 China

Pierscieniak (2013) asserts that for centuries China stood as a leading civilisation, outpacing the rest of the world in the arts and sciences, but in the 19th and early 20th centuries, the country was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the communists under Mao Zedong established an autocratic socialist system that, while ensuring China's sovereignty, imposed strict controls over everyday life and cost the lives of tens of millions of people (Mathur, 2011).

2.4.1 The entrepreneurship in China

After 1978, Mao's successor Deng Xiaoping and other leaders focused on market-oriented economic development and by 2000 output had quadrupled. For much of the population, living standards have improved dramatically and the room for personal choice has expanded, yet political controls remain tight. Since the early 1990s, China has increased its global outreach and participation in international organisations (Harneit-Sievers *et al*, 2010).

Zhang & Alon (2009) emphasise that Deng Xiaoping, the architect of China's economic reforms, was the first to recognise the fact that his country desperately needed reform, portraying the whole situation by the following words: "Black cat, white cat, what does it matter what color the cat is as long as it catches mice?" Besides articulating the Four Cardinal Principles, he was the first to propose and insist that China undertake reform, implement an open policy and revitalize the economy. The four cardinal principles actually marked the entry in a new era for the Chinese socialism. The implications of the four

cardinal principles were gigantic because besides them everything could be questioned, from political ideas to economic measures.

2.4.2 The Chinese entrepreneurship model

Hao & Wang (2012) hypothesise that China has embarked on unprecedented economic growth since its market opened up three decades ago, rising to become the world's second-largest economy today. Thanks to its prudent management under the 12th Five-Year Plan, a new path towards maintainable and balanced development, alongside a focus on boosting domestic consumption, is opening new opportunities in China for continued industrial innovation and business expansion.

Cloete *et al* (2011) affirm that Entrepreneurs face trade-offs to serve the poorest as well as to have their businesses be financially viable. In recent years, groups as diverse as the UN, the World Bank, USAID, NGO, national governments, and corporate giants have backed the idea that the private sector could make profits while eradicating global poverty.

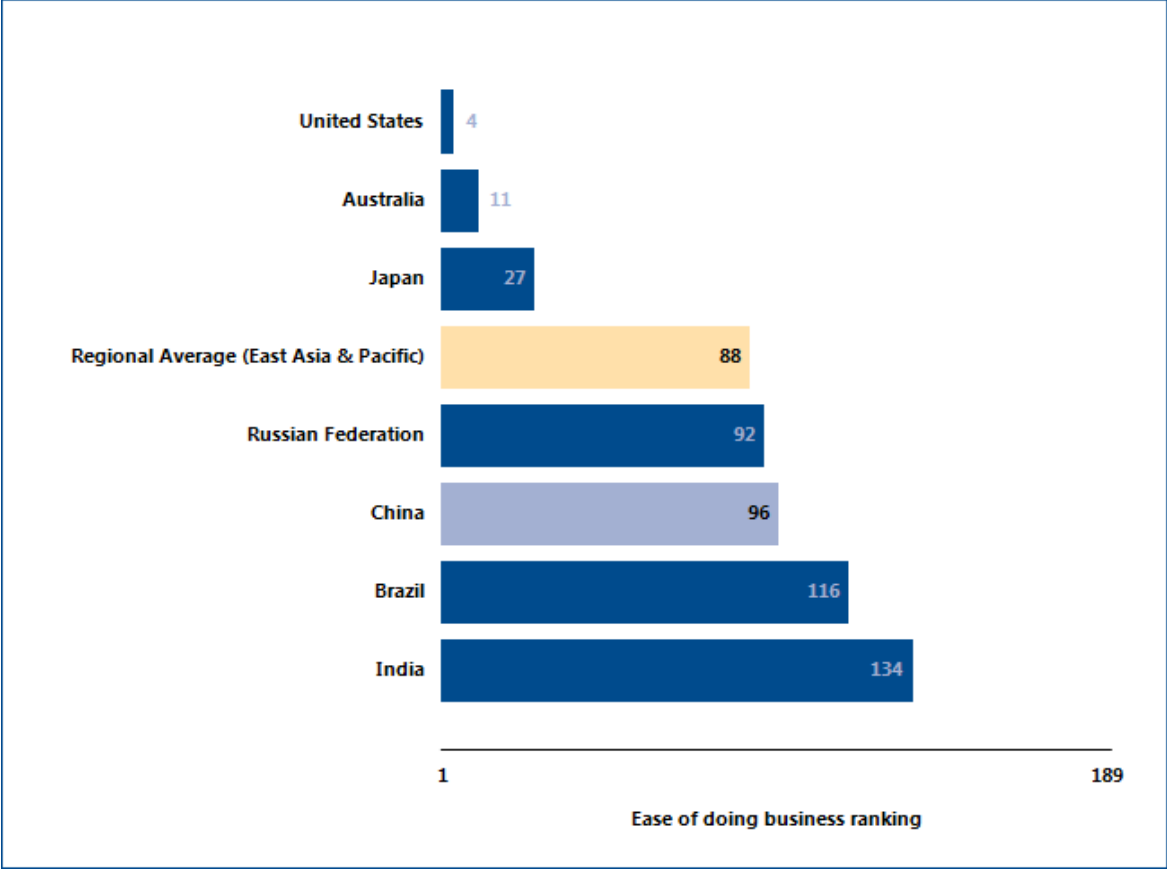
Connors *et al* (2004) aver that the successes in the East Asian economies showed that actually more state involvement, not an eclipse of the state, could contribute to successful participation in global markets. Zheng (2004) stated, "What the discourse of eclipse has done is to make responses to a genuine crisis of state capacity inexorably negative and defensive. The danger is not that states will end up as marginal institutions but that meaner, more repressive ways of organising the state's role will be accepted as the only way of avoiding the collapse of public institutions. Preoccupation with eclipse cripples consideration of positive possibilities for working to increase states' capacity so that they can more effectively meet the new demands that confront them" (Cabestan *et al*, 2012).

Cloete *et al* (2011) propose that Economic reforms in China have led to an unprecedented change in the nature of the business environment and the opportunities available for foreign investors and privately owned companies. However, there remain bureaucratic and operational challenges that present an introduction to some of the key areas that businesses should be aware of when setting up operations and doing business in China.

Some key issues for foreign investors are as follows: China joined the WTO in 2001 and market access has been gradually phased in. Despite considerable bureaucracy, the government is making efforts to promote foreign investment. Although many industries are largely state-owned, the non-state sector, made of collectively-owned, foreign-owned and private companies, is rapidly gaining importance in the Chinese economy (Cabestan *et al*, 2012).

Friedman *et al* (2013) point out that China has been proactive in removing tariff and non-tariff barriers for trade in goods through the negotiation and implementation of regional free trade agreements. Certain foreign exchange restrictions are in place. Preferential tax treatments such as tax holidays and reduced tax rates for enterprises in Special Economic Zones have been removed with the implementation of a new corporate income law effective from 1 January 2008. Incentives are now available for High-New Technology Enterprises (HNTEs), Small and Medium-Sized Enterprises (SMSEs), qualified Technology Advanced Service Enterprises (TASE), and foreign investments in the central and western regions. There are market access and production controls, as well as restrictions on operations. Distribution and some service sectors are open to foreign investors (Hao & Wang, 2012). The figure below shows how China and comparator rank on the ease of doing business.

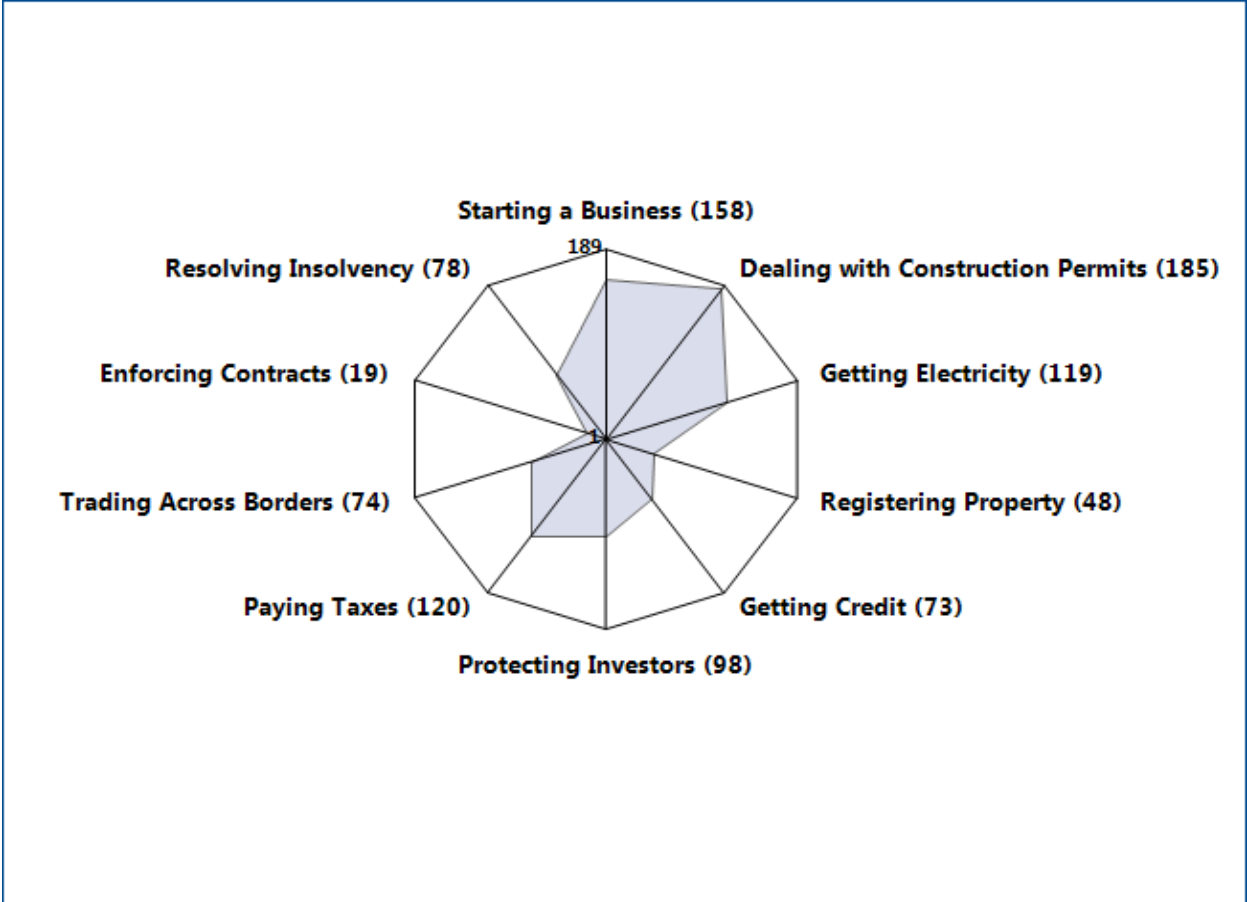
Figure 2.4.2.1 How China and comparator economies rank on the ease of doing business



Source: Doing business database 2014

As revealed in Figure 2.4.2.1: United States are ranked 4 out of 189, Australia is ranked 11 out 189, Japan is ranked 27 out of 189, Regional Average (East Asia & Pacific) is ranked 88 out of 189, Russian Federation is ranked 92 out of 189, China is ranked 96 out of 189, Brazil is ranked 116 out of 189 and India is ranked 134 out of 189. The figure below shows how China is ranking on doing business factors.

Figure 2.4.3.2 How China ranks on doing business factors



Source: Doing Business database 2014

Economies around the world have taken steps making it easier to start a business streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. The table below shows how China made starting business easier.

Table 2.4.2.3 How has China made starting a business easier—or not? By doing business report year

Doing business year	Reform
Doing Business (DB) 2014	No reform as measured by Doing Business.
Doing Business (DB) 2013	China made starting a business less costly by exempting micro and small companies from paying several administrative fees from January 2012 to December 2014.
Doing Business (DB) 2012	No reform as measured by Doing Business.
Doing Business (DB) 2011	No reform as measured by Doing Business.
Doing Business (DB) 2010	No reform as measured by Doing Business.
Doing Business (DB) 2009	No reform as measured by Doing Business.

Source: Doing business database 2014.

As revealed on Table 2.4.2.3 of Doing Business database 2014, China made starting a business less costly by exempting micro and small companies from paying several administrative fees from January 2012 to December 2014. No reform as measured by Doing Business in 2009, 2010, 2011, 2012 and 2014.

2.4.3 Pros and cons of China’s economy

The reform strategy of China contained 3 big directions of Deng Xiaoping: economy, foreign affairs and internal policy.

- **Internal policy**

He understood that in order to build a powerful and prosperous country, first, he would have to reunify China, which, in other words meant to resolve the questions of Taiwan, Hong Kong and Macao. Deng Xiaoping’s solution: “one country, two systems”. This concept helped a lot in the process of building the socialism of today’s China. After the internal political issue was solved, it was the time for the economic reform to take the lead (Ren, 2013).

- **Economy**

First step was to initiate price and ownership incentives for farmers in order to allow Chinese farmers to sell their production. The new agricultural policy, led to a considerable improvement in China's agricultural output. Another important reform was the decision to let local municipalities and townships to invest in their own industries. After the success in the countryside, the government of China decided to take the reform to the next level, urban areas (Song, 2010).

As urban reform was more complicated than rural reform, the government of China urged that some regions should be allowed to become prosperous, so that others would follow their example. The main step was to let the private sector to develop suitably, as a supplement to the socialist sector (Swaine, 2011).

Therefore, the government of China had four special economic zones were established and 14 coastal cities were opened to the outside world with the purpose of attracting foreign investment, boosting exports, and importing high technology products into China. On the basis of mutual benefit, China would dynamically increase its economic cooperation with foreign countries, captivate their capital and introduce their advanced technologies, all of this in order to fast-track the development of its own economy (Shimomura & Ohoshi, 2013).

- **Foreign policy**

Cuff & Goudie (2009) stress that China's independent foreign policy, which in essence consists of standing definitely on the side of the third World countries, opposing the western powers. In term of results, this policy made China the biggest investor in areas such as Africa and South East Asia, regions well known for their abundance in mineral and energy resources which are ingredients of strategic importance in feeding a booming economy, such as that of China.

Yueh (2013) concurs that China's current policy is geared toward open-market competition and focused on improving the efficiency of allocation of market resources. The Economist Intelligence Unit ranks China's business environment in many categories

far higher from 2011-15 than in the preceding five-year period, and China is still shifting its policies to match the requirements of the World Trade Organisation. Market opportunities foreign companies will continue to be attracted by the opportunities offered by China's large and fast growing economy.

China has a population of 1.3 billion people, and according to the EIU, the size of the economy will grow to nearly US\$13 trillion a year (at market exchange rates) by 2015. Although there will remain large income gaps between provinces in China, the rapid growth of the economy as a whole and the continued openness of the investment environment will provide a solid footing for incoming foreign companies (Vernengo, 2006).

- **Investing opportunities**

Fuchs (2011) asserts that China's strongest point is the fact that it is a large consumer of the labour force, keeping its economy in movement. By becoming the largest supplier of products like TVs, washing machines, air conditioning machines or microwaves, China is making itself crucial to the world and is increasing its exports to unbelievable results.

Aoki & Wu (2012) acknowledge that it is fascinating to observe the exporting characteristics of the Chinese territory, aspects that have helped China become the second economy in the world. Since China produces large amounts of products, on which many countries rely, China is also offering small production costs which are reflected in low prices. This situation forces other nations which have their GDP strongly influenced by exports to line up to certain rules like: buying Chinese sub-assemblies in order to be able to produce cheaper products, moving the production process to China or searching for other countries with a cheap labour force, and increasing the productivity based on automation. The exporting countries are forced to make such changes in order to survive as a competitor as China (Spruyt, 2009).

- **Challenges**

Aswathappa (2010) states that American SMMES are very dynamic in China. As American small to medium sized enterprises account for 99.7% of all U.S. companies, they are trying to increase their businesses to other relevant markets and China is one of

the attractive markets. The most significant challenge on this matter is the regulatory environment. One of the issues of the Chinese banking system is the lack of ability to allocate credit according to market principles (Wang et al, 2014), favoring the State Owned Enterprises (SOE). According to a study, in 2009, 85% of all bank loans (\$1.4 trillion) were allocated to SOEs (most of these borrowings are believed to remain unpaid, resulting thus in a great number of nonperforming loans held by the banks).

Shimanami (2012) points out the lack of effective protection of intellectual property rights that is another serious problem as 44% of USA SMMES cited the lack of “protection and enforcement of your IPR” and almost one-third indicated concern for the theft of their company’s trade secrets. Another issues raised by more than two-thirds of SMMES were the unfair competition and the trouble in finding the right customers. Another challenging aspect of the Chinese market is the heavy reliance on an export-led growth model. Parts of the Chinese bureaucracy still seek to protect local firms, especially state-owned enterprises, from imports, while encouraging exports (Shan, 2008).

Nevertheless, there are also pros and cons on the development of these economic zones. The pros are creating more job opportunities, growing its economic growth (national GDP) and encourage on foreign direct investment (Swee-Hock & Wong, 2009). As a result, this was a success because China is currently one of the fastest growing countries and significantly influencing the global economy. From the past two decades, China has become an industrialised country for one reason which is the development of these economic zones (Chellaney, 2011).

The industrialisation encourage foreign direct investments, where trading, exports of manufacture goods, became one of the key aspect of economic growth in China. On the other hand, it furthermore made it dependent on these foreign investment, such as reliance on Hong Kong for these foreign investments, due to the reason that Hong Kong is a free trade market. Based on the case in Shenzhen, its problem with being one of the economic zones can be categorised in four categories 1) Foreign exchange leakage, 2) Cost ineffectiveness, 3) Failure to achieve state objectives and 4) Economic crimes and related social problems (Guo & Guo, 2010).

China has been among the top targets of global investment for more than two decades. In the new age of global recession, China keeps a stable growth rate, thanks to the inexpensive labour, stable government, preferable tax rate and government's support to foreign investment. China has a huge advantages in term of the large market of human resources, cheap labour force, and favorable market for investors, and attractive territory for new businesses (Yeung & Jianfa, 2004).

2.5 India

Walsh (2006) states that from the late 19th century, opposition to British rule, led by the Indian National Congress (INC), latterly under the leadership of Mahatma Gandhi, became a concerted nationwide movement, and India achieved its independence in 1947. India became a republic in 1950. Smith-Hunter (2013) reports that despite pressing problems such as significant overpopulation, environmental degradation, extensive poverty, and widespread corruption, economic growth, following the launch of economic reforms in 1991, and a massive youthful population, are driving India's emergence as a regional and global power.

2.5.1 The entrepreneurship in India

The Indian economy provides a revealing contrast between how individuals react under a government-controlled environment and how they respond to a market-based environment. Evidence suggests that recent market reforms that encouraged individual enterprise have led to higher economic growth in that country (Robert et al, 2008).

India can generate additional economic growth by fostering entrepreneurial activity within its borders. To pursue further the entrepreneurial approach to economic growth, India must now provide opportunities for (1) education directed specifically at entrepreneurial skills, (2) financing of entrepreneurial efforts, and (3) networking among potential entrepreneurs and their experienced counterparts. Further, although the Indian government should establish policies supportive of entrepreneurial efforts, its role overall

should be minimized so that the influence of the free market and individual self-interest can be fully realized (Muffato & Giacon, 2012).

2.5.2 The Indian entrepreneurship model

Hatten (2011) conjectures that India is developing into an open-market economy, yet traces of its past autarkic policies remain which means that India is an economically and politically self-sufficient country. Economic liberalisation measures, including industrial deregulation, privatisation of state-owned enterprises, and reduced controls on foreign trade and investment began in the early 1990s and have served to accelerate the country's growth, which averaged under 7% per year since 1997.

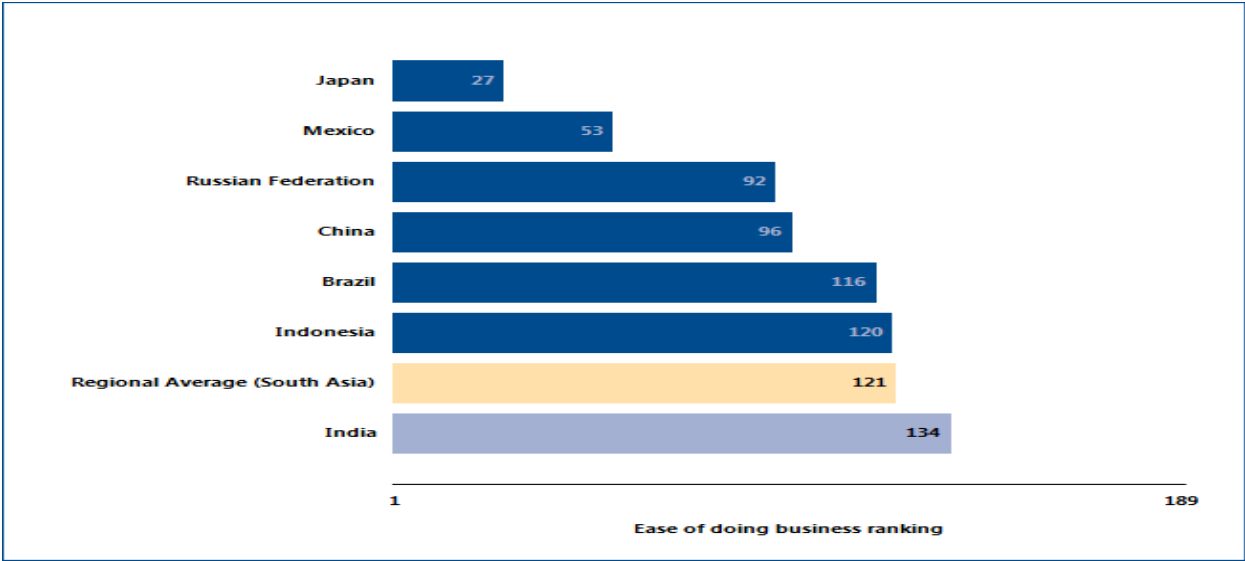
Furthermore, Hatten adds that India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly more than half of the work force is in agriculture, but services are the major source of economic growth, accounting for nearly two-thirds of India's output, with less than one-third of its labour force. Liaw (2011) concurs that India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers. In 2010, the Indian economy rebounded robustly from the global financial crisis - in large part because of strong domestic demand - and growth exceeded 8% year-on-year in real terms (Liaw (2011)).

However, India's economic growth began slowing in 2011 because of a slowdown in government spending and a decline in investment, caused by investor pessimism about the government's commitment to further economic reforms and about the global situation. High international crude prices have exacerbated the government's fuel subsidy expenditures, contributing to a higher fiscal deficit and a worsening current account deficit (Tellis, Tanner & Keough, 2011). In late 2012, the Indian government announced additional reforms and deficit reduction measures to reverse India's slowdown, including

allowing higher levels of foreign participation in direct investment in the economy (Treasury, 2004).

The outlook for India’s medium-term growth is positive due to a youth population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. India has many long-term challenges that it has yet to fully address, including poverty, corruption, violence and discrimination against women and girls, an inefficient power generation and distribution system, ineffective enforcement of intellectual property rights, decades-long civil litigation dockets, inadequate transport and agricultural infrastructure, limited non-agricultural employment opportunities, inadequate availability of quality basic and higher education, and accommodating rural-to-urban migration. (Tellis et al, 2011). The figure below shows how India and comparator economies rank.

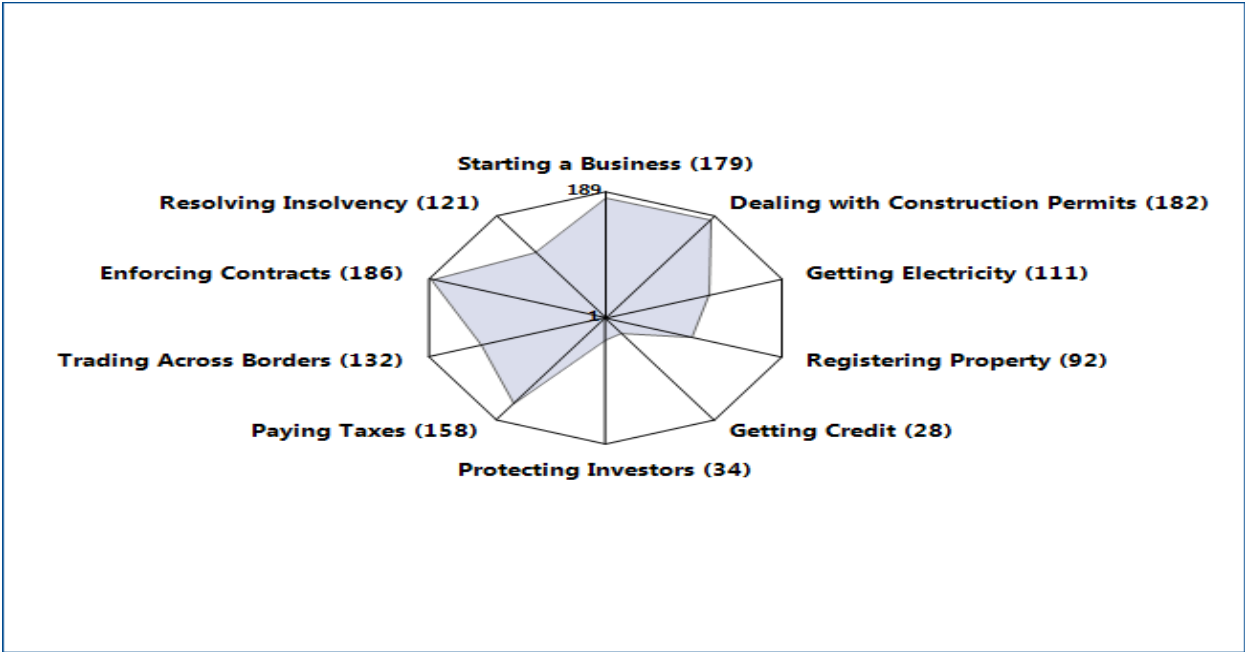
Figure 2.5.2.1. How India and comparator economies rank on the ease of doing business



Source: Doing business database 2014

As revealed in Figure 2.5.2.1: Japan is ranked 27 out of 189, Mexico is ranked 53 out of 189, Russian Federation is ranked 92 out of 189, China is ranked 96 out of 189, Brazil is ranked 116 out of 189, Indonesia is ranked 120 out of 189, Regional Average (South Asia) is ranked 121 out of 189 and India is ranked 134 out of 189. The figure below shows how India ranks on doing business.

Figure 2.5.2.2. How India ranks on doing business factors



Source: Doing business database, 2014

Economies around the world have taken steps making it easier to start a business streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 factors included in the index in Doing Business 2014 figure 2.5.2.2: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying tax, trading across borders, enforcing contracts and resolving insolvency. The ranking on each factor is the simple average of the percentile rankings on its component indicators (Doing business 2014). The table below shows how India made starting a business easier.

Table 2.5.2.3. How has India made starting a business easier—or not? By doing business report year

Doing business year	Reform
Doing business DB2014	No reform as measured by Doing Business.
Doing business DB2013	No reform as measured by Doing Business.
Doing business DB2012	No reform as measured by Doing Business.
Doing business DB2011	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version.
Doing business DB2010	No reform as measured by Doing Business
Doing business DB2009	No reform as measured by Doing Business

Source: Doing business database, 2014

As exposed on this Table 2.5.2.3 of Doing Business database 2014, India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version on 2011. No reform as measured by Doing Business in 2009, 2010, 2012, 2013 and 2014.

2.5.3 Pros and cons of India's Economy

Baru (2007) points out that the economic performance was mixed, but generally disappointing. Since 1991, the economy has followed a general approach of free market liberalisation and greater investment in infrastructure. This helped the Indian economy to realize a rapid rate of economic growth and economic development. The economy has become more open, with important growth in exports and imports. The economic growth has led to a boom in investment, real estate and a growth of the financial sector (Haddad & Shepherd, 2011). However, at the present time, the Indian economy faces several challenges.

- **Inflation**

Fuelled by escalating wages, property prices and food prices inflation in India is a growing problem. Inflation is currently between 8-10% (Venugopal, 2007). This inflation has been a problem despite periods of economic slowdown. This proposes that inflation is not just due to excess demand, but is likewise linked to cost push inflationary factors. For example, supply constraints in agriculture have caused rising food prices (Kapila & Kapila, 2008). This causes inflation and is likewise a main factor dropping living standards of the poor who are sensitive to food prices.

- **Poor educational standards**

Lockard (2008) argues that while India has benefited from a high percentage of English speakers. (Important for call centre industry) there is still high levels of illiteracy among the population. It is greatest in rural areas and amongst women. Over 50% of Indian women are illiterate. This limits economic development and a more skilled workforce.

- **Poor Infrastructure**

Ramaswamy (2009) argues that many Indians lack basic facilities, and specifically lack access to running water. Indian public services are creaking under the strain of bureaucracy and disorganisation. Over 40% of Indian fruit rots before it reaches the market; this is one example of the supply constraints and inefficiency's facing the Indian economy (Russell, 2013).

- **Inequality has risen rather than decreased.**

Nafziger (2012) suggests that economic growth would help drag the Indian poor above the poverty line. However so far economic growth has been highly uneven benefiting the skilled and wealthy disproportionately. Many of India's rural poor are yet to receive any tangible benefit from the India's economic growth (Hall & Midgley, 2004).

- **Inefficient agriculture**

Agriculture produces 17.4% of economic output but, over 51% of the work force are employed in agriculture. This is the most inefficient sector of the economy and reform has proved slow (Sengupta, 2009).

2.6. The contrast and similarity between China and India

Lal (2008) suggests that if one looks at the macro economic factors - the Chinese GDP has grown at 10% per annum for the last 3 decades compared to 6% for India. In terms of aggregate GDP numbers India stands at the spot where China stood in 2000 and in terms of Per Capita GDP, India currently stands where China stood about 15 years back. India has had a higher fiscal deficit and public debt compared to China, which has resulted in lower sovereign ratings (Lal, 2008). As a result, the Indian economy has been unable to increase its capital base at a pace in sync with China.

However, India and China both stand to grow and benefit with greater commercial interactions with one another (Gujral, 2009). Interestingly, while most investment bankers and companies look at India and China as competitors to the capital that they can invest, there are more complementary factors between India and China than one can imagine. India could learn from the Chinese especially in the fields of urban development, power projects, and road, rail and port infrastructure. China, on the other hand, could take a leaf out of the Indian success story in the sectors of information technology and IT enabled service (Winters & Yusuf, 2007).

Zhao *et al* (2011) emphasise that the Chinese government is focused on increasing their English speaking population, a feat already achieved by India. Another major focus area for collaboration could be in the space of services. China, like India, has a concentration of industries across different regions. The cities of Beijing and Shanghai are often cited

as being very similar to the cities of New Delhi and Mumbai for being political, cultural and financial centers.

China cannot be ruled out as an important economy for India; as a market, as a competitor, and as a partner. The fact that it is currently the third largest economy and stated to become the world's largest economy by 2025, further provides impetus to the fact that Indian businesses cannot overlook China in their business plans. They are two of the fastest growing economies of the world (Vernengo, 2006). The table below shows the economy overview between China and India.

Table 2.6 Doing business 2014: Economy overview comparison between China and India

China	India
Region: East Asia & Pacific	Region: South Asia
Category income: upper middle income	Category income: lower middle income
Population: 1,350,695,000	Population: 1,236,686,732
GNI per capita (US\$): 5,740	GNI per capita (US\$): 1,530
Unemployment rate: 6,4%	Unemployment rate: 10,2%
GDP (purchasing power parity): \$12.43 trillion (2012 est.)	GDP (purchasing power parity): \$4.761 trillion (2012 est.)
GDP (official exchange rate): \$8.939 trillion	GDP (official exchange rate): \$1.825 trillion (2012 est.)
GDP - real growth rate: 7.6% (2013 est.)	GDP - real growth rate: 6.5% (2012 est.)
GDP - per capita (PPP): \$9,200 (2012 est.)	GDP - per capita (PPP): \$3,900 (2012 est.)
Labour force: 797.6 million country comparison to the world: 1	Labour force: 498.4 million (2012 est.) country comparison to the world: 2
Population below poverty line: 13.4%	Population below poverty line: 29.8% (2010 est.)

Source: Doing business database, 2014

Yueh (2013) agrees that they are the two most populous nations and also the oldest civilisations in the world. The two countries started their individual journeys after India gained independence in 1947 and the People's Republic of China was established in

1949. At the same time, their differences are quite apparent – both have different forms of government, both follow different models of growth – China follows an export oriented, manufacturing economy whereas India is a domestic consumption-led service oriented economy. This is, perhaps, a result of the planning ideologies that the two countries adopted in the 1960s when the divergence in growth patterns of the two countries emerged (Lal, 2008).

The report entitled, “Making Services Work for the Poor” discussed how services have traditionally ‘failed’ the poor (World Bank, 2004). Increasingly international lending was linked to notions of good governance which stressed the importance of accountability, professionalism, responsiveness, and reliability on the part of the public service provider (Shah, 2005). The World Bank stated “Good governance is epitomized by predictable, open, and enlightened policymaking (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law (World Bank, 2004). Within this framework, the participation of both the private sector and private citizens (as customers) in service delivery was crucial.

Successful service provision required, “putting poor people at the center of service provision: by enabling them to monitor and discipline service providers, by amplifying their voice in policymaking, and by strengthening the incentive for providers to serve the poor (World Bank, 2004).

The UN report (2005) states that Indian economy provides a revealing contrast between how individuals react under a government-controlled environment and how they respond to a market-based environment. The evidence presented here suggests that recent market reforms encouraging individual enterprise have led to higher economic growth in that country. Keller (2010) states that the reasoning here is not new, although it is refreshing to discover that this “tried-and-true” reasoning applies to developing as well as to developed nations. Specifically, reliance upon a free market, with its emphasis upon individual self-interest in survival and wealth accumulation, can yield a wide range of economic benefits.

In India those benefits have included, among other things, increased economic growth, reduced inflation, a smaller fiscal deficit, and higher inflows of the foreign capital needed for investment (Bhaskar, 2013). I further conclude that India can generate additional economic growth by fostering entrepreneurial activities within its borders, particularly within its burgeoning middle class (Tavidze, 2007). Not only has entrepreneurship been found to yield significant economic benefits in a wide variety of nations, but India specifically has reached a point in its development where it can achieve similar results through entrepreneurial efforts (Kapila & Kapila, 2006).

Among other things, Kuznetsov & Dahlman (2008) point out that India is poised to generate new business startups in the high technology area that can help it become a major competitor in the world economy. For example, it has a strong education base suited to entrepreneurial activities, increased inflows of foreign capital aimed at its growing information technology services sector, and a host of successful new business startups. To pursue further the entrepreneurial approach to economic growth, India must now provide opportunities for (1) education directed specifically at developing entrepreneurial skills, (2) financing of entrepreneurial efforts, and (3) networking among potential entrepreneurs and their experienced counterparts. Obviously, the government can play a substantial role in helping to provide these types of opportunities. It can also provide the appropriate tax and regulatory frameworks.

2.7 Conclusion

The remarkable growth of China, India and Malaysia have been driven by various engines. The most notable is the development of the non-state sector, fuelled by the desire of millions of people to pursue a better life. The easing of the states' control over the economy allowed the emergence of a generation of entrepreneurs, who have transformed the economy into one increasingly driven by competition, innovation and productivity.

CHAPTER THREE

ECONOMIC GROWTH AND DEVELOPMENT MODELS USED IN SUCCESSFUL ENTREPRENEURIAL COUNTRIES

3.1 Introduction

Jain (2010) asserts that economic development is a process whereby an economy's real national income as well as per capita income increases over a long period of time. Here, the process implies the impact of certain forces which operate over a long period and embody changes in dynamic elements. Frenando (2011) adds that those changes may occur in resource supplies, in the rate of capital formation, in demographic composition, in technology, skills and efficiency, in institutional and organisational set-up. It also implies respective changes in the structure of demand for goods, in the level and pattern of income distribution, in size and composition of population, in consumption habits and living standards, and in the pattern of social relationships and religious dogmas, ideas and institutions (Clement, 2010).

3.2 Economic Growth and Development

Pokrovskii (2012) emphasises that economic development is a process consisting of a long chain of inter-related changes in fundamental factors of supply and in the structure of demand, leading to a rise in the net national product of a country in the long run. "Economic development is a process whereby an economy's real national income increases over a long period of time" (Jain & Malhotra, 2009). Economic development is a continuous process which has to be extended over a long period of time so as to break the vicious circle of poverty and lead a country to a stage of self-maintaining growth or to self-generating economy (Van der Walt, 2005).

Charantimath (2006) emphasises that entrepreneurship can be described as a process of action an entrepreneur undertakes to establish his enterprise. Entrepreneurship is a creative activity. It is the ability to create and build something from practically nothing. It

is a knack of sensing opportunity where others see chaos, contradiction and confusion. Emmanuel (2010) adjoins that entrepreneurship is the attitude of mind open to seeking opportunities, to take calculated risks and to derive benefits by setting up a venture. It comprises of numerous activities involved in conception, creation and running an enterprise. According to Peter Drucker entrepreneurship is defined as 'a systematic innovation, which consists in the purposeful and organised search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation (Sharma & Parashar, 2011).

In addition, entrepreneurship is a discipline with a knowledge base theory. It is an outcome of complex socio-economic, psychological, technological, legal and other factors. It is a dynamic and risky process. It involves a fusion of capital, technology and human talent. Entrepreneurship is equally applicable to big and small businesses, to economic and non-economic activities. Different entrepreneurs might have some common traits but all of them will have some different and unique features (Hatten, 2012).

Joksmovic (2010) asserts furthermore, that Entrepreneurship is a process. It is not a combination of some stray incidents. It is the purposeful and organised search for change, conducted after systematic analysis of opportunities in the environment. Additionally, Ogbor (2009) holds that entrepreneurship is a philosophy- it is the way one thinks, one acts and therefore it can exist in any situation be it business or government or in the field of education, science and technology or poverty alleviation or any others. Markovic (2007) posits that an entrepreneur is a person who starts an enterprise. The process of creation is called entrepreneurship. The entrepreneur is the actor and entrepreneurship is the act. The outcome of the actor and the act is called the enterprise. An enterprise is the business organisation that is formed and which provides goods and services, creates jobs, contributes to national income, exports and contributes to overall economic development (Bolton & Thompson, 2013).

3.3 Characteristics of a Developed Economy

Moomaw *et al* (2010) acknowledge that a developed economy is characterised by increase in capital resources, improvement in efficiency of labour, better organisation of production in all spheres, development of means of transport and communication, growth of banks and other financial institutions, urbanisation and a rise in the level of living, improvement in the standards of education and expectation of life, greater leisure and more recreation facilities and the widening of the mental horizon of the people, and so on (Longman, 2006). In short, economic development must break the poverty barrier or the vicious cycle and bring into being a self-generating economy so that economic growth becomes self-maintained (Tucker, 2008).

The main characteristics of developed countries are as follows:

1. Significance of the industrial Sector

Most of the developed countries in the world have attached much importance to the development of the industrial sector (Guasch *et al*, 2007). They have large capacities to utilise all resources of production, to maximise national income and to provide employment for the jobless people. As we are quite aware, these countries receive the major portion of their national income from the non-agricultural sectors which include industry, trade, transport, and communication (Ferranti *et al*, 2005). For instance, England generally receives nearly 50% of her national income from the industrial sector, 21% from transport and commerce, 4% from agriculture and 25% from other sectors. The same case is with the U.S.A., Japan and other West European countries. But in India and other developing countries agriculture contributes, say, 35 to 40 percent, to their national income.

2. High Rate of Capital Formation

Schaffer *et al* (2014) posits that developed countries are generally very rich, as they maintain a high level of savings and investment, with the result that they have huge amounts of capital stocks. The rate of investment constitutes 20 to 25 percent of the total national income. The rate of capital formation in these countries is also very high. Besides this, well-developed capital markets, high level of savings, broader business prospects

and capable entrepreneurship have led to a high growth of capital formation in these economies (Longenecker *et al*, 2014).

3. Use of High Production Techniques and Skills

Pham *et al* (2006) point out that High production techniques and skills have become an essential part of economic development process in the developed countries. The new techniques have been used for the exploitation of the physical human resources. These countries have, therefore, been giving priority to the scientific research, so as to improve and evolve the new and technique of production. Consequently, these countries find themselves able to produce goods and services of a better equality comparatively at the lesser cost. It is because of the use of high production techniques and latest skills, that the countries like Japan, Germany and Israel could have developed their economies very rapidly, though they have limited natural resources (Thangavelu & Chongvilaivan, 2013).

4. Low Growth of Population

The developed countries, like the U.S.A., the U.K. and other Western European countries have a low growth of population because they have a low level of birth rates followed by low levels of death rates. Good health conditions (Harris, 2006), a high degree of education and high levels of consumption of the people have led to maintain a low growth of population followed by low levels of birth and death rates. The life expectancy in these countries is also very high. The high rate of capital formation on the one hand and low growth of population have resulted in high levels of per capita income and prosperity in these countries (Easterlin, 2006). Consequently, the people in these countries enjoy a higher standard of living and work together united for more rapid economic and industrial development of the nations. Besides this, the entire society, its structure and values are found to be dedicated to the goal of rapid economic and industrial development. The position of individuals in the society is decided by the ability of the persons and not by their birth, caste or creed. Dignity of labour is maintained. The economic motive and strong desire to lead a better social life always inspire people to contribute to the process of development (Bellamy, 2007). The main objective of rapid economic development, particularly in the developed economies is to achieve the level of stagnant economic

growth, so that they may maintain the existing economic status and exercise control over the business cycle (Barbier, 2011).

3.4 Distinction between developed and underdeveloped economies

We may now distinguish between the features of an underdeveloped economy and that of a developed one as follows;

1. Underdeveloped economies are distinguished from developed economies on the basis of per capita income. In general, those countries which have real per capita incomes less than a quarter of the per capita income of the United States, or approximately less than 5000 dollars per year, are categorised as under-developed countries (Jain & Malhotra, 2009).

2. An underdeveloped economy, compared with an advanced economy, is underequipped with capital in relation to its population and natural resources (Dewett, 2003). The rate of growth of employment and investment in such an economy lags behind the rate of growth of population. The resources are not only employed but also underemployed. In technical terminology, the production possibility barrier of a poor country is far ahead of the actual production curve, whereas the gap between the potentiality and actual utilisation of resources is narrow in a developed economy (Montjoy 2009; Dutt & Ros, 2008).

3. A high rate of growth of population is an important characteristic of most of the underdeveloped economies. Population growth in underdeveloped countries neutralizes economic growth. The stagnation problem in a developed economy is a problem of population, natural resources and technology failing to keep pace with capital accumulation (Dutt & Ros, 2008).

4. The central problem of underdeveloped economies is the dominance of mass poverty which is the cause as well as the consequence of their low level of development. Shortage and insufficiency are the main economic problems in these economies, whereas the

affluent societies of advanced countries have economic problems resulting from abundance.

5. In an underdeveloped economy, the fundamental problem is that of output, real income or the standard of living, as these economies are characterised by low productivity, low income and a poor standard of living. A vast majority of people in an underdeveloped country are ill-clothed (Adams & Periton, 2008),

6. Capital deficiency is the main cause of poverty of a poor country, while affluent capital accumulation is the main cause of stagnation of an advanced country.

7. Yadav (2006) stresses that in an underdeveloped economy, the problem of under-employment is more important than that of unemployment, whereas a developed economy may have a cyclical unemployment problem. There is chronic unemployment in an underdeveloped economy. An advanced economy may have unemployment occasionally due to business fluctuations and a low marginal propensity to consume whereas an under developed economy is confronted with the problem of disguised unemployment in the sense that even unchanged techniques in agriculture could be removed without reducing agricultural output. Thus, in a developed economy, unemployment means waste of resources, while in an underdeveloped economy it is of disguised type (Saleem, 2010).

8. Poor countries are poor in technology; advanced countries are advanced in technology. In fact, the level of technology attained in production is a reliable indication of the level of economic development. Employment of advanced technology goes along with large capital resources, high attainments in the fields of scientific research, greater availability of entrepreneurial skill and a good supply of efficient skilled labour. Therefore, development of technology is the basic objective of the backward economy whereas development of technology no longer remains the overriding objective of an affluent society (Jin, 2011).

Mixon (2005) adds that economic development and economic growth usually in economic textbooks, growth and development are used synonymously, and this usage is widely acceptable. However, in particular, the two terms have been distinguished by different economists as follows:

1. To some economists, economic development refers to the process of expansion of backward economies, while economic growth relates to that of advanced economies (Deepashree, 2007).

2. Schumpeter, however, uses the term "economic development" as a spontaneous and discontinuous change in the stationary state which disturbs the state of equilibrium previously existing. And the term "economic growth" is used to denote a steady and gradual change in the long run which comes through a general increase in the rate of saving and population in a dynamic economy (Fernando, 2011).

Rabinowitz (2004) argues that economic growth is a multifaceted, long-run phenomenon, subjected to constraints like excessive rise of population, limited resources, inadequate infrastructure, inefficient utilisation of resources, excessive governmental intervention, institutional and cultural models that make the development difficult. Economic growth is acquired by an efficient use of the available resources and by increasing the capacity of production of a country. It facilitates the redistribution of incomes between population and society.

The cumulative effects of the small differences of the increase rates, become big for periods of one decade or more. It is easier to reallocate the income in a dynamic, growing society, than in a static one. There are situations when economic growth is confounded with economic fluctuations. The application of expansionist monetary and tax policies could lead to the elimination of recessionary gaps and to increasing the GDP beyond its potential level (Maddison, 2005).

Economic growth presumes the modification of the potential output, due to the modification of the offer of factors (labour and capital) or of the boost of the productivity of factors (output per input unit). When the rate of economic growth is high, the production of goods and services rises and, consequently, the unemployment rate decreases, the number of job opportunities rises, as well as the population's standard of living (Smith, 2007).

Economic growth is also the process that allows the receding of phenomena with a negative economic and social impact, like unemployment or inflation. But, obviously, a durable economic growth maintains human development (Rapley, 2013). According to Balcerowicz, economic growth is a process of quantitative, qualitative and structural changes, with a positive impact on the economy and on the population's standard of living, whose tendency follows a continuously ascendant trajectory (Haller, 2008). Balcerowicz believes that the economic development has four dimensions:

- The initial level of development (reflected, for instance, by the income per capita) or the level existing when the rate of development starts being determined
- The human capital or the people's level of education and professional training
- The internal economic condition or the economy's structures
- The external economic circumstances.

The last three factors should be related to the period for which the rate of economic development is determined, which, in its turn, is the result of different interactions between the four groups of factors (Haller, 2008). The initial level of development is essential for the subsequent measure of development. Staying behind involves certain impulses of acceleration – the countries with a lower rate of development can reach a faster one compared to the richer countries because a state not keeping pace at an institutional and technological level the solutions that the developed countries have already found and could learn from their mistakes, an aspect that Balcerowicz deem more important than the former one (Smith, 2007).

The developing countries have an out-of-date economic structure, most of the population working in fields of low productivity, especially in agriculture, but there are possibilities to transfer resources towards more productive domains. The third factor is characteristic of formerly socialist countries and refers to the disproportion between the relatively high level of education of the population and the opportunities to exploit this training (Suarez-Orozco & Qin-Hilliard, 2004). The high level of education represents an advantage for the countries that joined the economic development trend. It is also worth pointing out that between economic growth and economic development there are similarities and differences (Haller, 2008). Similarities refer to the fact that:

- Growth and development are continuous processes, with stimulating effects in the economy;
- Both processes involve the allotment and utilisation of resources and the increase of efficiency;
- The finality of growth and development is the improvement of the standard and quality of life;
- Growth and development are cause and result of the general trend, influencing its rate and ensuring passages from one level to the other.

3.5 The differences between economic growth and development

The differences between economic growth and development lie in the fact that, while economic growth concerns the quantitative side of economic activity (the increase of results, of quantities), development has a larger scope, including qualitative changes that take place in economy and society (Smith, 2007). In fact, development is a qualitatively higher step of macro-economic evolution. We often refer to growth theories when we speak about the developed countries and to the theories of development when we approach the economic problems that are specific to the developing or less developed countries (Fernando, 2011).

A country is able to develop fast when:

- Industries and people have the possibility to plan their activity in the long terms, which requires political, legislative and monetary stability;

- The results of economic activity depend on free initiative, on the efficient utilisation of resources, on efficient labour.
- Investments are not sacrificed in favour of immediate consumption. When most of the existing incomes are reinvested, the productive capital increases and, consequently, the real incomes too;
- The decisions regarding investments and production are correct, and the wealth collected in time is adequately utilised to achieve assets as efficient as possible from an economic standpoint (Fernando, 2011);
- The degree of education and civilisation rises and records a leap forward at the level of consciousness;
- Any decision takes into consideration the protection and conservation of eco-system (durable development);
- Economic, social, spiritual values are respected (Smith, 2007).

Economic growth and development determine social progress, that is the progressive evolution of the society, which involves an improvement of the human condition, a step higher on the scale of the human being's standard (Haller, 2008), based on economic progress. The accentuation of the social side of economic development should not be understood as abandonment of economic growth. The economic achievements create bases for the improvement of the standard of life, for adequate conditions of medical care, for the improvement of the educational system and a better redistribution of incomes in society (Suarez-Orozo & Qin-Hilliard, 2004).

Thus, economic growth remains a priority, while the correlation of economic problems with social ones should lead to the development of any national economic system, especially when structural crises demonstrate that the limits of the system are about to be reached (Ritzer & Ryan, 2011). The final purpose of economic growth and development is, undoubtedly, the fulfilment and multilateral development of human personality, the increase of the people's material and spiritual wealth, their stepping higher on the scale of civilisation and culture (Haller, 2008).

Economic and social growth and development should be considered together, and the increase of quantities should have an equivalent in the increase of the humanity's standard of life and degree of consciousness (Quan, 2012). It would not be a bad thing to change the direction of the paradigm referring to economic growth and development. A step was made when the concept of maintainable development was brought forth (Angresano, 2011; Kohsaka, 2007). The next step would be the introduction of the concept of maintainable development in solidarity, based on moral and spiritual values as well.

Under these circumstances, granted by economic and social reality, any policy of economic development should consider three main objectives: new possibilities to achieve and distribute the goods that satisfy the society's basic needs, starting from the inequality between limited resources and unlimited needs; the increase of the standard of living that involves high incomes, low unemployment rate, the increase of the level of education; the increase of the level of economic and social opportunities available for persons and countries (Haller, 2008). John Kenneth Galbraith said, about this, that the "success of an economy depends on a stable, efficient and active governmental structure, that would support and guide it. There should be as many equitable societies as possible, but "in an equitable society, nobody can suffer from starvation or for lacking a home. The first condition is that of a sufficient number of job and gain opportunities that would not stimulate inactivity" (Emmenegger, 2009).

Though there are countries facing problems like unemployment or poverty, we could state that all of the world's states are in a process in which individuals and wealth multiply and develop (Balogun, 2013). For the process of economic growth to have positive effects, it must be accompanied by economic growth as well, that is by the increase of the quality of life per capita from one phase to the other, and by progress at the level of the moral and spiritual human values (Gore, 2007). It is possible for a country to record economic increase, but not to achieve economic development. Therefore, it is possible for the GDP/per capita to increase and no improvement of the standard of life and of the quality of life to be recorded, no improvement, therefore, in the demographic structure, in the

structure and amount of incomes and in the goods and services consumed by the population, in the work conditions, health condition, access to education and culture, while the natural and social environment could degenerate (Wiarda, 2007).

Many countries have led and continue to lead a policy of increase of the military power; they wasted great amounts of resources by irrational macro-economic policies and by investments in inefficient huge projects, damaging the standard of life and the quality of life (Liebenberg, 2010). For that, it is necessary for the economic growth to be recorded together with a policy of rational utilisation of resources, in order to achieve individual and social progress in each country. The ideal situation, from the standpoint of the standard of development (Shermon, 2004), would be equality, if a wide range of opportunities existed that would allow a faster development and would bring forth as few inequalities as possible. Between development and progress there are a series of contradictions:

One of the contradictions of development and progress for any economy is the one between its limited resources (raw materials, power, and capacity of production, labour, and financial means) and the increasing productive and individual consumption needs, increasingly diversified (Liebenberg, 2010). This calls for each country to act for a better capitalisation of the resources it has, for their saving, for the discovering the attraction in the economic circuit of new resources (Haeberle, 2009), for the promotion of the technical-scientific progress. The system of social needs, specific to each country, and the necessity to fulfil this continuously regenerating, evolving and diversifying needs maintain the progress of national economies (Genc, 2008). We should take into consideration the fact that between needs, their generation and their fulfilment, come production, distribution of incomes, the market and its varied mechanisms, the social system, provoking big discrepancies and distortions in the system of needs, in their evolution, in the degree and manner of fulfilling them (George, 2005).

In some countries, one can notice a contradiction between the level of the production forces and their structure, and the forms of organisation and management of the economic activities. A country can hold rich natural resources, and yet be deprived of the

technical and financial possibilities necessary in capitalising them and fulfilling needs (Smith, 2007). The adoption of some systems and methods of organisation and management adapted to the changes that occur systematically create a framework that encourages economic progress. The existence of these contradictions is a warning signal for the factors on the basis of which higher rates of growth are recorded and for the way in which the results of the process of growth are transposed in the economic and social development (Carter et al, 2005).

3.6 The Global Entrepreneurship Monitor (GEM) Model

Many policy makers agree that entrepreneurs, and the new businesses they establish, play a critical role in the development and well-being of their societies. The purpose of GEM is to explore and assess the role of entrepreneurship in national economic growth. GEM defines entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Bosma, Wennekers & Amorós, 2012). GEM’s individual-level, multi-phase focus enables a more comprehensive account of business activity compared with measures of formally registered businesses (i.e. GEM captures both informal and formal activity that encompasses those in the process of starting as well as those running new and established businesses).

Traditional analyses of economic development and growth have historically focused on large corporations, based on the assumption that these firms are the main drivers of economic growth in modern economies (Rocha, 2013). Academics and policy makers are now increasingly appreciating, and accounting for, the role played by new and small businesses in the economy. GEM contributes to this recognition with a comprehensive analysis of entrepreneurial attitudes and activity across the globe (Xavier et al, 2012).

As such, GEM (2011) works toward the following objectives:

- To allow for comparisons with regard to the level and characteristics of entrepreneurial activity among different economies;

- To determine the extent to which entrepreneurial activity influences economic growth within individual economies;
- To identify factors which encourage and/or hinder entrepreneurial activity; and
- To guide the formulation of effective and targeted policies aimed at stimulating entrepreneurship.

3.7 The phases of Entrepreneurship

Nazir (2012) hypothesise that the GEM project views entrepreneurship as a process comprising different phases, from intending to start, to just starting, to running new or established enterprises and even discontinuing a business. Given that the context and conditions that affect entrepreneurship in different economies are diverse and complex, it is not possible to conclude that one phase inevitably leads to the next. For example, an economy may have a large number of potential entrepreneurs but this may not necessarily translate into a high rate of entrepreneurial activity. Therefore, the arrows that connect the different phases are not straight lines, suggesting the tentative nature of the relationship between the different phases. The entrepreneurship process and GEM's operational definitions are illustrated in Figure 3.1.1.

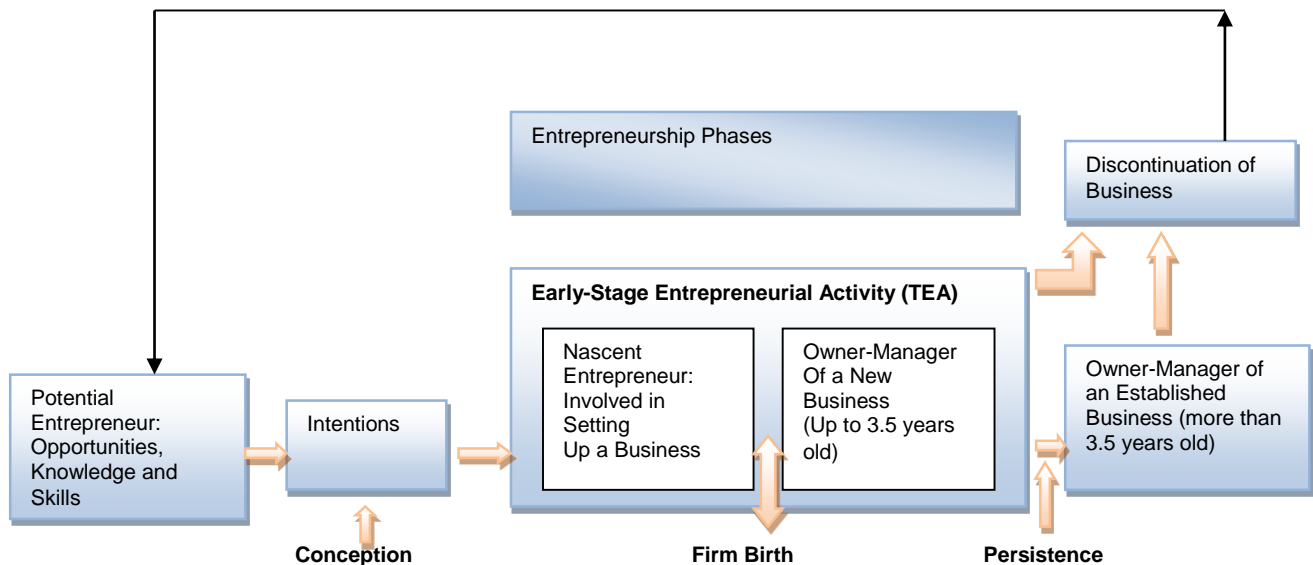
GEM's conceptualisation of entrepreneurship as a multiphase process is useful for assessing the state of entrepreneurship at different points. This process starts with the involvement of potential entrepreneurs – those individuals who believe they possess the capabilities to start businesses, who see opportunities for entrepreneurship, and who would not be dissuaded from doing so by fear of failing (Xavier *et al*, 2012). For some potential entrepreneurs, their intentions to start businesses are underpinned by the perceptions society holds of entrepreneurs, the status these individuals enjoy in their society, and whether the media positively represents entrepreneurs.

The next phase is nascent entrepreneurial activity – i.e. those starting new enterprises less than three months old. Given the challenges associated with starting a new business, many fledgling businesses fail in the first few months, hence not all nascent

entrepreneurs' progress to the next stage (Clarysse *et al*, 2007). New business owners are defined as those former nascent entrepreneurs who have been in business for more than three months, but less than three and a half years.

Nascent and new business owners' together account for the TEA in an economy, a key measure of GEM. Established businesses are those that have been in existence for more than three and a half years (Thomas, 2004). It is important to consider both established business owners as well as entrepreneurs who have discontinued or exited businesses because these two categories represent a key resource for other entrepreneurs (for example, by providing financing, mentorship, advice or other types of support). In addition, former entrepreneurs may re-enter entrepreneurship serving as serial entrepreneurs (Marvel, 2012).

Figure 3.7.1: The Entrepreneurship Process



Source: Adapted slightly from GEM Global Report, 2010:21

These categories are based on the (WEF) global competitiveness report, which identifies three phases of economic development based on GDP per capita and the share of exports comprising primary goods. According to the WEF classification, the factor-driven phase is dominated by persistence agriculture and extraction businesses, with a heavy

reliance on (unskilled) labour and natural resources. The focus of development efforts tends toward building a sufficient foundation of basic requirements (Xavier et al 2012).

In the efficiency-driven phase, an economy has become more competitive with further development accompanied by industrialisation and an increased reliance on economies of scale, with capital-intensive large organisations more dominant. This phase is generally accompanied by improved (and improving) basic requirements, and attention is then directed toward developing the efficiency enhancers. As development advances into the innovation-driven phase, businesses are more knowledge-intensive, and the service sector expands. While entrepreneurship and innovation factors are more dominant in this phase, it must be noted that these conditions rely on a healthy set of basic requirements and efficiency enhancers (Acs & Szerb, 2012).

The GEM study is uniquely positioned to advance understanding about entrepreneurship and to facilitate decisions and initiatives that promote these endeavours (Xavier *et al*, 2012). Each year, GEM provides a broad array of data on societal attitudes, participation levels of individuals at different stages of the entrepreneurship process and the characteristics of entrepreneurs and their businesses.

Kesselman et al (2012) confirm that this information can enable comparisons within and across individual economies, geographic regions, and economic development levels. With ambitious objectives, GEM aims to facilitate understanding about the influence of entrepreneurship on economic growth, and to assist in the identification of factors that encourage and/or hinder this activity. GEM provides data for researchers, knowledge on global entrepreneurship for educators and practitioners, and information to guide policy makers in formulating effective and targeted policies and programs to stimulate and support the efforts of entrepreneurs (Marvel, 2012).

In the late spring and early summer of 2012, more than 198,000 adults in 69 economies took part in the GEM survey. With the largest sample to date, this group of economies represented an estimated 74% of the world's population and 87% of the world's GDP

(Clarysse *et al* 2007). GEM research teams in each economy administered this annual survey to at least 2,000 adults. They also polled selected national experts about the conditions influencing the nature and level of entrepreneurship in their economies (Rocha, 2013).

The GEM model, shown in Figure 2, shows the institutional environment, the effect it has on entrepreneurship and in turn, economic development. According to this model, two sets of conditions, namely basic requirements and efficiency enhancers, impact societies more broadly as well as entrepreneurial activity within these societies. Additionally, nine entrepreneurship framework conditions influence individuals' decisions to pursue entrepreneurial initiatives and the rate and profile of entrepreneurship in different economies (GEM global report, 2011).

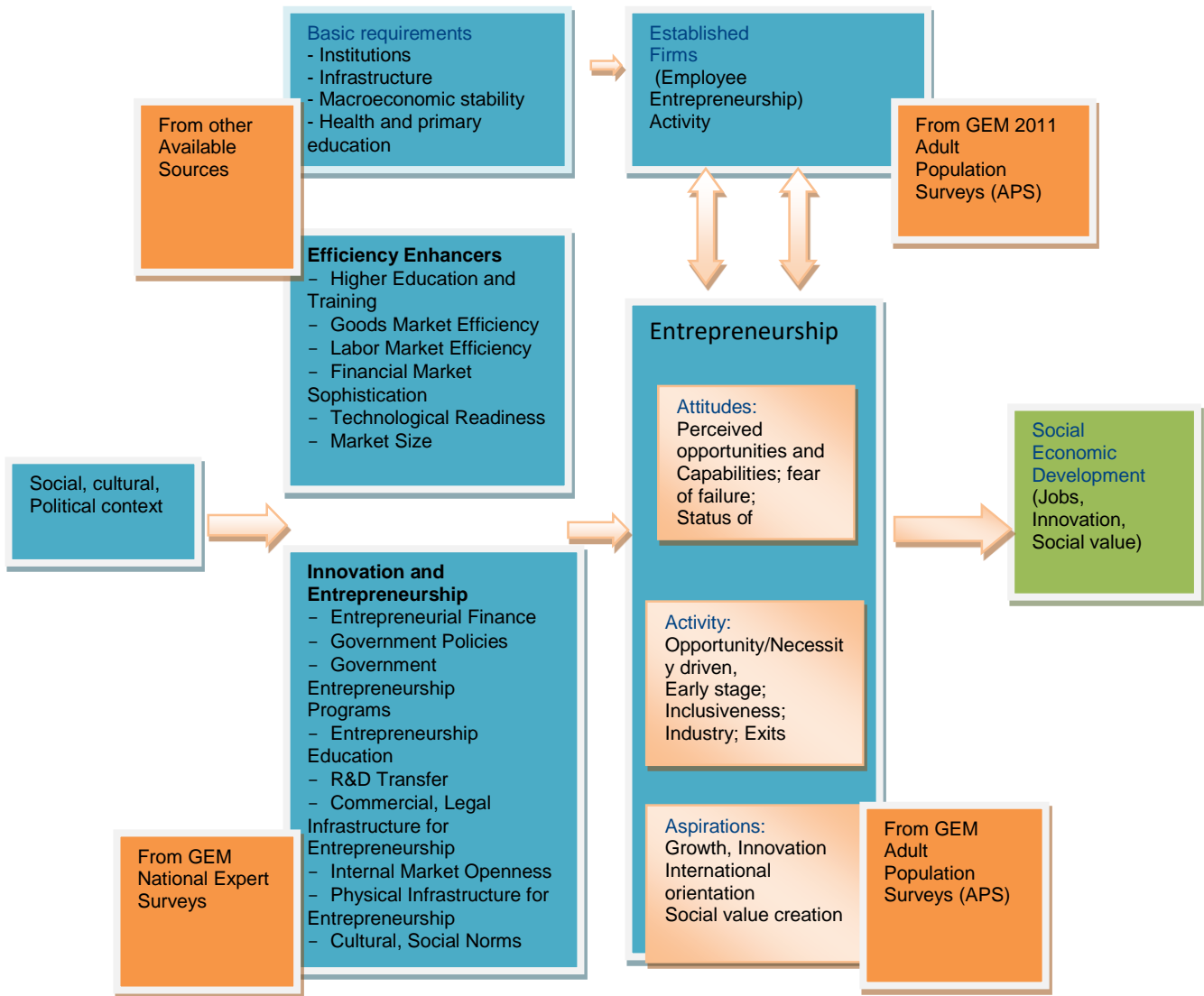
Kesselman *et al* (2012) assert that GEM takes a comprehensive snapshot of entrepreneurs around the world, measuring the attitudes of a population and the activities and attributes of individuals participating in various phases of this activity. The study also considers the aspirations of these entrepreneurs regarding their businesses, along with other key features of their ventures.

Lerner and Schoar (2010) posit that the primary measure of entrepreneurship used by GEM is the TEA index, which gauges the level of dynamic entrepreneurial activity in an economy by considering the incidence of start-up businesses (nascent entrepreneurs) and new firms (up to 3.5 years old) in the adult population (i.e. individuals aged 18–64 years).

Another important feature of GEM is the distinction it makes between different types of entrepreneurship and how these contribute to economic growth and job creation. Individuals who start businesses in response to a lack of other options for earning an income are deemed to be necessity entrepreneurs, while those who start businesses with the intention to exploit an opportunity are identified as opportunity entrepreneurs. The

latter may include individuals who aim to maintain or improve their income, or to enhance their independence (Xavier et al, 2012).

Figure 3.7.2: The GEM Model



Source: Adapted slightly from GEM Global Report, 2011:15

Kesselman *et al* (2012) conjecture that the GEM project is unique in providing data consistent across countries. While all countries collect official data on self-employment, the size distribution of firms, census data on all or most plants and firms, and firm and plant entry, almost none of these registry sources are comparable across countries, even in developed countries. Official data sources differ in the way they define when an establishment enters a file, when it leaves, and how they handle self-employment, making cross-national comparisons almost impossible. Therefore, one of the major strengths of the project is the application of uniform definitions and data collection across countries for international comparisons (Xavier *et al*, 2012).

A major shortcoming of the GEM project has been its inability to effectively deal with the “issue” of how to compare entrepreneurial activity in developed and developing countries. For example, low-income countries like Uganda, Peru and Ecuador have very high levels of self-employment and therefore have high levels of entrepreneurial activity as measured by the GEM program. High-income countries like Japan, Sweden and Germany have much lower levels of entrepreneurial activity as measured by the GEM program. In order to address this issue, when India entered the program, GEM researchers started to collect data on both opportunity entrepreneurship starting a business to exploit a perceived business opportunity and necessity entrepreneurship starting a business because you were pushed into it (Lerner & Schoar, 2010)

However, both of these measures show higher levels in developing countries than in developed countries. Many respondents are probably tempted to state that they are pursuing an opportunity rather than being involved in entrepreneurial activities because they have no other option for work, even if the latter statement describes these people best (Clarysse *et al*, 2007).

3.8 Factors Affecting Economic Growth

The process of economic growth is a highly complex phenomenon and is influenced by numerous and varied factors such as political, social and cultural factors. As such economic analysis can provide only a partial explanation of this process. Thomas (2004)

shows that economic development has much to do with human endowments, social attitudes, political conditions and historical accidents. Capital is a necessary but not a sufficient condition of progress. The supply of natural resources, the growth of scientific and technological knowledge-all these, too, have a strong bearing on the process of economic growth. I shall briefly discuss some of these factors one by one.

A. Economic Factors

The following are the important factors which determine the economic growth of an economy.

1. Natural Resources

Onyemelukwe (2005) argues that the principal factor affecting the development of an economy is the natural resources. Among the natural resources, we generally include the land area and the quality of the soil, forest wealth, good river system, minerals and oil resources, good and bracing climate, etc. For economic growth, the existence of natural resources in abundance is essential. A country deficient in natural resources may not be in a position to develop rapidly. In fact natural resources are a necessary condition for economic growth but not a sufficient one. Japan and India are the two contradictory examples.

Lewis (2013) pointed out that "other things being equal man can make better use of rich resources than they can of poor". In less developed countries, natural resources are unutilised, underutilised. This is one of the reasons of their backwardness. There is little reason to expect natural resource development if people are indifferent to the products or service which such resources can contribute. This is due to economic backwardness and lack of technological factors.

According to Professor Lewis, "A country which is considered to be poor in resources may be considered very rich in resources some later time, not merely because unknown resources are discovered, but equally because new methods are discovered for the known resources". Japan is one such country which is deficient in natural resources but

it is one of the advanced countries of the world because it has been able to discover new use for limited resources (Hamilton & Atkinson, 2006).

2. Capital Formation

Jain et al (2010) aver that among several economic factors, capital formation is another important factor for development of an economy. Capital may be defined as the stock of physical reproducible factors of production. Capital accumulation and capital formation, both of these terms carry the same meaning which may be understood simply by the stock of capital. As we know, capital formation is cumulative and self-feeding and includes three interrelated stages; a) the existence of real savings and rise in them; b) the existence of credit and financial institutions to mobilise savings and to divert them via desired channels; and c) to use these savings for investment in capital goods.

Deepashree (2013) argues that low propensity to save in underdeveloped countries is due to low per capita income of the people, which may not be raised merely by voluntary savings. Hence, the rate of per capita savings can be increased by emphasising forced savings which will reduce consumption and thereby release savings for capital formation. Forced savings can be possible through the implementation of a proper fiscal policy. In this regard, taxation, deficit financing and public borrowings are better instruments in the hands of the State to collect savings and accumulate capital (Chand, 2008).

Deepashree (2007) corroborates that capital formation possesses special significance, as it is key to economic growth, particularly in backward economies. It increases sectoral productivity in the economy on the one hand and argues ultimately national output by raising effective demand, on the other.

3. Technological Progress

Romagnoli & Mengoni (2014) acknowledge that the technological changes are most essential in the process of economic growth. Adam Smith, the father of political economy, pointed out the great importance of technological progress in economic development.

Ricardo visualized the development of capitalist economies as a race between technological progress and growth of population.

Mejorado & Roman (2014) confirm that the great importance of technological progress in capitalist development was recognised by Karl Marx too. There is no doubt that technological progress is a very important factor in determining the rate of economic growth. In fact, even capital accumulation is not possible without technical progress. A country may be adding to its means of transportation and communications, its power resources and its factories. Technical progress also increases the ability to make more effective use of capital equipment. Technological progress has very close connection with capital formation. In fact, the two go hand in hand. Without capital formation technical progress is out of the question because heavy investment is required for making use of better and more efficient methods of production, although after they are well established, capital cost per unit of output may fall (Lai *et al*, 2006).

Consequently, technological progress has a very important role to play in the economic development of a country. No backward country can hope to march ahead on the road of economic development without adopting newer and newer techniques of production and except it is assisted in its march by technological progress. We have already stressed the importance of capital accumulation in economic growth. But capital accumulation promotes economic growth because it facilitates technological improvements, which raise labour productivity and thus add to the national and per capita income (Urban, 2010).

4. Human Resources

Fernando (2011) maintains that a good quality of population is very important in determining the rate of economic progress. Instead of a large population a small but high quality population of the human race in a country is better for development. Thus, for economic growth, investment in human capital in the form of educational and medical and such other social schemes is very much desirable. According to Peter Drucker (2011): "The most important requirement of rapid industrial growth is people. People ready to welcome the challenge of economic change and opportunities in it (Gwartney, 2011).

People, above all, who are dedicated to the economic development of their country, and to high standards of honesty, competency, knowledge and performance. What is needed beyond all else are leadership and example, and that, only the right kind of people can provide. Drucker stressing the significance of human capital says further: "Capital without people is sterile, but people can move mountains without capital. Development, therefore, requires rapid growth of human talents and opportunities to employ them" (Drucker, 2011).

5. Population Growth

Kroon (2007) upholds that the labour supply comes from population growth. But the population growth should be normal. A galloping rise in population retards economic progress. Population growth is desirable only in an under-populated country. It is, however, unwarranted in an overpopulated country like India. In fact, a high population growth at the rate of 2.5 percent per annum is very much detrimental to the economic growth of a country

6. Social Overheads

Pelling *et al* (2012) maintain that another important determinant of economic growth is the provision of social overheads like schools, colleges, technical institutions, medical colleges, hospitals and public health facilities. Such facilities make the working population healthy, efficient and responsible. Such people can well take their country economically forward.

7. Organisation

Hess (2010) maintains that in the process of growth, organisation is very important. It is organisation that emphasises maximum use of the means of production in production. Organisation is complementary to capital and labour and helps production to reach the maximum level. In the modern economic system, the entrepreneur performs the duty of an organiser and bears all risks and uncertainties. Hence, entrepreneurship is an indispensable part in the process of economic growth.

For instance, the Industrial Revolution in England succeeded because of the entrepreneurship. Most of the underdeveloped countries in the world are poor not because there is shortage of capital, weak infrastructure, unskilled labour and deficiency of natural resources, but because of acute deficiency of entrepreneurship. The Asian countries lack entrepreneurship not because they are deficient in capital or raw materials but because they are deficient in persons with the right attitude for entrepreneurship (Bolton & Thompson, 2013).

Behind Japan's rapid economic growth there is only one reason: that it has entrepreneurship in abundance. It is, therefore, essential in LDCs to create a climate for promoting entrepreneurship by emphasising education, new research, and scientific and technological developments. Apart from this, the state should also give priority to necessary imports of machines, raw materials and equipment to provide facilities for wider markets, and to allow tax rebates, special grants and loans to the new entrepreneurs for starting business or industries particularly in the undeveloped areas of an economy (Sahay & Sharma, 2009).

8. Transformation of Traditional Agricultural Society

Peilin (2012) argues that the transformation of traditional agricultural society into a modern industrial society, i.e., structural changes lead to enhancement of employment opportunities, higher labour productivity and the stock of capital, exploitation of the newly developed resources and improved technology. Mostly, LDCs have a very large primary sector and very small secondary and tertiary sectors. In such economies the structural changes involve the transfer of population from the primary sector to the secondary and then to tertiary sectors. Agriculture being the main occupation of the 70-80 percent population in the LDCs passes through several structural changes. Similarly, the proportion of contribution of agriculture in the real national income also reduces gradually. But net output in agriculture sector progressively increases in absolute terms, as it is accompanied by a strong productivity movement, relating to the implementation of several programs like land reforms, expansion of banks, improved agricultural techniques and

other farm implements, availability of better marketing facilities, means of power and irrigation, and so on (Kroon, 2007).

In LDCs the agriculture and industry become complementary to each other. The progressively increasing productivity in agriculture argues the per capita real income of the people, engaged in agriculture sector. This, in turn, expands rural demand for consumer goods and agricultural inputs which stimulates the expansion of the industrial sector, and further, it also develops the agricultural sector by providing improved farm techniques along with machines, fertilizers and other inputs (Bolton & Thompson, 2013). The scope for increasing agricultural productivity and incomes, in other words, is heavily dependent upon the structural transformation of the economy as it affects the growth of commercial demand for goods produced, the growth of alternative employment opportunities, and the increased quantity of purchased inputs available to the agricultural sector" (Sahay & Sharma, 2009).

B. Non-Economic Factors

Singh (2009) argues that both of the economic or noneconomic factors do play an important role in the process of economic growth. In this regard, socio-economic, cultural, psychological and political factors are also equally significant as are economic factors in economic development of the Less Developed Countries. Jain & Malhorta (2010) maintain that "Development is not just a matter of having plenty of money, nor is it purely an economic phenomenon. It embraces all aspects of social behaviour; the establishment of law and order; scrupulousness in business dealings, including dealings with the revenue authorities; relationships between the family, literacy, familiarity with mechanical gadgets and so on". We discuss here some of the essential noneconomic factors which determine the economic growth of an economy.

1. Political Factors

Vigoda-Gadot (2009) shows that political stability and strong administration are essential and helpful in modern economic growth. It is because of political stability and strong

Economic Development and Growth administration that the countries like the U.K. the U.S.A., Germany, France and Japan have reached the level of highest economic growth in the world but in most of the poor countries there is political instability and weak administration which have largely influenced their economic development programs. It is, therefore, essential for their faster economic development to have a strong, efficient and incorrupt administration. In conclusion, i can say that a clean, just and strong administration can put an economy on the way to rapid economic development. Lewis rightly comments that "no country has made progress without positive stimulus from intelligent governments" (Fernando, 2011).

2. Social and Psychological Factors

Jain & Malhorta (2010) declare that Modern economic growth process has been largely influenced by social and psychological factors. Social factors include social attitudes, social values and social institutions which change with the expansion of education and transformation of culture from one society to the other. The Industrial Revolution of England and other Western European countries in the 18th century was largely influenced by the spirit of adventure and the expansion of education which led to new discoveries and inventions and consequently to the rise of the new entrepreneurs. Social attitudes, values and institutions changed. Joint family system was replaced by the new single family system which further led to the rapid economic development in these countries.

3. Education

Brem (2008) maintains that entrepreneur education is critical for successful innovation. The intended audiences, and the importance of introducing core knowledge to activate the innovation process, as well as the need to change the mind-sets that can hinder the process. It is now fairly recognised that education is the main vehicle of development. Greater progress has been achieved in those countries, where education is wide spread (McIntyre & Alon, 2005).

4. Urbanisation

Kayizzi-Mugerwa *et al* (2014) concur that another non-economic factor promoting development is the process of urbanisation. In poor agrarian economies, the structural change must begin with the change in the size of population small in rural and bigger in urban sectors.

5. Religious Factors

Clarke (2013) argues that religion plays a great role in economic growth. It may give rise to a peculiar sense of self-satisfaction. For example, the Hindu religion encourages faith in fate and prevents people from working hard. They are educated to remain satisfied with their lot and to hate risk and enterprise. Then our religion provides a higher place to spirit than matter.

In short, economic growth is the result of concerted efforts of both economic and non-economic factors. However, the mere presence of one or more or all of these factors may not ensure that the economy will be in a position to generate forces that bring about a fast economic growth. Some further factors may also be required that may work as a catalyst for growth. The industrial health of a society depends on the level of entrepreneurship existing in it (Quinterno, 2014).

Ogbor (2009) asserts that a country might remain backward not because of lack of natural resources or dearth of capital (as it is many times believed) but because of lack of entrepreneurial talents or its inability to tap the latent entrepreneurial talents existing in that society. Entrepreneurs historically have altered the direction of national economies, industry or markets- China, India, Malaysia to name a few.

3.9 Entrepreneurship and Economic Development

Duhart (2007) asserts that entrepreneurship is basically concerned with creating wealth through production of goods and services. This results in a process of upward change whereby the real per capita income of a country rises overtime or in other words economic

development takes place. Thus entrepreneurial development is the key to economic development. In fact it is one of the most critical inputs in the economic development of a region (Knipping, 2012). It speeds up the process of activating factors of production leading to a higher rate of economic growth, dispersal of economic activities and development of backward regions. If a region is unable to throw up a sufficient number of entrepreneurs then alien entrepreneurs usually step in to provide goods and services needed by the people (Vigoda-Gadot, 2009).

Acs & Vigill (2012) assert that with the collapse of centrally planned economies it has been seen that governments cannot allocate resources efficiently and that markets are, indeed, necessary. The empirical evidence is also strong in support of a link between entrepreneurship and economic growth. Studies have found that regional differences in economic growth which are correlated to levels of entrepreneurship. The recognition of the importance of the entrepreneur and the necessity of the markets for the entrepreneur to operate has led many countries to begin to work on perfecting their markets by eliminating barriers to entrepreneurship and other market failures (Jain & Malhorta, 2010).

However, policy makers must also take the additional step to ensure that the positive externalities – knowledge, network, and demonstration and failure externalities – can assist in the growth of entrepreneurship and economic development. Acs & Audretsch (2010) determine the entrepreneurship is essential for development because in developing countries entrepreneurs fill in important gaps left by incomplete and underdeveloped markets. Acs *et al* (2013) agrees, indeed a key function of entrepreneurship in developing economies is precisely to mobilise factors such as capital and specialised labour which, being imperfectly marketed, might otherwise not be supplied or allocated to the activities where their productivity is greatest.

It is important to clarify what is meant by entrepreneurship in developing countries. A number of terms are used interchangeably to describe entrepreneurial activities (Quinterno, 2014). For example, entrepreneurship and SMMES have been used synonymously. Discussions of entrepreneurial activities in developing countries have also included the informal sector and petty capitalism.

Ogbor (2009) concurs that many African manufacturing firms, for example, had fewer than 150 employees and therefore would fall into the SMMEs sector. The World Bank, in its efforts to target entrepreneurship, has focused on both the small business and the informal sectors. In 2003, the World Bank released a new database on the SMMES sector and the accompanying study found that when both the SMMEs and the informal sectors are considered, “the joint contribution...to GDP remains approximately constant across income groups at around 65-70 percent. As income increases however, there is a marked shift from the informal to the SMMEs sector” (Quinterno, 2014). This finding indicated that the informal sector in developing countries is an important source of economic activity. Another concept is petty capitalists, or small businesses which employ relatively few employees and rely heavily on their owner’s and the owner’s family’s labour, include a wide spectrum of entrepreneurs (Acs & Vigil, 2010).

Entrepreneurial firms may begin at any size level, but key on growth every time. The entrepreneur is characterised by preference for creating activity, manifested by some innovative combinations of resources for profit. However, while SMMES and entrepreneurship have different meanings, both are important in an economy. Indeed, the small business sector may serve as a “vehicle both for Schumpeterian entrepreneurs introducing new products and for people who simply run and own a business for a living” (Vigoda-Gadot, 2009). Similar distinctions have been made between survival or necessity entrepreneurs and opportunity entrepreneurs (Quinterno, 2014).

3.10 The relationship between entrepreneurship and economic development

In addition, the relationship between necessity entrepreneurship and economic development is most likely negative in low-income countries (Elam, 2008), whereas the relationship between entrepreneurship and economic development in high-income countries is mostly likely positive. This must be further balanced by the fact that some low-income countries like India and China have high levels of opportunity entrepreneurship, at least in certain parts of the country, and countries like Japan have very low levels of opportunity entrepreneurship and low growth. Hence, the 2004 global

entrepreneurship report started to pursue the idea of using the opportunity-necessity ratio as a composite indicator of entrepreneurial activity and economic development.

Acs et al (2013) concur that Economic development may be defined as maintained improvement in the economic well-being of the population. This definition incorporates economic growth (commonly measured by increases in GDP per capita), but also involves significant changes in the structure of the economy. These changes gradually shift the focus of national production from agriculture and other primary activities to manufacturing and eventually to services. In the process of this structural re-alignment, modern technologies are increasingly used. Bringing about structural or systemic changes in the economy that can be critical for economic development is largely the job of entrepreneurs.

Szirmai, Naude & Goedhuys (2011) posit that the designing policies for the promotion of entrepreneurship are complicated. The benefits of simplifying business regulation, especially entry conditions, as an effective policy for fostering entrepreneurial activity are relatively well established. There is also some reason to expect benefits from entrepreneurial education. A review in the late 1990s indicated that entrepreneurship can be taught (Fayolle, 2010), or at least encouraged, through entrepreneurship education. In general, however, solid evidence on the effectiveness of the many approaches taken to promoting entrepreneurship over the years is hard to find. OECD (2010) states that education and training alone are necessary but insufficient without providing other kinds of support, such as mentorship, connections to funding (especially for growth entrepreneurs) and financial assistance (for micro-entrepreneurs).

- Bohoney *et al* (2011) stress this by saying that when you are working to connect and maintain entrepreneurs, you should consider the following decisive factors:
- A high degree of trust must exist between a mentor and protégé to maximise the effectiveness of the arrangement.
- Mentors who possess a wide breadth of business knowledge are typically more effective in this role than technical specialists, since entrepreneurs often need advice on a wide range of factors.

- High-profile entrepreneurs bring additional clout and recognition to any entrepreneurship assistance program, but it is important to confirm their commitment and availability.
- Linkages between mentors and protégés from the same country work best.
- Video conferencing works better than phone calls, yet there is no substitute for the opportunity to, at least periodically, meet in-person.
- Skill-based mentoring is most effective when an entrepreneur is matched with a mentor from the same industry.
- Entrepreneurs need to be connected, not only to mentors but also to each other.
- Venture capital is, in most cases, not a binding constraint for entrepreneurs. Projects should focus more on facilitating access to seed and angel funding.

3.11 Conclusion

Entrepreneurship can vary widely from one country to another. Context is critical. Each country is unique in terms of its economic and social realities, and will pursue to stimulate entrepreneurship and innovation using whatever tools are available and to meet specific goals applicable to the local context. Ingenuities and policies promoting youth entrepreneurship should emphasize on the core factors that simplify and inspire, or hinder and impede, the entrepreneurial activity of youth people. The determinants are basically common to all countries.

However, every country has to find a suitable policy mix of initiatives that correspond to the most significant barriers and constraints that exist in their countries. Therefore, a tailor-made, holistic approach that responds to different economic, social and cultural situations as well as to particular entrepreneurial framework conditions is required. There is no one best way to foster entrepreneurship: it requires practical, targeted strategies, based on an understanding of the specific conditions faced by entrepreneurs in a particular area or region.

With unemployment and a growing youth population as a key issue in regions such as Sub-Saharan Africa, identifying and successfully implementing policies that both encourage youth to start businesses and support businesses with high employee growth expectations will be critical to creating jobs and ensuring economic growth and societal stability. The economic, technological, legal and cultural environment in which entrepreneurs operate makes a colossal difference, often determining their original decision to start a new business as well as their subsequent chances of success. We can therefore not conclude whether a focus on growth oriented entrepreneurs in intervention is likely to maximise impact of youth entrepreneurship support. Also, a focus on growth oriented entrepreneurs in interventions is likely to restrict the number of entrepreneurs reached as a percentage of the total entrepreneurial population, as fewer entrepreneurs are growth oriented (GEM, 2012). Broad-based efforts to improve the labour market, increase the internal market, and deliver access to international markets can be more specifically addressed toward meeting the specific needs of entrepreneurs. The persistent poor ratings on entrepreneurship education in primary and secondary schools in the national expert survey indicates a need for both national and global efforts to encourage this factor.

CHAPTER FOUR

FACTORS THAT IMPACT ON EFFECTIVE ENTREPRENEURSHIP AND THE STATE OF AFFAIRS IN THE DRC

4.1 Introduction

The DRC is amongst the poorest countries in the world (Vaz 2009; Johnson & Turner 2010). It ranked 168th out of 169 countries on the UN Development Programme's (UNDP's) 2010 (HDI), which considers life expectancy, literacy, education enrolment and standard of living, and ranked last in terms of (GDP) per capita (Bailey et al, 2011). Access to basic services is calamitous owing primarily to limited provision. Paved roads are virtually non-existent outside of major cities (Jones, 2008).

Regardless of being rich in mineral wealth, conflict, mismanagement, corruption and illegal trade have disallowed most Congolese from benefiting from these natural resources. Corruption, low spending on social sectors, limited capacity and an inability to afford basic services to significant parts of the country are at the heart of weak governance. Much international assistance remains focused on the high-profile issues of humanitarian response and peace building (Juma, 2013).

Less notice has been paid to the potential for social protection tools to address the chronic vulnerability facing most Congolese as part of broader development efforts. Kinshasa and other urban areas are dominated by informal economic activities and receive little attention from humanitarian and development actors, despite extreme poverty and poor access to services (Toulmin, Wisner & Chiyiga, 2005).

4.2. Education sector

Rauner & Maclean (2008) posit that education in its general sense is a form of learning in which the knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, or research. Education frequently takes place under the guidance of others, but may also be autodidactic (Moosa 2006:98).

Isaacs *et al* (2007) emphasise that entrepreneurship education can be defined as the purposeful intervention by an educator in the life of the learner to impart entrepreneurial qualities and skills to enable the learner to survive in the world of business. Alberti, Sciascia & Poli (2004) define entrepreneurship education as the structured formal conveyance of entrepreneurial competencies, which in turn refers to the concepts, skills and mental awareness used by individuals during the process of starting and developing their growth oriented ventures.

Fagoyinbo (2013) shows that education is widely accepted as a leading instrument for promoting economic growth. For several decades, development agencies have placed great emphasis on primary and, more recently, secondary education. But they have neglected tertiary education as a means to improve economic growth and mitigate poverty (Bloom, Canning & Chan, 2006).

In contrast to this early view, recent evidence suggests higher education is a determinant as well as a result of income, and can produce public and private benefits. Higher education may create greater tax revenue, increase savings and investment, and lead to a more entrepreneurial and civic society (Bloom *et al*, 2006). It can also improve a nation's health, contribute to reduced population growth, improve technology, and strengthen governance. With regard to the benefits of higher education for a country's economy, many observers attribute India's leap onto the world economic stage as stemming from its decades-long successful efforts to provide high-quality, technically oriented tertiary education to a significant number of its citizens (Kaufman, 2012).

Fosu, Mwabu & Thorbecke (2009) advocate that Development perspectives on higher education may be changing. In 2003, the Africa Regional Training Conference on Tertiary

Education highlighted the problems Africa faces in higher education and documented some innovative solutions. In his speech, the former UN Secretary General Kofi Annan argued: The University must become a primary tool for Africa's development in the new century (Watson *et al*, 2011). Universities can help develop African expertise; they can enhance the analysis of African problems; strengthen domestic institutions; serve as a model environment for the practice of good governance, conflict resolution and respect for human rights, and enable African academics to play an active part in the global community of scholars (Bloom *et al*, 2006).

Higher education can lead to economic growth through both private and public channels. The private benefits for individuals are well established and include better employment prospects, higher salaries (Leka & Chalchisa, 2012), and a greater ability to save and invest. These benefits may result in better health and improved quality of life, consequently setting off a virtuous spiral in which life expectancy improvements enable individuals to work more productively over a longer time, further boosting lifetime earnings (Bloom *et al*, 2006).

Community benefits are less widely documented, which shows how many governments' neglect tertiary schooling as a vehicle for public investment (Antonella *et al*, 2012) but individual gains can also benefit society as a whole. Higher earnings for well-educated individuals raise tax revenues for governments and ease demands on state finances. They also translate into greater consumption, which benefits producers from all educational backgrounds (Bloom *et al*, 2006).

In a knowledge economy, tertiary education can ensure that economies keep up or catch up with more technologically advanced societies (Bloom *et al*, 2006). Higher education graduates are likely to be more aware of and better able to utilise new technologies (Smith, 2008). They are also more likely to develop new tools and skills themselves. Their knowledge can also improve the skills and understanding of non-graduate coworkers, while the greater confidence and know-how inculcated by advanced schooling may generate entrepreneurship, with positive effects on job creation (Bloom *et al*, 2006).

Bailey *et al*, (2011) stress that the school completion rate in DRC is only 29%. While the 2008 expected gross enrolment rate in primary school was 80% (up from 64.1% in 2006), enrolment remains significantly below that of the early 1970s, when it was at 92%. In large part, this reflects the spending priorities of the government – in 1960 education took up 30% of the budget, whereas in 2009 it was under Child-sensitive social protection in DRC.

DRC African economic outlook report (2012) confirm that there is a positive improvement in the amount set aside for education. Primary, secondary and professional education saw their budgets increased by around 58.9% between 2010 and 2011, while the sums allocated to higher and university education grew by 78.9%. On the other hand spending on health fell by 28.3%. In addition investment in this sector was for the most part financed by foreign contributions (Mbaku, 2010). To sum up, the effects of the debt relief of 2010 could not be observed in 2011 because of the weight of spending on emergencies.

Just as in 2010, the new school year got off to a bad start in 2011. Delays in payments made it impossible for public sector workers to prepare for it properly (Teravaninthorn & Raballand, 2009). The government has indicated that basic education is free but many children are still excluded from the educational system. Enrolment was lower in secondary schools (32%) in 2011 than in primary education (75%). In higher and university education gross enrolment fell by 11% because several institutions were forced to close for lack of material and human resources (DRC African economic outlook report, 2012).

4. 3. Training Sector

Landy & Conte (2009) acknowledge that training is as acquisition of knowledge and skill for present tasks; a tool to help individuals contribute to the organisation and be successful in the current position; a means to an end. Smith (2012) corroborates that the purpose of training is to equip employees with the skills required for the tasks. It is more cost effective to lecture to a group than to train people individually (West, 2007). Lecturing is one-way communication and as such may not be the most effective way to train (Lall & Sharma, 2009).

In addition, it is hard to ensure that the entire audience understands a factor on the same level; by targeting the average attendee you may under train some and lose others (Talwar, 2006). In spite of these drawbacks, lecturing is the most cost-effective way of reaching large audiences (Clawson & Haskins, 2006). Role playing and simulation are training techniques that attempt to bring realistic decision making situations to the trainee (Lall & Sharma, 2009). Likely problems and alternative solutions are presented for discussion. The adage there is no better trainer than experience is exemplified with this type of training (Pattanayak, 2005). Experienced employees can describe real world experiences, and can facilitate in and learn from developing the solutions to these simulations. This method is cost effective and efficiently used in marketing and management training (Talwar, 2006).

4.4. Governance

Peters & Pierre (2009) define governance as an extremely complex process involving multiple actors pursuing a wide range of individual and organisational goals, as well as pursuing the collective goals of the society. Governance reflects a more cooperative and coordinative way of 'managing' among a variety of actors, rather than authoritative 'governing' and hierarchical intervention. In addition to attention for formal rules and procedures, governance concentrates on various forms and settings for coordination and cooperation among multiple actors as a mode of joint policy-making for collective problems (Kohler-Koch & Rittberger, 2006).

DRC has made significant, but insufficient, progress in the different governance areas with a corruption perceptions index score of 21 out of 100, DRC is ranked 160th out of 176 countries according to the 2012 transparency international report. The Government has tried to implement a zero tolerance strategy on corruption but the results obtained remain unsatisfactory (Mbaku, 2010). This situation is due to weaknesses in the justice system, especially partiality, and the poor functioning of the system. This is exacerbated by the low level of basic public sector remuneration and the absence of effective control and accountability mechanisms (Schiff, 2008).

Kar *et al* (2006) stress and bear out that pervasive corruption in the DRC has been a long-standing problem. In fact, in seeking to promote growth and reduce poverty, the IMF has emphasised that the medium-term policy agenda should include bold strategies to combat corruption especially in the natural resources sector, privatise public enterprises, strengthen the judiciary, and reduce the regulatory burden on business.

In that regard, the fund has called for the effective implementation of the relevant laws to fight corruption, money laundering, and the financing of terrorism. They welcomed the authorities' intention to meet the requirements of the (EITI). Progress in these areas will be essential to mobilise donor support (Kar *et al* 2006).

The DRC was accepted as an EITI Candidate Country at the board meeting in Accra 22 February 2008. The country had until 9th March 2010 to undertake validation. Once the government recognised that the EITI is a tool to address the paradox of plenty, it endorsed the principles of the EITI to strengthen transparency and good governance of the country's extractive industry (AfDB, 2013).

Apart from the EITI, many other measures need to be taken to improve governance. Progress is expected to be slow as the agenda is large and the institutions weak. A law on combating money laundering and the financing of terrorism and a law on anti-corruption were passed (Harman & Williams, 2013). A new forestry code consistent with long-term maintainability was adopted in 2002, and a large number of concessions were annulled. The code rationalizes taxation in the sector and introduces transparent market-based mechanisms to encourage high-value industrialisation. A new mining code consistent with international best practices was adopted in 2002. The operations of the new Mining Registry (*cadastre minier*) were partly brought in line with the mining code. However, corruption remains a major issue in the management of public resources, especially natural resources (IOM, 2008).

Mbaku (2010) argues that the government, in consultation with the IMF, is presently seeking to review the scope for reducing nuisance tax (the DRC has currently more than

800 tax, duties and fees), limiting tax exemptions; and assessing preparations for introducing a value-added tax (VAT). The IMF has urged the authorities to submit the draft VAT law to Parliament as soon as possible and to provide sufficient budgetary resources for necessary investments in tax administration. Increasing the tax take from mining—including by fighting corruption—is paramount for mobilising revenue. In the 1980s, the mining sector contributed 25% of total tax receipts, 75% of total exports and 25% of GDP (AfDB, 2013).

In 2005, the Congolese government reported that US\$ 27 million was collected as tax receipts from the mining sector (2.4% of total fiscal receipts). Furthermore the sector contributed 0.24% of GDP. Ten million Congolese or 16% of the population depend directly or indirectly on small scale mining for their livelihood (Bond, 2006).

Prospects for new mining projects suggest considerable potential for increasing mining revenue. The current fragmented tax administration and responsibility for collecting mining revenue could jeopardise collections in particular, because the customs administration has no incentive to monitor exports (Baer, 2008). The agency in charge of collecting royalties is poorly placed to assess whether mining company self-assessments of export values are appropriate. Customs do not have sufficient trained staff to assess the fair value of mining exports (IOM, 2008).

Mbaku (2010) shows that quite apart from a weak customs riddled with corruption, a recent country report on the DRC published by the (EIU) noted that the prospects for the country's diamond exports in 2008-09 have worsened following the readmission in November 2007 of the DRC to the Kimberley Process. The readmission is likely to lead to increased smuggling from the DRC, thereby reducing recorded exports (IOM, 2008).

Sacks (2011) states that the IMF has proposed the reinforcement of tax administration in the mining sector by improving communication between collection agencies and creating a specialised unit within the (LTU) to collect mining royalties, licenses fees, and other nontax revenue currently collected by the (DGRAD) which is a weak institution with limited

trained manpower. The authorities felt that they needed more time to assess the way forward (AfDB, 2013).

4.5. Macroeconomics

IMF (2012) determines that (GDP) growth slowed in 2011 in the DRC to 6.5%, as a consequence of global inflationary trends and a highly charged political atmosphere inside the country (Green, 2008), and is expected to fall to 5.1% in 2012 before picking up again to 6% in 2013. The budget deficit increased in 2011 to 6.3% of GDP. Expected slower growth and the uncertain political situation mean that it is expected to reach 7.8% of GDP in 2012, while inflation is expected to rise to 15.1%.

Green (2008) states that the country faces a most important challenge in youth employment. More than 70% of those aged 15 to 24 have no jobs, with urban areas particularly affected. The DRC does not yet have a real policy to get youth people into work. The lack of jobs helps increase the size of the informal sector and the weakness of supportive structures leads many youth people into a life of crime (DRC African economic outlook report 2012).

Economic growth in the DRC in 2011 reached 6.5%, a slight drop from the 2010 figure of 7.2%, as a result of global inflationary trends and caution on the part of businesses during a period of elections. Chuhan-Pole & Angwafo (2011) stress that growth, dependent on agriculture, the extractive industries, trade, and construction and public works, may slow further in 2012 to 5.1% because of persisting political uncertainties. In the light of this worrying economic state of affairs, the macroeconomic policies adopted in 2011 sought to limit the net credit to the state, to contain inflationary pressures and maintain the value of the currency (DRC African Economic Outlook report, 2012).

The report maintains that inflation was brought down from 23.5% in 2010 to 14.8% in 2011. The US dollar (USD) was worth 919.4 (CDF) at the end of 2011 compared with CDF 915.1 at the end of 2010, a depreciation of only 0.5%. In addition, the country

benefited from a cancellation of remaining debt after reaching completion point in the HIPC initiative in 2010.

Nevertheless, the public finances registered a deficit of 6.3% of GDP at the end of 2011 as a consequence of poor revenue mobilisation and overspending due to, among other factors, the financing of the elections according to the CIA World factbook report 2012. With the expected slowdown in growth and the fragile political context the budget deficit should amount to 7.8% of GDP in 2012, which should entail changes in inflation (15.1%) and the exchange rate (USD 1= CDF 942.5) concedes the report.

Green (2008) maintains that to improve governance, the government has adopted planning instruments and budgetary programming in the provinces. Redundant tax and illegal levies have been abolished in an effort to improve the business climate. But as a consequence of the poor results recorded in the area of property transfers, access to credit, investor protection and payment of tax the DRC lost two places in the World Bank Doing Business 2012 report. Besides, the country's membership of OHADA is not yet effective (DRC African economic outlook report, 2012).

The social situation remained precarious in 2011 in spite of the growth recorded and the easing of inflationary pressures. The country's progress towards realising the (MDGs) is still very slow. Health conditions are worrying because of major dietary deficiencies and difficulties in access to drinking water and sewage. Poverty affects 70.5% of the population in a country which has no social protection policy. With respect to politics the outgoing president was re-elected by a simple majority in November 2011. The security situation remains difficult especially in the regions in the east and west of the country (Afd, 2013).

The African Development Bank (2013) acknowledges that more than 70% of the youth have no jobs. Of the 9 000 university graduates from Congolese universities each year, fewer than 100 find work. The country does not yet have a real policy for youth employment (Sembe, 2006). In the second (DSCR 2), covering the period 2012-16, the

creation of 900 000 jobs each year for the youth is envisaged, but so ambitious a target appears hard to achieve. With the backing of development partners a pilot programme for youth graduates was launched in 2011 with 54 participants.

Table 4.5.1: Macroeconomics Indicators

DRC	2010	2011	2012	2013
Real GDP growth	7.2	6.5	5.1	6
Real GDP per capita growth	4.5	3.8	2.5	3.4
CPI inflation	23.5	14.8	15.1	12.2
Budget balance % GDP	2.4	-6.3	-7.8	-11
Current account % GDP	-11.7	-10.3	-3	-3

Source: DRC African economic outlook, 2012

The DRC economy recorded growth of 6.5% in 2011 compared with 7.2% in 2010, propelled by agriculture, the extractive industries, trade and building and public works (Sacks 2011:10-300). It benefited from the increase in the overall volume of investment of 29.3% compared with 2010 and price rises of mining products such as cobalt, copper (DRC African economic outlook report, 2012).

Green (2008) affirms that agriculture in the DRC has great potential for growth but it is weakly exploited and does not meet the country's food needs. Its contribution to growth remained limited in 2011 at 1.2%. A slight improvement over 2010 was recorded thanks to the positive effects of the upgrading of agricultural service roads and the implementation of plans for the development of export crops. While cocoa and wood production fell by 2.9% and 5.3% respectively, that of palm oil rose by 21.5% (IMF, 2012).

The extractive industries recorded weak growth of 0.9% in 2011 but nonetheless made a major contribution (almost 13%) to the change in GDP. Production of copper fell by 1.6%, but cobalt, zinc and diamonds registered growth respectively of 16.3%, 120.5% and 16

% . The increase in production of cobalt and zinc was attributable to the need for companies to compensate for the drop in prices. The rise in diamond production arose from the resumption of activities by the (Miba) company. Even with rising prices production of gold remained low (Thomas, 2012), because of the small-scale nature of mining and fraud. Oil production dropped slightly to 7.83 million barrels in 2011 from 7.86 million in 2010 even though the Perenco Company put some wells back into service (DRC African Economic Outlook report, 2012).

The CIA World factbook report (2012) states that manufacturing industry grew by 2% in 2011 but contributed almost nothing to growth (0.07% compared with 0.06% in 2010). It remains at the mercy of disruptive interruptions in energy supply, outdated equipment, limited capacity to make use of new technologies and a low level of competitiveness *vis-à-vis* imported products. The building and public works sector grew by 10% in 2011, compared with 12.1% in 2010, even though cement production fell by 19.6% (IMF, 2012). To lend the sector some help the government lifted tax on the import of cement. Building and public works contributed 0.9% to growth in 2011. These good results flow from the continuation of the major building programme forming part of the agreement with China reached in 2007 (Thomas, 2010).

Flanagan & Schear (2008) stress that the energy situation has for many years been acting as a brake on growth in the DRC because of low levels of investment, poor exploitation of gas and the technical and financial problems facing the water distribution company (Régideso) and the national electricity company the (Snel). During the first 11 months of 2011 production by the two companies dropped by respectively 1.3% and 8.7% compared with the same period in 2010. Hydroelectric production at Inga also fell in 2011 by 350 MW because of the low water flows of the river which followed the failure to dredge the channel (DRC African economic outlook report, 2012).

Trade expanded by 7% in 2011 with its contribution to growth rising to 1.4% against 0.99% in 2010. It benefited from the good health of the mining sector and the improvement in road infrastructure (Routledge, 2007). The transport and communications sub-sector

made only a small contribution to growth (0.4% against 0.3% in 2010). There was an improvement in handling activities in the ports of Boma and Matadi thanks to the recovery in world demand (DRC African Economic Outlook report, 2012).

In general, growth in 2011 benefited from robust demand. Consumption, both public and private, contributed 3.3% of growth and gross capital formation contributed 7%, though net exports were negatively affected (Tucker, 2010), recording a contribution of 3.8%, a result of the dependence of internal production on imported capital goods. Growth showed to 5.1% in 2012 as a consequence of the political situation arising from the dispute over the elections held at the end of 2011 (DRC African Economic Outlook report, 2012).

Even so, growth prospects in the primary sector are good, given the investment made in recent years, the rise in mineral prices and the expected effects of work on infrastructure (Teravaninthorn & Raballand, 2009). They will be better still if reforms under way are successfully pursued and if the country manages to attract more capital. The completion of the project to rehabilitate the power plant at Inga and of the plan for multimodal transport would reinforce these developments (Laryea & Laeven, 2009)

4.5.1. Macroeconomic policy

The macroeconomic policies pursued in 2011 were aimed at capping net credit to the state within the limits laid down by government's economic programme (PEG 2) to avoid monetization of the public deficit, contain inflationary pressures and maintain the value of the Congolese franc (Bond, 2006). Audits of PEG 2 carried out by the International Monetary Fund (IMF) indicated overall success and made possible the disbursement of about USD 350 million.

4.5.1.1. Fiscal policy

In 2012 if budgetary discipline is observed and monetary policy conducted prudently, that should ensure that inflationary tensions are kept under control and the pressures arising

from the rise in world prices for food and energy eased Green (2008). The pursuit of the reform of public finances should in the long run result in better macroeconomic management and make it possible to avoid internal and external arrears piling up (DRC African economic outlook report, 2012).

In 2010 GDP recorded a surplus of 2.4%, thanks to debt relief, but the position deteriorated in 2011 to a deficit of 6.3% of GDP. Revenues fell to 27.8 % of GDP while spending rose by 3.4% to reach 34 % of GDP. Both internal and external factors contributed to this development (Mevevand, 2013). On the revenue side the government granted tax exemptions to importers of consumer goods to reduce the inflationary pressures which were weighing heavily on household consumption. This step was justified by the international economic situation, characterised by a steep rise in food and energy prices. The government also granted tax exemptions for the import of cement to support the building and public works sector (IMF, 2012).

Overall receipts from financial administrations were lower than forecast because of the failure by some mining and telecommunications companies to respect their commitments and because some tax payments were not made by public undertakings. Furthermore, the department responsible for administrative and land revenues (DGRAD) had several functions that generated revenues withdrawn from it under the terms of decentralisation legislation, while the provinces did not have effective financial administrations (Vyas-Doorsgarsad *et al*, 2013).

In addition, foreign aid fell in 2011 to 9% of GDP, compared with 14.1% in 2010 (DRC African economic outlook report 2012). On the spending side, the budget was not executed as planned in the legislation. Spending on staff (35.4 % of total expenditure), operating costs (24.6 %) and emergencies (11.2%) absorbed most of the total. They amounted to an over spend of 251 % of the initial budget because of costs related to the electoral process and security (Routledge, 2007). Capital spending and debt service amounted to 6.9 % and 6.8% respectively of all public expenditure.

4.5.1.2. Monetary policy

The beginning of 2011 was marked by strong inflationary pressures arising from the steep rise in world prices for food and energy products (Krugman, 2013). The Central Bank (BCC) raised its repo rate from 22% to 29.5% and kept its reserve requirement at 7%. In addition it injected foreign currency (USD 49.9 million) into the market to smooth out changes in the exchange rate. These steps eased the deterioration in the macroeconomic framework (Mobius, 2012). Inflation was brought down to 14.8% from 23.5% in 2010. The chief factor was the rise in food prices, the result of the structural deficit in agricultural production, and a rise in the price of oil products of 18.2%. An easing of monetary policy took place in December 2011. The repo rate was cut to 20% to encourage the extension of credit to the private sector.

The CIA World Factbook report (2012) declares that the chief component of money supply was quasi-money, the largest part of which was denominated in foreign currency. Foreign currency deposits represented on average 62.5% of the money supply in 2011 compared with 65% in 2010, evidence of the status quo in respect of the dollarisation of the economy (El-Gamal & Jaffe, 2010). From 2010 to 2011, there was a slight depreciation of the CDF against the dollar (0.5%), as a result in particular of the level of international reserves (1.2 weeks of import cover in 2010 and 1.3 weeks in 2011) and interventions in the market by the Central Bank. In mid-November 2011 the exchange rate appreciated (850 CDF for USD 1) because of the growth in demand for the CDF during the election campaign.

The Central Bank set itself a target of inflation below 10% and a positive repo rate in real terms (around 15%) in 2012 (Hesse & Frank, 2009). But it is highly likely that the inflation target will not be met in view of the introduction of a value added tax (VAT) which should push up retail prices, a rise in international crude oil prices, and the consequences of the present political crisis which could lead to a cutback in investment and production (Miles & Scott, 2005). Inflation was likely to reach 15.1% by the end of 2012.

4.5.1.3. Economic cooperation, regional integration & trade

After shrinking in 2009, foreign trade picked up in 2010 and 2011. Exports grew by 12% in 2011 and imports by 16%. These increases are explained in the case of exports by the continuing high international price of some raw materials and by a rise in the volume of production on the part of the extractive industries (Bond, 2006). The growth in imports arose from the dependence of the country on capital goods and manufactured products. The current account deficit which was 11.7% of GDP in 2010 and 10.3% of GDP in 2011 could shrink in 2012 (DRC African Economic Outlook report, 2012).

The continuing high prices for the country's chief exports, coupled with the increase in production which resulted, had a positive effect on the country's foreign currency reserves (Rotberg, 2004). At the beginning of June 2011, they amounted to USD 1.473 billion, or 8.3 weeks of import cover while at the end of 2010 they had stood at USD 1.297 billion, or 7.2 weeks of imports. In August 2011, they fell to USD 1.375 billion, or 7.5 weeks of import cover because of the high level of spending in foreign currency by the government to meet its commitments. (IMF, 2012).

Collins (2013) argues that flows of private capital from abroad increased in 2011 compared with the previous year. The recovery of the global economy impacted on the prices of raw materials and (FDI) rose from USD 1.5 billion in 2010 to USD 1.649 billion in 2011. The level of FDI may have drop in 2012 in the light of the confused internal political situation. Development aid also fell, from 14.1% of GDP in 2010 to 8.9% in 2011, and was expected to drop further to 6.6% of GDP in 2012.

DRC African economic outlook report (2012) confirms that the DRC wants to improve its integration into world trade and in 2010 undertook, with the aid of the World Bank, a diagnostic study to draw up its trade policy. Drawing on the findings of the study it set up in 2011 a steering group was to introduce a one-stop shop reform to simplify foreign trade operations, stimulate growth and increase the rate of mobilisation of public revenues linked to foreign trade (Routledge, 2007). The reform should result in 2013 in a drop in

the number of services involved at the barrier, a fall in the level of customs duties and the creation of a mixed public-private company to handle pre-customs operations.

The DRC is a member of the Common Market for Eastern and Southern Africa (COMESA) (Laryea & Laeven, 2009), and in 2011 entered the capital of the COMESA trade and development bank ZEP (preferential exchange zone) (Tekere, 2012). At present it can call on a number of instruments to develop trade, in particular the agreement with the World Trade Organization (WTO) on customs valuation processes.

4.5.1.4. Debt policy

Achieving completion point in the heavily indebted poor countries initiative in June 2010 (Sacks, 2011) and the continuation of reforms in the fields of economic and political governance made possible the cancellation of a large part of foreign debt (USD 12.3 billion), in particular, after bilateral negotiations with some creditor countries (Belgium, the United States, France, Italy and the Netherlands) (Goldin & Reinert, 2007). The savings made by this cancellation both reduced the cost of external debt and made possible the financing of projects in the education and health fields.

Debt service, which amounted to 6.4% of public revenues in 2010, fell to 2.6% in 2011, creating extra room for manoeuvre in the budget. The cancellation agreed by France should finance a fund aimed at environmental protection (Routledge, 2007). There were no plans for reimbursing service of the debt owed to the IMF in 2011. Only interest of USD 2.7 million was planned against USD 1.8 million envisaged. The African Development Bank (AfDB) reduced in 2011 service on its credit to the DRC to a sum of USD 1 billion.

Interest on domestic debt grew sharply between June 2010 and June 2011, rising from CDF 10.7 billion to CDF 68.2 billion. This growth was the result of carrying over arrears from 2007. In September 2011, following talks between the government and the Kinshasa Club on possible alleviations of the debts owed to it by the DRC, the payment of arrears of the Club's debt were restructured (Routledge, 2007). A danger of further indebtedness

remains since the country has recourse to outside support to finance several projects and does not pay its internal bills inside the agreed period (Fight, 2006).

4.6. Public sector management, institutions & reform

To improve economic governance the government, helped by outside partners, organised in 2011 support missions to all provinces to draw up planning instruments (Squires, 2006) and budgetary programmes (macroeconomic framing and medium-term sectorial spending frameworks). It also undertook to institute effective and up-to-date tax and customs administrations (Mikesell, 2013).

Among the major reforms embarked upon in 2011 worth noting are: the preparation of the legal and regulatory instruments for the implementation of VAT in January 2012; the publication of a new customs code which awaits ratification; the promulgation of a decree relating to the improvement in tax collection of the share of crude oil due to the state and the signing of a standing instruction on the tracking of receipts from the natural resource centres. Planned for 2012 are a rationalization of tax exemptions, the introduction of a tax identity number, the progressive elimination of low-yielding tax, and the decentralisation of the tax administration by the creation of provincial tax centres (Lymer & Oats, 2012).

Legislation on the public procurement code which was adopted and promulgated in 2010, however is not being scrupulously respected. The (BCECO) is continuing its public procurement activities instead of, and in the place of, the project and public procurement management units. A scale of sanctions to suppress breaches and violations of this kind and encourage transparency was suggested in 2011 by the public finances reform committee (COREF) (Mbaku, 2010).

With the same aim of consolidating the economic sector the government has continued with its programme of reforming public enterprises (Press, 2004). The liberalisation of the electricity sector was initiated with the presentation to the Parliament of draft legislation to privatise Snel, and thus to end the monopoly hitherto enjoyed by the company. The legislation put forward by the government imposes the obligation to promote rural

electrification and the introduction of the principle that management of public electricity services should be delegated to public or private legal entities that can be trusted and that can provide fresh capital. The authorities say that the country needs USD 6.5 billion between now and 2015 to provide electricity to 19% of the country, compared with the 9% served at present (Trainer, 2007).

At the same time the government is pursuing reform of the public sector with a national programme to strengthen the basic functions capability of public administration between 2011 and 2015. The aim is to ensure that a public administration is created that is modern, organised and able to carry out its functions in an institutional and structured framework (Green, 2008). This framework should take into account decentralisation, to improve the efficiency of central and provincial government structures in the effective provision of services. Governance in the transport sector suffers from serious shortcomings. Dysfunctions in organisation and the lack of railway infrastructure and airport maintenance have caused serious accidents (DRC African economic outlook report, 2012).

4.7. Natural resource management & environment

With a view to promoting maintainable development of forests and wild animals (Porfirev, 2009) and increasing their contribution to development the government has put forward a number of ideas. These include:

1. Combating desertification by maintainable management of land and woodland (Chalifour *et al*, 2009);
2. Publicising the forestry code;
3. Cutting back emissions due to deforestation and to damage to the environment;
4. Improving the system of information about forestry management;
5. Conducting a national action programme of adaptation to climate change (Van Drunen, Lasage & Dorland, 2006).

In March 2011 a governance matrix for the natural resources sector was adopted. The first report by the Extractive Industries Transparency Initiative (EITI) in the DRC was

published in 2010. The country is the victim of fraudulent exports of minerals and governance and transparency in the extractive industries have been, and still are, a serious problem. The mining companies Gécamines and Sodimico have sold shares to foreign companies in obscure conditions and at abnormally low prices (McNeil & Malena, 2010).

The product of these transactions has, furthermore, not benefited the public purse, in contradiction of the principles laid down in PEG 2. *Gécamines* has commissioned a financial audit of its joint ventures to assess the production problems experienced by its partners and to ensure that its rights as a shareholder are respected. The management plan for the Garamba national park, which has witnessed disasters arising from the war conducted by the Lord's Resistance Army (LRA), was validated in 2011 by the International Union for Conservation of Nature (IUCN) (African Union, 2009). It seeks to improve protection of the Garamaba complex by an effective surveillance system, to install suitably adapted infrastructure and equipment, and to ensure the effective and transparent administrative and financial management of the park. The Senate considered in its September 2011 session draft legislation on nature conservation.

4.8. Political Context

Given its situation in the wake of the armed conflicts of the 1996-2000 periods, DRC has made significant strides towards political stability and reconciliation according to The CIA World Factbook report 2012. The signing of the global and all-inclusive agreement in 2002 led to the gradual restoration of peace, followed by the adoption of a new constitution by referendum in December 2005 (Herderschee *et al*, 2011). Since then, the country has organised two presidential and legislative elections. However, the re-election of the outgoing President in November 2011 was disputed by the opposition and led to temporary violence. To improve the electoral system's credibility, the electoral law was amended to ensure better representation of all stakeholders on the Electoral Commission (IMF, 2012).

Further progress is required in other areas of political governance. DRC's governance indicators remain below the average for sub-Saharan Africa (Green, 2008). DRC is

respectively ranked in the 5th and 10th percentile of the categories 'control of corruption' and 'voice and accountability' according to the World Bank's 2011 ranking. These weaknesses undermine the government's effectiveness and confidence in the institutions.

Under the constitution, 40% of national revenue must be transferred to the provinces. In practice, however, this transfer is not fully effective and remains governed by informal and temporary political agreements (Green 2008). The constitution also provides for an increase in the number of provinces from 11 to 26, but the high cost relating to the creation of the 15 provinces has blocked the process (DRC African Economic Outlook report, 2012).

Since March 2012, the country has also experienced a resurgence of tension, mostly in the East, due to demands of the M23 rebel group, which considers it was unfairly treated in the implementation of the peace agreement signed on 23 March 2009 between the government and rebel movements in that part of the country. This conflict is a source of insecurity and sporadic violence which fuels suspicion between the DRC and certain neighboring countries (Stearns, 2011).

However, following facilitation by the countries of the region and the close involvement of international institutions, the country engaged in dialogue with M23 in Kampala in December 2012. However, these negotiations have slowed down due to an internal split within M23. Meanwhile, initiatives are being pursued that will contribute to the stabilisation of the East (Human Right Watch World report, 2013), in particular: the transfer of one of M23's faction leaders to the ICC, the signature of a framework agreement for peace, security and cooperation between the DRC and 11 countries of the region on 24 February 2013 in Addis Ababa, which provides for the establishment of a regional monitoring mechanism to stabilise eastern DRC, and the setting up of an intervention brigade with an extended mandate within MONUSCO. The Bank's current portfolio includes regional operations, implementation of which should consolidate cooperation in the sub-region.

The pipeline of new regional projects should also strengthen this cooperation platform, especially in the energy sector (IMF, 2012).

The political climate was turbulent in 2011. The central and provincial governments finally reached agreement on retrocession of revenues of a national character which had proved a stumbling block in the management of the public finances. The deal put an end to the conflict between the central government and provincial parliaments over their respective prerogatives (DRC African Economic Outlook report, 2012).

Rawlence (2012) stresses that conflicts over land were responsible for a surge of violence in both the east and west of the country. In Nord-Kivu, the situation deteriorated with clashes between rebel groups. Movements of displaced people followed with all their consequences in terms of security and the provision of food. Continuing fighting in Nord-Kivu and Sud-Kivu seriously obstructed the work of humanitarian agencies. Repeated attacks on organisations of this kind, such as hold-ups and the hi-jacking of vehicles, were recorded in 2011 and compromised the distribution of humanitarian aid. On September 2011 the regular armed forces and the United Nations stabilisation mission in the country (Monusco) launched operation Dog Bite to help people living in the Dungu region under threat from rebel groups (IMF, 2012).

In spite of the delays in revising the electoral register, in promulgating the organic law establishing the national independent electoral commission and in designating its members, the country was able to organise presidential and parliamentary elections on 28 November 2011. President Kabila was returned by a simple majority, in conformity with the constitutional revision adopted by the parliament in January 2011. The opposition, which had been hostile to the process since the revision of the electoral register had got under way, challenged the result of the presidential election, thereby exacerbating tensions within the DRC (Human Right Watch World report, 2013).

The positive trend towards political stability in DRC since the 2000s as well as the implementation by the Government of economic and structural reforms backed by the

development partners has contributed to the gradual consolidation of the country's macro-economic framework (Human Right Watch World report, 2013). However, this positive trend of the macro-economic aggregates has not been accompanied by an improvement in the country's social indicators, since economic growth has been driven by a very small number of areas of activity in sectors with little job creation (DRC African Economic Outlook report, 2012).

The DRC is also faced with the episodic and recurrent resurgence of political and security tensions that are sources of vulnerability (Human Right Watch World report, 2013). This situation underscores the fragility of this Central African giant and the need for the country's authorities to speed up institutional, economic and social reforms with a view to creating the necessary conditions for lasting peace and maintained and inclusive economic growth (IMF, 2012).

4.9. Social context & human development

While progress has been made on the economic front (Green, 2008), it is not reflected in a significant improvement in the population's living conditions. Although growth has been positive since 2002, per capita income, estimated at USD 180 in 2011, is below the late 1980s' level. With a development index score of 0.304, the country is ranked lowest in the 2013 United Nations Human Development report. Current trends show that DRC will not achieve most of the MDGs.

For instance, 71% of the population continues to live below the poverty threshold (Ulloa, Kast & Kekeh, 2009). With regard to basic education, some strides have been made in so far as the primary gross enrolment ratio reached 93.7% in 2011; but the quality and efficiency of the educational system have remained very low with only 18% of pupils advancing to the secondary cycle. Moreover, despite some improvement in recent years, infant/child and maternal mortality rates remain among the highest in the world, respectively at 148 per 100 000 and 549 per 100 000. Malaria is also a leading cause of morbidity and almost 10% of the sexually active population is living with HIV/AIDS. Armed conflicts have led to the internal displacement of about 2 million people and heightened

food insecurity which now affects about 75% of the population. Lastly, despite abundant water resources, the drinking water access rate of 26% remains low compared to the African average of 60% (AfdB DRC, 2013).

The social context remained difficult in 2011. Living conditions in respect of food, jobs and the cost of living continue to cause worry. Many places suffer from a limited access to markets, whether for buying or selling, and public services (Green, 2008). Delays in paying the wages of public employees and rises in food prices had a seriously damaging impact on household living standards. Even if it is the case that overall security has improved in recent years, there is still a humanitarian crisis in the east of the country (DRC African economic outlook report, 2012).

Although some hospital centers are being modernised or built, the health system remains inoperative because of its very poor reach. Appiah & Gates (2010) claim that in some hospitals access to primary care always runs into major problems. Morbidity and mortality rates are showing major increases in several provinces (Équateur, Province orientale, Kasai oriental, Kasai occidental, Katanga and Maniema) because of malaria and typhoid.

In 2010 the United Nations Children's Fund Unicef carried out a multiple indicator cluster survey which found that there had been progress in the area of health but that health conditions remained worrying in 2011 because of major food shortages and difficulty in accessing drinking water and sanitation (Routledge, 2007). In July 2011 the government banned the import and sale of cattle and poultry products of South African origin to protect people against epidemics of foot and mouth disease and avian flu (DRC African Economic Outlook report, 2012).

Chuhan-Pole & Angwafo (2011) report that Malaria is a major cause of death. The extensive spread of typhoid can be explained by the limited access to drinking water. In the countryside three quarters of households have to rely on untreated and surface water sources. The lack of public lavatories in some regions leads people to pollute the

environment which encourages epidemics, among them cholera (5 724 cases identified in 2011 with 334 deaths).

In 2011 there was an upsurge in poliomyelitis. The government launched several campaigns which made it possible to contain the epidemic (Brautigam 2009:1-100). In December a campaign of vaccination against measles was organised. Rates of HIV/AIDS remain very high because of prostitution and violence against women in provinces in the east of the country (OECD AfDB, 2009). In 83% of cases HIV is transmitted sexually. About three million people in the DRC are living with HIV and the 20 to 49 age group is the worst affected, among whom most are women.

4.10 Poverty reduction, social protection & labour

Tangonuire & Achal (2012) affirm that more than 70% of Congolese live on less than USD 1 a day. The impact of economic growth on living standards, therefore, has been very limited. Per capita income in 2011 was USD 104.1 whereas in 1960 it was USD 324.5. There is no social protection provision. Initiatives by the state, NGO'S, churches and base communities directed at the most vulnerable groups are conducted in disparate ways and without any co-ordination.

Even so, a common discussion framework involving the government and development partners has been established and the overall national fund for welfare revived. Draft legislation on social and humanitarian action has been tabled in parliament. These efforts should result in a more effective coordination of activity within the sector and the formulation of a social protection strategy (Autesserre, 2010).

Nakicenovic (2012) corroborates that almost 75% of the nation's people suffer from food insecurity. A million women between the ages of 15 and 49 are undernourished and 700 children under the age of five die each day. There is a shortage of around 3 million housing units. While the average household has five or six members, two thirds live in accommodation with fewer than three rooms. In practically every town waste and unusable ground is occupied although there are no amenities and no infrastructure. Only

47% of the population has access to drinking water and only 9% access to electricity, with consequent effects on living standards. The government has set targets of 49% and 27% respectively for 2015 (DRC African Economic Outlook report, 2012).

Rotberg (2010) points out that this level of insecurity has been responsible for several public sector strikes, in particular among teachers, doctors, state employees and legal staff. In October 2011 small shopkeepers organised a protest march against the involvement of foreigners in their business in spite of recent moves by the government to regulate the sector in favour of Congolese citizens.

4.11. Gender egalitarianism

Human Right Watch World report (2013) confirms that the growth achieved in DRC in recent years has not been accompanied by a significant increase in employment (Osborne, 2012), especially for women and youth people. There are wide disparities in the labour market with women and youth people particularly disadvantaged. In the absence of recent data, the 2005 household survey estimates the youth unemployment rate (15-24 years of age) at 32.2% in rural, i.e. almost double the national average in urban centers (17.8%). This situation agrees the extraordinary challenges facing DRC's authorities in initiating and maintaining an inclusive development model.

Singh, Walia & Dhaliwal (2010) acknowledge that gender equality is enshrined in the Constitution but wide gender disparities remain. DRC has ratified most of the international conventions on the advancement of women's rights, in particular, the (CEDAW). In April 2011, a bill on gender parity was approved by Parliament.

Nevertheless, despite these strides, the DRC Family Code still discriminates against women. This limits women's economic and social opportunities as shown in the country's gender inequality index score of 0.681 that ranks it 144th out of 148 countries according to the UNDP 2013 Human Development Report. The primary gross enrolment ratio for girls is 87% compared to a national average of 93.7%. Thus the objective of parity in primary and secondary education by 2015 will not be achieved.

DRC African economic outlook report (2012) argues that moreover, women are more affected by illiteracy, which concerns 41.4 % among them, compared to 14.8% for men. Despite the adoption of the national action plan to implement United Nations resolution 1325 on women, peace and security, and a national strategy to eliminate gender-based violence, DRC still has one of the highest rates of sexual violence in the world. On the economic front, significant inequalities remain in terms of employment where the proportion of women occupying salaried positions in the formal sector averages 30%. On the political front, women's representation remains low since less than 20% of members of the current parliament are women and there are only 5 women among the 36 members of government (IMF, 2012).

In spite of the different national legislative provisions and international conventions which the DRC has adopted, the level of female representation in public decision making positions is put at less than 10% for the country at large and 5% for Kinshasa. Draft legislation relating to gender equality was adopted by the Parliament in April 2011 but has yet to be promulgated. The electoral law of 2011 did not take into account the provisions of the constitution in respect of gender parity. Inequalities between boys and girls and men and women can be seen in terms of schooling and access to work (DRC African economic outlook report, 2012).

Garcia, Pence & Evans (2008) maintain that about 7.1 million children do not attend school. Girls, especially in the countryside, are the chief victims of this exclusion (54% of those not attending school). The balance between girls and boys in primary and secondary education recorded a slight improvement between 2010 and 2011. The proportion of women unable to undertake an economic activity for lack of resources is put at 44% against 22% for men. The distribution of jobs is marked by deep disparities between the sexes. Women occupy only 2.8% of waged jobs, which are concentrated in farming, the informal sector and commerce (Green, 2008).

4.12. Promoting youth employment

IMF (2004) states that the country's labour market is badly out of balance. Demographic pressures mean that the demand for jobs is rapidly increasing while since 1990 supply has been falling steeply as a result of looting, wars and other shocks to the economy. This state of affairs has favored the emergence of the informal sector. About 80% of the active population operates outside the labour market and the unemployment rate is 73% (Low, 2005).

Youth people face huge problems in finding work. Given the limited number of jobs on offer, the mismatch between training and the skills sought by employers, and the slow rate of retirement among public employees (Green, 2008)., more than 70% of the youth are jobless. Those hardest hit are youth people aged between 15 and 24 living in towns and cities. The brain drain and the crisis in the educational system mean that there is a strong demand for expertise in human resources in the country. But foreign qualifications are more highly regarded than local ones and open the door more widely to the labour market and in particular jobs with responsibility (IMF, 2012).

Connections play a major role in finding a job in the DRC. But of the 9 000 youth people leaving Congolese universities each year fewer than 100 find a job (Bond, 2006). It often happens that youth graduates become street vendors, money changers, and traders, operators of public telephones or security staff, for lack of any other job opportunity.

The lack of work and the absence of effective supervisory structures also push many youth people into a life of crime. In Kinshasa since 2008 organised crime has developed at an alarming rate (the "Kuluna phenomenon" of serious gangster activity). In the east youth unemployed people are exploited by rebel groups (DRC African economic outlook report, 2012).

In the absence of any real employment policy to help the youth (Evans & Shen, 2010), various bodies concerned by the problem have launched initiatives, but not in a coordinated manner, which makes it hard to assess their influence on job creation. With

the help of development partners a pilot programme for the recruitment of youth graduates has been launched. The International Labour Organisation has drawn up a programme that seeks to create 100 000 job openings by 2012 in rural and peri-urban areas through entrepreneurial cooperation (IMF, 2012).

The peace consolidation programme which the government planned to put into effect from 2012, with the help of Monusco, includes an element devoted to youth employment in the countryside complementary to the recommendations and aims of DSCR 2. If the government is to meet these challenges it will have to put into effect sectorial and macroeconomic policies with a high degree of labour-intensiveness (Green, 2008).

It will also require encouragement of self-employment through training; more access to credit; the integration of expatriate Congolese and the use of their skills and resources; reform of the education system; and improvement of the business climate (Blanpain & Flodgren, 2006). The aim must be to expand the private sector and make possible the emergence of a middle class able to give the economy a boost.

DRC African Economic Outlook report (2012) argues that the World Bank calculates that the DRC needs to create between 2 million and 4 million jobs every year to absorb those arriving on the labour market and to reduce poverty. The country will need a strong commitment to fostering youth employment if it is to be in a position to answer the international appeal made in 2003 to draw up and execute policies that give the youth a real chance to find a decent job. In this context the general secretariat of the United Nations has created the *Réseau pour l'emploi des jeunes* (youth employment network) which seeks to achieve the MDGs. The establishment of the network has yet to take place in the DRC in spite of the recommendations of NGO's. Nevertheless, in its DSCR2 covering the period 2012-16, the government says it aims to achieve a very ambitious target of 900 000 new jobs a year for youth people.

4.12.1 Development challenges

Consequently, the main challenge for the DRC authorities and population is to lift the country out of its fragile situation and raise it to a new level of development commensurate with its potential. Certainly, despite significant natural resources and a geo-strategic position conducive to regional integration benefits, the DRC has not yet succeeded in engaging in a development process allowing it to achieve a decisive and lasting transformation of its economy (DRC African economic outlook report, 2012).

The main constraints on this process are:

- A lack of infrastructure services;
- Weak governance and inadequate institutional capacity; and
- An unfavorable business environment

4.13 Country's strategic structure

DRC's GPRSP (2011-2015) is focused on four main thrusts: a) strengthening of governance and consolidation of peace; b) economic diversification, acceleration of growth and employment promotion; c) improved access to basic social services and building human capital; and d) environmental protection and climate change control (IMF, 2012).

This strategy aims to recover the population's living conditions by laying strong foundations for the diversification of the economy by strengthening infrastructure, improving governance and institutional capacity (Economic report on Africa, 2010), and ensuring the rapid development of a greater contribution by the private sector to economic growth. Known the country's geographic area, the action plan for implementation of the PRGSP, set out in the government's programme for the 2012-2016 periods, adopts a spatial approach around five priority development zones to ensure the accelerated and coordinated realisation of their economic potential, mainly as a result of increased private sector mobilisation in the productive sectors (Brooks, 2008).

4.14 Economic context

Economic growth and its drivers: following a decade of contraction (Baer, 2008), economic growth in DRC has revived since 2002, reaching an average of 5.8%. This exceeds the average for the other sub-Saharan countries over the last three years by two percentage points. It has been driven by the recovery of activities in the wake of the gradual improvement in the political and security situation, and the hike in world prices of the main export products, especially copper and cobalt (Brautigam, 2009). The main growth drivers have been private investment in the mining and trade sectors as well as an increase in public investment, especially in construction.

The sources of growth remain little diversified and the structural distribution of GDP has continued unchanged over the last decade. Alongside agriculture which employs about 70% of the population and produces 40% of GDP (AfDB, 2013), the most important sectors are trade (22%) and the mining sector (12%). The manufacturing industry only represents 5% of GDP and construction 6%. Despite the unreliability of statistics, it is worth mentioning: the high degree of informality of the economy, the very small number of enterprises (9000, 80% of which are SMMES), concentrated in Kinshasa and in the other urban centers, and the predominance of mining companies in the composition of the private sector. Industry is in fact handicapped by the significant shortfall in energy supply, the obsolete production apparatus, and the labour force's lack of technical qualifications and the weak competitiveness of local production.

4.14.1 Economic policy

Over several decades, DRC has experienced chronic public finance deficits (Dickovick, 2012). However, the tightening of fiscal discipline and the benefits of debt relief following its reaching the HIPC completion point enabled it to close the fiscal year in 2010 for the first time in a decade with a positive balance of 3.7% of GDP (Green, 2008). The amount of grants also reached a record level of 14.1% of GDP in 2010 compared to 7.5% in 2009 and 8.5% in 2011 and 2012, respectively. This decline in external support, combined with strong pressure on expenditure related to the elections, reveals the widening of the budget deficit in 2011-2012 (IMF, 2013).

4.14.2 Monetary policy and inflation

Robertson (2012) concurs that due to the tightening of monetary policy and a prudent fiscal policy, inflation dropped sharply from almost 500% in 2000 to 15.4% in 2011. The downward trend of inflation is expected to continue as a result of prudent fiscal and monetary policies.

4.14.3 Debt maintainability

In July 2010, DRC benefited from external debt relief of USD 10.8 billion under the HIPC Initiative. The public debt/GDP ratio was brought down from 127% in 2009 to 25% in 2012. However, the update of the debt maintainability analysis carried out in 2010 shows that the country remains exposed to a risk of over-indebtedness. In the baseline scenario, the debt / GDP ratio in net present value terms exceeds the reference threshold by 30% in the medium term. Moreover, the guarantee on future production of minerals given by the Congolese government as part of the financial package for the Sino-Congolese Cooperation Agreement makes the DRC's public debt highly vulnerable (Brautigam, 2009).

In 2008, the DRC signed a partnership agreement of the 'minerals-for-infrastructure' type with a Chinese company under which China provided a USD 9 billion guarantee, subsequently reduced to USD 6 billion in 2009 (Brautigam, 2009). This commitment remains high but enabled the country to reach the completion point in July 2010.

4.14.4 Economic prospects

According to IMF forecasts, GDP growth should have reached about 8.2% in 2013 and 6.4% in 2014, mainly as a result of the start-up of new mining projects and the revival of agriculture. However, three major risks remained: weakening demand for, and falling world prices, of raw materials, continuing security instability, and slackening of the implementation of sound macroeconomic policies and rigorous structural reforms.

Therefore, the negotiation of a new programme with the IMF is essential. The last IMF-supported programme was suspended in December 2012. Discussions on a new programme remain subject to the fulfillment of a prior condition relating to the publication of one of the 135 mining contracts concerned in 2012. The average monthly salary of 965,000 civil servants, police and soldiers paid from the Government budget is CDF 55,000 (i.e. USD 60) even though in some cases, these salaries are higher due to a variety of bonuses (IMF, 2012).

Since 2008, DRC has embarked on public finance management reform which led to the adoption of a Strategic Plan for Public Finance Reform, the establishment of a Public finance reform steering committee (COREF) and the adoption, in July 2011 (AfDB, 2013), of a Public finance framework law (LOFIP) introducing the Results-based budget.

However, the assessment of the public finance management systems carried out on the basis of the PEFA methodology and the Bank's fiduciary risk assessment in 2012 reveals continuing weaknesses that make budget management inefficient. These include the repeated use of exceptional procedures for expenditure, the virtual non-existence of the accounting function, weakness of internal and external controls, the discretionary nature of cash flow management, delays observed regarding the implementation of decentralisation (Crawford & Larmann, 2008) and, lastly, glaring and persistent domestic resource mobilisation weaknesses.

OECD report (2013) suggests that Natural resource management transparency has considerably improved, especially from a regulatory standpoint, with: the preparation of legal texts regulating the oil sector, the strengthening of regulation on forest sector concessions, an area in which irregularities are still denounced, the requirement under law to publish all mining contracts within 60-days of their approval, and the regular publication of reports on revenue from the exploitation of natural resources. But this progress concerning texts, which remain largely unenforced, did not prevent the EITI's Executive Committee from suspending the DRC for one year as from 18 April 2013, due to the intractability of certain revenue from mining industries (AfDB, 2013).

Furthermore, decentralisation of natural resource management provided for by law remains ineffective and the participation of local communities in decision-making in that area is insignificant. Honda (2008) states that the governance problems in the mining sector that led to the non-extension of the IMF-supported economic programme give some indication of further efforts required in this area.

4.14.5 Business environment and private sector development private sector

Shah (2005) concurs that reforms aimed at improving economic and political governance, and in particular measures to stabilise the business climate, facilitate trade, and improve management of the public finances, should in the long term have a positive effect on economic activity and people's living standards. In conjunction with a policy of infrastructure building, they could help speed up growth.

The DRC slipped back two places, from 176th to 178th, in the World Bank doing business 2012 report because of its bad results in the areas of property transfers, access to credit and investor protection. The government has taken steps to introduce improvements: a cut in the cost of obtaining a national identification number, introduction of regulations governing leases, creation of a register of moveable assets, introduction of value added tax (VAT) in 2012, together with filing instruments of ratification of the membership protocols of OHADA (World bank doing business, 2012). Some 20 illegal levies were abolished in 2011 and legislation is being prepared to cut the tax on business profits from 40% to 30% from 2012 (IMF, 2004).

Facilitated by the US government the DRC plans to introduce a partnership between the public and private sectors for a responsible management of mineral resources (Green, 2008). This initiative has several aims: to help the development of a supply chain pilot scheme allowing companies to obtain supplies of minerals from mines which, after audit, will have been certified as having no connection with armed conflicts in progress: to provide a co-ordination platform for governmental, industrial and civil society stakeholders who want to support a process of supplying minerals not linked to conflicts, and to improve

information about responsible minerals supply. The process of joining the New York Convention on the Enforcement of Arbitration Awards is under way (AfDB, 2013).

Apart from some progress, major constraints remain to increased private sector investment in the productive sectors (Vedavalli, 2007). Procedures and transaction costs have been simplified through: reduction in the time taken to start a business and dealing with construction permits, the establishment of a one-stop-shop for customs formalities, a reduction in the number of tax on companies from 118 to 30, and operationalization of commercial courts to simplify the execution of contracts and the settlement of trade disputes. In July 2012, DRC also completed its accession to OHADA, an important step towards ensuring greater protection for investors. However, the business environment provides few incentives as clearly confirmed in the Study on Investment Constraints in DRC, conducted by the Bank in 2012 (IMF, 2004).

The study on 'Investment Constraints in the Democratic Republic of Congo' conducted by the Bank in 2012 reveals the reasons for the low level of private investment by: the absence of a conducive environment for private initiatives especially taxation, legal insecurity and relative quality of labour and SMMEs financing, the huge infrastructure gap (transport and energy) and inefficiency of logistic services result in major additional economic costs, the weakness of public governance, and the weakness of private sector promotion and public-private dialogue. To remove these constraints, the study states that the upgrading of infrastructure and improvement of its management, the strengthening of vocational training, improved SMMEs financing and the deepening and institutionalization of dialogue between government and private sector representatives will be crucial. The strategic options of this CSP are based on these proposals (AfDB, 2013).

These constraints explain the country's low ranking in Doing Business 2013 (44th out of 46 countries in sub-Saharan Africa, and, overall, 181st out of 185, compared to 178th out of 183 in 2012 and 176th out of 183 in 2011), as well as the absence of a buoyant SMMEs sector, which only comprises 9000 formally-established enterprises. Among its neighbors, only Chad and the Central African Republic performed worse than DRC.

4. 14.6 Regional integration and trade

Although it's central geostrategic positioning in the region (Hawkins, 2008), the country has not yet been able to take advantage of the benefits of regional integration. DRC has a major role to play in the region because of its geostrategic position with 9 neighboring countries, and its membership of four regional economic communities.

Even though the advantages of this positioning and the increased liberalisation of international trade, the country's trade integration performance remains weak, with Africa's share in DRC exports representing less than 10% of the country's total trade in terms of value. The poor state of port, electricity and road interconnection infrastructure, the inefficiency and high cost of transport services and vast amount of red-tape and levies imposed by a plethora of institutions prevent the realisation of the benefits of regional integration (Foster & Briceno-Garmendia, 2010).

These obstacles to cross-border trade have made these exchanges the slowest, costliest and riskiest on the continent. On average, cross-border procedures take 44 days for exports and 63 days for imports, i.e. respectively 12 and 15 days longer than the average for the other sub-Saharan African countries (Herderschee, Kaiser & Samba, 2011). The average costs by container are about USD 3,500 - well above the average for the other countries of the continent.

4.14.7 Climate change and the green economy

Low (2005) shows that DRC's climate is characterised by abundant rainfall (between 2400mm and 900mm/year depending on the area) and a mean annual temperature of between 24 and 26 °C. The trends observed over the last few decades show some rise in temperature, confirmed by the projections that anticipate a slight increase in rainfall and a gradual rise in temperature over the next few decades.

Although favorable to agriculture, this climate is beginning to record extreme events, especially floods. As such, special attention must be paid to analysing recent climatic

developments and building the adaptation capacity of the economy, infrastructure and population to these phenomena (Green, 2008).

DRC is endowed with great renewable natural resource potential, especially forest and hydro. The estimated forest potential is 145 million hectares of tropical forest or about 60% of the Congo Basin Forests. DRC's water resource potential was 19,967 m³/yr / inhabitant (in 2008), and its navigable river network extends over about 12,700km. The country's hydro-power potential is estimated at 100,000 MW, only 2.5% of which has been developed to-date. The rational exploitation of these resources represents an exceptionally high quality platform for maintainable development and the promotion of green growth (AfDB, 2013).

In 2002, DRC began to modernise the legal framework of the forest, environment and tourism sector with the adoption of a new forest code majoritying maintainable development (IMF, 2004). A large number of illegal forest concessions have also been terminated but maintainable forest resource management remains a challenge since DRC has the highest deforestation rate in the Congo basin (0.2% per year). The country is also developing a REDD+ national process aimed at establishing a national measurement, reporting and verification system of carbon stocks and flows. DRC has been selected as one of the eight pilot countries for the forest investment programme (FIP). It also benefits from the Congo Basin Forest Fund (CBFF) (Angelsen, 2009).

4.15 Challenges and weaknesses

Landis & Albert (2012) affirm that DRC is still facing major challenges of fragility, poverty reduction and the acceleration of maintained and inclusive growth. To address them, the country must overcome the following obstacles: Security instability and socio-economic fragility: despite the country's stabilisation process since 2005, the strengthening of security throughout the national territory and enhancement of political dialogue remain major challenges. This situation has weakened institutions (Nafziger, 2012), impacted negatively on economic recovery, sapped the confidence of the population, investors and

development partners and is a stumbling block to increased private sector participation in economic development (Brunell & Randall, 2008).

According to AfDB's 2012 analysis, DRC is ranked among the most fragile African States. This fragility is characterised by: the lack of legitimacy of State institutions as a result of the uncompleted electoral process, especially at the level of local elections, and the challenging of their results by part of the population, the State's lack of authority, which prevents it from assuming its core governmental functions mainly regarding security and enforcement of the rule of law throughout the national territory, as a result of rebellions; and the population's lack of access to infrastructure services. Furthermore, DRC is suffering the consequences of the fragility of some neighboring countries, which adds a regional dimension to its own fragility (Rawlence, 2012).

4.15.1 Weak governance and central government capacity

Despite improvements over the past decade, governance and the administration's capacity must be significantly improved at the central, provincial and sector levels (Yager, 2011). The gradual establishment of strong, legitimate institutions and a fully restructured and competent administration represents a challenge requiring maintained political commitment backed by all the TFPs, if it is to be properly addressed (Green, 2008). Urgent new reforms are required to: mobilise more domestic resources, improve public resource management and build the administration's capacity, build capacity in terms of the provision of services and management of national institutions with mandates in the major infrastructure sectors, particularly with a view to improving the population's quality of life and promoting increased private investment in the productive sectors of the economy, and strengthen internal and external audit structures as well as those involved in combating corruption, and CSOs able to promote overall demand for good governance (AfDB, 2013).

4.15.2 Weakness of infrastructure services

A. Energy

Despite considerable hydro-power potential estimated at about 100,000 MW, the installed rated capacity is 2400 MW, i.e. almost 2.5% of the potential. Fewer than 10% of households have access to electricity, i.e. one of the lowest rates in sub-Saharan Africa where the average is 30%. The majority of small-sized enterprises consider the lack of electricity as a major obstacle to the maintainability of their operating balance. The sector's main constraints remain: the dilapidated state of infrastructure as a result of the war, lack of maintenance of installations and lack of renewal and expansion investments, and weak governance in the electricity sub-sector (Low, 2005).

B. Transport

A major part of the road network is not operational with only 2% of the national network paved and 11% of the rural feeder road network in good or acceptable condition (Harrison, 2007). The rail network is barely operational, depriving the country of a key element of a multi-modal system. The Congo River and its tributaries offer potential for a natural and green transport system, but the existing network can only be used by day due to the lack of maintenance and marking of waterways (rivers and lakes). Lastly, the institutional arrangements and capacity to provide high quality maintenance and service delivery are weak (Fedelino & Ter-Minassian, 2010).

C. Water and sanitation

Despite abundant water resources, the water and sanitation sector is characterised by very low access rates and wide disparities between urban and rural areas, i.e. 39% and 20% respectively. The sector is also affected by poor service quality, low recovery rates and weak governance in the sub-sector. Lastly, there are weaknesses in the sub-sector's institutional framework due to the unfinished decentralisation process that make it more difficult to take into account the requirements of the provinces and grass-roots communities (Simon, 2010).

D. An unfavorable business environment

Rotberg (2010) asserts that the business environment is particularly unattractive for private investment. There are many persisting constraints, especially the infrastructure gap, corruption, a complex and mostly unstable administrative and regulatory environment, legal insecurity, a complex and opaque tax system, slow development of the financial sector and weak capacity of public administration to manage the implementation of reforms. The Government is aware of the structural constraints impeding private sector development and has adopted an action plan to improve the business environment. The main challenge remains its satisfactory implementation (Squires, 2006).

E. Scarce and unreliable statistics

Notwithstanding the existence of regulatory texts governing the organisation and functioning of the national statistics system, the DRC's statistical machinery is unable to produce reliable (Rotberg 2010), up-to-date information or to provide information on the needs and performance of the different sectors of the economy. This weakness regarding the production of statistics is compounded by weak analysis. To address these weaknesses, DRC, with Bank support, has adopted a (NSDS) for 2012-2017, implementation of which must be pursued (AfDB, 2013).

4.16 Strengths and opportunities

Green (2008) states that DRC has strengths and opportunities that could allow it to make significant and lasting improvements in its population's living conditions. These include: Considerable potential for diversifying the economy: The country has outstanding agricultural potential and favorable climatic conditions for the development of several agricultural crops, especially in the centre zone (Rotberg, 2010). This potential could be tapped through public-private partnerships if the area is provided in an integrated manner with appropriate transport and energy infrastructure to service concrete production projects. With regard to extractive industries, the country also has significant reserves of copper, cobalt, coltan, and diamonds as well as methane gas, which could attract considerable FDI flows.

Low (2005) argues that the Inga site's great energy potential and the many micro-plant sites will contribute to the country and sub-region's energy security. With regard to services, the buoyancy of the banking sector, restructuring of the micro-finance sector and liberalisation of the insurance sector could pave the way for increased private sector participation in productive investment. Lastly, DRC has immense carbon credit capital estimated at between 20 and 37 billion tonnes.

Estimated reserves in the Katanga Province copper belt could reach 70 million tonnes of copper, 5 million tonnes of cobalt and 6 million tonnes of zinc. Diamond deposits are estimated at 150 million carats. Lake Kivu is reported to contain methane gas resources estimated at 50 billion normal cubic metres (Nm³) (AfDB, 2013).

4.17 Macroeconomic framework stability

For some years, DRC's macroeconomic framework has been relatively stable, which is a significant asset for the implementation of its development programme. The debt relief received following the reaching of the HIPC completion point has generated significant savings that must be earmarked for priority development activities (Shah, 2005).

4.18 Geographic location and regional integration

The country's location straddling the regional transport corridors, the different cross-border water resources (lakes and rivers) and the presence on its territory of competitive sites with great hydro-power potential represent major assets in the context of the opportunities provided by regional integration financing instruments. The country's unique position at the crossroads between central, southern and eastern Africa has also endowed it with significant potential in terms of trade with all regions of the continent (IMF, 2012).

4.19 Country's strategic structure

The Government's medium-term vision set out in the 2011-2015 GPRSP and the 2012-2016 Five-Year Action Programme focuses on the need to significantly improve the

population's living conditions. With 71% of the population living below the poverty line (Ulloa et al, 2009), the fight against this scourge remains one of authorities' main concerns. The Government is aware that any progress in this area will require diversifying the economy, strengthening the competitiveness of private investment and promoting priority growth areas that will generate employment. Therefore, the GPRSP is focused on the following four main thrusts: strengthening of governance and consolidation of peace, diversification of the economy, acceleration of growth and promotion of employment, improved access to basic social services and human capital building, and environmental protection and climate change control (AfDB, 2013).

The first thrust reflects the Government's awareness of DRC's fragile situation and the need to make the strengthening of governance and the consolidation of peace key drivers for the success of its development actions (Rotberg, 2010). The second thrust is dependent on strengthening the competitiveness of private investment and development of growth areas that would help to diversify the economy and also create wealth and jobs.

Harrison (2007) states that this policy entails, among others, revival of the agricultural sector through the integrated development of rural tracks and the transport system to facilitate access to farms and connect the production areas with the consumer markets; and the development of other infrastructure to increase the competitiveness of investments in the economy's productive sectors. The third thrust aims to facilitate access to high quality social services and improve human resources. Lastly, the fourth thrust places the environment, climate change and gender among the key factors contributing to maintainable and inclusive economic and social development (IMF, 2012).

4.20 Recent developments in aid coordination

TFP coordination in DRC has significantly improved over the last few years but aid harmonisation remains a challenge (Brautigam, 2009). Indeed, since 2009, efforts have been made to improve the harmonisation of the TFPs' interventions. In June 2012, these led to the establishment of a partners coordination group (PCG) of which the Bank is a member. The Bank's field office in Kinshasa maintains close ties with the authorities and

other TFPs. In addition to joint portfolio reviews with the World Bank, the Bank carries out joint field missions, in particular with TFPs operating in the same sectors. The office also participates in the thematic group activities under the aegis of the Ministry of Planning and is the leader of the 'statistics' and 'energy' groups (AfDB, 2013).

Autesserre (2010) states nevertheless, that much remains to be done to strengthen aid effectiveness. In particular, the 2011 report on international engagement in fragile States recommends the following for the DRC: streamlining of the national aid coordination mechanism and revitalisation of the thematic groups, enhancing leadership and building the capacity of the government, in particular, the Ministry of Planning, better distribution of work among partners, and acceleration of public finance management reforms in order to strengthen the national systems and their use (only 13% of aid is channeled through the national PFM systems). To take up this challenge and in its capacity as a member of the G7+ group on 'International dialogue on peace building and state building, DRC has undertaken to speed up the pilot implementation of the "New deal for engagement in fragile States". To that end, the capacity of the ministry of planning should be built to enable it to strengthen coordination or carry out coordination of the TFPs (Simon, 2010).

In addition to AfDB, DRC's leading partners are the World Bank, European Union, DFID, the United States and some other major bilateral partners. The priority areas selected by the multilateral partners are infrastructure (water, energy and transport), governance (improvement and enforcement of the legal and regulatory framework and public finance reform) and capacity building for the public administration. The main bilateral contributors (DFID and USAID) are more focused on governance and the social sector (water, health and education). Brautigam (2009) asserts that China is the lead partner among the donors, mainly focusing its interventions on infrastructure development (roads and energy). The African Development Bank (2013) asserts that the new deal agreement signed in November 2011 at the Busan summit by over 40 countries and international organisations defines new development architecture and new working methods, more closely adapted to the situation and challenges of fragile States.

4.21 Bank's positioning in the DRC

The African Development Bank (2013) states that the Bank's portfolio in DRC comprises 38 operations, including 12 national operations for a total UA 472.61 million; 28.33% of the national project portfolio has been disbursed. These operations are distributed among the infrastructure (67.19%), agriculture (17.87%), social (8.46%), governance (6.35%) and private (0.13%) sectors. This portfolio includes 6 regional operations amounting to UA 58.46 million distributed among the infrastructure (80%) and agriculture (20%) sectors, with a disbursement rate of 26.7%. The portfolio also includes 14 CBFF operations for a total UA 24.79 million, 27.9% of which has been disbursed. In addition, 6 operations are also financed from the FSF technical assistance window for UA 2.08 million, with an 84.6% disbursement rate.

4.21.1 Portfolio performance

The last portfolio performance review in March 2013 points to a satisfactory performance of the Bank's national public portfolio with a score of 2.40 compared to 2.25 at end 2011. This improvement is due to a shortening of the time taken to fulfill the conditions precedent to first disbursement for new projects, an improvement in project financial performance and a reduction in the number of projects at risk (Gwartney *et al*, 2008).

The portfolio performance however, remains affected by specific problems such as: significant cost overruns in relation to estimates, delays in the establishment of adequate financial management systems prior to first disbursement, absence of an efficient monitoring/evaluation mechanism within projects to assess their impact on the ground, weakness of project implementation structures due to unfinished institutional reforms at the public enterprise level, and weak project steering committees (AfDB, 2013:1-44).

Hart (2003) states that the performance of multinational projects remains unsatisfactory despite some improvements. Special attention must be paid to these operations' quality at entry, especially with regard to the formulation of conditions precedent to first disbursement which should only concern easily implemented measures. CBFF projects

also present a particular challenge in terms of delays in the signature of agreements and award of contracts.

4.21.2 Pillar A: Development of private investment and regional integration support infrastructure

This pillar aims specifically to support private investment through the establishment of a high-quality resilient infrastructure platform. This will contribute to the creation of high quality employment for the population (Green, 2008), especially vulnerable groups (youth people, women, etc.), thereby creating more inclusive growth. By applying its climate safeguards system, the Bank will ensure that new investments made in DRC are resilient to climate variability and changes, to the extent possible, and will therefore contribute to the promotion of green growth.

At the national level, the focus will be on the development of infrastructure likely to boost economic growth such as energy, transport (Mevegand, 2013) and rural tracks in the Centre Zone defined around the Ilebo-Tshikapa-Kananga-Mbuji-Mayi area. Particular attention will be paid to the effective linking up of these types of infrastructure with each other and with the network of local enterprises. As much as possible, these interventions will be integrated into a value chain approach aimed at fostering private sector development in the Centre Zone. Support to the development of physical infrastructure will be strengthened by assistance to enhance governance in the targeted sectors. At the regional level, (Routledge, 2007) shows that the Bank will aim to develop trade and the interconnection of power grids of countries in the region. In all these interventions, particular emphasis will be placed on the promotion of gender equality and the establishment of gender disaggregated databases.

In the transport and rural agricultural infrastructure sectors, the Bank intends to pursue its intervention in the road sub-sector, especially the gradual rehabilitation of national highway 1. The Bank has already financed the study on the Tshikapa – Kananga – Mbuji-Mayi (433 km) road section and will finance part of the improvement of that section. The

Bank will jointly finance the rehabilitation of a network of agricultural feeder roads that will be connected to this section to facilitate the purchase of inputs and agricultural produce marketing (Teravaninthorn & Raballand, 2009). It will also support regional integration in the context of NEPAD through the construction of the Kinshasa-Brazzaville road-rail Bridge, and green growth through the multimodal river navigation project on the Congo River. Support will be provided to strengthen the institutional management framework of this sector through: continuation of the national road maintenance fund (FONER) reforms to allow adequate road maintenance financing, reforming the Roads Authority to improve investment quality, building the capacity of support structures and smallholder organisations, and providing assistance for the conduct of specific sector work.

Regarding the energy sector, (AfDB, 2013) states that the Bank continues to play the lead role among the donors for the Inga 3 Project by strengthening coordination of TFP contributions and the financing of supplementary studies and major capacity building and advisory needs related to the structuring of the Inga site development in the form of a PPP8. The Bank will also support the development of the electricity network of the Great Lakes Countries (Ruzizi) and the development of micro-power plants in rural areas of DRC, studies on which are on-going under the Per-Urban and Rural Electrification Project (PEPUR). Hence, the focus will be on renewable/green energies, especially the hydro-power potential. The Government has carried out a two-stage reform of the (SNEL). The Bank will assist SNEL in conducting the preliminary studies on the modification of its structure during the reform's second phase.

Regarding Water and Sanitation, (IMF, 2012) states that the Bank will continue its support by providing assistance for the rehabilitation of drinking water and sanitation infrastructure in urban and rural areas. This will help to consolidate the achievements of the Bank's previous investments, especially the Tshikapa component of the PEASU Project, and to develop synergies with other Bank operations in the same area in order to give them an integrated aspect. To increase the financing of rural investments by the beneficiaries, the Bank will support the establishment of independent community-based water management

systems by non-governmental grassroots associations and the local private sector (Foster & Briceno-Garmendia, 2010).

4.21.2 Pillar B: Building central government's capacity to increase public revenue and create an enabling framework for private investment.

Pillar B, which supports Pillar A, aims to strengthen central government's capacity to improve its management of the economy, and promote good economic governance through greater mobilisation of public revenue and closer involvement of private investment in development financing. This Pillar also aims to more accurately assess the qualitative impact of development programmes and provide disaggregated data, especially with regard to gender, in order to take specific issues more closely into account at national level (AfDB, 2013).

Therefore, the Bank will continue to support the implementation of civil service reform through the Public Administration Human Resources Mobilisation and Revitalisation Project. It will also provide support to build the capacity of financial authorities and assist the Government in modernizing the legal and regulatory framework (Foster & Briceno-Garmendia, 2010).

4.21.3 Deliverables and targets

The Government's purpose is to promote private investment by focusing its actions on the establishment of the necessary framework for PPP development and institution building by creating a PPP Unit (IMF, 2012).

The above interventions will be complemented by an increase in the supply of financial services, especially for SMMEs. To this end, the Bank will open lines of credit with selected commercial banks in favor of SMMEs. The Bank will also encourage the participation of Congolese financial institutions in the financing and technical assistance programme under the 'Africa SMMEs Programme' dedicated to micro-, small- and medium-sized enterprises (SMMEs) (Ratha *et al*, 2011).

4.21.4 Pillar A: Development of private investment and rural integration support infrastructure

Pillar A (Deliverable 1: Development of maintainable infrastructure): The integrated and maintainable establishment of infrastructure services aims to achieve the following key deliverables: rehabilitation of National Road 1 and network of 2,500 km of agricultural feeder roads connected to this section, construction of storage and marketing facilities for agricultural produce, construction of vocational training centers, rehabilitation of G14 of the Inga 1 project, construction of three micro-power plants in the Centre Zone, construction of 20 drinking water supply systems and 1,780 latrines. This infrastructure is intended to support the increased involvement of private investment in the productive sectors of the economy (IMF, 2012).

Deliverable 2: Improvement of governance in the energy, natural resource, transport and rural infrastructure sectors: This component will achieve the following key deliverables: (i) preparation of an electricity sector master plan, restructuring of FONER and the Roads Authority, and preparation of a national transport master plan that majority's gender aspects, and the establishment of independent rural community-based management systems for rural water supply and sanitation. This component will lead to a lasting improvement in the operational effectiveness and maintainability of investments as well as the quality of service delivery to enterprises and the population (AfDB, 2013).

Deliverable 3: Strengthening of Regional Integration: The main deliverables concern: 50% and 25% of the works on the construction of the Kinshasa-Brazzaville road-rail bridge and the river component of the multi-modal transport project, respectively, the signing of construction contracts and energy sales agreements for the development of the Inga site, and the rehabilitation of the Ruzizi 2 plant as well as the construction of Ruzizi 3 (IMF, 2012).

4.21.5 Pillar B: Building central government's capacity to increase public revenue and create an enabling framework for private investment

Pillar B (Deliverable 1: Building institutional capacity): with regard to public finance, this support will contribute to the establishment of financial authorities and expenditure chains in the three selected provinces (IMF, 2007). Furthermore, the three financial authorities (DGI, DGDA and DGRAD) will be computerised and their personnel trained. The Bank's intervention will also strengthen the monitoring frameworks for the public finance and public administration reforms. ENA and the Polytechnic Institute will be rehabilitated and equipped. Lastly, with a view to improving the economic planning process, performance evaluation of the different sectors, GPRSP and CSP monitoring, and consolidation of the country's statistical infrastructure will be supported (AfDB, 2013).

Deliverable 2: competitiveness, business climate and private sector promotion: To leverage greater private sector contributions to economic development, the Bank will support the creation of a PPP unit, the passage of a PPP law and its implementing texts as well as the preparation of a PPP Strategy and an Action Plan. In addition, at least 4 PPP projects will be launched in conjunction with Pillar 1 operations and no fewer than 300 professionals will be trained in PPP techniques. Similarly, at least 500 SMMEs will have access to financing backed by the Bank's lines of credit (Constantinides et al, 2013).

The Bank will leverage the necessary resources to finance its strategy. The available balance of ADF-12 resources for DRC to cover 2013 is UA 74.33 million from the country's performance-based allocation plus UA 65 million from the FSF (Windows I and III) and UA 23.64 million from the regional envelope. A country allocation is also expected for the 2014-2017 period, supplemental support from the Fragile States Facility and regional envelope contribution. The Bank will play a catalytic role in seeking co-financing for regional infrastructure projects. It will also mobilise resources from other sources of financing (Trust Funds, African Water Facility, NEPAD-IPPF, CBFF, FIP, Climate Investment Funds (CIF), etc.). The Bank will leverage its private sector window resources through the deployment of appropriate financing and risk management instruments,

taking into account the AfDB window's commitment capacity and the country risk rating (Ekouevi & Tuntivate, 2012).

4.21.6 Lending programme

The Indicative Lending Programme is based on the timely submission of the necessary feasibility studies to ensure high quality at entry of operations as well as synergy with each other, and their complementarity with other TFPs' interventions. This Programme involves twelve (12) operations, comprising six (6) national projects and six (6) regional projects covering feeder roads and transport, energy, water supply and sanitation infrastructure as well as building central government's capacity. The indicative lending programme presented in Annex 2 will be supplemented by the operations of the Bank's private sector window, CBFF, FIP and GAFSP. Because of their specific nature and modalities, these operations will not be subject to the spatial concentration criterion (AfDB, 2013).

4. 21.7 Non-lending programme

The analytical work will focus on strengthening the CSP's targeted priority sectors in order to improve the impact of operations, building resource absorptive capacity and strengthening the quality of deliverables and impacts in the targeted sectors. The Bank will carry out in-depth analyses that will provide clarifications and options on the country's economic and social development issues, and will play its advisory and technical assistance support role in the infrastructure sectors. Taking into account the country's exceptional size and the priority attached to developing value chains around infrastructure services (Harrison, 2007), the aim of the analytical work is to propose a holistic vision of the challenges of transforming the country with a view to mobilising the private sector to achieve the objective of coordinated, maintained and inclusive development (AfDB, 2013).

In this regard, the economic and sector work programme will include: (i) a study on development opportunities and challenges in the private sector, and the identification of value chains in the Centre hub; (ii) a study on the regional integration challenges and

opportunities for the DRC; (iii) a study on illicit capital flows in DRC9; and (iv) a study aimed at preparing a policy geared towards eliminating gender-based violence. Lastly, through the ALSF, the Bank could assist the country in implementing the OHADA provisions as well as during the negotiation of mining contracts (Herderschee et al, 2011).

4.22 Bank's strategy

The main objective of the Bank's operations strategy is to help to lift DRC out of its fragile situation by creating the conditions for strong and inclusive growth induced by the increased momentum of the economy's productive sectors (Brautigam, 2009). Closely aligned on the PRGSP objectives and taking into account the Bank's comparative advantages, the CSP adopts a spatial approach focused on support to one of the Government's five priority development zones. The Bank's approach aims to ensure the efficient use of available resources and maximisation of its interventions through the implementation of integrated operations (Bond, 2006). The CSP also takes into account the thrusts of the Bank's new 2013-2022 Strategy, those of the 2011-2015 Regional Integration Strategy Paper (RISP) for Central Africa and those of the Bank's strategy for enhanced engagement in fragile States.

At the national level, priority will be given to maintainable infrastructure development likely to boost economic growth such as energy, transport and rural tracks in the Central Zone around the Ilebo-Tshikapa-Kananga-Mbuji-Mayi area, by paying close attention to the effective contribution of such infrastructure to strengthening the community fabric and development of local enterprises (AfDB, 2013). The infrastructure to be created will be designed to be resilient to climate change and variability, and also to build the population's capacity to adapt to these phenomena (Green, 2008).

However, the spatial approach proposed will only produce effective results if it is accompanied by the removal of the other major constraints on the economy as a whole, in particular governance and weak institutional capacity (Press, 2005). Consequently, the CSP will also provide support to the pursuit of appropriate reforms aimed at improving central and sector governance (Herderschee *et al*, 2011), improving the business climate with a view to enhancing the overall performance of the economy and building the public

administration's capacity to steer the economy and induce increased private sector investment in wealth and job creation (Green, 2008).

On the regional front, the CSP's strategic options are guided by DRC's privileged location in Central Africa, especially its size, its common borders with nine other countries and its huge natural potential. This position offers exceptional regional integration-related benefits (Autesserre, 2010), especially in terms of commercial exchanges with the other countries of the region, which must be revitalized and intensified (Green, 2008).

Therefore, the CSP is organised around the following two complementary pillars: (i) development of private investment and regional integration support infrastructure; and (ii) building central government's capacity to increase public revenue and create an enabling framework for private investment (Routledge, 2007). The actions planned under these pillars have been designed to be mutually strengthening and enhance the leveraging effect of the Bank's assistance (Green, 2008). The infrastructure pillar will be implemented to provide a spin-off effect on the growth of private investment in the productive sectors of the economy (Snippet, 2007), while Pillar 2 will be dedicated to building central government's capacity to provide stronger economic governance more conducive to private investment. This relationship between the two CSP pillars will be supported by PPP pilot projects in the productive sectors, especially in the agricultural sector.

4.23 Outcome Monitoring

The Bank will prepare a mid-term review report in 2015 on the Strategy to assess the progress made towards achieving the CSP outcomes. In view of the lack of statistical data in DRC, the envisaged statistical support will serve to develop databases that will provide input to the operations monitoring frameworks. The specific characteristics of the Democratic Republic of Congo (DRC) provide it with both challenges and opportunities that determine its long-term development path (Snippet, 2007). It has significant natural resources and has some of the largest reserves in sub-Saharan Africa (Green, 2008).

However, DRC remains a fragile country that is slowly recovering from over two decades of political and economic instability (Rotberg, 2010). It continues to face rebellions threatening to its institutions and the population's security. The country's specificities provide it with unrivalled economic and social development opportunities, but also entail enormous challenges in terms of security and peace, central government's capacity and authority, decentralisation and political/economic governance. The 2011-2015 (GPRSP) adopted by the government in November 2011 recognises these challenges and aims to lift the country out of its fragile situations and ensure it is firmly anchored on a path towards development, commensurate with its potential (AfDB, 2013).

4.24 Financial Sector and Dollarisation of the Economy

The banking sector is made up of 20 accepted and operating establishments (Herderschee *et al*, 2011). Their assets amount to USD 2.64 billion and the sector offers several new products: bank cards, automatic teller machines, special accounts and so on. Even so, the country suffers from an inadequate level of banking, with 650 000 accounts, up from 450 000 on 2010, most in US dollars.

The audit conducted in 2010 into the quality of the commercial banks' loan books and the need to recapitalize or restructure them led to a drop in actionable debts, which fell from CDF 35.4 billion in December 2010 to CDF 23.3 billion in September 2011, a drop from 4.5% of total private sector debt to 2.7%. The solvency rate was 26% in the first three months of 2011, compared with 15% in 2009. The proportion of non-performing loans in the total of loans issued dropped from 20% to 6% in the same period (AfDB, 2013).

Green (2008) shows that the financing of the economy is structurally concentrated in the short term: 75.5 % of credits disbursed are short-term. The political context, the weaknesses of the legal system, and the business environment do not in general encourage banks to provide long-term loans although the country needs them to rejuvenate its production capacity. Furthermore, these loans are generally in contracts denominated in foreign currencies, which diminish still further what little confidence the economic operators have in the national currency (Porter & Northon, 2013).

There are only limited possibilities for the banks to finance major projects (Green, 2008), given the comparison between the level of their own funding (on average USD 12 million per bank) and foreign currency overnight deposits which account for on average 70.3% of their commitments. Microfinance institutions and savings and loans co-operatives are developing rapidly (Teravaninthorn & Raballand, 2009). To encourage these institutions the government established in 2011 a national microfinance fund (FNM) to strengthen their regulatory framework.

In addition the Central Bank is negotiating with some development partners and the microfinance institutions with a view to setting up a central credit register in the microfinance sector. Insurance companies and pension funds enjoy a virtual monopoly but the insurance sector is undergoing a process of liberalisation (Harrison, 2007).

Green (2008) asserts that seeking to fall into line with international standards of financial information the Central Bank has set in motion the reform of the general accounting plan. New accounting principles for commercial banks, the microfinance institutions and non-governmental organisations (NGO's) will have to be used during the coming years. Finally, in 2011 the Central Bank acquired BSA computer software to improve the supervision and traceability of the operations of financial institutions.

Despite the development of banking activities over the last few years (Herderschee et al, 2011), DRC's financial sector remains embryonic. It mainly comprises 20 commercial banks (only 11 in 2008) offering a limited range of financial instruments. The sector's assets only amount to USD 2.6 billion and barely 1% of the population has access to banking services compared to an average of 6% in Central Africa. This figure is rising rapidly due to the number of civil servants with bank accounts, the expansion of branch networks in towns and the introduction of on-line banking services (AfDB, 2013).

The CIA World Factbook report 2012 states that the average equity capital per establishment does not exceed USD 12 million. Against this backdrop, access to financing remains difficult, in particular for SMMEs. Commercial bank credit represents 7% of GDP, one of the world's lowest rates. These banks pursue an extremely prudent policy (Bond 2006) and bad debts only represent 3% of outstanding argues on the private

sector despite the difficult environment. Moreover, credits granted are dominated by short-term loans which represent 66%, with sight deposits in foreign exchange accounting for 70% of commitments. Therefore, it is not possible to satisfactorily renew and expand the productive apparatus under these conditions. Micro-finance institutions are developing rapidly (Sacks, 2011).

Green (2008) concurs that the main feature of the Congolese economy remains the dominance of the American dollar as a measuring instrument, means of payment and as a store of value. According to the Central Bank, almost 90% of bank deposits are denominated in American dollars, while at least 95% of credits are granted in the same currency. The Government has already taken measures to 'de-dollarise' the economy, especially by issuing new bank notes with a high face value and the requirement to show prices in local currency. Also, the payment of tax in CDF is encouraged by the tax services (AfDB, 2013).

4.25 Conclusion

This study concludes that: the government failures, the lack of finance, and the lack of infrastructure (energy and transport) appear to be actively binding constraints. This study argues that the uppermost returns in terms of growth would be increased if these three binding constraints were resolved.

Government failure that is marked as the absence of the rule of law, mostly the uncertainty of legal and regulatory frameworks and low enforceability of contracts, appear to be most discouraging factors for foreign investors. Deep-rooted in the same institutional failure, this study identifies access to finance as a binding constraint, in particular for domestic investors.

Lack of access to finance is predominantly damaging to the agriculture sector, as small farmers lack alternating sources of funding and small urban enterprises lack the financial literacy and assets to collateralise. The causes of existing limitations, conversely, in the financial sector in DRC do not appear to lie within the banking system. They appear, instead, to be a symptom of government failures, such as the lack of enforceability of

collateral contracts and widely prevalent greedy attitudes that push private firms and investors out of the formal sector.

The energy-related problems are largely concentrated in the generation (accessibility) and distribution (quality and coverage) of electricity, restricting growth in sectors that are energy-intensive. Industry diversification away from the primary sector is therefore prevented, limiting growth in key economic growth poles like Kinshasa, Lubumbashi and Kisangani. Moreover, the lack of electricity reduces returns on investment in the infrastructure and manufacturing sectors. Weaknesses in the transport infrastructure are hurting the demand and the supply of goods, in particular for those regions where river transportation is not available.

CHAPTER FIVE

CONCEPTUAL MODEL

5.1. Introduction

This chapter focusses on the conceptual framework of the thesis. The first part of the chapter will be a concise outline of historical perspectives of entrepreneurship, citing advantages and disadvantages. The second part of the chapter focuses on the history of entrepreneurship; the third part focuses on theoretical perspectives of the conceptual framework.

These are followed by a detailed conceptual-theoretical perspective specifically evaluating the potential application to the distinctive entrepreneurship discipline. The orientation to know the entrepreneurship models was premeditated, as this will permit for an comprehensive framework that will help in eliminating possible gaps deriving from oversight of good elements of the existing approaches. Maxwell (2005) reports that a conceptual framework is a system of concepts, assumptions, expectations, beliefs, and theories that support and inform the research.

Kliewe *et al* (2013) assert and concur that conceptual framework is a written or visual presentation that: “reveals either graphically, or in narrative form, the main things to be studied; the key factors, concepts or variables and the presumed relationship among them”.

In a broad sense, the conceptual or theoretical framework is a tentative theory, theories are constructed to explain or predict phenomena like relationships and behaviour (Basavanthappa, 2007). The generalisations of the theory derived from observations will consist of interrelated ideas and models. The theoretical framework as a structure will

support the theory of the research work and provide reasons why the problem is understudy (Khattak, 2014).

Sekaran & Bougie (2010) declare that the theoretical framework then can be developed into a conceptual model, by developing concepts. The theoretical framework is essentially the basis on which the study is conducted, whereas the conceptual framework is the researcher's position on the problem.

A conceptual framework is not merely a collection of concepts but, rather, a construct in which each concept plays an integral role. According to Deininger, Jin & Nagarajan (2007), a conceptual framework "lays out the key factors, constructs, or variables, and presumes relationships among them". To discourage loose usage of the term conceptual framework, I propose basing conceptual frameworks not on variable or factors but on concepts alone. When variables or factors are used, I suggest employing the term model.

A conceptual framework provides not a causal or analytical setting but, rather, an interpretative approach to social reality. Rather than offering a theoretical explanation, as do quantitative models, conceptual frameworks provide understanding. A conceptual framework provides not knowledge of "hard facts" but, rather, "soft interpretation of intentions" (Jabareen, 2009). Conceptual frameworks are indeterminist in nature and therefore do not enable us to predict an outcome.

Fulcher & Scott (2011) has suggested that "the idea that human behaviour can be explained and predicted is roughly based on the concept of external factors being caught in an accidental cohesion, and the idea that human actions can be understood, but not predicted, is based on the concept of freedom". Conceptual frameworks can be developed and constructed through a process of qualitative analysis.

Stausberg & Engel (2011) acknowledge that a conceptual framework is the presumed reality which will inform the research design, which in turn will lead to the elucidation of further research questions and implications for additional research. A conceptual model

should be comprised of what is found in literature and from the unrecorded knowledge and information that resides with the practitioners and other sources associated to the subject under investigation. Focusing on literature alone will exclude the indispensable realities as experienced by the practitioners.

An integration of theories that may not have been considered related and pieces of information from other diverse sources may produce a more relevant conceptual framework (Matten & Moon, 2008). Therefore personal experience, personal research publications, empirical research and existing literature are the main sources for this framework. The model will be a physical or a graphical representation of a conceptual model or the researcher's mind map which realistically represents the situation in project management as envisaged by the researcher. This conceptual model will be used as a tentative theory connecting the various aspects of the study of entrepreneurship in the Democratic Republic of Congo context.

Table 5.1. Differentiation between the functions of Entrepreneur, capitalist and manager

	ENTREPRENEUR	CAPITALIST	MANAGER
Characterised by	Discovers and exploits opportunities A creator who initiates and motivates the process of change	Capital owner: shareholders Controlling shareholder Passive shareholder	Administrates and manages resources An administrator
Behaviour	Accepts risks Uses intuition, is alert, explores new business Leadership, initiates new ways of acting Identifies business opportunities Creation of new Enterprise	Arguesion to risk taking Assesses alternatives Choice of venture Assets	Arguesion to risk taking "Rational" decision-maker. Exploits business Creates and maintains competitive advantage Creates trust to enhance cooperation Supervision of the administrative process

Source: Cuervo et al 2007:1-2

As illustrated in the above table; the manager's function is first and foremost to supervise the process of combining resources, and efficiently manage the firm's business portfolio. He/she has a key function when, as is normally the case, firms do not operate efficiently, and instead are a long way short of their production boundaries (Gladwin & McConnell, 2014).

A second but fundamental task of the manager is to build up a reputation and an atmosphere of trust that transforms a conflictive system (individuals with conflicting objectives) into a system of cooperation. Managers should create a climate of trust so that employees will not tend towards opportunist behaviour, even when it suits their short-term interests, as well as achieving a greater degree of efficiency by reducing supervision and agency costs (Marturano & Gosling, 2008).

The capitalist is the provider of the firm's funds, either in the form of a passive shareholder (in the case of small shareholders or institutional investors) or as a majority shareholder or active shareholder who, in many small and medium sized firms, assumes both the entrepreneurial and managerial functions (Smithin, 2009).

Figure 5.1: The OECD/EUROSTAT framework for Entrepreneurship Indicators



Source: Ahmad & Hoffman, 2007

In terms of understanding the evolution of the database it's perhaps easier to consider the development from a top-down approach, that is, by considering the ultimate goals of policy makers vis-à-vis entrepreneurship policy, drawing, of course, on the collective knowledge gained from the many empirical studies that have investigated the impacts of entrepreneurship in recent decades (Ahmad & Hoffman, 2007).

Impacts therefore reflect the value created by entrepreneurs and entrepreneurship. As noted above this value can be manifested in a number of ways, for example a macroeconomic variable like GDP growth or employment, or indeed some other measure such as Gini coefficients reflecting income distributions. Entrepreneurial performance measures the entrepreneurial actions that are instrumental in delivering the impacts. Given the multitude of possible impacts (Kshetri, 2014), it follows that there is also a multitude of entrepreneurial indicators.

Miles & Banyard (2007) argue that different countries will therefore choose to focus on different indicators of performance depending on their policy objective (the value they wish to create). What we can say about the links between the performance measures and impacts however is, of course, based on prior analyses that have demonstrated these links.

Naturally, it is expected that the creation and application of this framework across national statistical offices will improve our understanding of the role that various aspects of entrepreneurship play in delivering these impacts, and indeed provide a comparable basis that facilitates the production of international analyses and comparisons (Stevenson, 2010).

Calcagnini & Favaretto (2011) affirm that the indicators included within entrepreneurial performance, and developed by the OECD EIP and its partners comprise, therefore, a basket of indicators that are generally thought to reflect entrepreneurship, and, indeed, that fit within the definitions outlined by the OECD.

Collins (2014) affirms that the indicators themselves are not revolutionary, but what is arguably revolutionary is the framework, which brings them together for the first time and provides an important and unique rationale for their collection across countries. Indeed, many of the indicators will be produced for the first time in many countries. A myriad of

underlying environmental and sociological factors coupled with the personal attributes of entrepreneurs affect the outcomes of the entrepreneurial process.

Kourtit, Nijkamp & Stough (2011) suggest that all of these factors and attributes are expressed in the determinants for entrepreneurship. The model recognises other relationships between the main components, in addition to those that flow from left to right (indeed, between the subcomponents too). For example, the model postulates that determinants can alter the amount and type of entrepreneurial performance, which in turn leads to changes in an impact category, such as economic growth.

Economic growth itself will have an impact on determinants, by affecting ease of access to finance, for example. Or a buoyant economy might encourage more entrepreneurs to take the steps to implement a business idea even if the determinants are unchanged. This model establishes a simple framework so that consistent, comparable and relevant data collection can proceed. Such data will help analysts to understand the interactions that may exist and target policies more appropriately. The sections that follow provide a detailed description of each of the subcomponents that have been identified by the OECD and its partners for each of the three main groups described above (Ahmad & Hoffman 2007).

5.2. Impact of Entrepreneurship

Diaz (2013) asserts that the major social and economic objectives related to entrepreneurship in the context of this framework have been identified as job creation, economic growth and poverty alleviation (Figure 5.2). Each of these objectives can be more precisely defined in terms of further specific objectives such as export growth or higher numbers of self-employed, which provide indicators for part or all of the more macro impact indicators. Fortunately, most of these indicators have meanings and uses beyond entrepreneurship studies or policy making and so their availability and international comparability are for many countries unlikely to be limited.

Perhaps the most important point to make here however is that of the three major flows in the framework this is arguably the least important in the context of this framework's objectives - to improve and motivate the quality and availability of information pertaining to entrepreneurship, since most of these indicators are already readily available (OECD, 2011).

Policy makers and analysts who draw on this framework are almost certainly more likely to draw and on use the indicators within the determinant and entrepreneurial performance sections to determine whether they correlate with any potential impact indicator they wish to affect / analyse, irrespective of whether they are included as one of the impact indicators identified in this framework (OECD, 2005:136).

Moreover one needs to recognise that the impact of entrepreneurship performance indicators on these macro-based objectives is not always so transparent and, indeed, rarely singular, in the sense that they are only affected by the identified performance indicators. Jobs created in a new firm, for example, will potentially affect employment in other firms, so the general equilibrium effects of these new jobs will depend on the functioning of the total economy (Link, 2006).

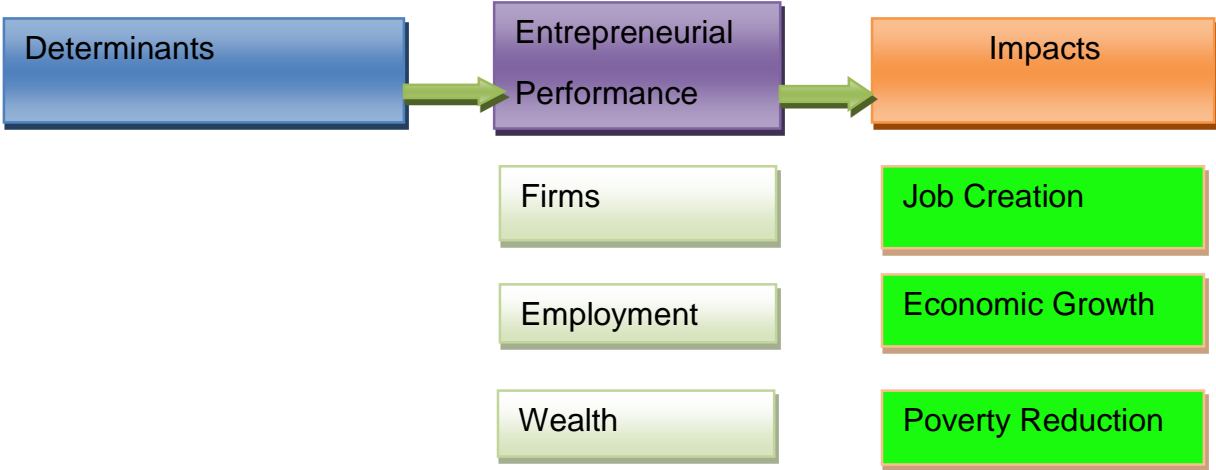
Indeed the same is true, and arguably more so if one considers new firms created through Schumpeterian creative destruction processes. In that sense one could argue that the necessity to identify impact indicators is limited. But their role in the framework is essentially to illustrate the theory that policy measures, introduced at the determinant level, stimulate increases in the performance indicators that have an impact on the final policy objective (Francesco, 2014)

Returning to the analogy made prior regarding transport, one could say that we are interested in providing the wheels, wings, hulls, engines, seats, speedometers and GPS systems that allow passengers to get to where they want to. We also provide some examples of the most popular destinations but ultimately it is the passengers who decide where they want to go (Harre, 2004).

Figure 5.2 below shows the framework with the key impact sub categories included. Partly reflecting the reasons outlined above, no indicators are currently identified within these sub-categories although many are clearly obvious candidates, such as GDP growth, Gini coefficients, employment indicators, average/median wages and salaries, relative poverty.

As the framework is utilised by analysts and the links between the performance indicators and specific impacts become clearer, on the basis of empirical evidence, it will be easier to populate these sub-categories with indicators. All the same, the EIP and its partners will work in the short to medium term to further develop this section to include specific indicators (Ahmad & Hoffman 2007)

Figure 5.2: The OECD/EUROSTAT framework for Entrepreneurship indicators – adding categories for entrepreneurial performance



Source: Ahmad & Hoffman, 2007

Table 5.3: The OECD framework for Entrepreneurship indicators – adding indicators to the categories for entrepreneurial performance

Entrepreneurial Performance		
Firms	Employment	Wealth
Employer firm birth rate	High Growth Firm Rate by Employment	High Growth Firm Rate by Turnover
Employer firm death rate	Gazelle Rate by Employment	Gazelle Rate by Turnover
Business churn	Ownership rate start-ups	Value-added by youth firms
Net business population growth	Ownership rate business population	Productivity contribution, youth firms
Survival rate, 3 and 5 years	Employment: 3 and 5 year old firms	Innovation Performance, youth or small firms
Proportion 3 and 5 year survival	Average firm size after 3 and 5 years	Export Performance, Small firms

Source: Ahmad & Hoffman, 2007

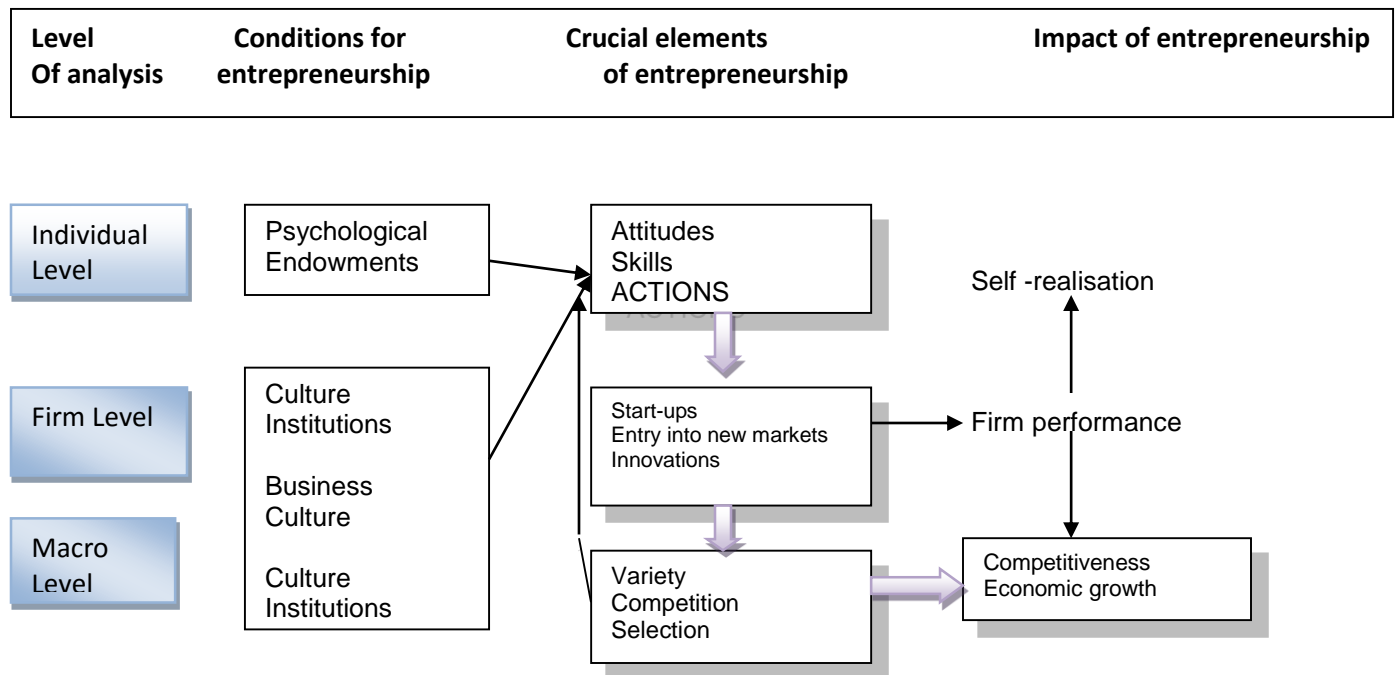
Table 5.4: The OECD framework for Entrepreneurship indicators – adding policy areas for entrepreneurial determinants

Determinants					
Regulatory Framework	R&D and Technology	Entrepreneurial Capabilities	Culture	Access to Finance	Market Conditions
Administrative Burdens for Entry	R&D Investment	Training and experience of entrepreneurs	Risk Attitude in Society	Access to Debt Financing	Anti-Trust Laws
Administrative Burdens for Growth	University/ Industry Interface	Business and Entrepreneurship Education (skills)	Attitudes Towards Entrepreneurs	Business Angels	Competition

Bankruptcy Regulations	Technological Cooperation Between Firms	Entrepreneurship Infrastructure	Desire for Business Ownership	Access to VC	Access to the Domestic Market
Safety, Health and Environmental Regulations	Technology Diffusion	Immigration	Entrepreneurship Education (mindset)	Access to Other Types of Equity	Access to Foreign Markets
Product Regulation	Broadband Access			Stock Markets	Degree of Public Involvement
Labour Market Regulation	Patent System; Standards				Public Procurement
Court & Legal Framework					
Social and Health Security					
Income tax; Wealth/Bequest Tax					
Business and Capital Tax					

Source: Ahmad & Hoffman, 2007

Figure 5.5: The Wennekers and Thurik Model



Source: Fayolle, 2007

The model distinguishes between three levels of analysis: the individual level, the firm level and the macro level. Entrepreneurial activity originates at the individual level and is always traceable to a single person, the entrepreneur. Entrepreneurship is, hence, induced by an individual's attitudes or motives, skills and psychological endowments.

Yet the individual entrepreneur is not undertaking entrepreneurial activities in a timeless and spaceless vacuum, but is affected by the context in which he or she is acting.

Therefore, entrepreneurial motives and actions are influenced by cultural and institutional factors, the business environment and macroeconomic conditions. While entrepreneurship originates at the individual level, realisation is achieved at the firm level. Start-ups or innovations are vehicles for transforming personal entrepreneurial qualities and ambitions into actions. At the macro level of industries and national economies, the sum of entrepreneurial activities constitutes a mosaic of competing experiments, new

ideas and initiatives. This competition leads to variety and change in the market that is, a selection of the most viable firms, their imitation and a displacement of obsolete firms (Audretsch; Grilo & Thurik, 2007).

Entrepreneurial activity hence expands and transforms the productive potential of the national economy by inducing higher productivity and an expansion of new niches and industries. Processes at the aggregate level are, in turn, linked to the individual layer, obviously including important feedback mechanisms for individual entrepreneurs. Entrepreneurs can learn from both their own and others' successes and failures, which enables them to improve their skills and adapt their attitudes (Fayolle, 2007).

5.3. The Concept of Entrepreneurship

Welsch (2004) quotes McClelland (1971): “an entrepreneur is someone who exercises control over production that is not for his own personal consumption. According to my definition, for example, an executive in a steel-producing unit in the USSR is an entrepreneur”. Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Schumpeter's economic development does not what neither the classical economists nor Marx nor Keynes was able to do: it makes profit fulfil an economic function. In the economic change and innovation, profit, in contrast to Marx and his theory, is not a Mehrwert, 'a surplus value' stolen from workers. On the contrary, it is the only source of jobs for workers and of labour income (Drucker, 2012).

Drucker (2009) emphasises that the theory of economic development shows that no one except the innovator makes a genuine 'profit'; and the innovator's profit is always quite short-lived. But innovation in Schumpeter's famous phrase is also 'creative destruction'. It makes obsolete yesterday's capital equipment and capital investment. The more an economy progresses, the more capital formation will it therefore need. Thus what the classical economist – or the accountant or the stock exchange – considers 'profit' is a

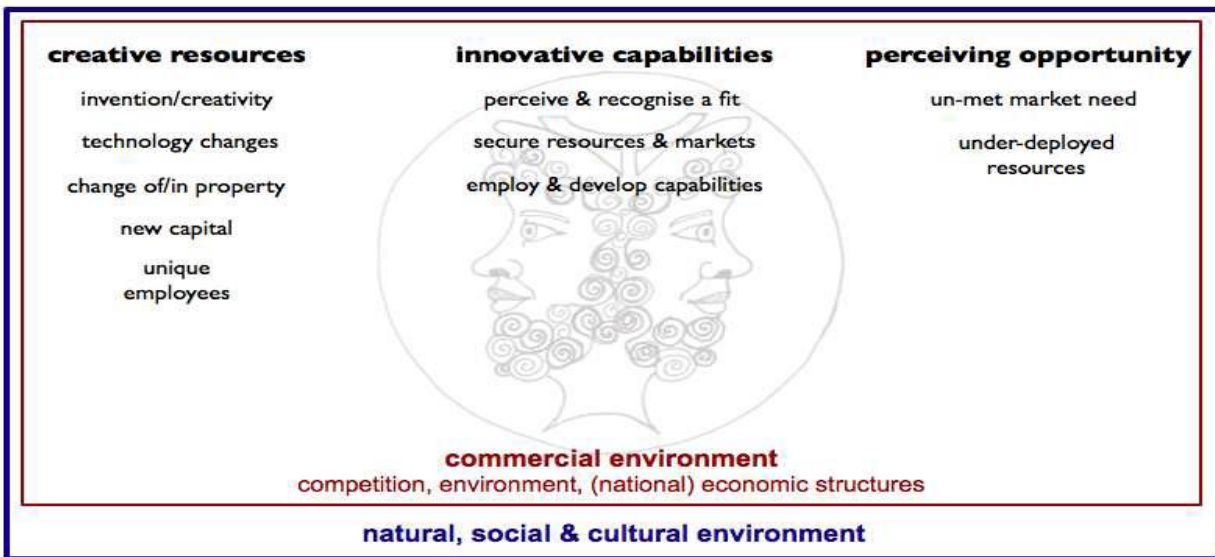
genuine cost, the cost of staying in business, the cost of a future in which nothing is predictable except that day's profitable business will become tomorrow's white elephant (Welsch, 2004). Thus, capital formation and productivity are needed to maintain the wealth-producing capacity of the economy and above all, to maintain today's jobs and to create tomorrow's jobs (Drucker, 2012).

Ever-increasing attention is being given to entrepreneurship as a component of economic growth. Entrepreneurship plays a very important role in the economic development of any country and it can be as well concurrent to economic growth and eventually to the overall wealth of any nation (Henry, 2007).

5.3.1. Dynamic & Insightful Entrepreneurial Activity

Returning to the dynamic conceptualisations emphasised in extant entrepreneurship definitions. Entrepreneurship was seen to involve human activity that was not generally done in an "ordinary business routine" (Gelderen & Masurel, 2012). Entrepreneurial activity is differentiated from the relatively "static" management, and is concerned with the process of change, emergence, and creation (Schumpeter, 2012).

Figure 5.6: Entrepreneurial Activity in the Commercial & Wider Environment



Source: Ahmad & Seymour 2008:13

Figure 5.6 invokes the two-faces of the Roman god Janus to emphasise that the entrepreneur is simultaneously looking back to the resources (and combining them in new and creative ways) *and* forward to markets (and perceiving new or unmet opportunities). The entrepreneur perceives and recognises a fit between the two, a process referred to as innovating. The entrepreneur's activities occur within a business context, which includes industry structures, competition (Styles & Seymour, 2006), and national economic structures. This business context is impacted in turn by wider environmental considerations, which include the economic, political, legal, social, cultural, social, and natural settings.

In undertaking such entrepreneurial activities, the entrepreneur is endeavouring to create value. The entrepreneurial community has long recognised the significance of value creation (for example, the venture capital community has this as a guiding mantra), and now management researchers too are increasingly recognising the importance of value analysis (for example (Lepak, Smith, & Taylor, 2007; Styles & Seymour, 2006).

5.3.2. Understanding entrepreneurial activity

Blundel & Lockett (2011) aver that entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. I shall now consider four key considerations such as: enterprising human activity, the assembly of unique bundles of resources, identification of market opportunities, and/or utilisation of innovative capabilities, the significance of the business and wider environments, and the creation of value.

a) Enterprising Human Activity

Returning to the earliest conceptualisations of the entrepreneur as the person “undertaking” or “projecting” into their future, the entrepreneur cannot evade the law of the market. He/she can succeed only by best serving the consumers. His/her profit depends on the approval of his conduct by the consumers (Spender, 2014).

As well as recognising the conceptual importance of action, researchers have included the concept in their definitions of entrepreneurship (Wood, 2013). However, entrepreneurship need not be defined by the formation of a new enterprise, for example an entrepreneur may license an idea or concept to another firm (Leitao & Baptista, 2009).

A more appropriate conception is that from (Seymour, 2007), who proposed entrepreneurship, to be the study of why, how and what happens when entrepreneurs act. Understanding the organising process is one of the necessary elements of entrepreneurship: “Entrepreneurs create new organisations through a dynamic process that involves such activities as obtaining equipment, establishing production processes, attracting employees and setting up legal entities” (Fayolle, 2007).

b) Leveraging Creativity, Innovation and/or Opportunity

Harrison & Leitch (2008) argue that to organise the human activities, the analysis now explores the nature of entrepreneurial activities, organising the analysis according to resources, capabilities and markets introduced above.

Resources include access to: physical capital such as property or plant and equipment, financial capital such as debt finance or equity, and intangible resources such as intellectual property or technology. These resources can typically be bought and sold by firms or individuals. Changes in these resources can have dramatic implications for firm performance, with changes in these resources typically resulting from creative inventions or discovery, or unusual and unique combinations of these resources such as venture capital funding. Entrepreneurial activity in “creative resources” is supported by the “entrepreneurial community”, which includes venture capitalists, debt providers, and intellectual property lawyers (Marinov & Marinova, 2012).

Capabilities include the human and social expertise required to leverage a firm’s resources to market. In an entrepreneurial context, these innovative capabilities include

the perception and recognition of a match between creative resources and market opportunities. This may include novel and skilled capabilities as well as unique or unusual social networks and connections (Tsang, 2006).

The perception and discovery of market opportunity is an important focus of entrepreneurship research (Dana & Anderson, 2007), as it is one of the most important abilities of successful entrepreneurs and is one of the core intellectual questions for researchers (Onetti & Zucchella, 2014). Market entry need not result in the founding of a new firm or the use of market mechanisms, however “it does require the creation of a new way of exploiting the opportunity (organising) that did not previously exist” (Delmar & Wennberg, 2010).

c) Operating in Changing & Uncertain Environment

Two influential perspectives on entrepreneurship stem from Joseph Schumpeter and Israel Kirzner: Schumpeter (2012) viewed entrepreneurship as creating market disequilibrium from its 15 original equilibrium position by generating innovations, i.e., as disruptive. This disruptive entrepreneurship should not be interpreted as destroying and replacing industries with new ones but as bringing change to the market to a greater or lesser degree.

Grebel (2004) suggests that given the different ways entrepreneurs fulfill their role in the market; it can be argued that Kirznerian and Schumpeterian entrepreneurs could both work simultaneously, as the former engage in mediation and the latter in innovation. Cultural impacts, widely considered in entrepreneurship literature, are a narrow consideration of the entire environment affecting entrepreneurial activity. These wider environmental impacts include the natural, social and cultural environments. One popular framework for analysing these impacts is the PESTLN framework: political, economic, socio-cultural, technological, legal and the natural environments. These environmental impacts are typically outside the control of the entrepreneur, and outside the control of the particular industry participants (Northon, 2008).

In addition to the environmental factors, the business environment will impact entrepreneurial activity. These factors could include industry structures, impacted by bargaining power, threats and competitive rivalry. Policymakers can have significant impact on these industry conditions (Muffatto & Giacon, 2012).

d) The Creation of Value

The entrepreneur creates extraordinary value in the sense that their entrepreneurial activity results in maintained competitive advantage and super-normal returns for a number of parties. Innovators (entrepreneurs) enjoy “temporary monopoly power” (Canterberry, 2011). When imitators see a signal that above-normal gains can be made, they enter and erode the entrepreneurs’ profit and return the market to equilibrium.

As reviewed in Walker & Brown (2004), entrepreneurs have been shown to value a number of non-financial measures of success, including autonomy, job satisfaction, the ability to balance work and family. These are all subjectively and personally defined, however, can have a major impact on the decisions and exchanges involved in the creation and exploitation of opportunities (Seymour, 2012).

Likewise, at the firm and national levels, value can include economic, social or cultural significance. Economic value would be considered in relation to an activity’s pecuniary, or dollar, output and include concepts such as economic growth, productivity growth etc. Alternatively, an entrepreneurial undertaking can create social value such as personal relationships, poverty reduction, and enhancement of job satisfaction or the creation of better jobs. A third value that could be considered in addition to these two extrinsic values is cultural value, which relates to the development of creative or cultural capital (Karner & Oliphant, 2012).

Smallbone *et al* (2010) maintain that entrepreneurial activity results in more than self-employment, and may include returns to employees, shareholders, society (through tax and other payments), other members of the entrepreneurial community (such as financiers and advisors) and customers (through superior value propositions).

Entrepreneurial value creation and exchange can form the basis of understanding entrepreneurial activity and its impacts at both a micro level (individual, group) and macro level (organisation theory, strategic management, and policy-level). Furthermore, impact of value 16 creation provides insights into the relationship between new ideas and their exploitation and the associated differences between value creation and value capture (Lepak *et al*, 2007).

Acs & Audretsch (2010) maintain that entrepreneurial activity includes the entry of new markets, the creation of new products or services, and/or the innovation associated with different business activities (new markets, new capabilities, and new products/services). Entrepreneurial activity can therefore be associated with organic as well as acquisitive decisions. The essential question relates to whether the activity involves new entry and activity (not how that entry or activity was “acquired”).

Secondly, entrepreneurial activity does not include those people considering or planning entrepreneurial activity. Such phenomena would be considered in relation to cultural or socio-cultural analysis, which may indeed impact entrepreneurial activity indirectly. This could be contrasted with the TEA index (Reynolds *et al*, 2005), which measures the ratio of people classified as entrepreneurs to the total adult population.

The criteria for classification of “entrepreneur” is based on whether a respondent is planning to, or owning and managing a business aged between 0 and 42 months (Minniti *et al*, 2006). The definitions proposed in this paper do not measure those “considering” entrepreneurial activity, nor does it differentiate between entrepreneurs in new or old ventures. The success of an entrepreneur’s undertaking is based on the strength of their perceived opportunity, innovative capabilities and creative resources. It is not based on their intentions or on a supply/demand equation for entrepreneurs.

Thirdly, and related to the second point above, there is no particular vehicle that is required for entrepreneurial activity to be undertaken. In developing economies, it may be

appropriate for researchers to measure the number or rate of firms entering the formal economy, however for developed economies, an entrepreneur may utilise either an incorporated entity, partnership, or operate as a sole trader as the entrepreneurial vehicle (Hopt & Hippel, 2010).

It may well be that the establishment of new firms can be an important indicator of entrepreneurial performance; however it is not in itself entrepreneurial. For illustrative purposes: The formal establishment of a firm is perhaps one of the least significant events that an entrepreneur will initiate. For example, Wankel (2008) argues that the most critical issue for entrepreneurial businesses is the first large investment (and not the establishment of the business).

Finally, entrepreneurial activity does not result in economic impacts alone. There are important social and cultural impacts of entrepreneurial activity. These impacts can affect the narrower business environment or industry, as well as the wider natural, social and cultural environments. Although pecuniary data are often the simplest and most widely available measures available, the definitions do not limit the value considerations to economic outputs alone (Fernando, 2011).

5.4. The Concept of Entrepreneurial Competency

Dlabay & Scott (2011) maintain that the business operation is considered to be very complex in a competitive business environment which is constantly changing with fast technological advancements. An entrepreneur is expected to interact with these environmental forces which require him to be highly competent in different dimensions like intellectual, attitudinal, behavioural, technical, and managerial aspects. Entrepreneurs are therefore permanently challenged to deploy a set of competencies to succeed in their entrepreneurial endeavours.

Based on the work of Allen (2006), entrepreneurial competencies are defined as underlying characteristics possessed by a person which result in new venture creation, survival, and/or growth. These characteristics include generic and specific knowledge,

motives, traits, self-images, social roles, and skills that may or may not be known to the person. That is, these characteristics may be even unconscious attributes of an individual. Some of these competencies are innate while others are acquired in the process of learning and training and development (Kaur, 2013).

Kochadai (2013) quotes Muzychenko & Saeed (2004) who differentiate between innate and acquired aspects of competencies of an individual. The former involve traits, attitudes, self-image and social roles and are sometimes referred to as “internalised elements” (Bartlett & Ghoshal, 1997) and the latter involve components acquired at work or through theoretical or practical learning (i.e., skills, knowledge, and experience), and they are often referred to as “externalised elements”.

The internalised aspects of competencies are difficult to change, whereas the externalised elements can be acquired through proper training and education programs and need to be practiced (Man & Lau, 2005). In the context of a small business enterprise, these competencies are normally studied as characteristics of the entrepreneur, who owns and actively manages the business.

Kochadai (2013) quotes Stuart & Lindsay likewise also defined competencies as a person’s skills, knowledge, and personal characteristics. Entrepreneurial competencies have also been understood in terms of traits, skills and knowledge. For the purpose of the present study, entrepreneurial competencies are defined as individual characteristics that include both attitudes and behaviours, which enable entrepreneurs to achieve and maintain business success. Specifically, in this study, entrepreneurial competencies are comprised of the entrepreneur’s motives, traits, self-image, attitudes, behaviours, skills, and knowledge (Allen, 2006).

5.5. Concept of Entrepreneur - A Historical Perspective

The term entrepreneur was first used by Richard Cantillon in his essay on “The Nature of Commerce” (Shillingford, 2010). According to him an entrepreneur was one who buys services at certain prices in order to combine them to produce a product and sell it at

uncertain prices at the moment at which he commits himself to his costs. This analysis recognises that an entrepreneur has the willingness to bear risk. Cantillon viewed the term entrepreneur from the supply side and ignored the demand side. It can also be supplemented. (Kochadai, 2013).

The word entrepreneur comes from the French word “*entreprendre*”, which means “to do something” and it was originally used in the Middle Ages in the sense of a ‘person’ who is active, who gets things done. The term entrepreneur was later applied to architects. Seeing such activities as the entrepreneurial function, Bernard de Bolidor, Says and Hoselitz, defined it as buying labour and material at uncertain prices and selling the resultant product at a contracted price (Siddiqui, 2008).

Julien (2007) quotes Vesper mentions that there are 11 types of entrepreneurs operating in the community. However, all of Vesper’s types are private sector related. It is of interest to note however that when entrepreneurs are defined, they are rarely characterised by the pursuit of financial gain. Thus persons who work in the public or social system might also be defined as entrepreneurs if the entrepreneurial processes of searching for opportunities and accessing resources are applied to this public or social role.

Koontz & Weihrich (2010) acknowledge that entrepreneurs take personal risks in initiating change, and they expect to be rewarded for it. They need some degree of freedom to pursue their ideas, this in turn requires that sufficient authority be delegated.

Acs & Audretsch (2010) affirm that an entrepreneur is one who can transform raw materials into goods and services, who can effectively utilise physical and financial resources for creating wealth, income and employment, who can innovate new products standardize or upgrade existing products for creating new markets and new customers.

Based on the above review, the present research views an entrepreneur as a change agent, an innovator who is also a risk taker, who exploits business opportunities in his environment and utilises resources effectively to develop new technologies, produces

new products and services to maximise his profits and contributing significantly to society's development (Mohanty, 2005).

Strong (2009) maintains that this view encompasses the desire of the entrepreneur to maximise profit and contribute to economic and social well-being of the society. It shows the entrepreneur as one who is also imbued with the ability to organise a business venture with the desire to achieve valued goals or results. He is a catalyst of economic or business activities. The compound of all these attributes in operation may be termed as "entrepreneurship".

5.6. Factors of Firm Growth

The purpose of figure 5.6.1 below is to demonstrate that the three components: the entrepreneur, the firm and the strategy – all need to combine appropriately in order that the firm achieves rapid growth. The figure 5.6.1 shows that it is only in the shaded area, where all three circles intersect, that the combination is appropriate. It is also clear that the shaded area constitutes only a small proportion of each of the individual circles or components.

Less rapidly growing, no-growth or failing firms may have some appropriate characteristics in the entrepreneur, firm or strategy areas, but it is only where all three combine that the fast- growth firm is found. Each component provides a distinctive contribution to our understanding of the growth of small firms, but it is possible to consider the components as comprising a set of separate elements. Table 5.6.1 shows that each component can be considered as a variety of different elements.

5.6.1 Factors influencing growth in small firms

Table 5.6.1. Factors influencing growth in small firms

The entrepreneur/resources	The firm	Strategy
1. Motivation	1. Age	1. Workforce training
2. Unemployment	2. Sector	2. Management training
3. Education	3. Legal form	3. External equity
4. Management experience	4. Location	4. Technological sophistication
5. Number of founders	5. Size	5. Market positioning
6. Prior self-employment	6. Ownership	6. Market adjustments
7. Family history		7. Planning
8. Social marginality		8. New products
9. Functional skills		9. Management recruitment
10. Training		10. State support
11. Age		11. Customer concentration
12. Prior business failure		12. Competition
13. Prior sector experience		13. Information and advice
14. Prior firm size experience		14. Exporting
15 Gender		

Source: Olaore, 2014:15

The table 5.6.1 above identifies fifteen elements within the entrepreneur/ resources component, six within the firm component and fourteen within the strategy component. The entrepreneur/ resources component – These refer to the characteristics of the individual or individuals who provide the prime managerial resources of the small business. The entrepreneur(s) and their access to resources can be identified prior to the business being established. In principle each element could be measured or assessed prior to starting the business, although some elements are more difficult to measure than others. An example is measuring motivation or social marginality which might pose more problems than specifying gender, number of founders or their ages. Nevertheless, the integrating, or common characteristic of the entrepreneur/ resources component is that all elements can be identified prior to business start-up and they relate exclusively to the entrepreneur and his/her access to resources, not to the business which is established.

The firm - The characteristics in this component reflect decisions made by the entrepreneur upon starting the business such as choice of legal form, location, or the sector in which the business should operate. They are not, however, operational decisions which are made once the business starts, since these are what are included in the strategy component, although clearly it is possible to change location or legal status once the business has begun to trade. The second common characteristic of firm elements is that they are factors which are generally held constant in examining the growth performance implications of entrepreneurial characteristics.

The strategy – It is perhaps the elements in this third factor that are of prime interest. To some extent strategy in this context can be considered as asking the question – given the characteristics of the entrepreneur(s) and the firm – what managerial actions, once the firm has started, are likely to be associated with more rapid rates of growth. The fourteen elements listed in this component 28 have been considered by researchers as dimensions of strategy which could influence small firm growth.

5.6.2. Barriers to Growth

In addressing the question of growth of small firms, an alternative way is to look at the so called 'barriers to growth' literature. This literature assumes that a number of small firms wish to grow, but they are prevented from doing so by 'barriers'.

In this perspective, a study by Johnson named Barriers to Growth in Small Firms (2012) can be consulted. The study summarised the literature on the factor under three headings: Management and Motivation, The sources, and market opportunities and structure. The idea is the same as presented in the table 5.6.1 by D.J. Storey's factors influencing small business firm growth, only that barrier to growth looks at the question of small business growth in a negative way.

Schumpeter, Knight, and Kirzner all agree that the pursuit of profit, the desire to capture a reward for one's efforts one of the central drivers of entrepreneurial activity. As

Schumpeter emphasises, a critical aspect of the entrepreneurial process is transforming ideas into profits, rather than innovating for the sake of innovation. While this may be obvious, the fact that entrepreneurship is enterprising means that entrepreneurship cannot exist or occur in organisations such as government (Godin; Clemens & Veldhuis, 2008).

5.6.3. The Impact of Government Policies

Sometimes consciously and sometimes unconsciously, government policies can increase or decrease market concentration. Tax policies, for example, may make it difficult for (SMMES) to attract capital if there is corporate income tax exemption (Dijgraaf and Gradus, 2008).

Also, when a government provides subsidies to firms with certain characteristics, this decision can influence the market structure through the disappearance of efficient firms that did not receive them. Another example is the creation of incubating ventures whereby entrepreneurs receive public and private support to create their firm (OECD, 2006).

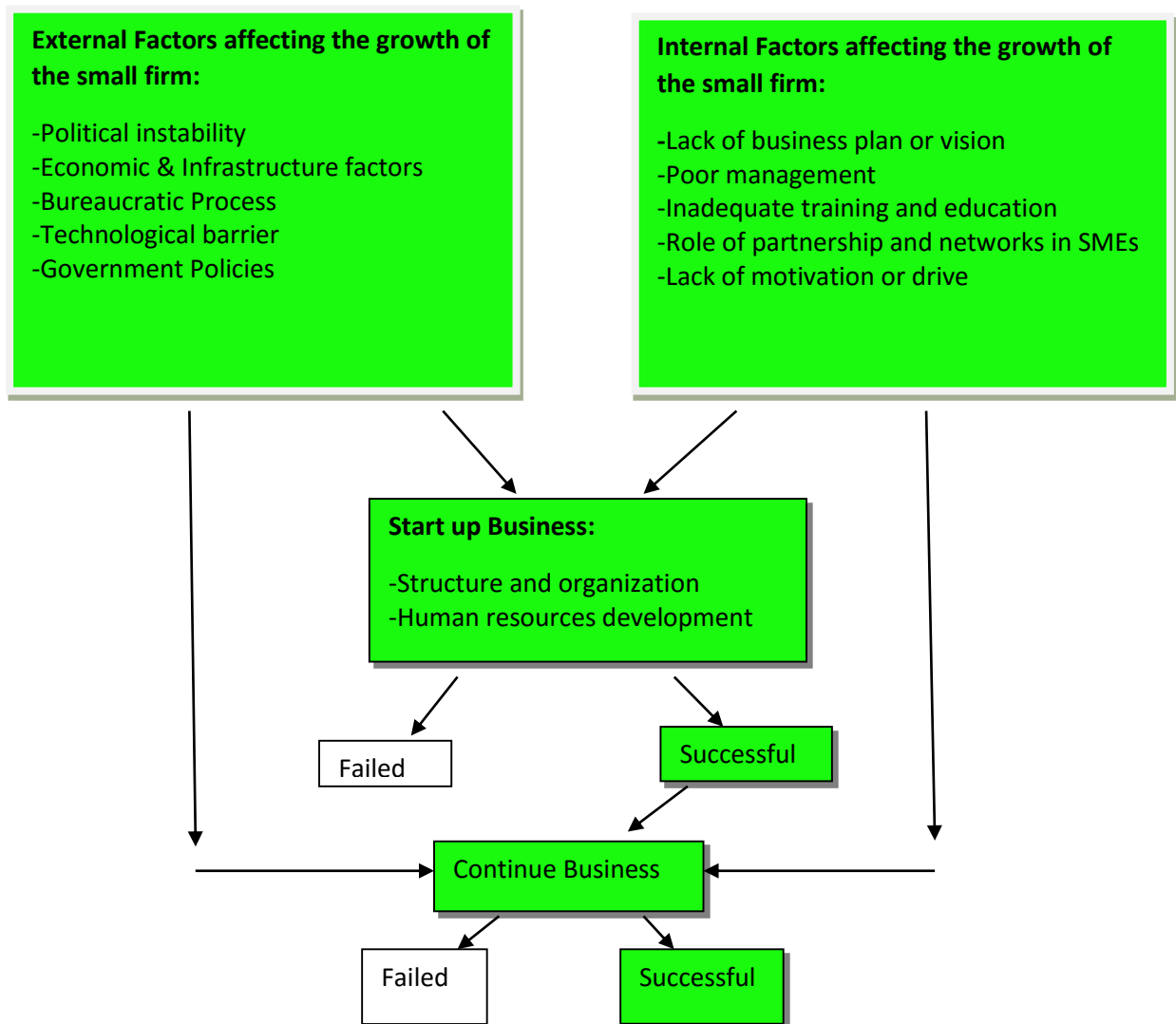
This financial and administrative support modifies the distribution of firms in the market. This modification can be positive, if the firms receiving the support are efficient, or negative, if the firms are inefficient. Firms located in the incubating centers may therefore increase their potential efficiency in the market artificially and take the place of efficient firms that do not receive external help (Desai, Nijkamp & Stough, 2011).

Consequently, public policy can cause inefficient firms to supplant efficient firms in the market. If these firms do not receive help, they may leave the market. The end result would be an increase in market concentration.

5.7. Frame of Determinants of Entrepreneurship

The frame of determinants of entrepreneurship consists of external and internal factors affecting the growth of the small industries as detailed in this figure 5.7.1 below.

Figure 5.7.1 Frame of Determinants of Entrepreneurship



Source: the researcher model own construction

As illustrated in this figure 5.7.1, the external and internal factors affecting the growth of the small firm are listed in order to comprehend the frame of determinants of entrepreneurship.

5.8. Conclusion

Economies depend upon their business enterprises. To run the business efficiently and effectively competencies of entrepreneur plays a significant role. Organisations are dependent on entrepreneurs who basically perform multi-tasks therefore they are a crucial link to the economy and their proficient functioning is the foremost parameter to efficient output growing for the economy at large.

On the basis of two new conceptual frameworks linking the actions of individuals to the realm of macroeconomics, this study argues that a comprehensive approach to the promotion of entrepreneurship rests on two major pillars: strengthening of entrepreneurial skills and improvement of entrepreneurial framework conditions.

These two pillars should be considered as an interlinked set of policies for the following reasons: on the one hand, entrepreneurs do not act in a vacuum, but whether and how they use their skills and motivations to transform business ideas into profit opportunities is reported by existing framework conditions. On the other hand, entrepreneurial behaviour can always be traced back to individuals and their entrepreneurial attitudes, skills and motivations. Experience demonstrates that when these attitudes and skills persist, adverse framework conditions cannot totally contain them, and individuals will seek to find ways that let them benefit from their ideas.

CHAPTER SIX

RESEARCH DESIGN AND METHODOLOGY

6.1 Introduction

Research is defined as the creation of new knowledge and/or the use of existing knowledge in a new and creative way so as to generate new concepts, methodologies and understandings (Suri, 2013). This could include synthesis and analysis of previous research to the extent that it leads to new and creative outcomes. Hence, research is a scientific inquiry aimed at learning new facts, testing ideas, etc. It is the systematic collection, analysis and interpretation of data to generate new knowledge and answer a certain question or solve a problem (Upadhyay & Singh, 2008).

Singh (2006) quotes Crawford who asserts that “research is simply a systematic and refined technique of thinking, employing specialised tools, instruments & procedures in order to obtain a more adequate solution of a problem than would be possible under ordinary means.” It starts with a problem, collects data or facts, and analyses these critically based decisions actual evidence. It involves original work instead of mere exercise of personal opinion. It is quantitative, seeking to know not only what but how much and measurement is therefore a central feature of it.

Even supposing there are other distinctions in the research modes, the most ordinary classification of research methods is into qualitative and quantitative (Burns & Grove, 2011). At one level, qualitative and quantitative refer to distinctions about the nature of knowledge: how one understands the world and the critical purpose of the research. On another level of exchange of ideas, the terms refer to research methods, that is, the way in which data is collected and analysed, and the type of generalisations and representations derived from the data.

Myers (2013) asserts that quantitative research methods were originally developed in the natural sciences to study natural phenomena. Qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena.

Kumar (2014) argues that both quantitative and qualitative research studies are carried out in education. Neither of these methods is intrinsically better than the other; the appropriateness of which needs to be determined by the context, purpose and nature of the research study in question; in actual fact, sometimes one can be an alternative to the other depending on the type of study.

6.2 Purpose of the study

The aim of this study is to discover the distinctiveness of entrepreneurship in underdeveloped countries with a hostile environment for business developments. In the case of the DRC, entrepreneurship is developed under life-threatening conditions, rarely seen elsewhere. The extreme conditions for entrepreneurship are present as result of transitional particularities and marginalised context deriving from political circumstances surrounding the DRC. Apart from the barriers and particularities of business environment that derive mainly from the transitional phase, the political situation has heavily influenced entrepreneurial developments in the country (Schweickart, 2010).

Nevertheless, the important role of small firms for economic development is widely recognised (Van Stel, 2005). This role is even further highlighted in underdeveloped countries where it is expected that these firms become a main engine of transformation, job creation and income generation. Yet in most of these countries, small firms failed to take this role (Szirmai, Naude & Alcorta, 2013). The inadequate and often hostile institutional environment in those countries was recurrently mentioned as playing a major role in constraining small business development (Welter & Smallbone, 2011).

In such a setting, it was argued that the creation and the growth of new firms as well as the strategies that they implement are considerably influenced by external environment such as economic conditions, technological changes, social and cultural forces, physical variables, international forces and political and legislative variables (Nieuwenhuizen, 2011).

Stokes *et al* (2010) state that it is very important to consider the capacity building of entrepreneurship by supporting the creation of strong business institutions, such as chambers of commerce and other business associations, and providing other services that enable businesses to access information on international prices, potential clients, and investment opportunities. Improving financial and trade services, a possible intervention might include making credit more available and offering savings facilities and trade friendly banking instruments as well as ensuring that the different priorities of men and women, youther and older people, and those working in small or larger businesses are taken into account (Szirmai *et al*, 2013).

6.3 Research objectives

6.3.1. Primary objective

- The main purpose of this study is to identify factors that favour or hinder entrepreneurship in the DRC.

6.3.2. Secondary objective

- To determine the disproportion in entrepreneurial development between DRC and other African underdeveloped countries.

6.4 Research questions to be addressed in this study

The above statements led to the following research questions:

- What are factors that favour entrepreneurship in the DRC?

- What are factors that hinder entrepreneurship in the DRC?
- Which are the main barriers to doing business in the DRC?
- How do these barriers influence small business development in the DRC?
- How do the environmental factors affect the results obtained by entrepreneurs?

6.5 Research hypothesis and theoretical research

Coldwell & Herbst (2004) describe a hypothesis as a statement about concepts that may be judged true or false with respect to observable phenomena, formulated in manner suitable for empirical testing. It is a conjectural statement of relationship between two or more variables (a symbol or concept that can assume any of a set of values) that carries clear implications for testing the stated relations (Kumar, 2008).

The following hypotheses are constructed on information from the previous literature review:

Hypothesis 1: The performance of successful and failed entrepreneurs in small industrial business is related to political issues.

Hypothesis 2: The performance of successful and failed entrepreneurs in small industrial business is related to the informal issues such as corruption and bribes.

Hypothesis 3: The performance of successful and failed entrepreneurs in small industrial business is related to the economic and infrastructural environment of business in the DRC.

6.6.1 Delimitation of the research

The study focusses on the development of entrepreneurship under life-threatening environments and on DRC's entrepreneurial activities in formal and informal business environments.

6.6.2 Significance of the research

Developing entrepreneurial activities will provide better leverage to the DRC government and to uplift the level of activities of SMMEs. Playing an energetic role will show the way to job creation, as well as people's empowerment for a competitive economy. The study will further benefit DRC to exploit best practices to effectively use entrepreneurial activities to diversify key resources within their economy. It will highlight government failures or successes in term of developing entrepreneurial activities.

6.7 Research design and methodology

A combination of qualitative and quantitative research will be used because of the nature of the problem and the primary research objectives that seek to look for cause and effect relationship. The research method and research design are persistently confused and sometimes utilised interchangeably. These two are interconnected but not the same. Bryman & Bell (2011) acknowledge that a research design is the plan on how you intend to go about the research, whereas a research methodology is the methods utilised for the research. Table 6.7.1 below shows the differences between research design and research methodology.

Table 6.7.1 Difference between research design and research methodology

Research design	Research methodology
Focuses on the end-product: What kind of study is being planned and what kind of results are aimed at.	Focuses on the research process and the kind of tools and procedures to be used.
Point of departure (driven by) = Research problem or question.	Point of departure (driven by) = Specific tasks (data collection or sampling) at hand
Focuses on the logic of research: What evidence is required to address the question adequately?	Focuses on the individual (not linear) steps in the research process and the most "objective" (unbiased) procedures to be employed.

Source: Mouton 2007:75

6.8.1 Research method

Wilson (2010) asserts that research is a process of enquiry and investigation; it is systematic, methodical and; research increases knowledge. Research is a scientific inquiry aimed at learning new facts, testing ideas, etc. It is the systematic collection, analysis and interpretation of data to generate new knowledge and answer a certain question or solve a problem (Upadhya & Singh, 2008).

The purpose of research is the fact of exploration, description and explanation (Kumar 2008), to estimate or create existing knowledge; explore existing situations or problems; supply solutions to problems; investigate and scrutinize more general issues; build or generate new procedures or systems; elucidate new phenomenon; produce new knowledge or a combination of any of the above.

6.8.1.1 Different types of research

Research can be classified according to the following criteria (Stevens et al 2008):

- The purpose of research is the reason why you are conducting given research
- The process of research shows the way in which data will be collected and analysed
- The logic research shows whether you are moving from general to the specific or vice versa
- The outcome of research shows whether the outcome is to solve a given problem or the outcome is to generate knowledge.

Table 6.8.1.2 shows types of research based on this classification

6.8.1.2 Types of business policy research

Table 6.8.1.2 Types of business policy research

Basis of classification	Type of research
Purpose of research	Exploratory, descriptive, analytical (explanatory), or predictive research
Process or approach of research	Quantitative or qualitative research
Logic of research	Deductive or inductive research
Outcome of research	Applied or basic research

Source: Mwape & Mumba, 2012

As revealed in this table above, Mwape & Mumba (2012) provide evidence that there are more types of research such as:

- **Exploratory research**

Exploratory research (Audretsch; Grilo, & Thurik, 2007) is conducted when there is little or no information about the research problem because there are few or no past research studies. Exploratory research aims to look for patterns, ideas, or hypotheses. It is not aimed at testing hypotheses. Typical research techniques used in exploratory research include case studies, observation and historical analysis. Both quantitative and qualitative data can be collected in exploratory research.

- **Descriptive research**

Descriptive research is conducted to characterize or profile an issue, problem, persons, events, products, objects, or situations as they exist. Descriptive research goes further than exploratory research in examining a problem or issue. Descriptive research aims answering the “what?”, “who?”, “where?”, “when?” and “how?” research questions (Mouton, 2007).

- **Analytical research**

Analytical or explanatory research can be a continuation of descriptive research. Analytical research goes beyond just profiling a problem or situation to explaining or analysing why the problem is occurring. Analytical research aims at answering the “why?” and the “how?” research questions (Audretsch *et al*, 2007).

- **Predictive research**

Predictive research can go even further than analytical research. Predictive research forecasts the probability of a similar situation happening elsewhere. Predictive research aims at answering the “will?” and the “how?” research questions (Kumar, 2014).

Deductive research involves developing a conceptual and theoretical structure which is tested by empirical observation (Stevens *et al*, 2008). Deductive research therefore “tests theory”. Deductive research is conducted through the following sequential stages (Saunders *et al*, 2007); Developing the theory by deducing a hypothesis from the theory.

- Expressing the hypothesis in operational terms (that is indicating exactly how the concepts or variables are to be measured), which proposes a relationship between two specific concepts or variables
- Testing this operational hypothesis
- Examining the specific outcome of the inquiry; this will tend either to confirm the theory or indicate the need to modify it.
- If necessary, modifying the theory in the light of the findings

Inductive research involves developing a theory from the observation of empirical reality. Inductive research therefore “builds theory”.

Another common classification of research divides research into applied and basic research. Applied research is research that is aimed at solving practical problems encountered in specific business environments. Basic research is conducted primarily to improve our understanding or knowledge of general issues. Basic research is also known as pure, academic, fundamental and theoretical research (Kumar, 2014).

The most universal information gathering methods are literature review, interviews with individuals or focus groups, telephone surveys, internet surveys, etc. Nevertheless the use of e-mails, the internet, and other non-personal methods are cheaper in gathering information, it was decided that given the nature of this research, there was a need for personal interviews to; increase the response rate, answer questions where clarity was needed, and to give general guidance and accelerate the rate of collection of the responses. A focus group was used in the preliminary stages to assist with opinions, attitudes which help in the construction of the research instrument, the questionnaire. The decision on the research methods to be used led to the choice of the research design (Kumar, 2008).

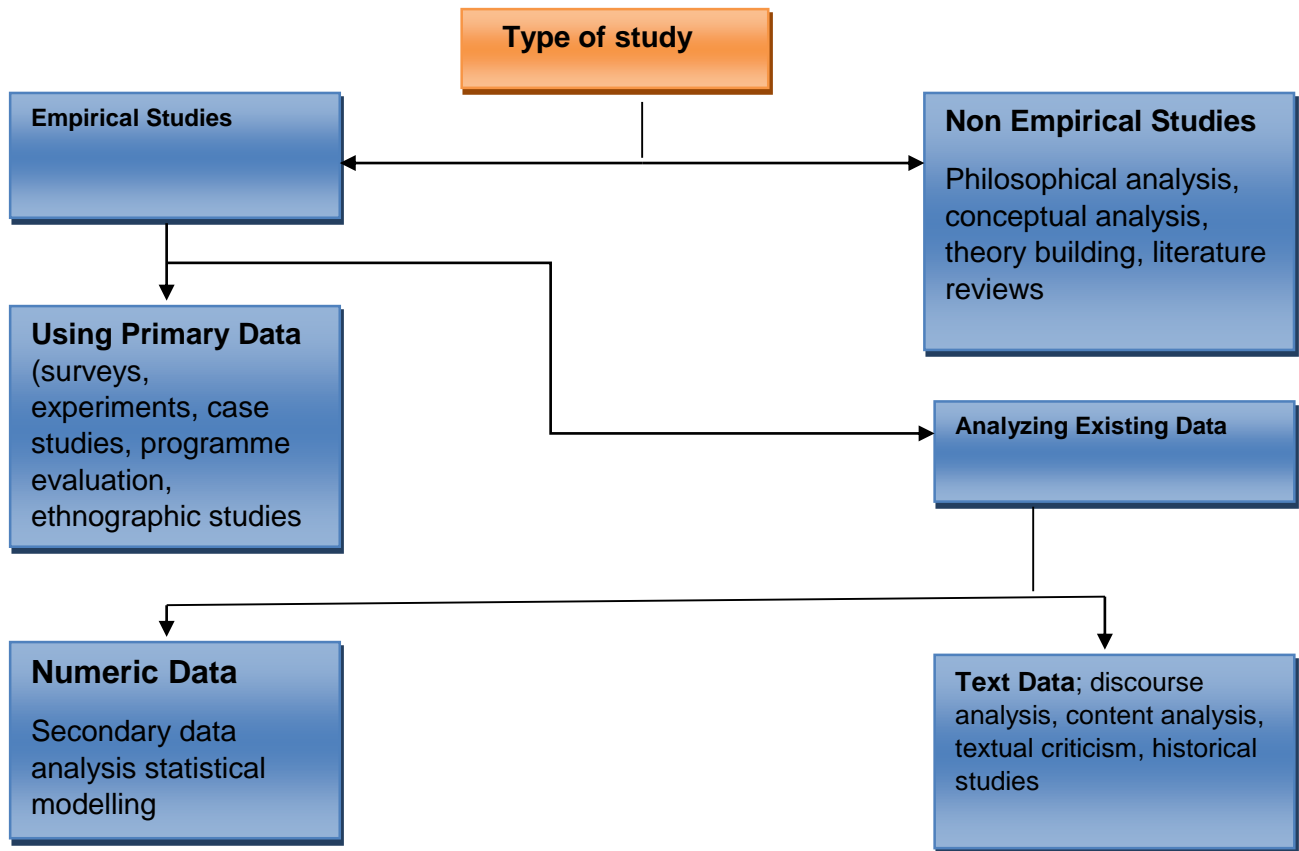
6.8.2 Research design

Research design is the blueprint or the plan and structure designed for the collection, measurement and analysis of the data used to answer the research questions (Blumberg, 2008). Research design provides the logical framework upon which the research project is conducted and enables the researcher to gather evidence that will enable the research question to be addressed (David & Sutton 2004). The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible. David & Sutton (2004) concur that obtaining relevant evidence entails specifying the type of evidence needed to answer the research question, to test a theory, to evaluate a programme or accurately describe the phenomena.

In this study the plan includes the interviews, analysis of records, and the nature of the data collection instrument stipulating both the plan of investigation and the structure of the research problem. The research design helps in the planning and structuring of the research study in a way that may be financially viable, and still maximise the validity of the research results. It may be necessary to present the design types of research designs. Figure 6.8.6.2.1 below shows these different types

6.8.2.1 A Typology of research design types

Figure 6.8.2.1 A Typology of research design types



Source: Mouton, 2008:57

A combination of the research design and the research method influences the outcomes of the research undertaking, meaning, there needs to be congruence between the design and the method to come up with valid findings. Since the research was largely descriptive, and partly exploratory, a combination of methods was used, which also influenced the choice of the design.

Classifying research according to the process or approach of research divides research into quantitative and qualitative research. Quantitative research utilises an objective approach. It deals with phenomena to produce numerical or quantifiable data that can be rendered to statistical analysis and the testing of hypothesis (Welman, Kruger & Mitchell, 2005). Quantitative research makes use of questionnaires, surveys and experiments to gather data that is revised and tabulated in numbers, which allows the data to be characterised by the use of statistical analysis (McNabb, 2013). Quantitative researchers try to understand the facts of a research investigation from an outsider's perspective by keeping the research process as stable as possible. They focus on the causal aspects of behaviour and the collection of facts that won't change easily. They control the investigation and structure of the research situation in order to identify and isolate variables. They focus more on reliability that is consistent and stable measurement of data and usually aims for larger numbers of the cases and the analysis of results is usually based on statistical significance (Welman *et al*, 2005)

Qualitative research utilises a subjective approach to collect non numeric data reflecting perceptions of the research subjects in order to gain an understanding of social and human activities. Flick (2009) emphasises that qualitative research intends to explore and to discover issues about the problem on hand, because very little is known about the problem. There is usually uncertainty about dimensions and characteristics of problem. It utilises 'soft' data and gets "rich data". The qualitative researcher then should attempt to become more than just a participant observer in the natural setting that is being investigated. He or she also has to make a deliberate attempt to put themselves in the shoes of the people they are observing and studying and try and understand their actions, decisions, behaviour, practices, rituals and so on, from their perspective (Mouton, 2007).

A palpable basic distinction between qualitative and quantitative research is the form of data collection, analysis and presentation. While quantitative research presents statistical results represented by numerical or statistical data, qualitative research presents data as descriptive narration with words and attempts to understand phenomena in "natural settings". This means that qualitative researchers study things in their natural settings,

attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them (Flick, 2007).

6.8.2.2 Methods utilised for literature review

Accredited scholars who have published their works in journals, textbooks, conferences papers and doctoral thesis comprised of the source for literature review. From these publications ideas, information, data, and valuable inputs were sourced which helped in the formulation of the research questions and the writing of the literature review section of the thesis (Blumberg, 2008). Generally, some publications opposed each other and formed supplementary research questions and opportunities for further studies. The review of the literature helped basically in establishing the context of the problem and factor; understanding the structure of the problem; clarifying the variables; understand different theories applied to the problem; and informed on which research designs were best suitable to provide a valid understanding of the effects of political instability to entrepreneurial activities.

6.8.2.3 The survey

Mouton (2007) substantiates that the Survey research is a very old research technique. In the Old Testament in the bible, for example, we find the following:

After the plague the Lord said to Moses and Eleazar the son of Aaron, the priest, "Take a census of all the congregation of the people of Israel, from twenty years old and upward..." (Numbers, 26:1-2).

Kendall (2011) reports that a survey is a poll in which the researcher gathers facts or attempts to determine the relationship among facts. Surveys are the most widely used research method in social sciences because they make it possible to study things that are not directly observable such as people's attitudes and beliefs. The study was conducted using the survey method using an instrument (questionnaire) and the data was collected from a randomly selected sample through the use of entrepreneurs' students. The use of the survey method was based on the theory that samples from the population

if correctly chosen will provide the same information as can be provided by a census. The survey method was considered ideal for various reasons, namely;

- contact directly the people who experience the entrepreneurial activities struggle
- understand directly from the entrepreneurs what their limitations are in the business
- ensure the completion of the information gathering instrument effectively and efficiently
- increase on the response rates by use of personal interviews
- survey method allows many variables and hypothesis to be tested

6.8.2.4 Characteristics of the population

The population under survey was entrepreneurs in the Democratic Republic of Congo capital area that is Kinshasa and Katanga province (Lubumbashi) because there were two largest cities and towns. Even though the intention was not to look exclusively at the Kinshasa and Katanga populations expressly, for economic reasons, and for the purposes of convenience the Kinshasa and Katanga populations were enthusiastically available. More than 250 ethnic groups have been identified and named of which the majority are Bantu according to the CIA the World Factbook report (2012).

The four largest groups:

- Mongo, Luba, Kongo (all Bantu), and the Mangbetu-Azande make up about 45% of the population. The country has also 60,000 Belgians, whose ancestors stepped out after it won independence. Bantu peoples (80%): Luba (18%), Mongo (17%), and Kongo (12%)
- Others : Ambala, Ambuun, Angba, Babindi, Baboma, Baholo, Bangala, Bango, Batsamba, Bazombe, Bemba, Bembe, Bira, Bowa, Dikidiki, Dzing, Fuliru, Havu, Hema, Hima, Hunde, Hutu, Iboko, Kanioka, Kaonde, Kuba, Kumu, Kwango, Lengola, Lokele, Lundas, Lupu, Lwalwa, Mbala, Mbole, Mbuza (Budja), Nande, Ngoli, Bangoli, Ngombe, Nkumu, Nyanga, Pende, Popoi, Poto, Sango, Shi, Songo,

Sukus, Tabwa, Tchokwé, Téké, Tembo, Tetela, Topoke, Tutsi, Ungana, Vira, Wakuti, Yaka, Yakoma, Yanzi, Yeke, Yela etc.

- Central Sudanic/Ubangian : Ngbandi, Ngbaka, Manvu, Mbunja, Moru-Mangbetu, Zande, Logo, Lugbara.
- Nilotic peoples : Alur, Kakwa, Bari
- Pygmy peoples : Mbuti, Twa, Baka, Babinga

More than 600,000 pygmies (around 1% of the total population) are believed to live in the DR Congo huge forests, where they survive by hunting wild animals and gathering fruits.

Languages

Languages of the Democratic Republic of the Congo are basically French (official), Lingala (a lingua franca trade language), Kingwana (a dialect of Swahili), Kikongo, Tshiluba, over 200 ethnic languages. French is generally the medium of instruction in schools. English is taught as a compulsory foreign language in Secondary and High School around the country. It is a required subject in the Faculty of Economics at major universities around the country and there are numerous language schools in the country that teach it. In the town of Beni, for instance, there is a Bilingual University that offer courses in both French and English.

Religions

The CIA The World Factbook (2012) asserts that Roman Catholic has 50% of Christians in Democratic Republic of Congo, Protestant 20%, Kimbanguist 10%, Muslim 10%, other (includes syncretic sects and indigenous beliefs) 10%. Joshua project (2009) official report rectified by arguing that Roman Catholic has 43.9% of Christians , Protestant 24.8%, Other Christian 23.7%, Muslim 1.6%, Non-religious 0.6%, Hindu 0.1% other syncretic sects and indigenous beliefs 5.3%.

6.8.2.5 Target population

Population in this study refers to objects or the subjects with specific characteristics which consist of the total collection of the individuals from which the study will be carried

Mendenhall, Beaver & Beaver (2009) report that population is the set of all measurements of interest to the investigator. The population is an integral part of posing the primary question (Friedman, Furberg & DeMets 2010). The target population will comprise of entrepreneurship practitioners of all industries combined. A pilot questionnaire will be sent to a small sample of the practitioners to enable the proper construction of an ideal questionnaire for the respective industries (Welman *et al*, 2005).

6.8.3 Sampling frames, sampling and sample size

A sample is a part of the population that is selected for the study and sampling is the method used to select that part of the population for the purposes of the study (Blumberg, 2008). The sample frame in this study is constituted by the correct list of the population members directly involved in entrepreneurship activities as entrepreneurs.

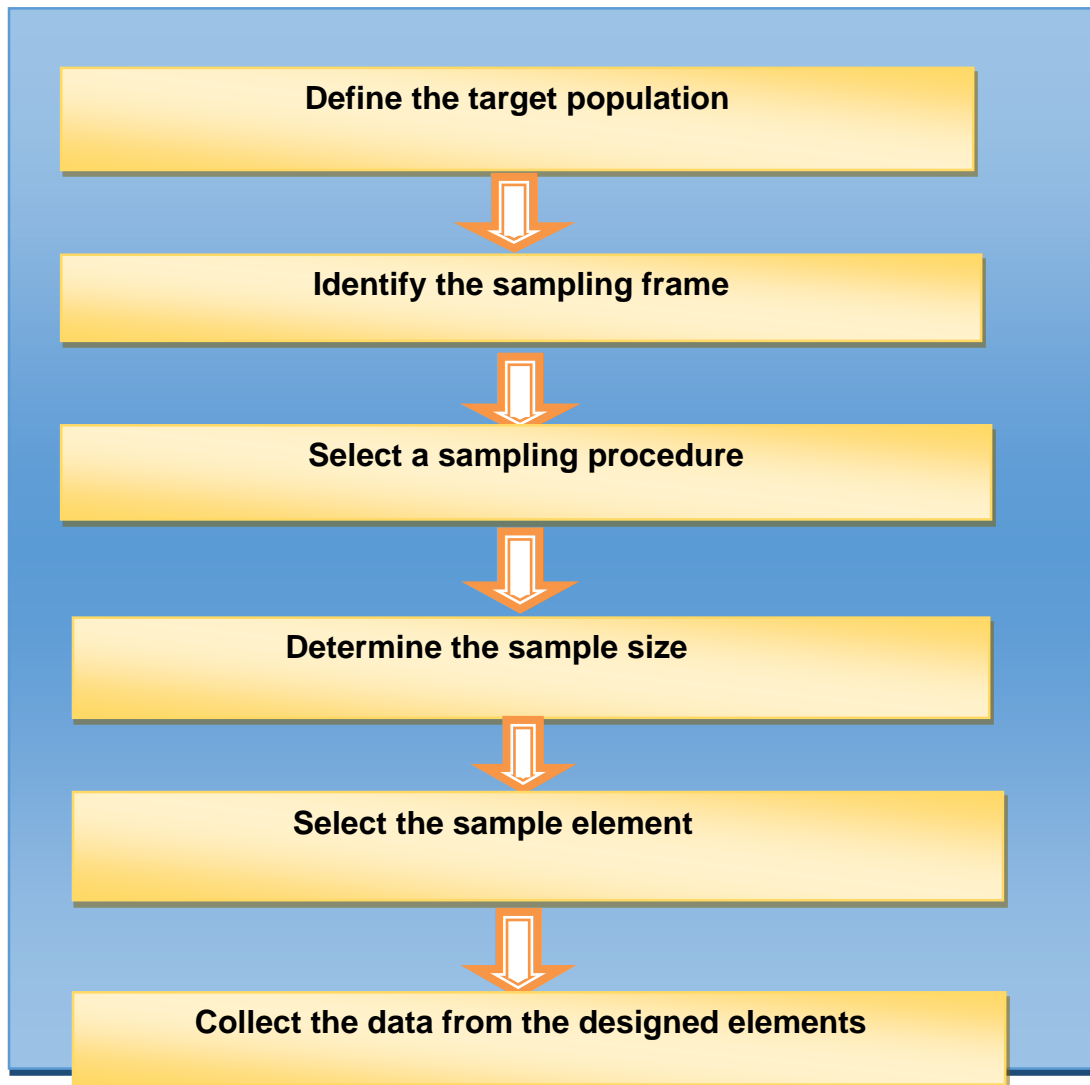
Simple random sampling will be used to identify organisations involved in entrepreneurship execution. From these organisations all entrepreneurs in manufacturing, retail and services industries will be interviewed if they are available. The sample size has been determined on the basis of the cost of the exercise and accessibility to an assortment of small enterprises (Welman *et al*, 2005).

The sample size for the study has been fixed at a minimum of 300 entrepreneurs in all types of business. According to Welman *et al* (2005) the larger the sample the lower the standard error, thus the number of units involved in this study is critical for the proper analysis and conclusion of the study. Maree (2008) suggests the consideration of eight factors that influence the decision on the size of the sample; these are type of research, research hypotheses, financial constraints, and importance of the results, number of variables to be studied, methods of data collection, the levels of accuracy required and the size of the population.

However, a correctly chosen representative sample will adequately provide the necessary information for the purposes of decision making. Churchill & Lacobucci (2009) suggested that sampling passes through six steps; definition the population, identifying the sampling frame, selecting a sampling procedure, determining the sample size, selecting the sample

elements, and collecting the data from the revealed elements. The steps are illustrated below.

Figure 6.8.3.1 The six-step procedure for drawing a sample



Source: Adapted from Churchill & Lacobucci 2009:283

Step 1: define the population – the population was defined as all individuals working in an entrepreneurship environment who are affected directly by the entrepreneurial

activities. Such people should be able to understand what constitutes entrepreneurship success, and what is required for effective entrepreneur.

Step 2: identify the sampling frame – the sample frame is the list of all elements from which the actual sample will be drawn. In this study the sample frame comprised of the list of individuals who qualify for the sampling, these are, the entrepreneurs in all combined industries.

Step 3: select a sampling procedure – the sampling procedure used was a mixture of convenience and probability random sampling.

Step 4: determine the sample size – Zikmund & Babin (2006) suggest five possible approaches that can be used to determine the ideal size for a research sample. These are; the arbitrary approach, conventional approach, the cost basis approach, statistical analysis approach, and confidence approach. The population variance of the entrepreneurs was not known, and none of the above approaches was used exclusively, somewhat the approach used had more to do with convenience and judgement, but it met the requirements of the rest of the suggested approaches. The size of the sample was arbitrary, based on the availability of entrepreneurs who contacted other practitioners in their work environment.

Step 5: select the sample elements – these are essentially the properties of the sample, which in this case were identified as the positions that needed to be occupied by the interviewees. The interviewees were specifically people who are directly involved in entrepreneurship field.

Step 6: collect the data from the revealed elements – the data was collected from the elements by use of structured questionnaires with sections of open ended questions to be answered by the respondents.

6.8.4 Measuring instrument

The instrument used for the process was the questionnaire, this instrument passed through certain stages during its construction. Initially (before the construction started) the researcher listed reviews of alternative questions based on the literature review

conducted, the research problem as identified earlier and the purpose of the study. Using the guide by (Zikmund & Babin 2006), the researcher identified and determined the objectives for the study, decided on the data collection methods, started the development and evaluation of the questions, had a pre-test with a few prospective interviewees, adjusted the questions as was deemed necessary, asked for the opinion of a statistician, and started gathering the data required. For the sake of uniformity in the questions, one language (French) was used, to remove interpretation errors during translation from one language to another (English to French or English to Tshiluba, Kikongo, Swahili or Lingala our national languages).

6.8.4.1 Pre-testing of the questionnaire

To improve on ease of administration, improve reliability and validity, the questionnaire was pretested at two big public places in Kinshasa and Lubumbashi. This pre-testing was also done with the understanding that a well-constructed and relevant questionnaire will improve the response rate for the survey. These suggestions from the entrepreneurs together with assistance from the statistician and the supervisors were built into the final questionnaires sent out. The revised instrument therefore improved the acceptability, reliability, and validity of the proposal.

6.8.4.2 The reliability of instrument used

Reliability is ability of the instrument to solicit the same answer from the same person if asked differently. It has to do with the clarity of the questions asked and their relevance to the study objectives. If the instrument is not reliable, it may be because the questions are understood differently by people with the same feelings or opinions, meaning therefore that the information gathered by the use of this instrument cannot be reliable. Simply put, any measuring procedure must yield the same results when the trials are repeated.

6.8.4.3 Instrument validity

Validity is the accuracy of the instrument; an instrument can be reliable but not valid for the purpose. Validity is about the exactness or truthfulness of the response to the

question. In the same measure, a valid instrument should be relevant to the study objectives, and should also be in such a way as to extract the truth. The validity of an instrument then is measured by whether or not the measure accomplishes (Blumberg, 2008). There are two types of validity (internal and external validity) and each type of validity has its own threats that must be guarded against. Special effort was put to preempt any possible validity problems resultant from the way the questionnaire was constructed. The questions were short to the point and relevant to the purpose of the study, all leading questions, ambiguous questions, and any forms of bias were removed from the questionnaires before they were administered. This assisted in improving the validity of the instrument, and thence the data collected is believed to be valid.

6.8.5 The research instrument design

Somekh & Lewin (2005) proclaim that in a quantitative study the first should be to identify and define research questions which are testable theoretically and empirically testable. These questions were designed in a way that made it easy for both the researcher and the respondents to understand each other (Saunders *et al*, 2007). All double-meaning or ambiguous questions were corrected to bring the necessary clarity for easy communication, and systematic classification for analytical purposes. Zikmund as cited by Jowah (2013) posited that proper attention to structure, design and format of both the questions and the questionnaire itself improved the response rate. Comments received from the practitioners from the pre-testing sample were incorporated into the questionnaire. Special mention was made of the need to restructure the questions in the last section of the questionnaire on the authority gap. These suggestions from the practitioners together with assistance from the statistician and the supervisors were built into the final questionnaires sent out. The revised instrument therefore improved the acceptability, reliability, and validity of the proposal. Colton and Covert as cited by Jowah (2013) proposed that the questionnaire should request for information that will be amenable to organising in a logical, consistent and replicable manner to improve reliability and validity.

6.8.5.1 Data collection method and the research instrument

A well-structured questionnaire will be used as an instrument to gather the required data from the randomly selected organisations. According to Stevens *et al* (2008), a questionnaire is a list of well thought and carefully structured questions with the intention of soliciting for reliable responses to research questions. The effort put into the designing of the questionnaire seeks to assist in obtaining information from the population as accurately as possible, obtaining maximum cooperation from respondents from the target population and facilitating the collection and analysis of the data.

The instrument will initially be sent to a minimum of 20 entrepreneurs chosen randomly. The feedback from the entrepreneurs will then be used to reconstruct the questionnaire for the research. The reconstructed instrument will subsequently be used to collect data from the respondents. This data will need to be analysed properly to give accurate information to the researcher.

6.8.5.1.1 Ethical considerations

The questionnaire clearly stated, and it was emphasised during the training that responding to the questions was a voluntary exercise, and no one was under any obligation. Further to that, no names, or names of companies, or any form of identifications were allowed to be put on the questionnaires. In the initial stages of the preparation of the questionnaire, the Ethics Committee of the university had evaluated the questionnaire for ethics. The purpose of the survey was clearly stated.

6.8.5.1.2 Data analysis

The research process goes through five steps, namely; planning, the data collection or fieldwork, editing of data collecting instruments to eliminate obvious errors during the collection of data, the coding of the information collected (this is captured on to the computer), and data analysis follows as the last step.

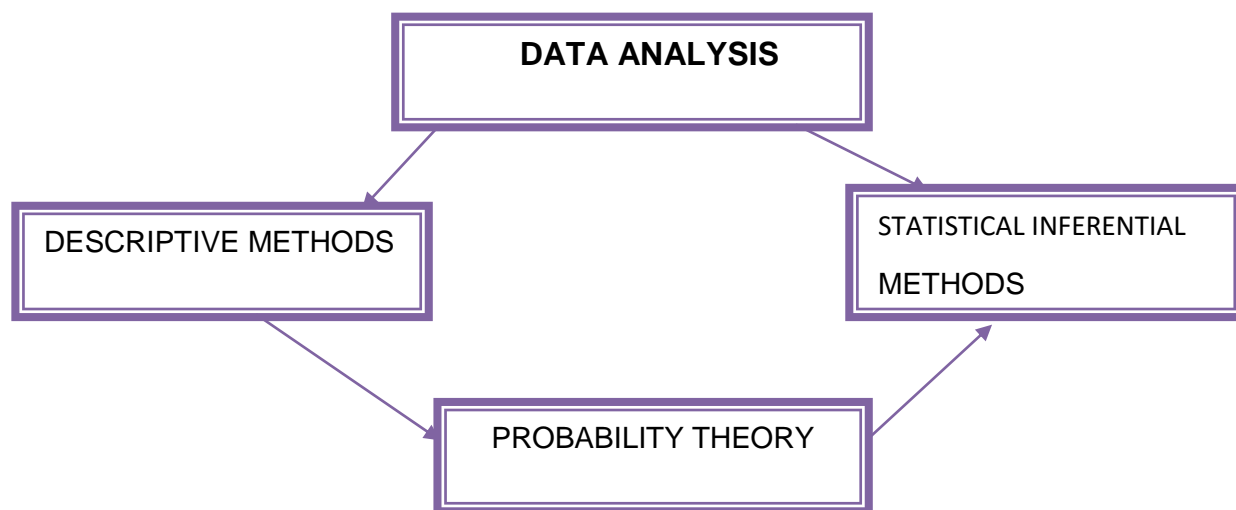
The first step in the analysis is descriptive statistics which entails ordering and summarising of the data through tabulation and graphic representation, this is followed

by the calculation of the descriptive measures. This displays the inherent trends observed from the data collected.

The second step is statistical inference, which entails drawing inferences about the population from which the sample was drawn. This is done by using descriptive measures that have been calculated.

Descriptive statistics and statistical inference are the two main aspects of the data analysis; cognisance should be taken of the reality that information on any population will never be 100% correct. This introduces another concept to data analysis, the theory of probability; this is the bridge between descriptive and inferential statistics. The diagram below shows this point.

Figure. 6.8.5.2 Data analysis process



Source: Jowah 2013:282.

The objectives of data analysis are essentially to get a feeling of the data, testing the goodness of the data and testing the hypothesis for the research (Sekaran & Bougie, 2010). This is based on statistical regularities in the occurrences of certain elements of the research instrument. This regularity assists in establishing inferences and identifying possible characteristics that may be required as critical core competencies for effective entrepreneurship. Stevens et al (2008) postulate that the choice of the methods and

techniques used for data analysis depend on the type of data; qualitative or quantitative. The data to be analysed in this study is quantitative, the questionnaire will be assigned numerical values to measure the importance of given behavioural expectations by the respondents.

Three principles will be used for the actual statistical analysis, namely;

- The data will undergo exploratory factor analysis to assess discriminate validity of the measuring instrument.
- Testing the measuring instrument's reliability by measuring internal consistency (Cronbach alpha reliability coefficients).
- The instruments found both reliable and valid will be used in the model for regression analysis to assess the independent variables.

6.8.6 Data analysis and interpretation

Data preparation procedures

When the data was collected, it was immediately prepared in order to correct any possible inaccuracies on the questionnaires, to identify illegible, incomplete or ambiguous responses, and provide data that the computer can read. The preparation involved three stages, these were; editing, coding and classification of the data. This was done to ensure that the questionnaires complied with the criteria for the collection of research-worthy data. Coding is a technical process in which the responses from the respondents are given symbols to represent the response. A coding manual was created and codes were given to the responses / questionnaires, post-coding. Classification; the data was classified to show the basic information with the key research questions according to the characteristics (Jowah 2013).

The following nine steps were followed during data processing, validation, editing, coding, data entry, data cleaning, data description, inferential statistics, and the writing of the report. Below is the detail of what was done during the nine steps in data preparation.

Validation: the process of determining if a survey's interviews or observations were conducted correctly, with professionalism and courtesy without any unethical methods or fraudulent behaviour. Here you try to determine that everyone interviewed was actually

interviewed to detect interviewer fraud (Mouton, 2008). Validation by telephone covers these areas;

- did the respondent qualify to be surveyed
- did the interviewer cover the whole survey
- was the interviewer courteous was the person actually interviewed

Editing: Stevens et al (2008) assert that the process of checking on the raw data for writing mistakes, for incomplete questionnaires, etc. These problems may be caused by the interviewer or the respondent. The editing process involved manual checking for numerous other possible problems like;

- check if the interviewer did not ask or record certain questions
- check closed to see if skip questions were observed
- check on the responses to open-ended questions

The editing process is divisible into two types, i.e. Field Editing and Central Editing. Field editing checked on the work and the questionnaires, these questions were asked;

1. Does it comply with screening requirements?
2. Did they comply with skip instructions?
3. Compliance with individual question instructions
4. Is the questionnaire completely filled in?
5. Are the answers eligible enough for the reader?
6. Is there any constancy in the answering of the questions?
7. Use of unfamiliar language or words or symbols

Coding: The process of assigning a code or symbol to a question on the questionnaire to change the respondent's answers to symbols or numbers that can be read and analysed by the statistical tool (Jowah, 2013).

Data entry: The direct putting of coded data into a software package which will allow the analyst or statistician to transform the raw data into useful information. The SPSS

package was used for the purpose. All the questionnaires were paper based and had to be transferred into electronic format readable by a statistical software package (SPSS). This involved direct entry of validated, edited and coded data into an ideal software package.

Data cleaning: After data was entered into the computer before analysis, another checking mechanism was employed to check if data was not wrongly entered. The data cleaning concept helps you remove any errors before you start the analysis stage. The following items were checked for:

- Number of respondents to match the number of the questionnaires received and data captured
- Checked for compliance on the eligibility of the respondents
- Marking clearly the intended answer without marking more than one item from the Likert scale used (Jowah, 2013).

6.8.7 Data verification methods

Paul Hague as cited by Jowah (2013) referred to verification as "concerned with establishing whether a research plan is fully translated into practice and may require the working practices to build in various types of checking ..." What Exactly Did Verification Do? Verification helped with checking;

- a) the research design against the objectives
- b) the questionnaire against the information coverage
- c) interviews carried out as the design intended

Data verification can be done in four different ways; by re-entering the data, by use of a database structure, or a data entry form design, or use the output analysis. Two methods were used in the data verification process, the data re-entry and the output analysis method.

Re-entry of data: Mouton (2008) asserts that the intelligent data entry system is programmed to take only the codes that have been recorded in the software package.

Thus when wrong codes are entered the computer rejects them because it does not recognise them. To correct this, data will be re-entered.

Output analysis: after the analysis of the research information was done, the researcher checked for compliance of results to established theories in leadership and project leadership specifically.

6.8.8 Conclusion

This chapter has outlined the purpose of the research methodology of this study, to exploit valid answers to a research question. The researcher was key data collection instrument. Data was collected by means of interviewing. The researcher made sense of data by utilising a descriptive method to analyse it and moreover certified that the data was reliable.

Research needs to be structured in such a way that the indication furthermore bears on different rival explanations and enables us to categorise which of the challenging explanations is most likely convincing empirically. It similarly means that we must not simply look for evidence that supports our favourite theory: we should likewise look for evidence that has the potential to contradict our preferred explanations.

Finally, the researcher reveals the sample selection, describes the procedure used in designing the instrument and collecting the data, and provide an explanation of the statistical procedures used to analyse the data by Observing the principles of generosity, human dignity as well as justice ensured that the participants were morally and ethically protected.

CHAPTER SEVEN

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

7.1 Introduction

This chapter describes and discusses the results of the study which are summarised and presented in frequency distribution charts and tables. The intention of the study was to identify factors that favor or hinder entrepreneurship in DRC and to determine the disproportion in entrepreneurial development between DRC and other African underdeveloped countries.

The study was conducted on entrepreneurs whose businesses fall under production, agriculture and services in Kinshasa and Katanga regions. A total of 363 individuals at different levels of employment in those 3 industries were interviewed. The research instrument was constructed, sent to a few interviewees (20) and then reconstructed to meet the standards expected from an instrument or questionnaire of its calibre. Another very significant thing was the fact that the questionnaire designed in English, and it was translated into French because of the DRC population target which is French speaking.

The instrument was separated into eight sections. The first dealt with biography, the second section dealt specifically with business registration. The third and the fourth sections made inquiries about other issues that relate to sourcing funds and other sources of funding. The fifth section was purely dealing with policies. The sixth section was exclusively dealing with tax. The seventh section was dealing with the security situation in DRC and the eighth section was exploratory with open ended questions.

The SPSS was used for analysis because of its effectiveness and user friendly qualities. The sections below discuss to some detail the data collected, and the analysis given thereof. The order of the data analysis and interpretation has been deliberately put as

follows: biography is discussed first to give the reader prior understanding of the demography of the respondents, so as to interpret the information provided in context. Afterward the order is followed as set in the research instrument, with section A coming first following by section B up till section H. Section H is a very special section because it is open ended and respondents were free to state whatever they thought was significant according the question.

7.2 Section A: Biography

The questions requested in this section were: 1) Are you involved in business? 2) What is your age range? 3) How long have you been in business? 4) What category does your business fall under? 5) What is your level of education, please tick applicable box. 6) What is your Gender? 7) What is your nationality? 8) Why did you decide to start a business? 9) Any other reason, please specify

These question intended to necessitate, to establish an understanding of the type of respondents in terms of the existence period in the business, the involvement of the respondents according to their category in the business, number of years in that particular activity as an indicator of how much they understood the evaluation of the effects of political instability on entrepreneurial activities in the case of the DRC.

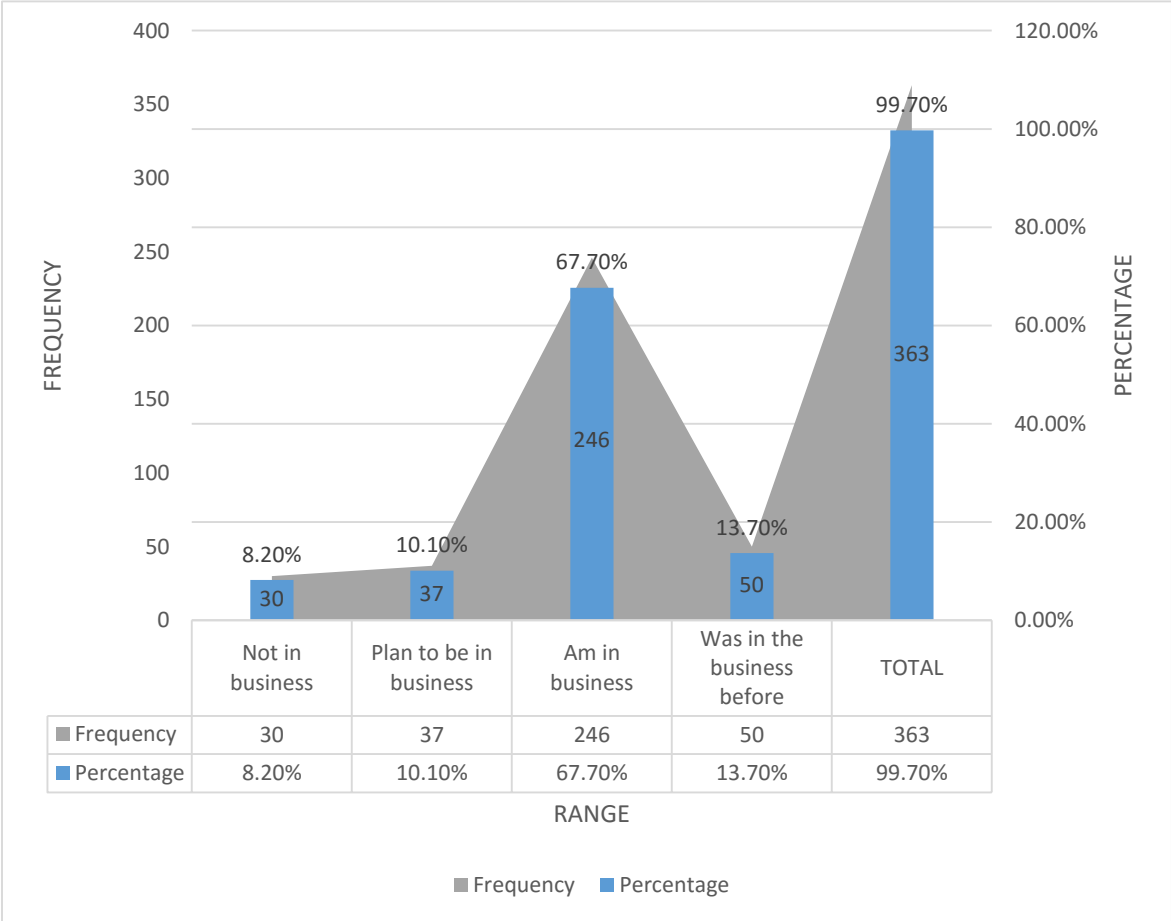
Question 7.2.1 Are you involved in business? Please tick the applicable boxes. Please indicate the applicable answer in the boxes below.

The intention of this question was to determine whether respondents were involved in business. The involvement of the respondents in the business was very crucial in that, this gave us the accuracy in what was really happening in the field of business in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree about their involvement in business. We can see the peculiarity of the respondents' answers according to their degree of the involvement in the business

despite their mode of living, their culture and their tradition. The results from the research are indicated in figure 7.2.1 below.

Figure 7.2.1. The degree of the involvement in the business.



Source: author’s own construction

The survey results reveal that the uppermost group of respondents are individuals who are in business with 67.7% and they are followed by the respondents who were in the business before and left it for one or another reason that it is not mentioned with 13.7% being the second highest rate and the third highest is 10.1% for the respondents who are planning to be in the business for different reasons and the last range is 8.2% for the respondents who are not in business. The results epitomize quite a diverse group of individuals. It can be seen that the respondents’ answers come from 4 different ranks of

sub categories within the business and this should assist with giving a clearer picture from the different views.

Question 7.2.2 What is your age range?

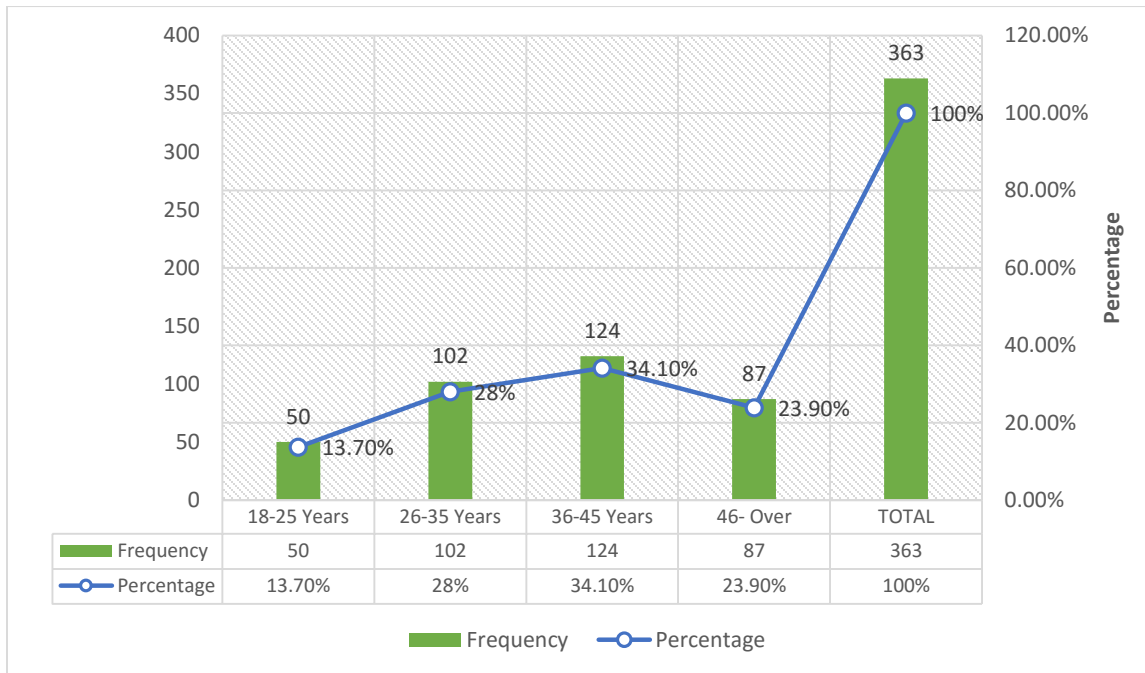
The intention of this question was to determine whether respondents have been involved in business according the certain age ranges.

Stock (2013) agrees that the population of the city of Kinshasa is estimated at more than 10 million people over an area of 9,965 km². It is the most populous city in the country. This situation makes it the largest city in Central Africa. This population is dominated by a high proportion of youth of whom almost 65% are less than 24 years old.

Response and finding: 363 people responded to this. It was expected that a large portion of youth people have left school early due to the multifaceted crisis affecting families in Kinshasa, and that they engage in informal trading to meet certain needs of their families. This situation is dictated by the interest to support their families and parents who are literally impoverished as they are underpaid and have low incomes. The province of Katanga of its main city Lubumbashi is the second largest city in the country, second only to the nation's capital Kinshasa. Lubumbashi is the mining capital of the DRC, acting as a core for many of the country's biggest mining companies. Population estimates vary widely but average around 1.5 million (Simone & Abouhani, 2005).

Green (2008) argues that the country faces a most important challenge in youth employment. More than 70% of those aged 15 to 24 have no jobs, with urban areas particularly affected. The DRC does not yet have a real policy to get youth people into work. The lack of jobs helps increase the size of the informal sector and the weakness of supportive structures leads many youth people into a life of crime (DRC African economic outlook report 2012). Thus, the population's structure in Kinshasa and Lubumbashi are included in figure 7.2.2, as follows:

Figure 7.2.2. The population’s structure in Kinshasa and Lubumbashi



Source: Computed from field data 2014

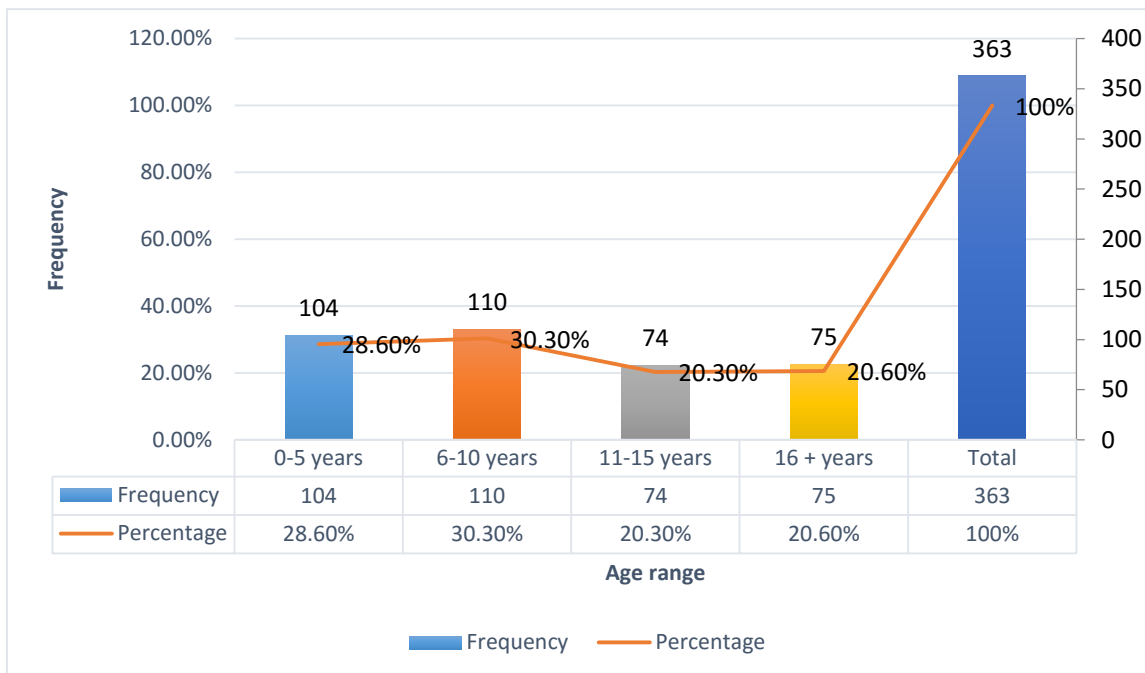
The Figure 7.2.2. shows that the majority of the respondents, 34.1%, are comprised in the age ranges of 36-45 years followed by 28% of the respondents who are included in the age range of 26-35 years, 23.9% of the respondents are included between the age ranges between 46 and over and finally, 13.7% of the respondents who are involved one in the age range of 18-25 years. This could indicate maturity of the respondents as well as experience in the business.

Question 7.2.3 How long have been in the business?

The intention of this question was to determine how long respondents have been involved in business. The number of years’ experience in the business has a lot to do with the time spent in business.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on the interval of time involved in business. The longer the experience they have, the better the respondent will be able to assess the business, because they understand the pros and cons of the business. The results from the research are indicated in figure 7.2.3 below

Figure 7.2.3. Time involved in the business



Source: author’s own construction

Figure 7.2.3 reveals that the majority of the respondents, 30.3%, have been involved in the business at their level between 6-10 years followed by 0-5 year at 28.6%, 16 + years at 20.6% and 11-15 years at 20.3%. From these results it can be seen that the majority of the respondents have been involved in the business at a professional level between 6-10 years. This can be attributed to the current trend in the service sector where there is a huge gap between professionals in their mid to late 30s and the 50+ year’s professionals. This gap poses quite a problem for the industry because it threatens the knowledge transfer element of the industry. This also introduces an opportunity for the entrepreneurs so that they can deliver better activities compared to their predecessors.

Question 7.2.4 What category does your business fall under?

The intention of this question was to determine what category businesses fall under.

This section is subdivided into three, namely production, agriculture and service. I survey entrepreneurs in the following industries: Production: Agriculture and service.

Response and finding: 363 people responded to this. It was anticipated that the majority of people would agree on the category of service that their business falls under. Production is a process of combining various material inputs and immaterial inputs (plans, know-how) in order to make something for consumption (the output). It is the act of creating output, a good or service which has value and contributes to the utility of individuals (Brecher, 2012).

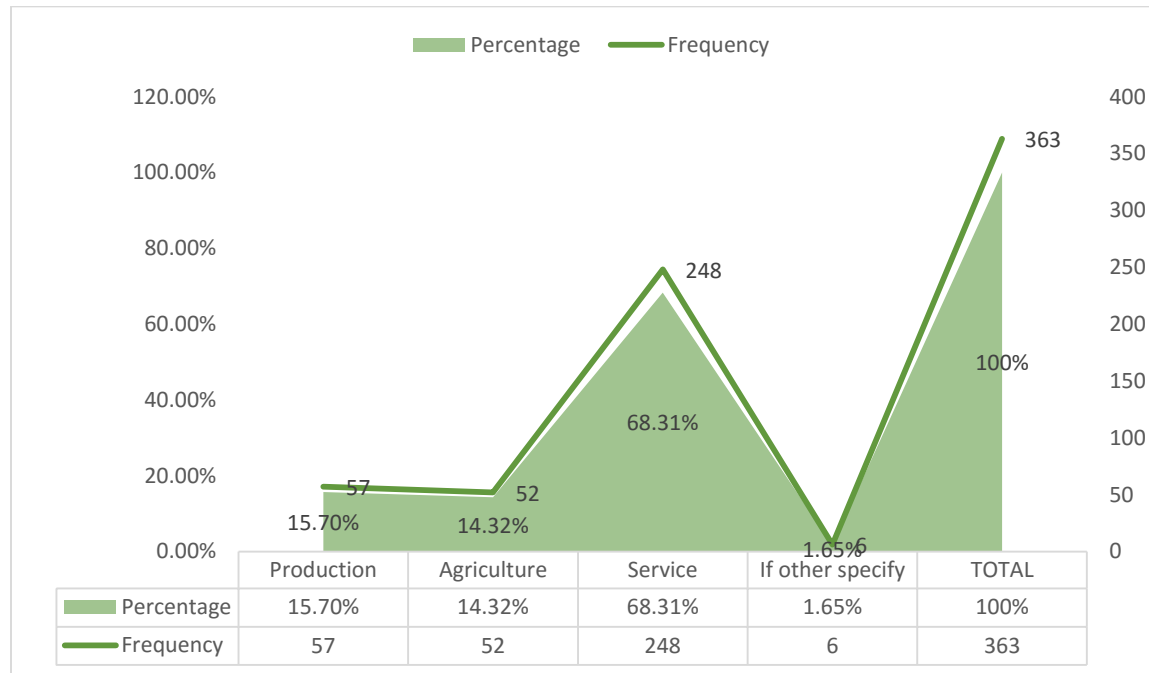
Robinson (2013) outlines agriculture as the cultivation of animals, plants, fungi, and other life forms for food, fiber, and other products used to maintain life. Animal husbandry – agricultural practice of breeding and raising livestock. Farming – cultivating land for the purpose of agricultural production. Fishing – activity of catching or harvesting fish and other aquatic animals such as cephalopods, crustaceans, and echinoderms. Forestry – creating, managing, using, and conserving forests and associated resources in a maintainable manner to meet desired goals, needs, and values for human benefit.

Seligman (2012) shows that the service industries (More formally termed: 'tertiary sector of industry' by economists) involve the provision of services to businesses as well as final consumers. These, therefore, include accounting, tradesman (like mechanic or plumber services), computer services, restaurants, tourism.

Acs & Szerb (2012) assert that the service Industry, therefore, is one where no goods are produced whereas primary industries are those that extract minerals, oil etc. from the ground and secondary industries are those that manufacture products, including builders, but not remodeling contractors. Subcategories are Service industries, the hospitality industry; service occupations, advertising, insurance, services (economics), child care companies, practice of law, tourism, travel, service company, marketing, economics of service industries, entertainment, online services, financial services, health care, service

companies, public services. The results from the research are indicated in figure 7.2.4 below

Figure 7.2.4 Category of the business



Source: author's own construction

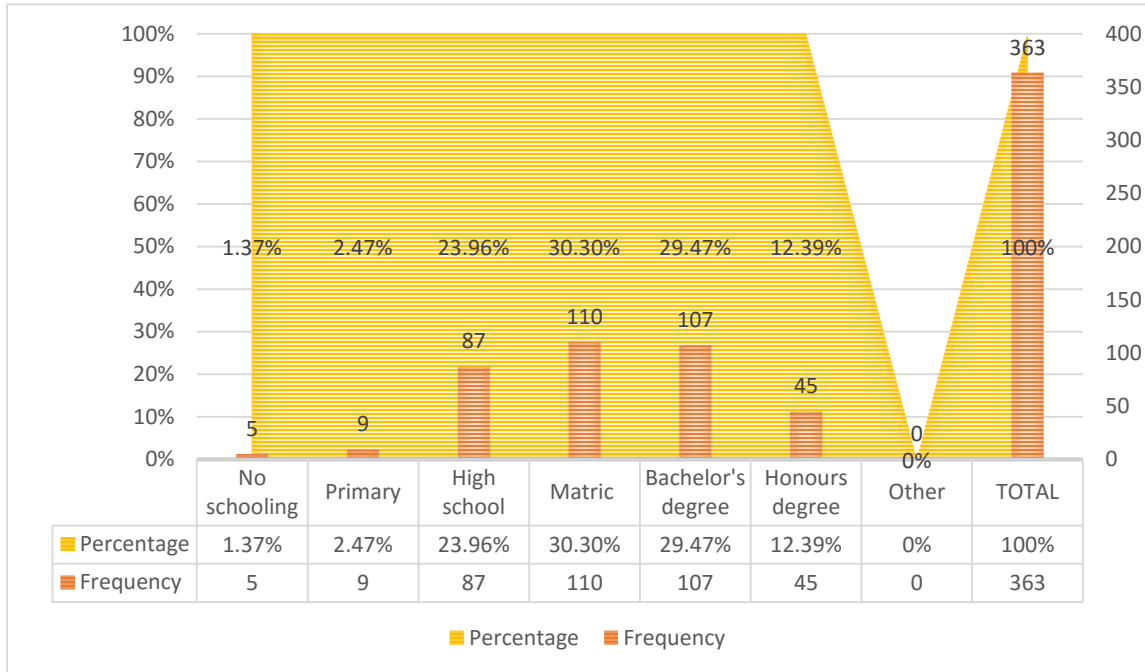
Figure 7.2.4 reveals that the majority of the respondents, 68.31%, have been involved in business under service category followed by production category with 15.70% of the respondents, 14.32% of the respondents are under agriculture category and 1.65% of the respondents are under 'other'. From these results it can be seen that the majority of the respondents in the service sector have been involved in business at a professional level between 6-11 years. This can be attributed to the current trend in the service sector where there is a vast gap between professionals in their mid to 36 and the 45 years. This gap poses quite a problem for the industry because it threatens the knowledge transfer element of the industry. This also introduces an opportunity for the entrepreneurs so that they can deliver better activities compared to their predecessors.

Question 7.2.5 What is your level of education? Please tick applicable box

The intention of this question was to determine whether education was playing a big role and also its impact on the entrepreneurs. Rauner & Maclean (2008) posit that education in its general sense is a form of learning in which the knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, or research.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on matric as their highest level of education when involved in business in the DRC. The explanation for that is very clear: the majority of parents are working for the public service where their salary is something around US 15\$ a month. Therefore, if they can manage to afford the education fees of their children, it must be until the matric level. The DRC is unable to support its citizens in terms of free education for all. The educational system itself is very archaic. The government should take responsibility to shake things around, to make education free for all citizens not on paper only but in practice as well. The results from the research are indicated in figure 7.2.5 below

Figure 7.2.5 Level of education



Source: author's own construction

Figure 7.2.5 reveals that the majority of the respondents, 30.30%, who have been involved in business as entrepreneurs had a matric level followed by 29.47% of the respondents with bachelor's degrees, followed by 23.96% of the respondents who were in high school, followed by 12.39% of the respondents who had honours' degree, followed by 2.47% of the respondents who had primary school level followed by 1.37% of the respondents who were in the category of no schooling and 0% of the respondents who were in the 'other' category. From these results it can be seen that the majority of the respondents who have been involved in the business had a matric level. This can be attributed to the current development in economic and social constraints.

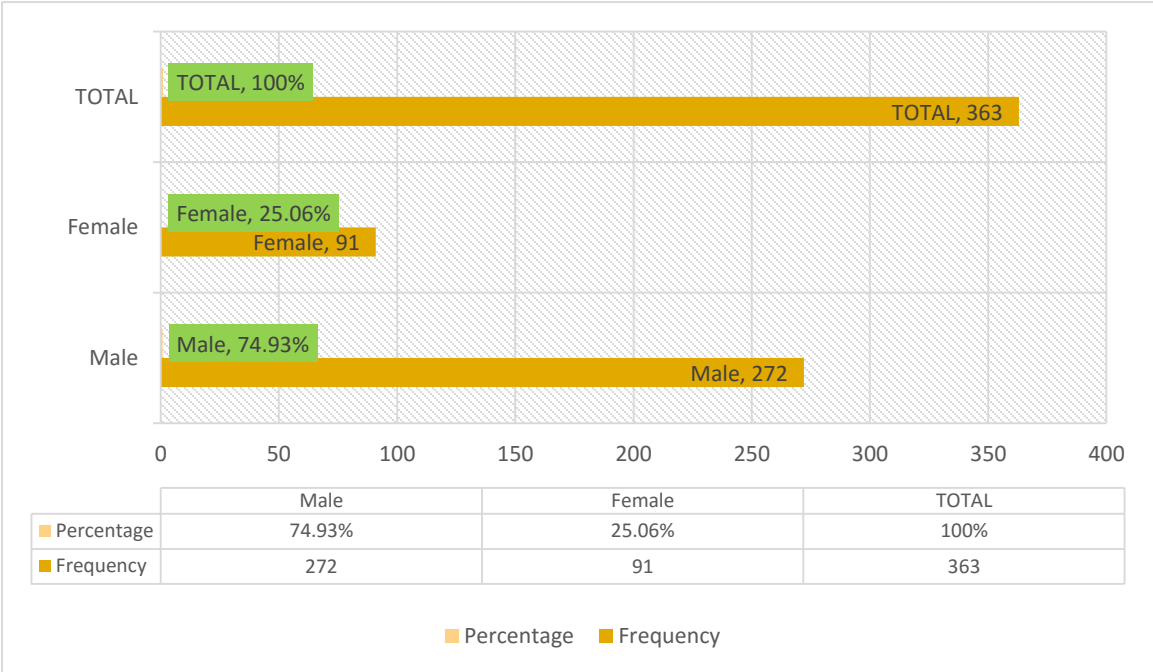
Question 7.2.6 What is your gender?

The intention of this question was to determine whether gender had an impact on entrepreneurs in the DRC context and whether it was playing an immense role in the

society. Reeves (2012) determines gender as a state of being male or female (typically used with reference to social and cultural differences rather than biological ones).

Response and finding: 363 people responded to this, it was expected that the majority of people would agree on the male as their gender in the DRC. In fact, most of Congolese are very connected to their culture. Therefore, most believe that the female gender is inferior to male and married women are not allowed to do business. Things are changing now because of economic crises. Women took advantage especially in the informal business and are pillars of families in terms of financial support. The results from the research are indicated in figure 7.2.6 below

Figure 7.2.6. Gender



Source: author’s own construction

Figure 7.2.6 clarifies that the majority of the respondents, 74.93%, who have been involved in business as entrepreneurs had a male gender followed by 25.06% of the respondents who had a female gender. From these results it can be seen that the majority

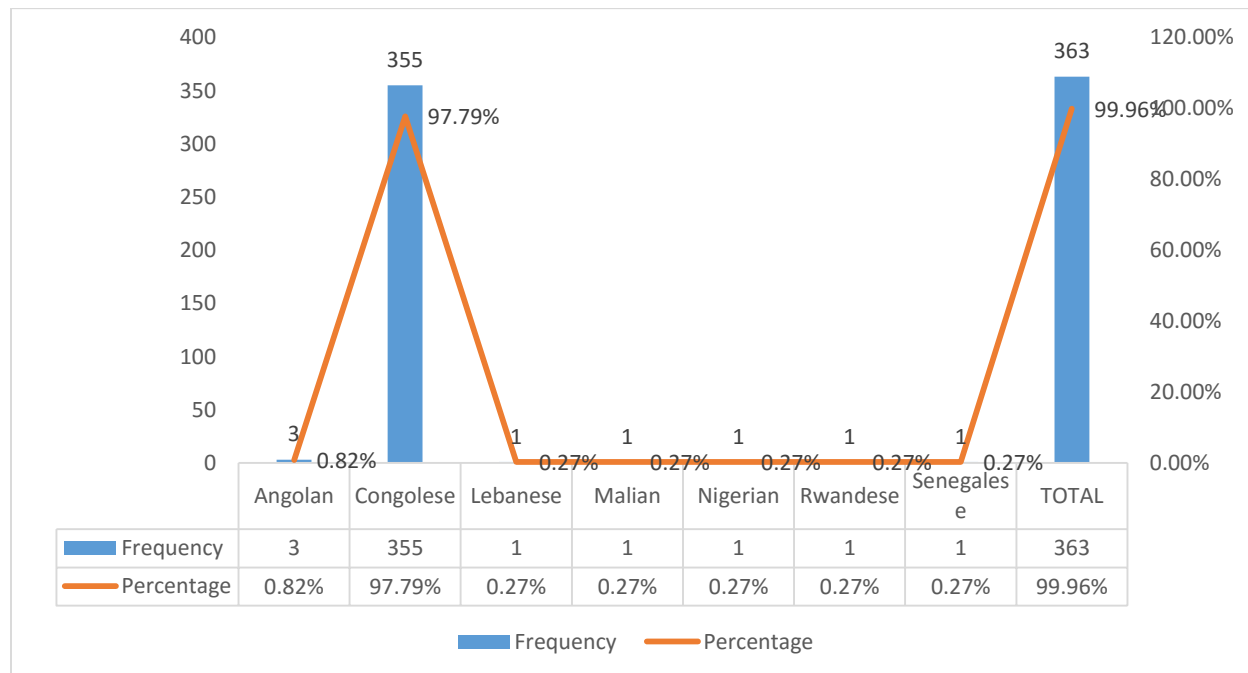
of the respondents who have been involved in business had a male gender. This can be attributed to the current tendency most likely because of the culture.

Question 7.2.7 What is your nationality?

The intention of this question was to determine whether nationality had an impact on entrepreneurs in the DRC context and whether it was playing an immense role in this environment. Clarke (2011) asserts that the status of belonging to a particular nation.

Response and finding: 363 people responded to this. It was expected that the majority of people would have the Congolese nationality. Actually, most of Congolese are very attached to their country where they want to live in peace and safety. Hence, they ultimately believe that peace and safety in country are among the keys of progressing as entrepreneurs in the DRC. The other nationalities are operating as well despite economic calamities, Congolese’s people are friendly other nationalities as long as they respect norms and regulations particularly in the business atmosphere. The results from the research are indicated in figure 7.2.7 below

Figure 7.2.7. Nationality



Source: author's own construction

Figure 7.2.7 shows that the majority of the respondents, 97.79%, who have been involved in the business as entrepreneurs had Congolese nationality followed by 0.82% of the respondents who had Angolan nationality, followed by 0.27% of the respondents who had Malian nationality, followed by 0.27% of the respondents who had Nigerian nationality, followed by 0.27% of the respondents who had Lebanese nationality, followed by 0.27% of the respondents who had Rwandese nationality, followed by 0.27% of the respondents who had Senegalese nationality. From these results it can be seen that the majority of the respondents who have been involved in business had Congolese nationality. This can be credited to the current tendency most likely because of it's their country where they operate and live for the majority.

Question 7.2.8 Why did you decide to start a business?

The purpose of this question was to find out why respondents decided to start a business. The reason of starting business as entrepreneurs in the DRC context is that the government is powerless to pay its state officials regularly and efficiently with a reasonable remuneration that would help them in supporting their needs.

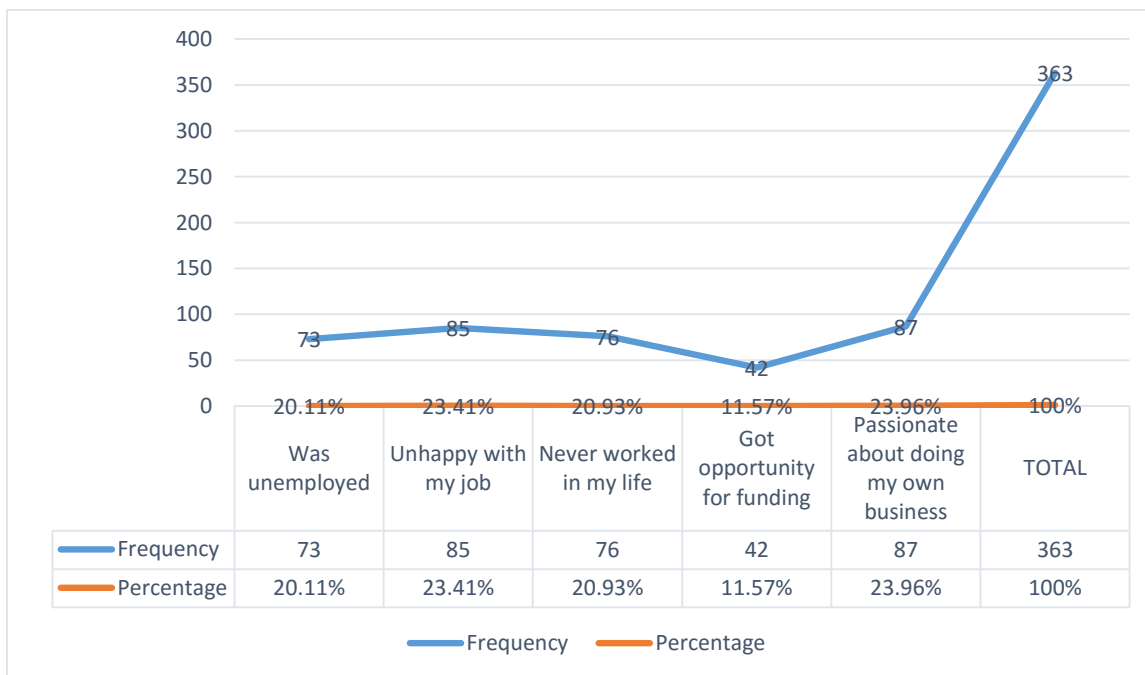
Response and finding: 363 people responded to this. It was expected that the majority of people would decide to start businesses because of economic crises. Burke (2006) emphasises that a push factor is a trigger that forces and thrills a person out of their present job into self-employment, such as redundancy or retirement, disability, illness, accident, loss of license (medical license, legal license), for example, becoming unemployed and needing to find a job to pay the bills.

Vermeulen & Curseu (2008) postulate that the following triggers may force and boost a person into becoming a "necessity" entrepreneur: Poor pay and lack of prospects, disenchantment with current remuneration or employers can spur the start of one's business. Lack of improvement. This may tip the scale for ambitious employees who chafe under inflexible management. Increasingly, school leargues and youth graduates cannot find work and older workers are retrenched (Roper, 2013).

A pull factor is a trigger that boosts and cajoles a person to leave their present employment to pursue something they recognise as better, for example to develop a hobby or identifying a marketable opportunity using the latest technology (Burke 2006). Therefore “opportunity” entrepreneurs are driven by pull motivations (Rwigema & Venter 2004).

Burke (2006) argues that pull factors are triggers that inspire and fascinate employees to leave their present job and to use entrepreneurial skills to pursue an area of interest, hobby or passion, or attract people in doing their own business: A desire for a more meaningful lifestyle. Becoming entrepreneurial enables the entrepreneur to turn their hobby and interests into a lifestyle business and a desire to be independent, to be “your own boss” and feel in control of your own destiny (Fornahl, 2007). The results from the research are indicated in figure 7.2.8 below

Figure 7.2.8. Decision for starting business



Source: author’s own construction

Figure 7.2.8 shows that the majority of the respondents, 23.96%, who have been involved in business as entrepreneurs who passionate about doing their own business followed by 23.41% of the respondents who were unhappy with their job, followed by 20.93% of the respondents who never worked before in their life, followed by 20.11% of the respondents who were unemployed, followed by 11.57% of the respondents who got opportunity for funding. From these results it can be seen that the majority of the respondents who have been involved in the business were passionate about doing their own business. This can be credited to the fact that current tendency most likely got the decision and initiative of starting the business because of their economic and social freedom where they operate and live without direct governmental support in terms of jobs.

Question 7.2.9. Any other reason, please specify

Response and finding: 363 people of responded to this question. It was expected that the majority of people were free to express themselves by saying that they want the DRC to be free economically, politically, socially so that the population can be able to do business in peace and safety with respect to economic norms and regulations.

7.3 Section B: Business registration

Please rank the following by crossing the most applicable. The ratings are: 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

DRC has undertaken reforms to smooth the starting a business process in stages and as part of a larger regulatory reform program. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms (World Bank doing business 2011). There are procedures to legally start and operate as entrepreneurs. This section has 8 sub questions such as: 1) Whether information on business registration is easily obtainable; 2) Whether procedures and steps are clear and easy to follow; 3) Whether The time frame in registering the business is unacceptable; 4) Whether assistance during business registration process is inefficient; 5) Whether the costs for business registration are affordable; 6) Whether the process of starting a

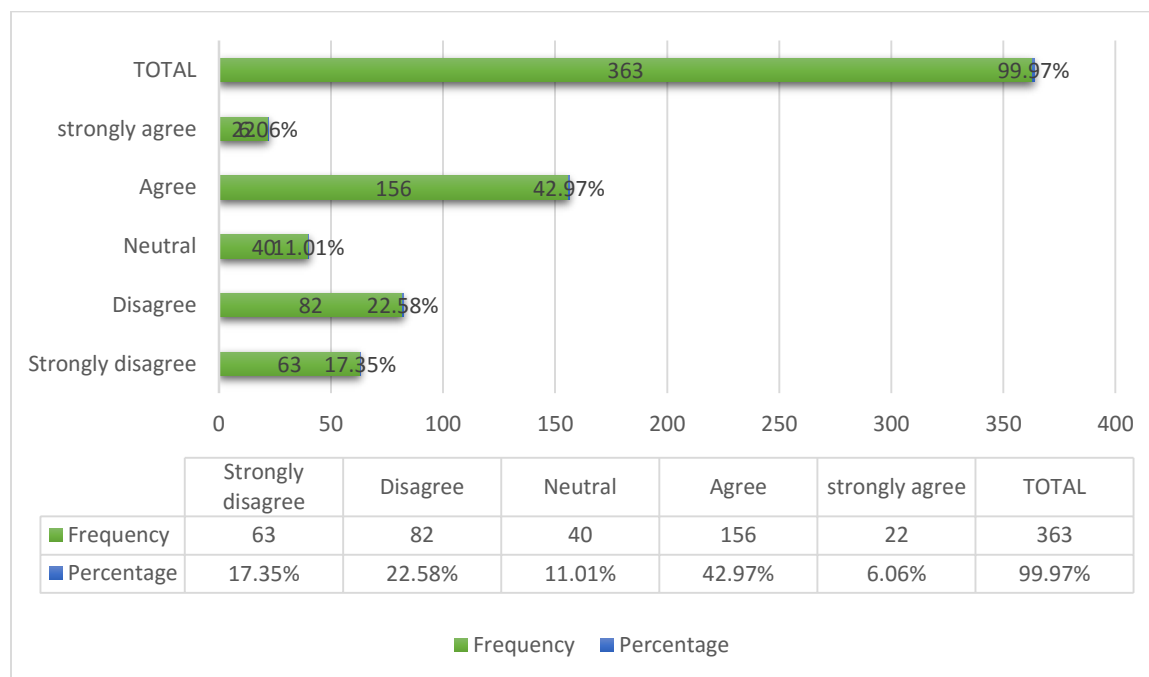
business is simple and easy; 7) Whether it is difficult to start a business in this environment; 8) Mention anything else in relation to the above.

Question 7.3.1. Information on whether business registration is easily obtainable

The objective of this question was to determine whether the information on business registration is easily obtainable in the DRC context.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on the fact that the information on business registration is easily obtainable. Thanks to information and technology system, it is quite easy for people to find out about the information on business registration with more details on the DRC’s business catalogues websites. The results of the study are revealed in figure 7.3.1 below.

Figure 7.3.1. Information on business registration



Source: author’s own construction

Figure 7.3.1 reveals that the majority of the respondents, 47.97%, who have been involved in business as entrepreneurs agreed on the fact that the information on business

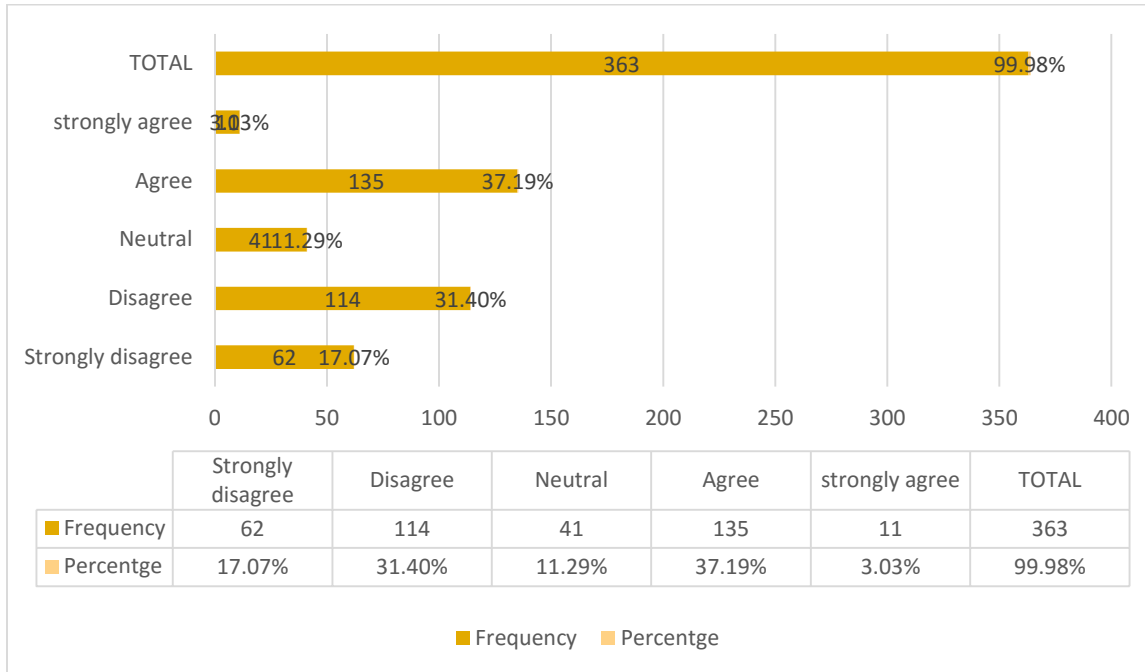
registration is easily obtainable in the DRC context followed by 22.58% of the respondents who disagreed, followed by 17.35% of the respondents who strongly disagreed, followed by 11.01% of the respondents who were neutral on that statement, and followed by 6.06% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that the information on business registration is easily obtainable in the DRC. This can be credited to the fact that the government tried to make the information on business registration easily obtainable for national and international entrepreneurs.

Question 7.3.2 Procedures and steps are clear and easily to follow

The intention of this question was to determine whether the procedures and steps are clear and easily to follow on business registration in the DRC context. Procedures and steps seem to be easy on paper, but it is quite difficult to obtain the required documents without bribing the state officials.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on the fact that procedures are numbered to eleven and steps are clear and easily to follow on business registration in the DRC. Thanks to information and technology system, it is quite easy for people to find out about the information on business registration with more details on the DRC's business catalogues websites. The results of the study are revealed in figure 7.3.2 below.

Figure 7.3.2. Business registration procedures



Source: author’s own construction

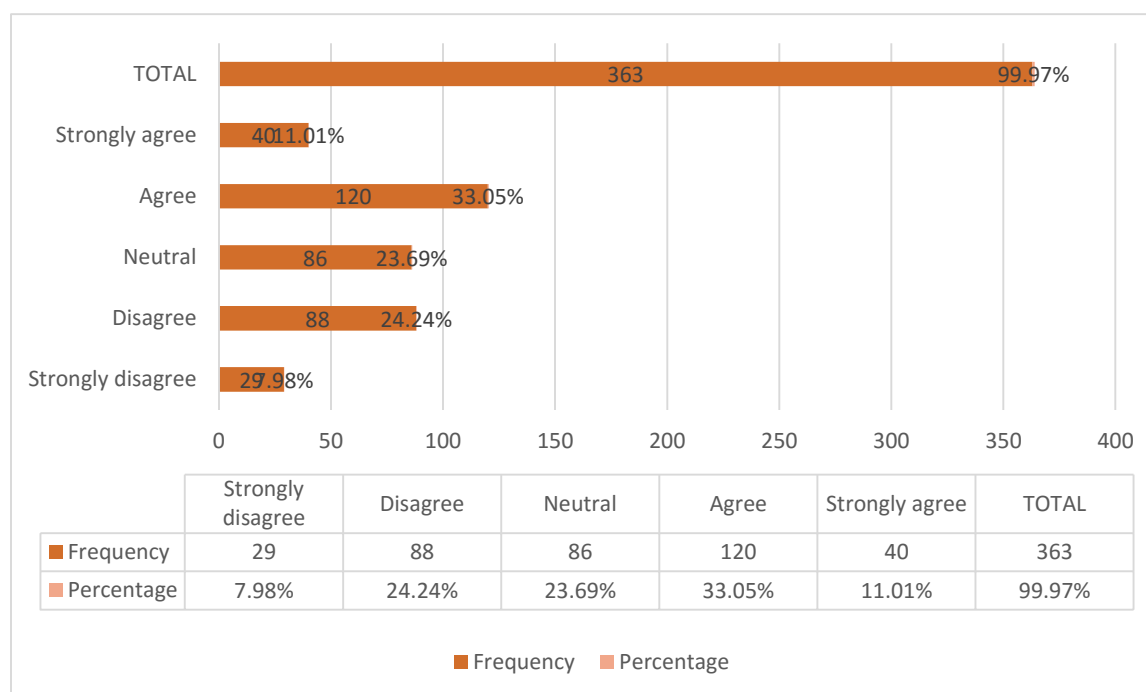
Figure 7.3.2 reveals that the majority of the respondents, 37.19%, who have been involved in business as entrepreneurs agreed on the fact that procedures and steps were clear and easily to follow in the DRC context followed by 31.40% of the respondents who disagreed, followed by 17.07% of the respondents who strongly disagreed, followed by 11.29% of the respondents who were neutral on that statement, and followed by 3.03% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that procedures and steps were clear and easily to follow in the DRC. This can be credited to the fact that the government has tried to make procedures and steps clear and easy to follow the information on business registration for the national and international entrepreneurs.

Question 7.3.3 The timeframe in registering the business is unacceptable

The intention of this question was to determine whether the timeframe in registering the business in the DRC context is unacceptable. Time required to complete each procedure (calendar days) does not include time spent gathering information. Each procedure starts on a separate day and there is no prior contact with officials.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on the fact that the timeframe in registering the business in the DRC context is unacceptable. The timeframe is officially 31 days, but the reality on the field is totally diverse, which is why the DRC was ranked 185 out of 189 in doing business 2014. State officials are hungry and try at all times to lengthen procedures and time for their own benefits and the government is ineffective to this revolution. It is time for the government to step up and take responsibility for it by start paying the state officials a decent salary and by motivating them to excel in their duty. The results of the study are revealed in figure 7.3.3 below.

Figure 7.3.3. The timeframe in registering the business



Source: author's own construction

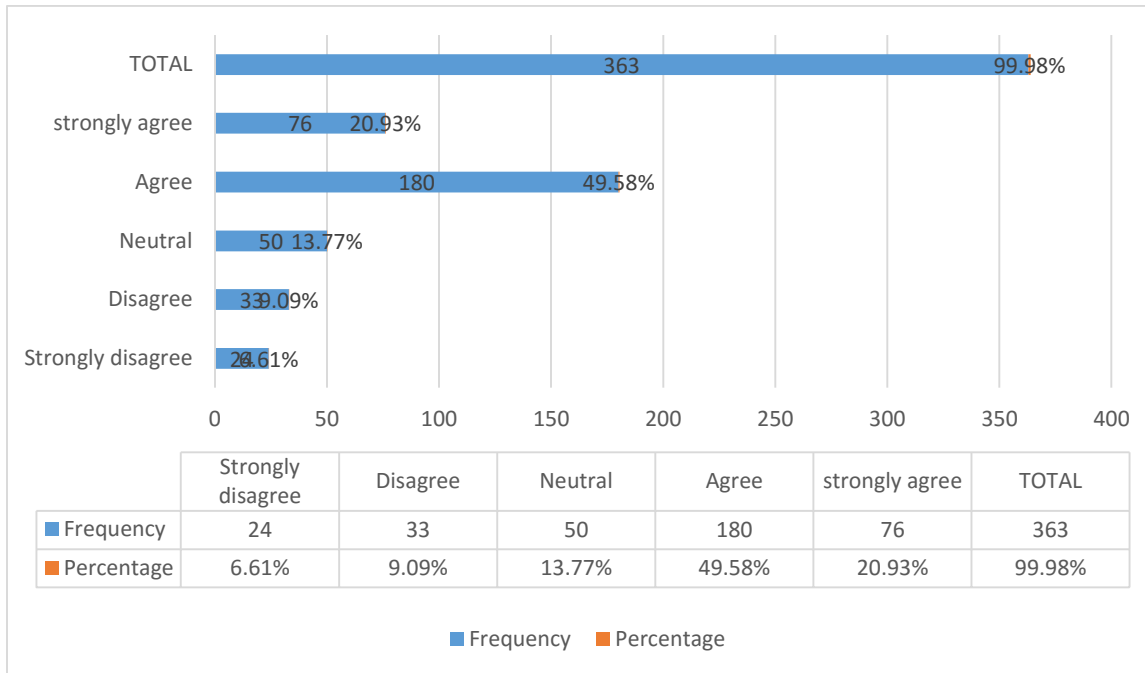
Figure 7.3.3 reveals that the majority of the respondents, 33.05%, who have been involved in business as entrepreneurs agreed on the fact that the timeframe in registering the business in the DRC context followed by 24.24% of the respondents who disagreed, followed by 23.69% of the respondents who were neutral, followed by 11.01% of the respondents who strongly agreed and followed by 7.98% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact the timeframe in registering the business in the DRC context. This can be credited to the fact that the government has tried to reduce the timeframe in registering the business in the DRC context for national and international entrepreneurs.

Question 7.3.4 Assistance during business registration process is inefficient

The intention of this question was to determine whether the assistance during business registration process is inefficient in the DRC context.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on the fact that the assistance during business registration process is inefficient in the DRC. The government got a good intention in terms of assisting entrepreneurs in doing business in the country but that intention did not materialised because of economic and social crises that let its officials do whatever they could survive by all means. The results of the study are revealed in figure 7.3.4 below.

Figure 7.3.4. Assistance during business registration process is inefficient



Source: author’s own construction

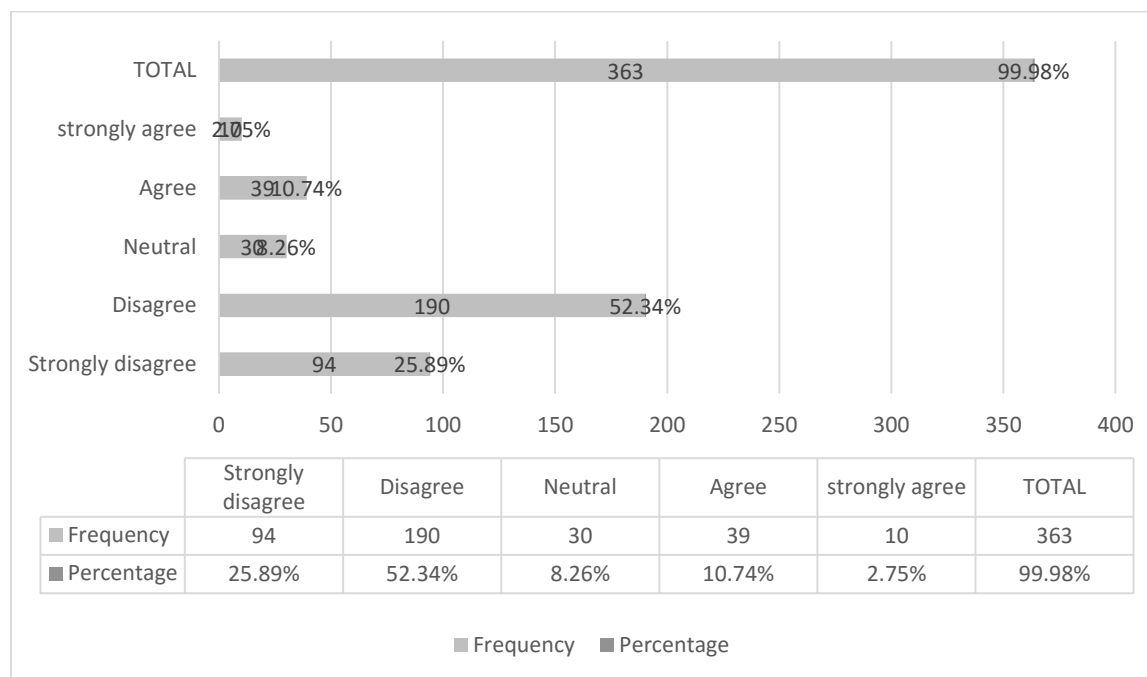
Figure 7.3.4 reveals that the majority of the respondents, 49.58%, who have been involved in business as entrepreneurs agreed on the fact that the assistance during business registration process is inefficient in the DRC context followed by 20.93% of the respondents who strongly agreed, followed by 13.77% of the respondents who were neutral, followed by 9.09% of the respondents who disagreed, and followed by 6.61% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that the assistance during business registration process is inefficient in the DRC. This shows that the government does not try so hard to assist entrepreneurs during the registration process.

Question 7.3.5 The cost for business registration are affordable

The intention of this question was to determine whether the cost for business registration are affordable in the DRC context. Cost required to complete each procedure with official costs only not bribes, no professional fees except services required by law.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that the cost for business registration are affordable in the DRC. The cost for business registration are affordable for the minority of people. The majority disagree and affirm that the government should reduce the cost of assisting entrepreneurs in doing business in the country and being accountable. The results of the study are revealed in figure 7.3.5 below.

Figure 7.3.5. The cost for business registration are affordable



Source: author's own construction

Figure 7.3.5 reveals that the majority of the respondents, 52.34%, who have been involved in business as entrepreneurs disagreed on the fact that the costs for business registration are affordable in the DRC context, followed by 25.89% of the respondents

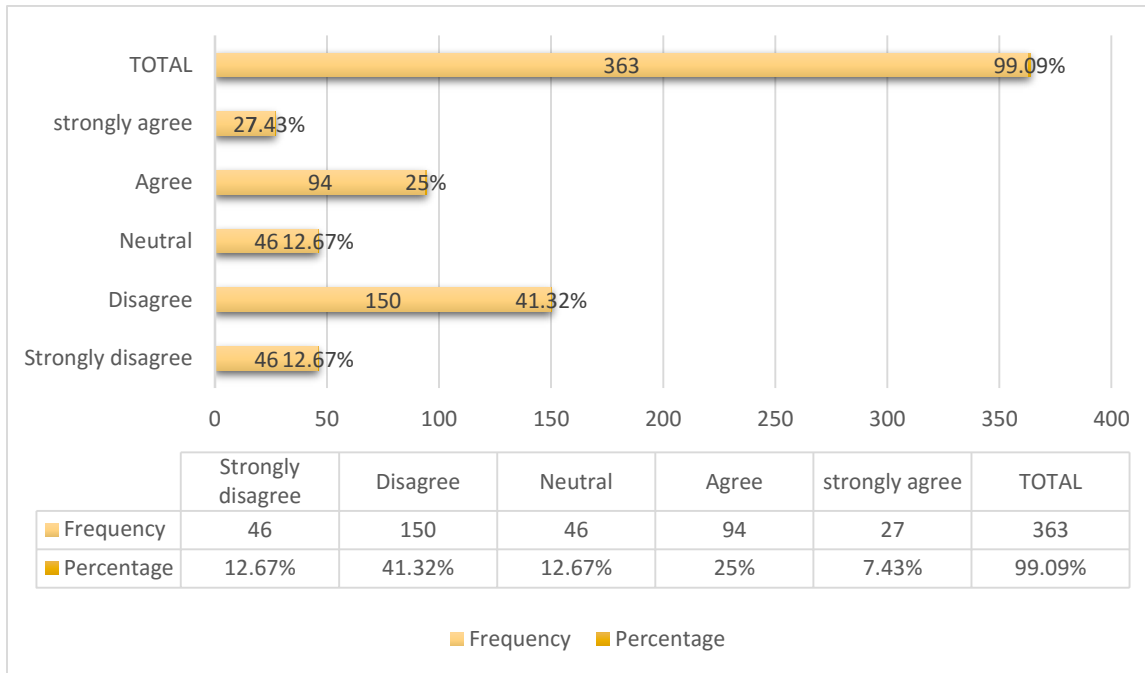
who strongly disagreed, followed by 10.74% of the respondents who agreed, followed by 8.26% of the respondents who were neutral, and followed by 2.75% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that the costs for business registration are affordable in the DRC. This could show that the government does not try so hard to assist entrepreneurs regarding the costs during the registration process.

Question 7.3.6 The process of starting a business is simple and easy

The intention of this question was to determine whether the process of starting a business is simple and easy in the DRC context. Since the liberation days, there have been no effective policies which have been implemented to empower the indigenous population and move the masses away from poverty.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that the process of starting a business is simple and easy in the DRC. Today the DRC ranks 185 out of 189 on the low end of the ease of doing business scale as ranked by the World Bank. This measures the difficulties of starting a business, enforcing contracts, paying tax, resolving insolvency, protecting investors, trading across borders, getting credit, getting electricity, registering property, dealing with construction permits and registering property (World Bank 2014) and the situation has not changed drastically from the previous structures as stated above. The results of the study are revealed in figure 7.3.6 below.

Figure 7.3.6. The process of starting a business is simple and easy



Source: author’s own construction

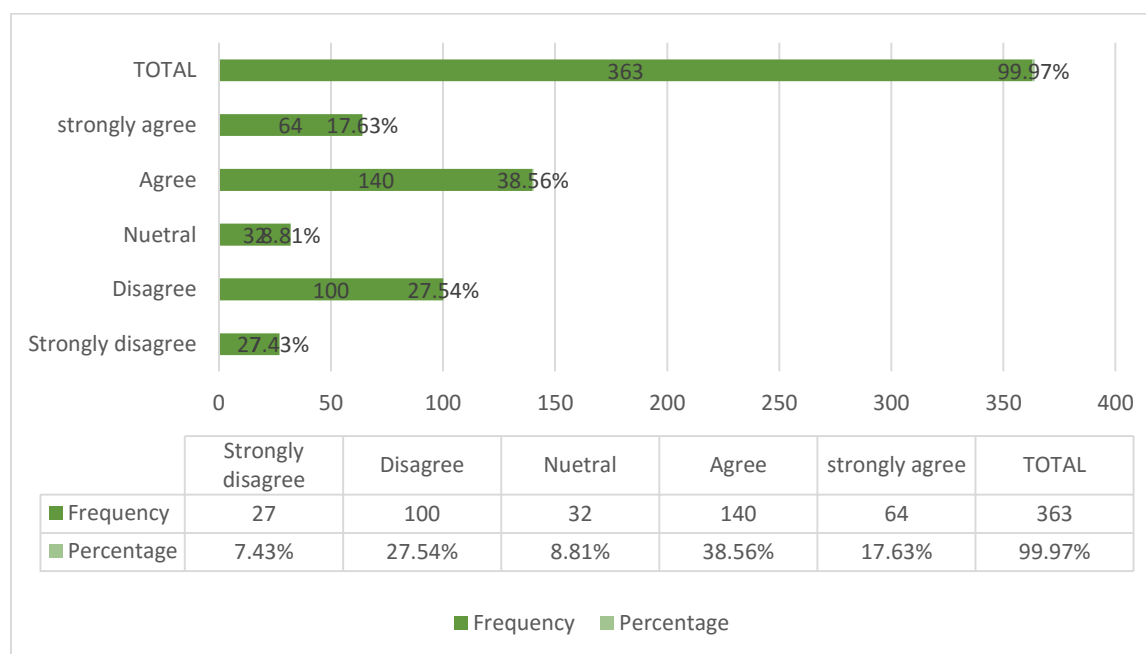
Figure 7.3.6 reveals that the majority of the respondents, 41.32%, who have been involved in business as entrepreneurs disagreed on the fact that the process of starting a business is simple and easy in the DRC context, followed by 25% of the respondents who agreed, followed by 12.67% of the respondents who strongly disagreed, followed by 12.67% of the respondents who were neutral, and followed by 7.43% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that the process of starting a business is simple and easy in the DRC. This can show that the government does not assist entrepreneurs regarding the process of starting a business during the registration process.

Question 7.3.7 It is difficult to start a business in this environment

The intention of this question was to determine whether it is difficult to start a business in the environment in the DRC context. There a lot of facts that make things difficult to start a business in the environment such as time, procedures, and the costs required to complete each procedure with official costs only, not bribes, no professional fees except where required by law.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that it is difficult to start a business in this environment. Today the DRC ranks 185 out of 189 on the low end of the ease of doing business scale as ranked by the World Bank. This measures the difficulties of starting a business, enforcing contracts, paying tax, resolving insolvency, protecting investors, trading across borders, getting credit, getting electricity, registering property, dealing with construction permits and registering property (World Bank, 2014) and the situation has not changed drastically from the previous structures as stated above. The results of the study are revealed in figure 7.3.7 below.

Figure 7.3.7. Difficulty of starting business in the environment



Source: author's own construction

Figure 7.3.7 reveals that the majority of the respondents, 38.56%, who have been involved in business as entrepreneurs agreed on the fact that it is difficult to start a business in the environment of the DRC, followed by 27.54% of the respondents who disagreed, followed by 17.63% of the respondents who strongly agreed, followed by 8.81% of the respondents who were neutral, and followed by 7.43% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that it is difficult to start a business in the environment of the DRC. This can show that the government does not assist entrepreneurs regarding the striving to start a business in the environment during the registration process.

Question 7.3.8. Mention anything else in relation to the above

Response and finding: 363 people of responded to this question. It was expected that the majority of people were free to express themselves by saying they want the DRC to adapt to the international norms, to become more competitive to be free economically and socially so that the population can be able to do business in peace and safety with respect to economic standards and regulations.

7.4 Section C: Sourcing funds

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

The DRC has undertaken reforms to smooth the sourcing of funds for entrepreneurs as part of a larger regulatory reform program. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms. There are procedures to legally sourcing funds and operate as entrepreneurs. This section has 8 sub questions such as: 1) Whether applicants are uninformed about sources of government finance; 2) Whether finance is even inaccessible to all eligible entrepreneurs in the country; 3) Whether financing processes take a short time before you can be financed; 4) Whether the set criteria to get funding is within reach for the

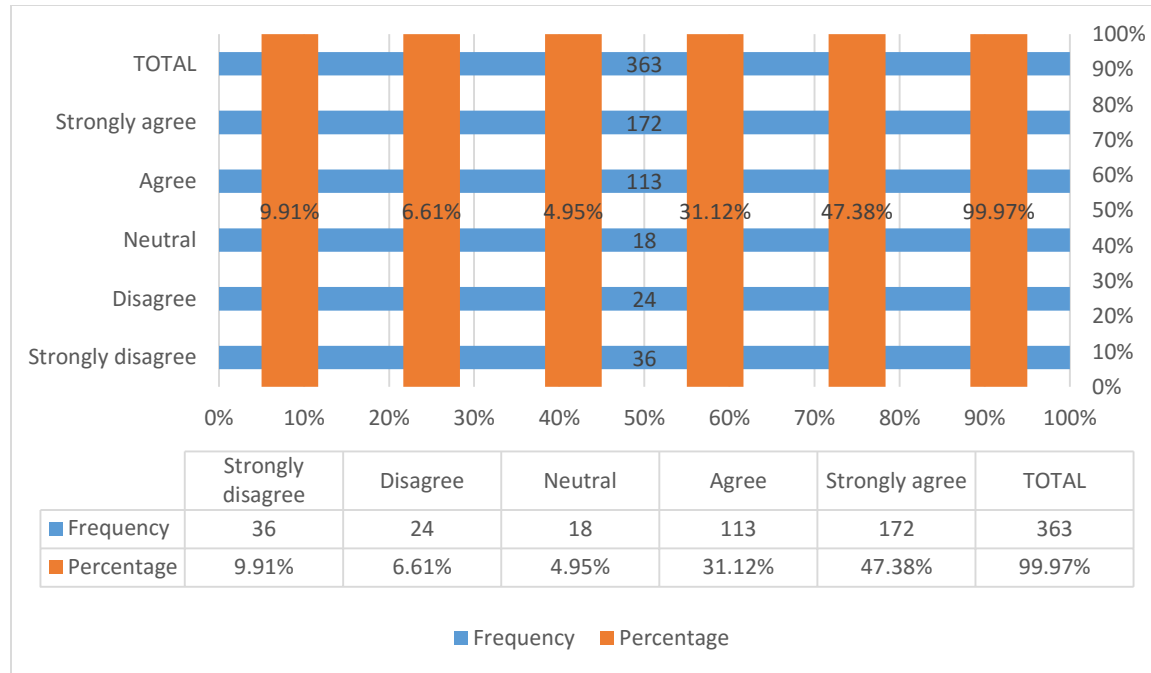
average Congolese looking for business finance. 5) Whether the exact capital requested for is awarded if candidate qualifies; 6) Whether funding for business is unusually readily available and accessible for those who meet the criteria; 7) Whether you may need political connections to get business finance; 8) Mention anything else with regards to the above.

Question 7.4.1. Applicants are uninformed about sources of government finance.

The intention of this question was to determine whether applicants are uninformed about sources of government finance to start a business in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would strongly agree on the fact that applicants are uninformed about sources of government finance to start a business in the DRC. Having the information about sources of government finance is having the power, so the population is not informed at all due to the system that rules. If, for certain reasons, there are viable sources of government finance, state officials will try at all times to pass it to their relatives before it gets known by other people. Same for politicians, specifically those who are in power, and they will make sure that the finance comes mainly to them first, and their relatives. Hence, it is a precarious and sad situation for a big country. The results of the study are revealed in figure 7.3.7 below.

Figure 7.4.1. Applicants are uninformed about sources of government finance



Source: author’s own construction

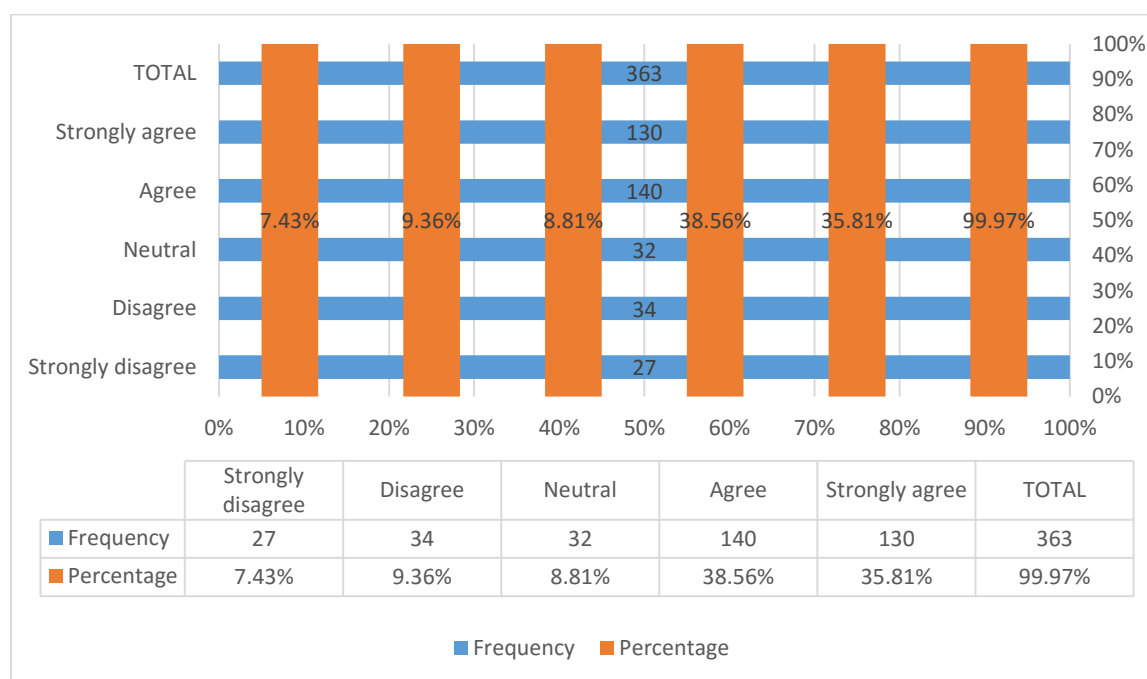
Figure 7.4.1 reveals that the majority of the respondents, 47.38%, who have been involved in business as entrepreneurs strongly agreed on the fact that applicants are uninformed about sources of government finance in the DRC, followed by 31.12% of the respondents who agreed, followed by 9.91% of the respondents who strongly disagreed, followed by 6.61% of the respondents who disagreed, and followed by 4.95% of the respondents who were neutral. From these results it can be seen that the majority of the respondents have been involved in the business as entrepreneurs agreed on the fact that it is difficult to start a business in the DRC. This can show that applicants are uninformed about sources of government finance and the government must effectively assist entrepreneurs regarding the striving to the sourcing of funds.

Question 7.4.2 Finance is even inaccessible to all eligible entrepreneurs in the country

The intention of this question was to determine whether finance is even inaccessible to all eligible entrepreneurs to start a business in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would agree on the fact that finance is inaccessible to all eligible entrepreneurs in the DRC. Generally, the lack of finance is a vast constraint to entrepreneurs. The DRC is the worst because of the unemployment rate, and the low wages paid from the government to its officials. If, for certain reasons there are viable sources of government finance, state officials will try at all times to pass it to their relatives before it gets known by other people. This is the same for politicians specifically those who are in power, and they will make sure that the finance comes mainly to them first, and their relatives. Hence, it is a precarious and sad situation for a big country. The results of the study are revealed in figure 7.4.2 below.

Figure 7.4.2. Finance is even inaccessible to all eligible entrepreneurs in the country



Source: author's own construction

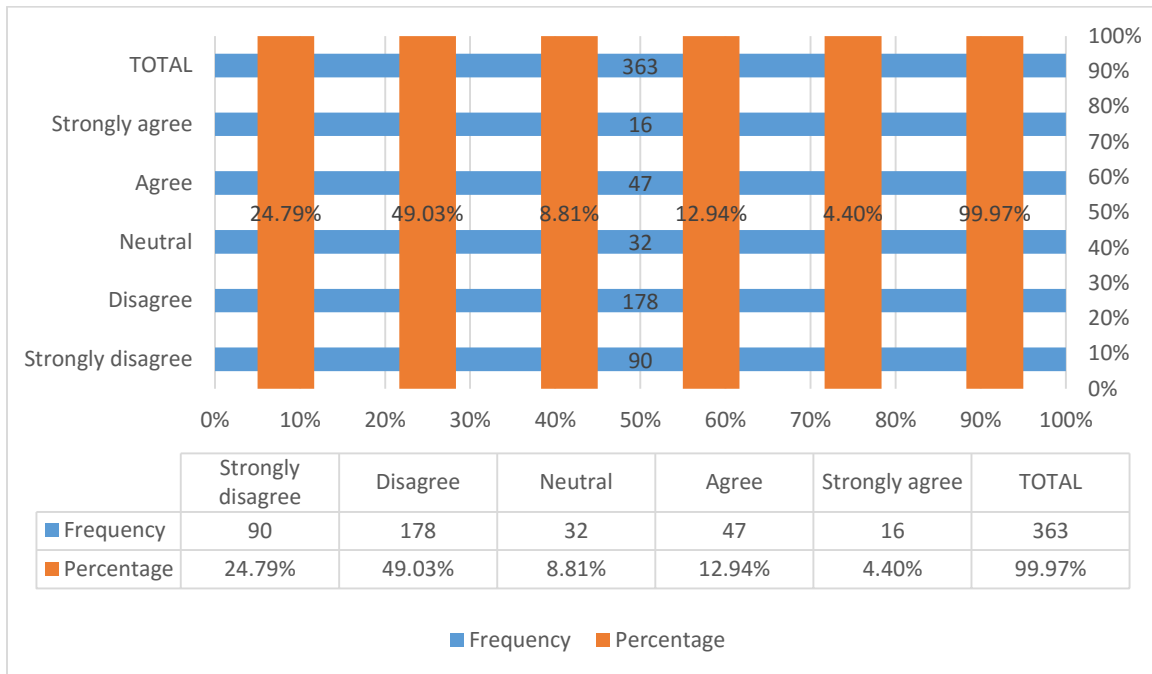
Figure 7.4.2 reveals that the majority of the respondents, 38.56%, who have been involved in business as entrepreneurs agreed on the fact that finance is inaccessible to all eligible entrepreneurs in the country, followed by 35.81% of the respondents who strongly agreed, followed by 9.36% of the respondents who disagreed, followed by 8.81% of the respondents who were neutral, and followed by 7.43% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that finance is inaccessible to all eligible entrepreneurs in the country. This can show that applicants are not easily getting the government finance and the government.

Question 7.4.3 Financing processes take a short time before you can be financed

The intention of this question was to determine whether financing processes take a short time before one can be financed in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that financing processes take a short time before you can be financed in the DRC. Generally, the lack of finance is a gigantic constraint to entrepreneurs. In the DRC it is the worst because of the unemployment rate, and the low wages paid from the government to its officials. Hence, it is a dangerous and sad situation for a big country like the DRC to not having a lot of sources of funding. Usually, financing processes take a short time before one can be financed if you are well connected or if you can guarantee those people who give the finance an incentive bonus so that they can accelerate the processes. The results of the study are revealed in figure 7.4.3 below.

Figure 7.4.3. Financing processes take a short time before you can be financed



Source: author’s own construction

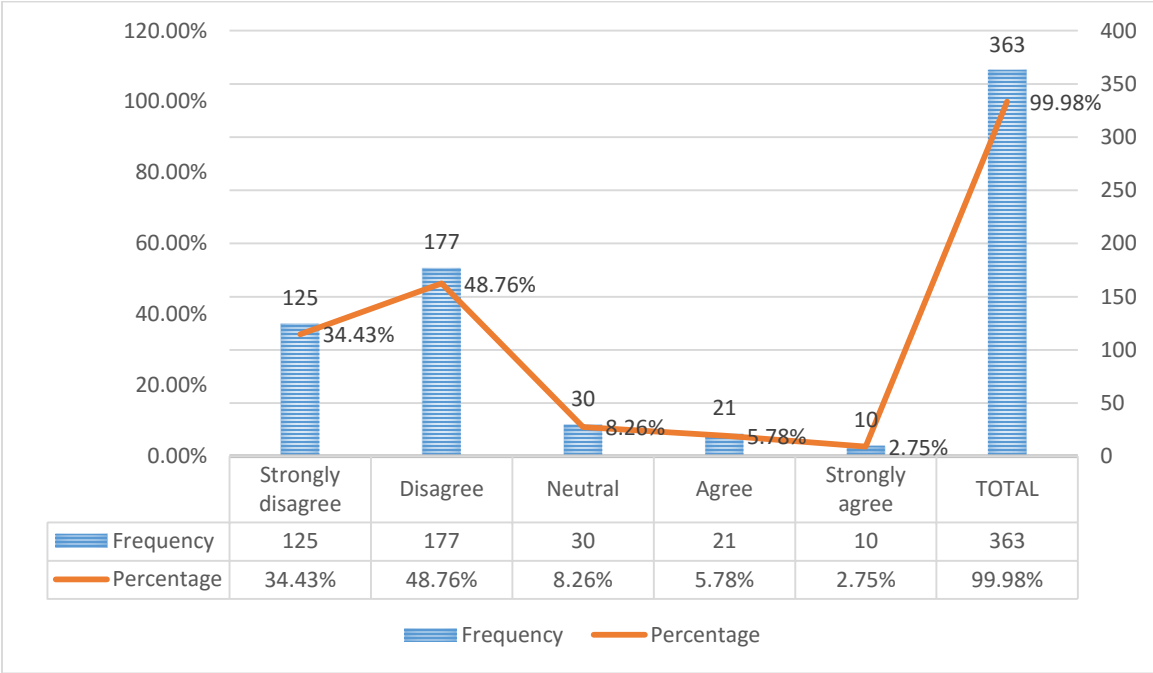
Figure 7.4.3. reveals that the majority of the respondents, 49.03%, who have been involved in business as entrepreneurs disagreed on the fact that financing processes take a short time before they can be financed in the DRC, followed by 24.79% of the respondents who strongly disagreed, followed by 12.94% of the respondents who agreed, followed by 8.81% of the respondents who were neutral, and followed by 4.40% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that financing processes take a short time before one can be financed in the DRC. This can show that the financing processes take a long times before one can be financed.

Question 7.4.4 The set criteria to get funding is within reach for the average Congolese looking for business finance.

The intention of this question was to determine whether the set criteria to get funding is within reach for the average Congolese looking for business finance to start a business in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that the set criteria to get funding is within reach for the average Congolese looking for business finance to start a business in the DRC. Commonly, the lack of finance is a colossal constraint to entrepreneurs. In the DRC context it is the worst because of the unemployment rate, and the low wages paid from the government to its officials. Hence, it is a dangerous and sad situation for a big country like the DRC to not having a lot of sources of funding. Typically, the set criteria to get funding is within reach for the average Congolese looking to get finances to start a business in the DRC. It is a huge blow for the commonly people who cannot the finances for one or another reasons. The results of the study are revealed in figure 7.4.4 below.

Figure 7.4.4. The set criteria to get funding is within reach for the average Congolese looking for business finance.



Source: author’s own construction

Figure 7.4.4. reveals that the majority of the respondents, 48.76%, who have been involved in business as entrepreneurs disagreed on the fact that the set criteria to get funding is within reach for the average Congolese looking for business finance in the DRC, followed by 34.43% of the respondents who strongly disagreed, followed by 8.26% of the respondents who were neutral, followed by 5.78% of the respondents who agreed, and followed by 2.75% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that the set criteria to get funding is within reach for the average Congolese looking for business finance in the DRC. This can show that the set criteria to get funding that is within reach for the average Congolese looking for business finance, is very unfair for entrepreneurs.

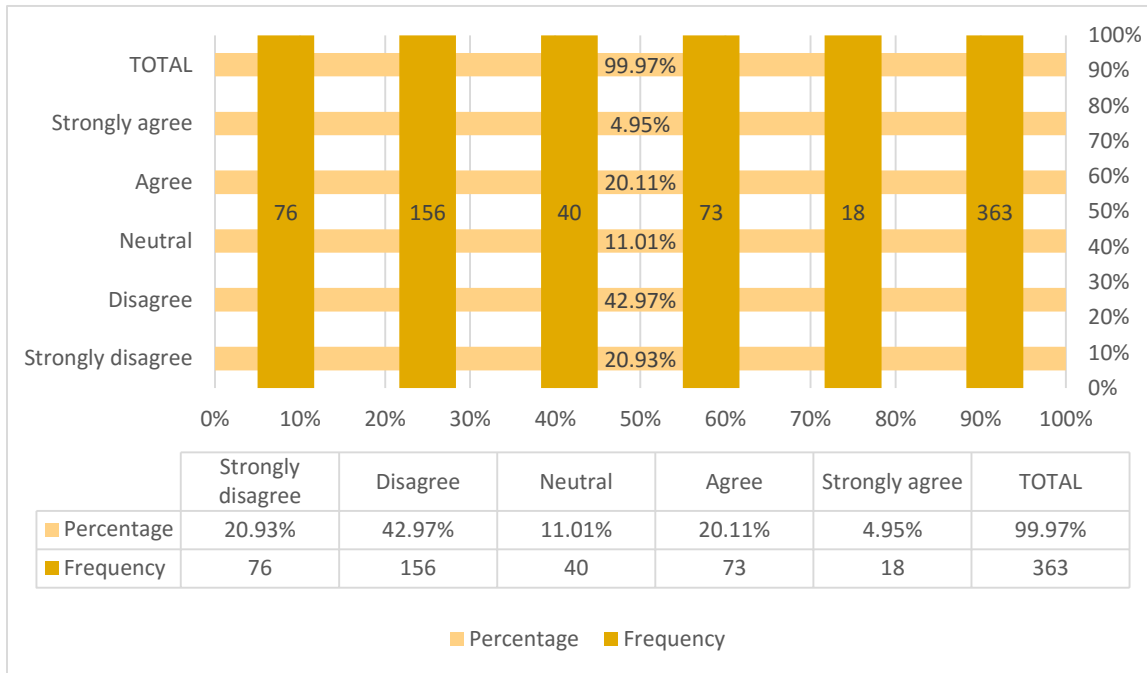
Question 7.4.5 The exact capital requested for is awarded if candidate qualifies.

The intention of this question was to determine whether the exact capital requested is awarded if a candidate who qualifies to start a business in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that the exact capital requested is awarded if a candidate who qualifies to start a business in the DRC. Commonly, the lack of funding is a massive restriction to entrepreneurs. In the DRC context, it is the worst because of the unemployment rate, and the low wages paid from the government to its officials.

It is therefore, a risky and depressed situation for big country like the DRC to not having a lot of sources of funding. Characteristically, the exact capital requested is awarded if candidate who qualifies to start a business in the DRC environment is connected. Stokes & Wilson (2010) affirm that blocks are opposite to triggers, meaning it puts obstacles in the entrepreneur's path making it difficult to set up a venture. For instance, lack of capital and financial support to fund a new venture (Burke 2006b). The results of the study are revealed in figure 7.4.5 below.

Figure 7.4.5. The exact capital requested for is awarded



Source: author’s own construction

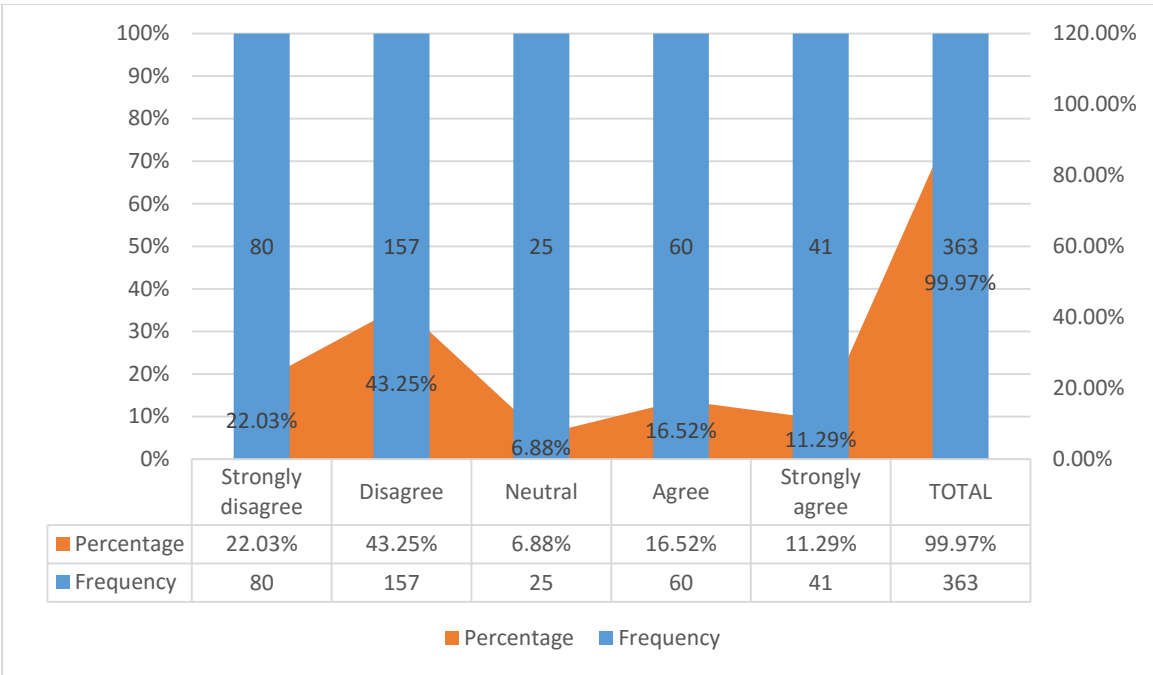
Figure 7.4.5. reveals that the majority of the respondents, 42.97%, who have been involved in business as entrepreneurs disagreed on the fact that the exact capital requested for is awarded if candidate qualifies in the DRC, followed by 20.93% of the respondents who strongly disagreed, followed by 20.11% of the respondents who agreed, followed by 11.01% of the respondents who were neutral, and followed by 4.95% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that the exact capital requested is awarded if candidate who qualifies in the DRC. This can show that the set criteria of getting capital is still a big issue for entrepreneurs in the DRC.

Question 7.4.6 Funding for business is unusually readily available and accessible for those who meet the criteria.

The intention of this question was to determine whether the funding for business is unusually readily available and accessible for those who meet the criteria in the DRC.

Response and finding: 363 people responded to this. It was expected that the majority of people would disagree on the fact that the funding for business is readily available and accessible for those who meet the criteria in the DRC. Frequently, the lack of funding is a massive limit to entrepreneurs. In the DRC context it is the worst because of the unemployment rate, and the low wages paid from the government to its officials as well as the corruption. The results of the study are revealed in figure 7.4.6 below.

Figure 7.4.6. Funding for business is unusually readily available and accessible for those who meet the criteria



Source: author’s own construction

Figure 7.4.6. reveals that the majority of the respondents, 43.25%, who have been involved in the business as entrepreneurs disagreed on the fact that the funding for business is readily available and accessible for those who meet the criteria in the DRC, followed by 22.03% of the respondents who strongly disagreed, followed by 16.52% of

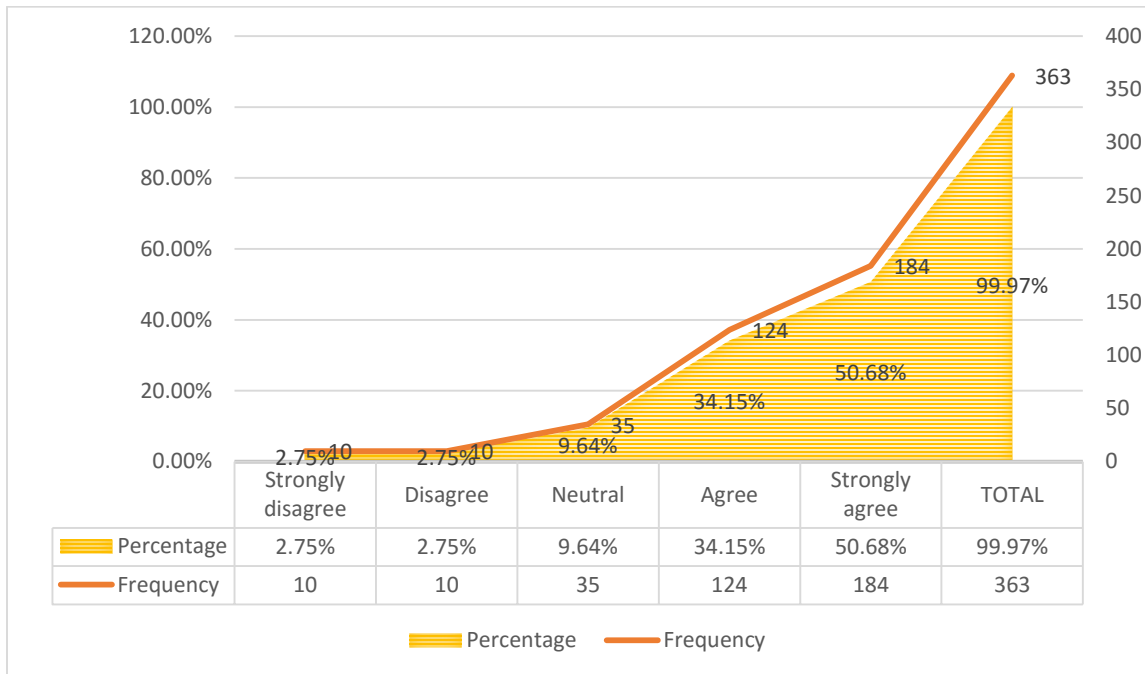
the respondents who agreed, followed by 11.29% of the respondents who strongly agreed, and followed by 6.88% of the respondents who were neutral. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that the funding for business is readily available and accessible for those who meet the criteria in the DRC. This can show that the funding for business that is not readily available and accessible for those who meet the criteria is still an immense issue for entrepreneurs in the DRC.

Question 7.4.7 You may need political connections to get business finance

The intention of this question was to determine whether one may need political connections to get business finance in the DRC. With all the issues that DRC has anything is possible. Corruption is known to be rampant, and this question sought to identify if entrepreneurship may be hampered because of the need for political connections to get finance for start-ups.

Response and finding: 363 people responded to this question. It was expected that the majority of people would complain about political interference and nepotism in the allocation of business finance. The results from the research are as indicated in figure 7.4.7 below.

Figure 7.4.7 You may need political connections to get business finance



Source: author’s own construction

Figure 7.4.7. reveals that the majority of the respondents, 50.68%, who have been involved in business as entrepreneurs who strongly agreed on the fact that you may need political connections to get business finance in the DRC, followed by 34.15% of the respondents who agreed, followed by 9.64% of the respondents who were neutral, followed by 2.75% of the respondents who strongly disagreed, and followed by 2.75% of the respondents who disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs strongly agreed on the fact that you may need political connections to get business finance in the DRC. This can show that political connections has an immense influence for entrepreneurs in the DRC.

Question 7.4.8 Mention anything else with regards to the above.

Response and finding: 363 people of responded to this question. It was expected that the majority of people were free to express themselves by saying that they want the DRC to adapt to the international norms, to become more competitive to be free economically and socially so that the population can be able to do business in peace and safety with respect to economic standards and regulations. Usually, in the DRC the finance is available for those who are connected with politicians especially for those in power.

7.5 Section D: Other sources of funding

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

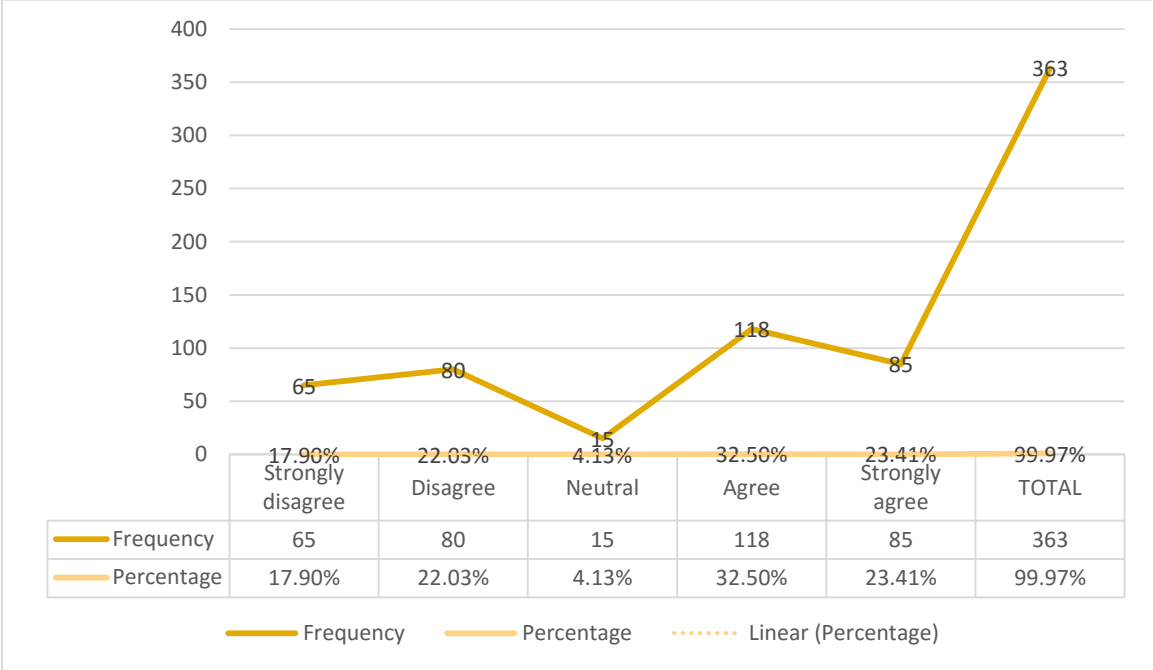
The DRC has undertaken reforms to smooth the sourcing of funds for entrepreneurs as part of a larger regulatory reform program. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms. There are procedures to legally source funds and operate as entrepreneurs. This section has 8 sub questions such as: 1) Whether banks are a major source of business finance in the DRC for those who qualify; 2) Whether banks specifically deal with people who have money and security only; 3) Whether non-governmental organisations [NGO'S] are a major source of business finance for the poor; 4) Whether there are numerous small loan funders for small business start-ups. 5) Whether international corporations are not readily available to form joint ventures with the local people; 6) Whether funding for business is not readily available and not accessible even for those who meet the criteria; 7) Whether if you have a good business plan, finance is not an issue at all; 8) Mention anything else with regards to the above.

Question 7.5.1. Banks are a major source of business finance in the DRC for those who qualify

The intention of this question was to determine whether banks are a major source of business finance in the DRC for those who qualify. Banks as financial sources are available and accessible in most cities of the country. With all those issues most entrepreneurs in the DRC still don't trust the financial institutions.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that banks are a major source of business finance in the DRC for those who qualify. When we go deep down, it turns out that banks are only in the biggest cities in few provinces in the country. That means the majority of people do not get access to the banks services in the whole country. The results from the research are as indicated in figure 7.5.1 below

Figure 7.5.1. Banks are a major source of business finance in the DRC for those who qualify



Source: author’s own construction

Figure 7.5.1. reveals that the majority of the respondents, 32.50%, who have been involved in business as entrepreneurs agreed on the fact that banks are a major source of business finance in the DRC for those who qualify, followed by 23.41% of the respondents who strongly agreed, followed by 22.03% of the respondents who disagreed, followed by 17.90% of the respondents who strongly disagreed, and followed by 4.13% of the respondents who were neutral. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs strongly agreed on the fact that banks are a major source of business finance in the DRC for those who

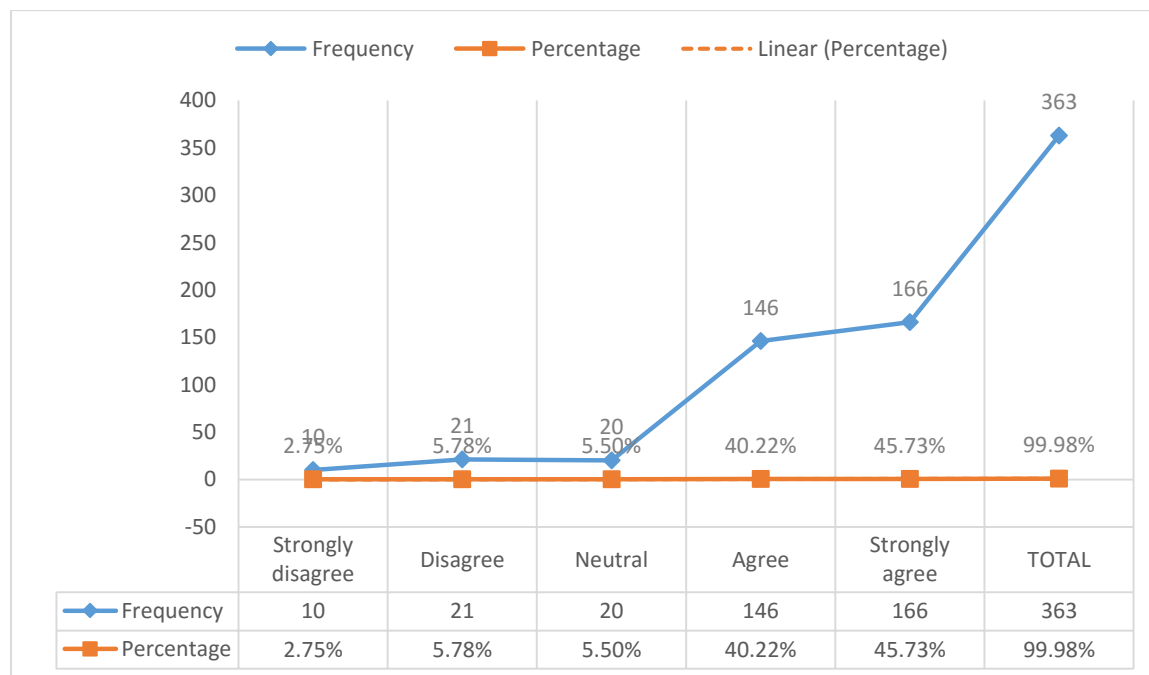
qualify. This can show by the fact some entrepreneurs are starting to trust the financial institutions in the DRC.

Question 7.5.2 Banks specifically deal with people who have money and security only.

The intention of this question was to determine whether banks specifically deal with people who have money and security only. Banks as financial sources are available and accessible in the biggest cities of few provinces in the country. With all those issues most of entrepreneurs in the DRC still don't trust the financial institutions.

Response and finding: 363 people responded to this question. It was expected that the majority of people would strongly agree on the fact that banks specifically deal with people who have money and security only. When we go deep down, it turns out that banks are only in the biggest cities in few provinces in the country. That means the majority of people do not get access to the banks services in the whole country. The results from the research are as indicated in figure 7.5.2 below

Figure 7.5.2 Banks specifically deal with people who have money and security only



Source: author's own construction

Figure 7.5.2. reveals that the majority of the respondents, 45.73%, who have been involved in business as entrepreneurs strongly agreed on the fact that banks specifically deal with people who have money and security only followed by 40.22% of the respondents who agreed, followed by 5.78% of the respondents who disagreed, followed by 5.50% of the respondents who were neutral, and followed by 2.75% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs strongly agreed on the fact that banks specifically deal with people who have money and security only. This can show that banks are a major source of business finance in the DRC for those who qualified.

Question 7.5.3 Non-governmental organisations [NGO's] are a major source of business finance for the poor.

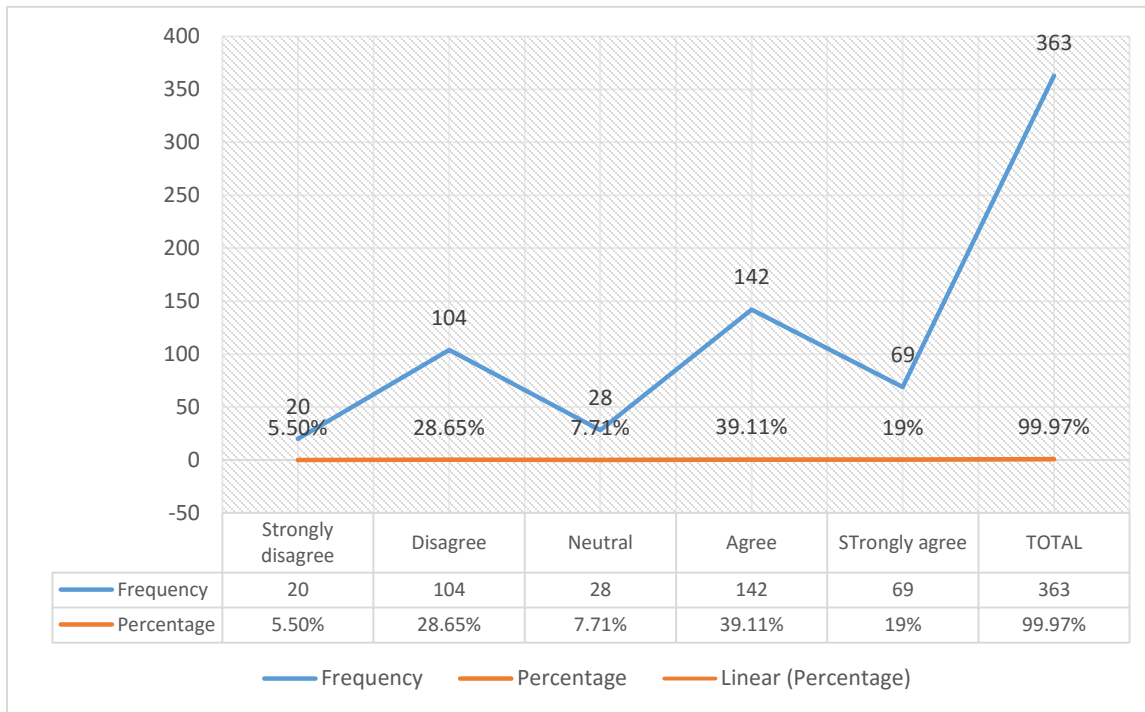
The intention of this question was to determine whether NGO's are a major source of business finance for the poor. Non-governmental organisations as financial sources are available and accessible in most cities of the country.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that NGO's are a major source of business finance for the poor. Youth people endure colossal difficulties in getting work. Assumed the restricted amount of jobs on bid, the disparity between training and the skills required by employers, and the sluggish rate of superannuation between public employees (Green 2008), in excess of 70% of the youth are unemployed.

Toughest persons hit are youth people aged between 15 and 24 existing in towns and cities. The brain drain and the disaster in the scholastic system mean that there is a durable request for expertise in human capitals in the DRC (DRC African economic outlook report, 2012:1-15). With all those financial issues most of entrepreneurs in the

DRC get help from the NGO's. The results from the research are as indicated in figure 7.5.3 below

Figure 7.5.3. Non-governmental organisations [NGO's] are a major source of business finance for the poor.



Source: author's own construction

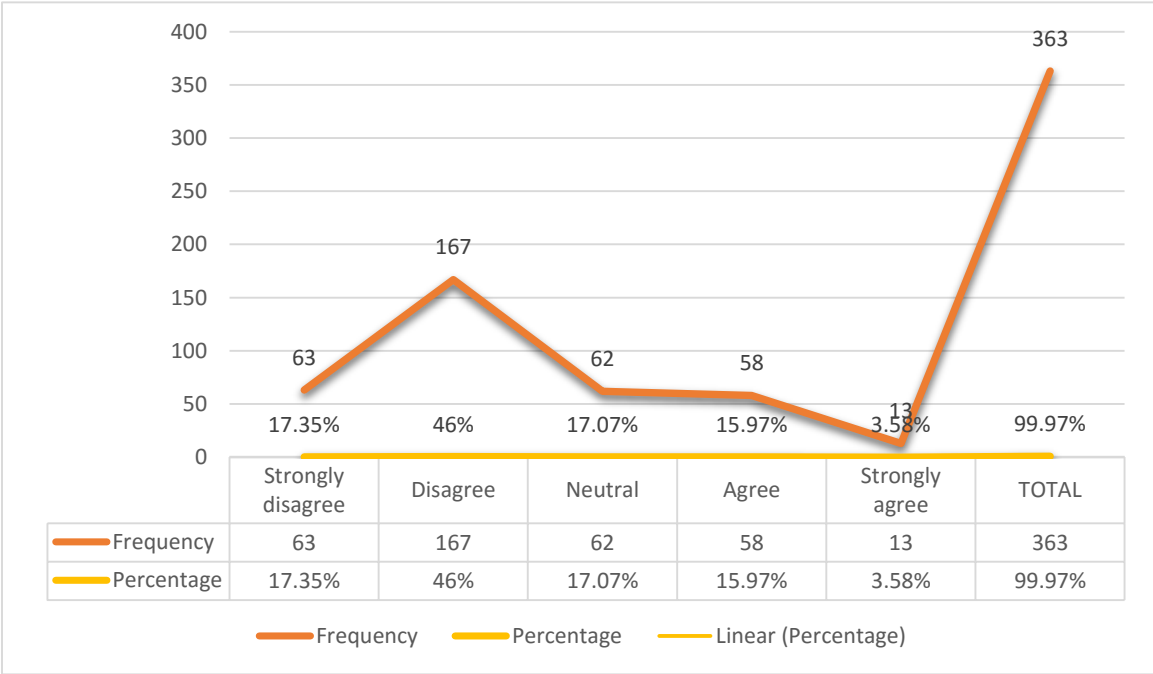
Figure 7.5.3. reveals that the majority of the respondents, 39.11%, who have been involved in the business as entrepreneurs agreed on the fact that NGO's are a major source of business finance for the poor followed by 28.65% of the respondents who disagreed, followed by 19% of the respondents who strongly agreed, followed by 7.71% of the respondents who were neutral, and followed by 5.50% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that NGO's are a major source of business finance for the poor. This can show that NGO's are a major source of business finance in the DRC for those who qualify.

Question 7.5.4 There are numerous small loan funders for small business start-ups.

The intention of this question was to determine whether there were numerous small loan funders for small business start-ups. The financial institutions who can give small loans for small business starts-ups are available and accessible in most cities of the country.

Response and finding: 363 people responded to this question. It was expected that the majority of people would disagree on the fact there were numerous small loan funders for small business start-ups. It is a mission finding a small loan funders for small business start-ups. If when one, does succeed, the set criteria to get the loan will be an obstacle for start-ups. The results from the research are as indicated in figure 7.5.4 below

Figure 7.5.4. There are numerous small loan funders for small business start-ups.



Source: author’s own construction

Figure 7.5.4. reveals that the majority of the respondents, 46%, who have been involved in business as entrepreneurs disagreed on the fact that there were numerous small loan

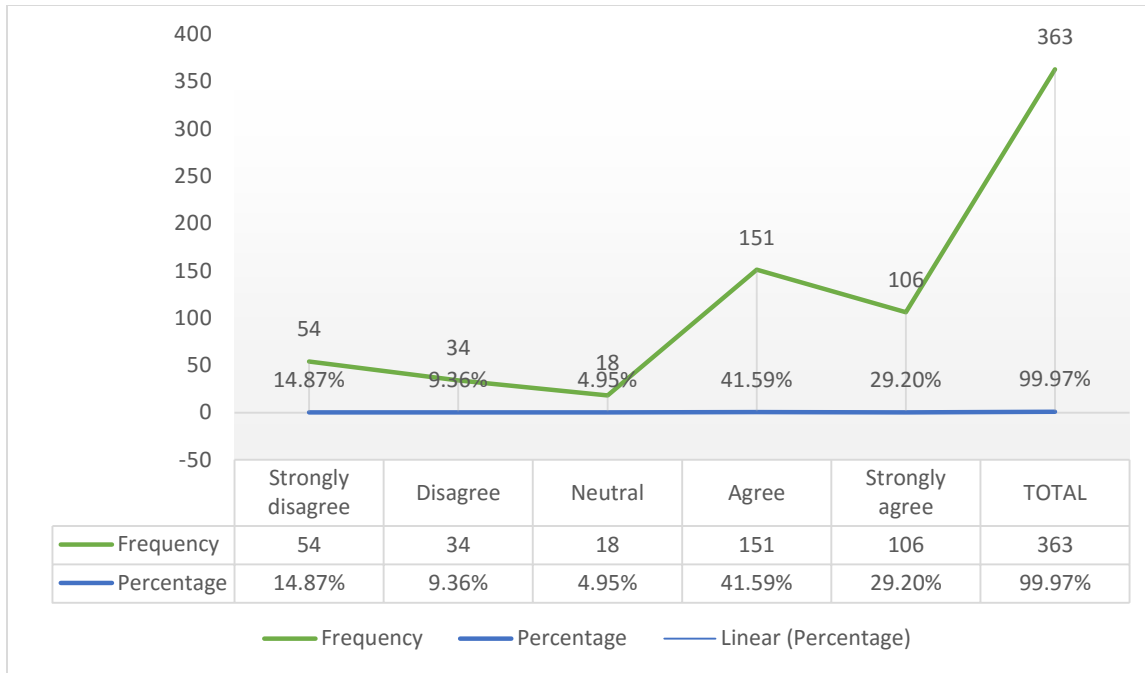
fundings for small business start-ups followed by 17.35% of the respondents who strongly disagreed, followed by 17.07% of the respondents who were neutral, followed by 15.97% of the respondents who agreed, and followed by 3.58% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that there were numerous small loan fundings for small business start-ups. This can show that to get a loan is still a vast issue in the DRC even for those who qualify.

Question 7.5.5 International corporations are not readily available to form joint ventures with the local people.

The intention of this question was to determine whether international corporations are readily available to form joint ventures with the local people.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that international corporations are not readily available to form joint ventures with the local people. To form any joint ventures, there must be parameters such as social-cultural factors that you count, for instance lack of respect for contracts; political and family interferences contribute to the lack of a proper business-attitude; fiscal charges are one of the main difficulties they face. Two main factors are mentioned: a) the large number of different tax that was 120, now condensed to 40; b) fiscal contribution is often based on sales and not on net income. Congolese people particularly, and Africans generally, do not respect the clause of a contract. It is one of the issues among others that make international corporations to not form joint ventures with local people. Therefore, people must be accountable in their businesses. The results from the research are as indicated in figure 7.5.5 below

Figure 7.5.5. International corporations are not readily available to form joint ventures with the local people.



Source: author’s own construction

Figure 7.5.5. reveals that the majority of the respondents, 41.59%, who have been involved in business as entrepreneurs agreed on the fact that international corporations are not readily available to form joint ventures with the local people, followed by 29.20% of the respondents who strongly agreed, followed by 14.87% of the respondents who strongly disagreed, followed by 9.36% of the respondents who disagreed, and followed by 4.95% of the respondents who were neutral. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that international corporations are not readily available to form joint ventures with the local people. This can indicate that international corporations are well organised, structured, trustworthy compared to local people especially military; politicians who can take funds from the public treasure to invest and want to see the immediate results. Therefore, they will try to break economic rules and regulations for their benefits and

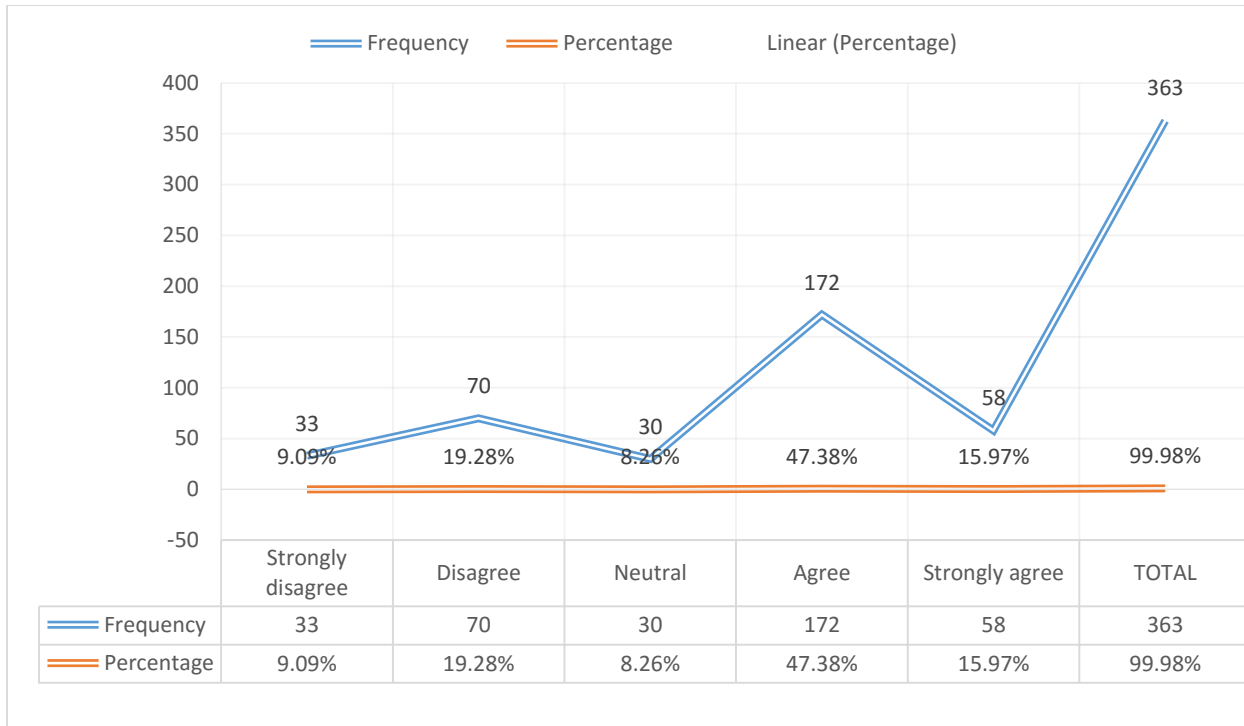
because of that the DRC has a need to form joint venture between local people and international corporations.

Question 7.5.6 Funding for business is not readily available and not accessible even for those who meet the criteria.

The intention of this question was to determine whether funding for business is readily available and accessible even for those who meet the criteria. The financial institution who can give small loans for small business starts-ups are available and accessible in most cities of the country but it is a mission to get funding even if qualified.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that funding for business is not readily available and not accessible even for those who meet the criteria. Influences play a main role in getting the fund for business in the DRC. But of the 9 000 youth graduating from universities each year less than 100 catch a job (Bond, 2006). It regularly occurs that youth alumni convert to street vendors, money changers, and traders, workers of public telephones or security staff, for non-existence of any additional job occasion. The results from the research are as indicated in figure 7.5.6 below.

Figure 7.5.6. Funding for business is not readily available and not accessible even for those who meet the criteria.



Source: author’s own construction

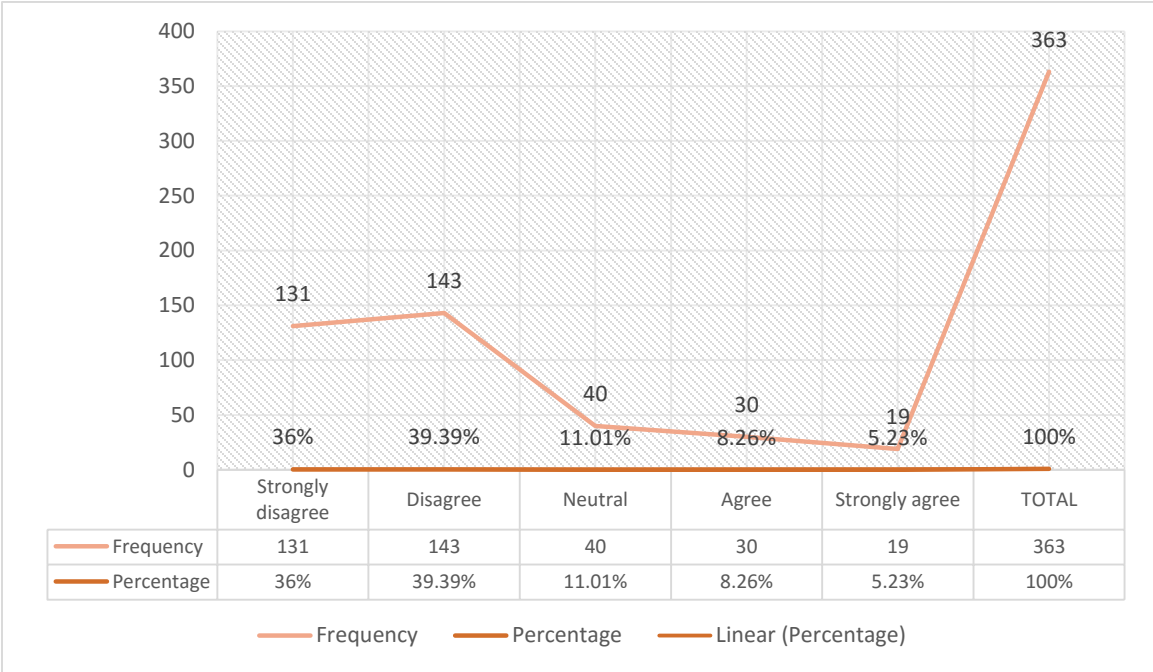
Figure 7.5.6. reveals that the majority of the respondents, 47.38%, who have been involved in business as entrepreneurs agreed on the fact that funding for business is not readily available and not accessible even for those who meet the criteria followed by 19.28% of the respondents who disagreed, followed by 15.97% of the respondents who strongly agreed, followed by 9.09% of the respondents who strongly disagreed, and followed by 8.26% of the respondents who were neutral. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that funding for business is not readily available and not accessible even for those who meet the criteria. This can indicate that procedures of getting funds is very complex and unavailable in most of cases. Funding for business may therefore, be easier from families and friends than from financial institutions.

Question 7.5.7 If you have a good business plan, finance is not an issue at all

The intention of this question was to determine whether if you have a good business plan, finance is not an issue at all. Funding for business is not readily available and not accessible even for those who meet the criteria. The financial institutions who can give small loans for small business starts-ups are available and accessible only in few cities of the country but it is a mission to get funding even if qualified.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that if you have a good business plan, finance is not an issue at all. Influences, networks play a key role in getting the fund for business in the DRC. The results from the research are as indicated in figure 7.5.7 below

Figure 7.5.7. If you have a good business plan, finance is not an issue at all



Source: author’s own construction

Figure 7.5.7. reveals that the majority of the respondents, 39.39%, who have been involved in business as entrepreneurs disagreed on the fact that you have a good business plan, finance is not an issue at all followed by 36% of the respondents who strongly disagreed, followed by 11.01% of the respondents who were neutral, followed by 8.26% of the respondents who agreed, and followed by 5.23% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs disagreed on the fact that if you have a good business plan, finance is not an issue at all. This can indicate that procedures and time of getting funds is very multifaceted; even with a good business plan. Funding for business may therefore, be easier from families and friends than from financial institutions.

7.5.8. Mention anything else with regards to the above.

Response and finding: 363 people of responded to this question. It was expected that the majority of people were free to express themselves by saying they want the DRC to adapt to the international norms to become more competitive to be free economically and socially so that the population can be able to do business in peace and safety with respect to economic standards and regulations. Entrepreneurs need a huge financial support from the government, NGO's, banks and other financial institutions to boost their businesses.

7.6 Section E: Policies

Please rank the following by crossing the most applicable. The ratings are: 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

The DRC has undertaken reforms to smooth policies for entrepreneurs as part of a larger regulatory reform program. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

The developmental state approach could help address development challenges by focusing on rebuilding and strengthening state capacity (Hanson *et al*, 2012), with a view

to raising its ability to expand human capabilities and promote an equitable and efficient allocation of resources, which in turn, should generate appropriate incentives for economic diversification and transformation (Hartmann, 2012).

The approach should also prioritize the building and strengthening of economic and socio-political institutions and their effective coordination to produce the desired socio-economic development outcomes. In addition, it should provide for the articulation and implementation of macroeconomic, industrial and sectorial policies that are specifically targeted in promoting economic transformation and overcoming the potential negative impacts of endowment (Caviedes, 2010), environment and geography on the continent's growth pattern. The DRC needs to build transformative, good governance and democratic institutions.

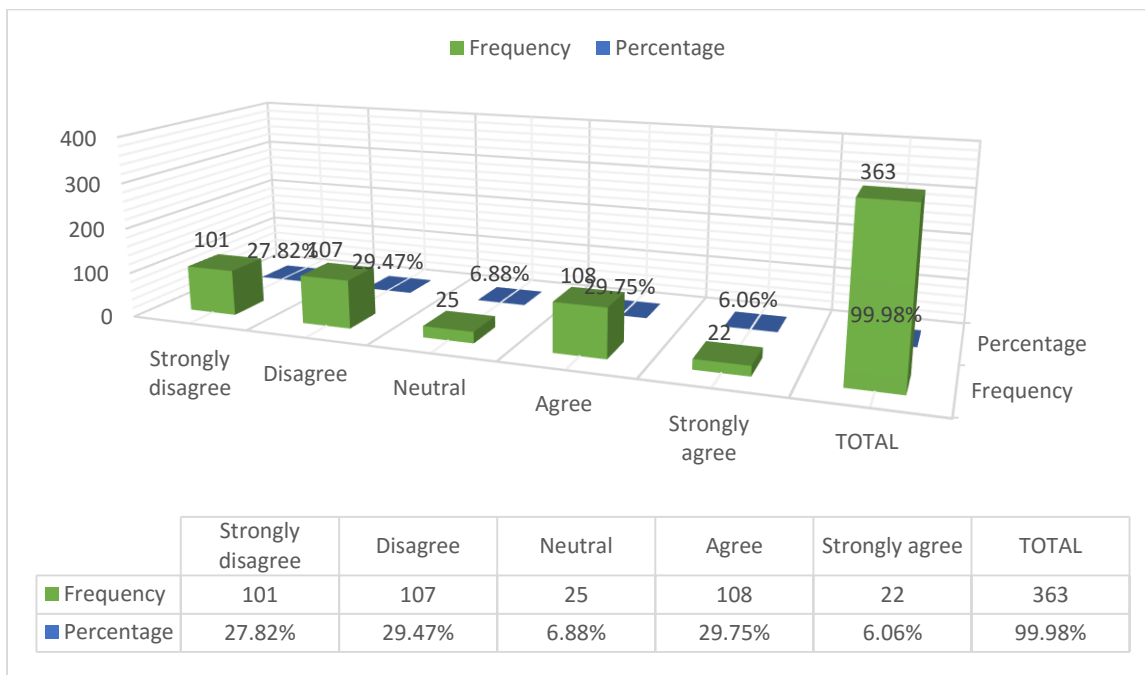
A crucial component of such institutions is strong leadership. Leadership in the developmental State aims at defining an agenda that meets the needs of the people and puts national interests above personal interests. This section has 8 sub questions such as: 1) Whether the government policies encourage entrepreneurship; 2) Whether labour relation policies aid entrepreneurs to create jobs; 3) Whether the government policies discourage entrepreneurship; 4) Whether good systems are in place to support entrepreneurship; 5) Whether government policies do not encourage entrepreneurship at all; 6) Whether the government has developed skills development programs to encourage entrepreneurs; 7) Whether you get into business at your own expense and risk; 8) Mention anything else with regards to the above

Question 7.6.1. The government policies encourage entrepreneurship.

The intention of this question was to determine whether the government policies encourage entrepreneurship. DRC must invest deeply in entrepreneurship as part of economic governance. Growth in today's world based on the global economy depends on a flexible, educated and healthy workforce. Investment in entrepreneurship promotes individual development and provides the ability to escape poverty.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that the government policies encourage entrepreneurship in the DRC. The experiences of successful countries in Asia, Latin America, and elsewhere present two important aspects of effective economic transformation processes. The first is that there are palpable common characteristics in the designs of structural change and economic development processes in general, industrialisation and diversification in particular. The second and overarching feature is that the government plays a central role in guiding and promoting successful entrepreneurship in economic transformation for instance in developing infrastructure, attracting foreign resources, and increasing productivity are important elements of successful renovation, as are strong and functional institutions. The results from the research are as indicated in figure 7.6.1 below

Figure 7.6.1. The government policies encourage entrepreneurship



Source: author's own construction

Figure 7.6.1 shows that the majority of the respondents 29.75% who have been involved in business as entrepreneurs agreed on the fact that the government policies encourage entrepreneurship followed by 29.47% of the respondents who disagreed, followed by 27.82% of the respondents who strongly disagreed, followed by 6.88% of the respondents who were neutral, and followed by 6.06% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that the government policies encourage entrepreneurship. This can show that entrepreneurs do whatever they can to survive in this thorny area of central Africa. Therefore, the government policies should transform more and more to help entrepreneurs in doing business according to international regulations as well as considering the registration time and procedures, the cost and other factors related to business.

Question 7.6.2 Labour relation policies aid entrepreneurs to create jobs

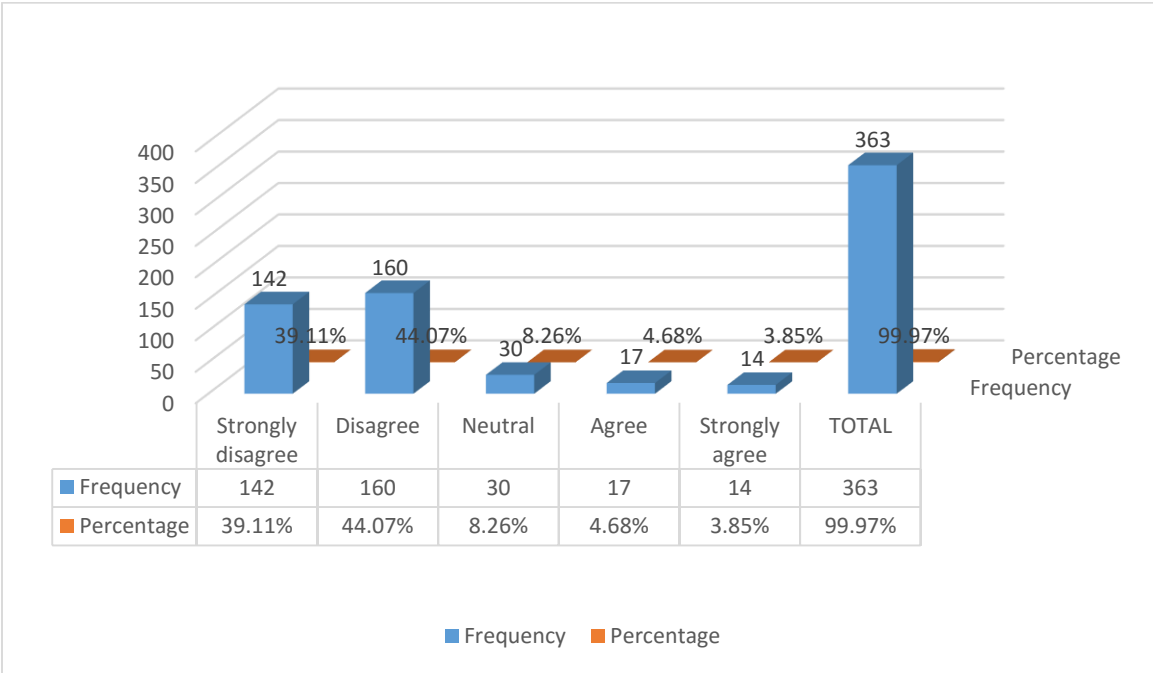
The intention of this question was to determine whether labour relation policies aid entrepreneurs to create jobs. DRC must invest seriously in entrepreneurship as part of economic development.

Response and finding: 363 people responded to this question. It was expected that the majority of people would disagree on the fact that the labour relation policies aid entrepreneurs to create jobs in the DRC. Growth in today's world, based on the global economy depends on a flexible, educated and healthy workforce. Government must profoundly invest in entrepreneurship to boost individual development and to provide the ability to escape poverty.

Governments have to be better at identifying good criteria to determine the labour relation policies that can be helpful for entrepreneurs to create jobs in the appropriated industries to their endowment structure and level of development. The government's policy must facilitate entrepreneurship in industrial upgrading and diversification must be anchored on industries with latent competitive advantages so that, once the new industries are

established, they can quickly become competitive domestically and internationally. DRC has to effectively transform its economy by implementing good policies. The results from the research are as indicated in figure 7.6.2 below

Figure 7.6.2 Labour relation policies aid entrepreneurs to create jobs



Source: author’s own construction

Figure 7.6.2 shows that the majority of the respondents, 44.07%, who have been involved in business as entrepreneurs disagreed on the fact that labour relation policies aid entrepreneurs to create jobs followed by 39.11% of the respondents who strongly disagreed, followed by 8.26% of the respondents who were neutral, followed by 4.68% of the respondents who agreed, and followed by 3.85% of the respondents who strongly agreed.

From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that labour relation policies aid entrepreneurs to create jobs. This can show that entrepreneurs can do whatever they can

to survive in this thorny area of central Africa. Therefore, labour relation policies aid entrepreneurs to create jobs when the government policies shape conditions to transform the lives of entrepreneurs in doing business according to international regulations as well as considering the registration time and procedures, the cost and other factors related to business.

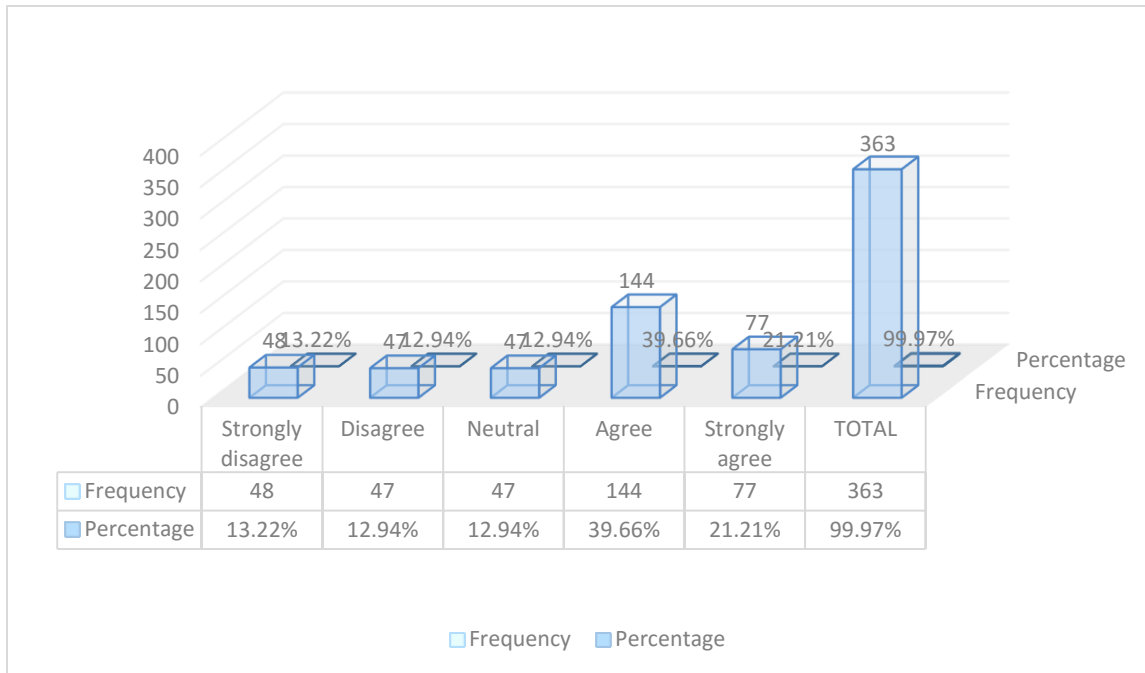
Question 7.6.3 The government policies discourage entrepreneurship

The intention of this question was to determine whether the government policies discourage entrepreneurship. DRC must invest deeply in entrepreneurship as part of economic governance. Growth in today's world based on the global economy depends on a flexible, educated and healthy workforce. Investing in entrepreneurship will stimulate individual development and provides the ability to escape poverty.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that the government policies discourage entrepreneurship in the DRC. Growth in today's world based on global economy depends on a flexible, educated and healthy workforce.

The experiences of successful countries in Asia, Latin America, and elsewhere, present two important aspects of effective economic transformation processes. The first is that there are palpable common characteristics in the designs of structural change and economic development processes in general, industrialisation and diversification in particular. The second and overarching feature is that the government plays a central role in guiding and promoting successful entrepreneurship in economic transformation, for instance, in developing infrastructure, attracting foreign resources, and increasing productivity which are important elements of successful renovation, as are strong and functional institutions. The results from the research are as indicated in figure 7.6.3 below

Figure 7.6.3. The government policies discourage entrepreneurship



Source: author’s own construction

Figure 7.6.3 shows that the majority of the respondents, 39.66%, who have been involved in business as entrepreneurs agreed on the fact that the government policies discourage entrepreneurship followed by 21.21% of the respondents who strongly agreed, followed by 13.22% of the respondents who strongly disagreed, followed by 12.94% of the respondents who agreed, and followed by 12.94% of the respondents who were neutral.

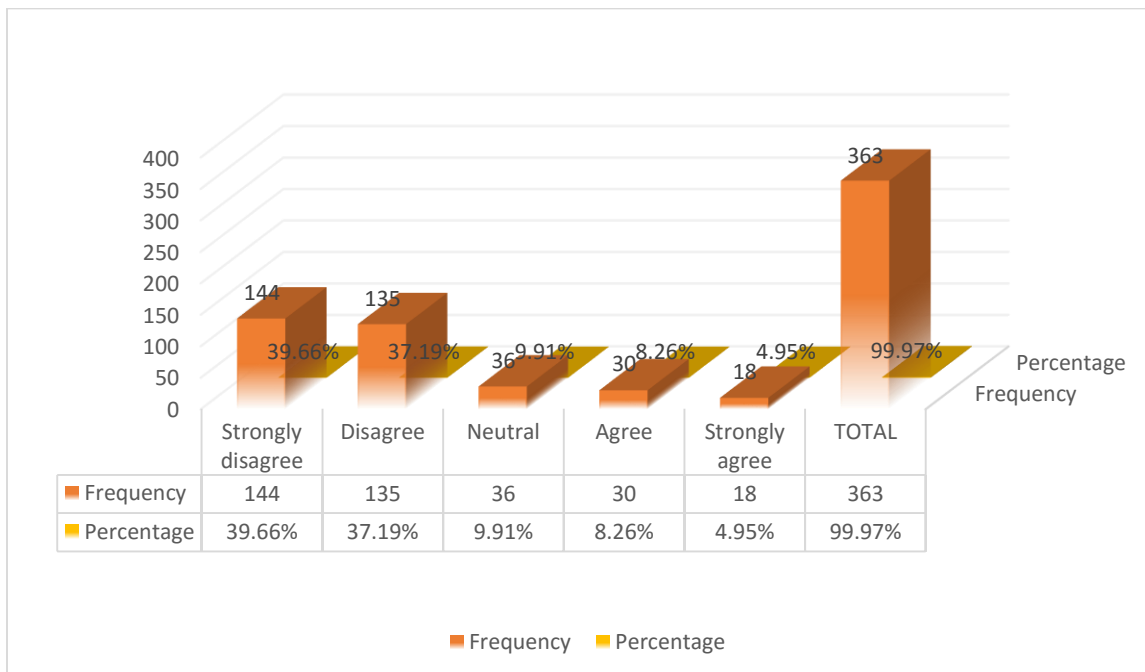
From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that the government policies discourage entrepreneurship. This can show that entrepreneurs do whatever they can to survive in this thorny area of central Africa. Therefore, the government policies discourage entrepreneurship from creating jobs for economic development and poverty reduction.

Question 7.6.4 Good systems are in place to support entrepreneurship

The intention of this question was to determine whether good systems are in place to support entrepreneurship. The DRC must invest heavily in entrepreneurship as part of economic governance.

Response and finding: 363 people responded to this question. It was expected that the majority of people would disagree on the fact that good systems are in place to support entrepreneurship in the DRC. Government must profoundly invest in entrepreneurship to stimulate individual development and provides the ability to escape poverty with good systems in place to support entrepreneurs. The results from the research are as indicated in figure 7.6.4 below

Figure 7.6.4. Good systems are in place to support entrepreneurship



Source: author's own construction

Figure 7.6.4 shows that the majority of the respondents, 39.66%, who have been involved in business as entrepreneurs who strongly disagreed on the fact that good systems are in place to support entrepreneurship followed by 37.19% of the respondents who disagreed, followed by 9.91% of the respondents who were neutral, followed by 8.26% of the respondents who agreed, and followed by 4.95% of the respondents who strongly agreed.

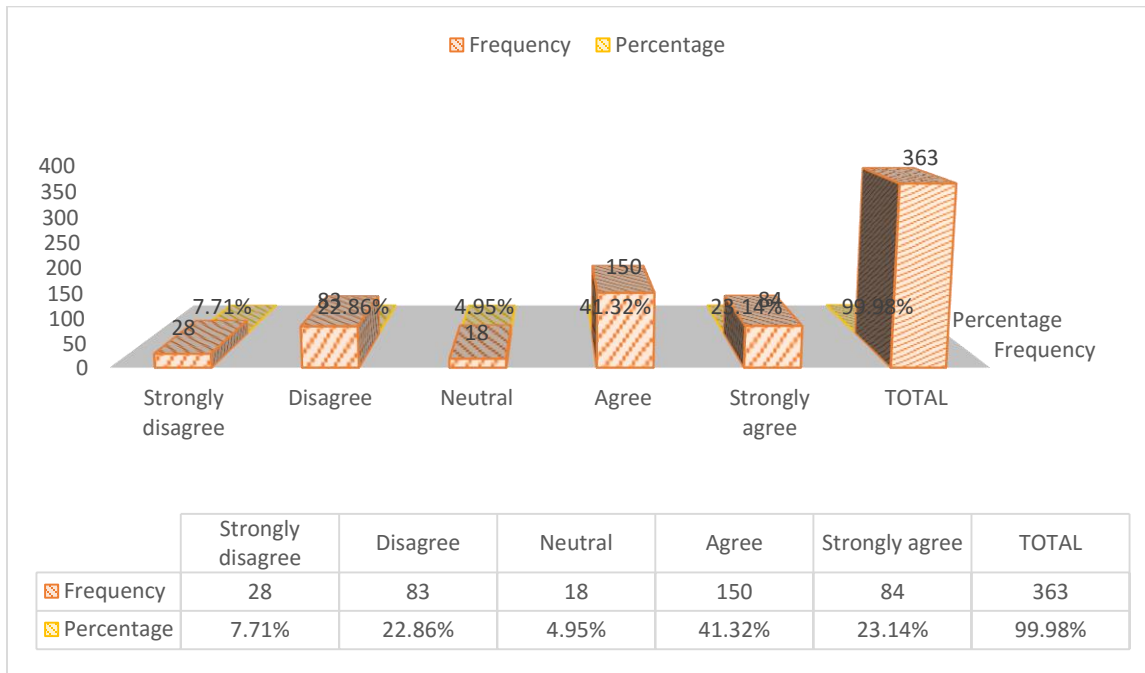
From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs strongly disagreed on the fact that good systems are in place to support entrepreneurship. The government policies discourage entrepreneurship. This can show that in doing business 2014, the DRC stands on 185 out of 189 countries for starting business; 90 out 189 in dealing with construction; 167 out of 189 in resolving insolvency; 142 out of 189 in getting electricity; 177 out of 189 in enforcing contracts; 171 out 189 in trading across borders; 133 out of 189 in registering property; 176 out of 189 in paying tax; 159 out of 189 in getting credit and 147 out of 189 in protecting investors. Therefore, there are not good systems in place to support entrepreneurship and the government policies discourage entrepreneurship from creating jobs for economic development and poverty reduction.

Question 7.6.5 Government policies do not encourage entrepreneurship at all

The intention of this question was to determine whether Government policies do not encourage entrepreneurship at all.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that Government policies do not encourage entrepreneurship at all in the DRC. Government must profoundly invest in entrepreneurship to stimulate individual development and provides the ability to escape poverty with good systems in place to support entrepreneurs. The results from the research are as indicated in figure 7.6.5 below

Figure 7.6.5. Government policies do not encourage entrepreneurship



Source: author’s own construction

Figure 7.6.5 shows that the majority of the respondents, 41.32%, who have been involved in business as entrepreneurs agreed on the fact that government policies do not encourage entrepreneurship at all followed by 23.14% of the respondents who strongly agreed, followed by 22.86% of the respondents who disagreed, followed by 7.71% of the respondents who strongly disagreed, and followed by 4.95% of the respondents who were neutral.

From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that government policies do not encourage entrepreneurship at all. This can be shown by the fact that in doing business 2014: the DRC stands on 185 out of 189 countries for starting business; 90 out 189 in dealing with construction; 167 out of 189 in resolving insolvency; 142 out of 189 in getting electricity; 177 out of 189 in enforcing contracts; 171 out 189 in trading across borders;

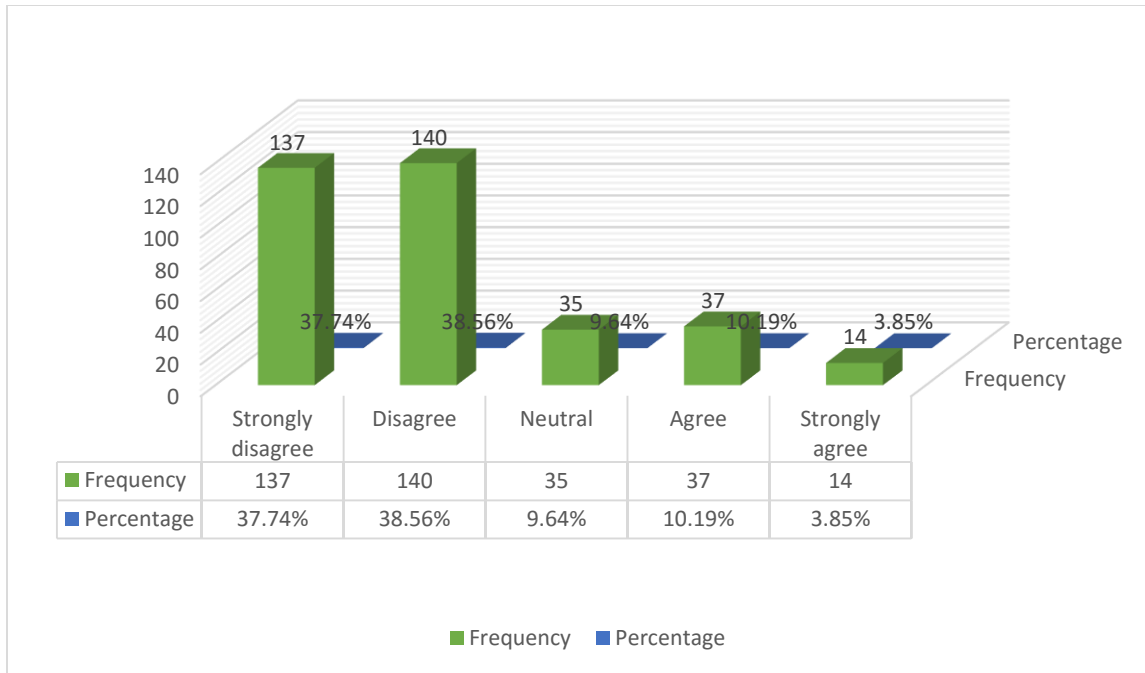
133 out of 189 in registering property; 176 out of 189 in paying tax; 159 out of 189 in getting credit and 147 out of 189 in protecting investors. Therefore, there are not good systems in place to support entrepreneurship and the government policies discourage entrepreneurship to create jobs for economic development and poverty reduction.

Question 7.6.6 The government has developed skills development programs to encourage entrepreneurs.

The intention of this question was to determine whether the government has developed skills development programs to encourage entrepreneurs. Landy & Conte (2009) acknowledge that training is an acquisition of knowledge and skill for present tasks; a tool to help individuals contribute to the organisation and be successful in the current position; a means to an end.

Response and finding: 363 people responded to this question. It was expected that the majority of people would strongly disagree on the fact that the government has developed skills development programs to encourage entrepreneurs. The results from the research are as indicated in figure 7.6.6 below

Figure 7.6.6. The government has developed skills development programs to encourage entrepreneurs.



Source: author’s own construction

Figure 7.6.6 shows that the majority of the respondents, 38.56%, who have been involved in business as entrepreneurs disagreed on the fact the government has developed skills development programs to encourage entrepreneurs followed by 37.74% of the respondents who strongly disagreed, followed by 10.19% of the respondents who agreed, followed by 9.64% of the respondents who were neutral, and followed by 3.85% of the respondents who strongly agreed.

From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs agreed on the fact that the government has developed skills development programs to encourage entrepreneurs and that government policies do not encourage entrepreneurship at all. This can be shown by the fact that government has not developed skills development programs to encourage

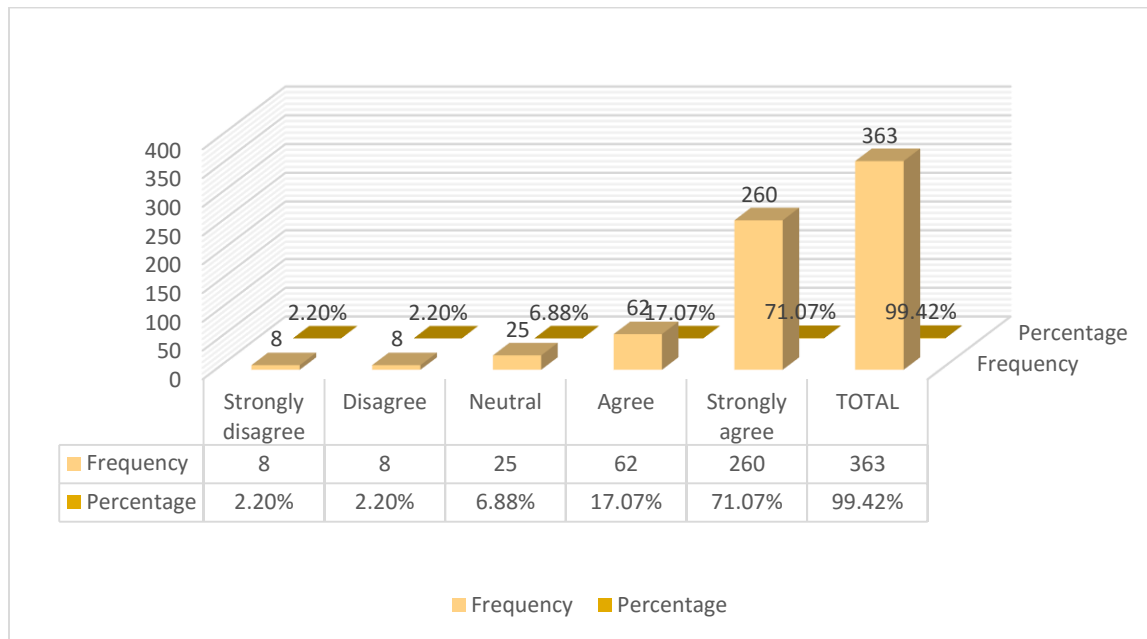
entrepreneurs in doing business. Therefore, there are not good systems in place to support entrepreneurship and the government policies discourage entrepreneurship from creating jobs for economic development and poverty reduction.

Question 7.6.7 You get into business at your own expense and risk

The intention of this question was to determine whether one gets into business at one's own expense and risk. The evidence suggests that entrepreneurs are the risk takers and one self-motivated to achieve one's own specific goal.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that you get into business at your own expense and risk. Lingonge (2004) argues that foreign businesses have curtailed operations due to uncertainty about the outcome of the conflict, lack of infrastructure, and the difficult operating environment. The CIA (2010) and the IBP (2009) acknowledged that the war has intensified the impact of such basic problems as an uncertain legal framework, corruption, inflation, and lack of openness in government economic policy and financial operations. A UNHDI report shows human development to be one of the worst in decades. Through 2011 the DRC had the lowest HDI of the 187 ranked countries (World Bank, 2012) classified lower than Niger despite a higher margin of improvement than the latter country from 2010's numbers. The results from the research are as indicated in figure 7.6.7 below

Figure 7.6.7. Getting into business at your own expense and risk



Source: author’s own construction

Figure 7.6.7 shows that the majority of the respondents, 71.07%, who have been involved in business as entrepreneurs strongly agreed on the fact that you get into business at your own expense and risk followed, by 17.07% of the respondents who agreed, followed by 6.88% of the respondents who were neutral, followed by 2.20% of the respondents who disagreed, and followed by 2.20% of the respondents who strongly disagreed.

From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs strongly agreed on the fact you get into business at your own expense and risk. This can show that the entrepreneurs take risks, both financial and physical in an effort to convert their ideas into business opportunities which should help with the development of a country. Therefore, it should be taken as one of the entrepreneurs’ qualities to create jobs for economic development and poverty reduction in favourable or unfavourable environment.

Question 7.6.8 Mention anything else with regards to the above.

Response and finding: 363 people of responded to this question. It was expected that the majority of people were free to express themselves by saying they want the DRC to adapt to the international norms to become more competitive to be free economically and socially so that the population can be able to do the business in peace and safety with respect to economic standards and regulations in terms of practical training for entrepreneurs. The government policies discourage entrepreneurship; the labour relation policies discourage entrepreneurs from creating jobs and the government must develop skills development programs to encourage entrepreneurs.

7.7 Section F: Tax

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

The DRC has undertaken reforms to smooth tax policies for entrepreneurs as part of a larger regulatory reform program. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms therefore, the main challenge for the DRC authorities and population is to lift the country out of its fragile situation and raise it to a new level of development commensurate with its potential. Certainly, despite significant natural resources and a geo-strategic position conducive to regional integration benefits, the DRC has not yet succeeded in engaging in a development process allowing it to achieve a decisive and lasting transformation of its economy in terms of tax as well. (DRC African economic outlook report, 2012:1-15).

This section has 8 sub questions such as: 1) Whether the tax structure and government systems discourage new business start-ups; 2) Whether all entrepreneurs regardless of size are expected to pay government tax; 3) Whether execution of government tax system discourages entrepreneurs ; 4) Whether the government has tax related incentives that are designed for start-ups in the economy; 5) Whether the national tax systems are deleterious for entrepreneurial development 6) Whether you register for tax on your own,

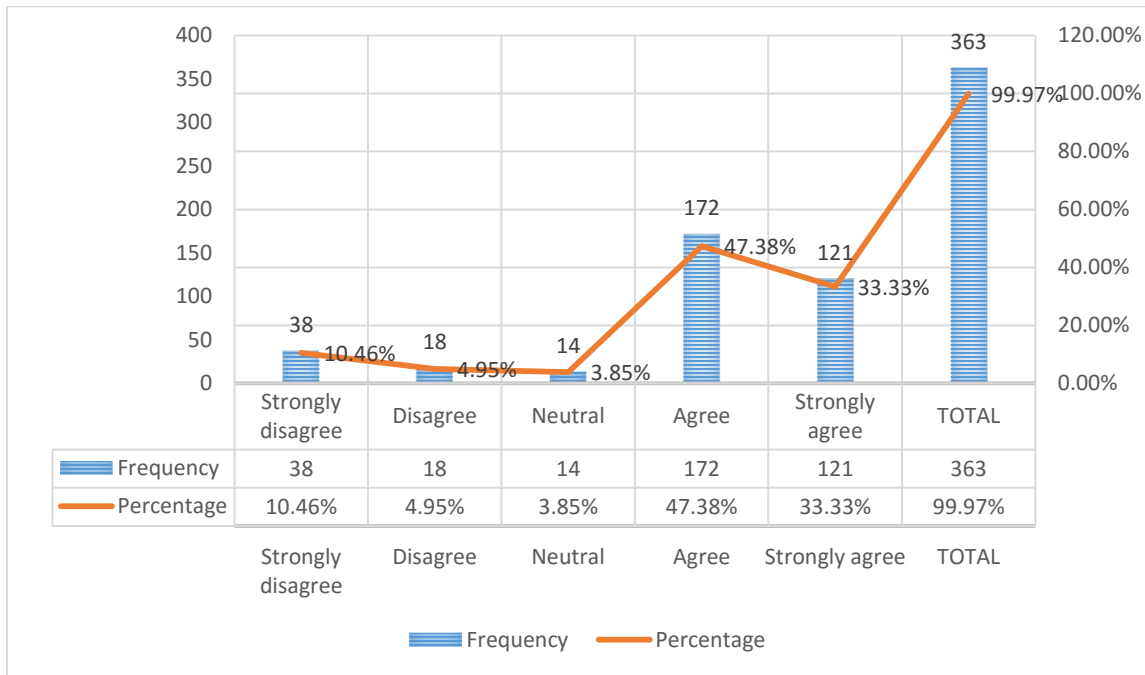
no government follows up; 7) Whether i have never had tax people check on my tax returns since ; 8) Mention anything else with regards to the above.

Question 7.7.1 The tax structure and government systems discourage new business start-ups.

The intention of this question was to determine whether the tax structure and government systems discourage new business start-ups.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that the tax structure and government systems discourage new business start-ups. The DRC had 120 different tax systems and it was reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs. The DRC stands on 176 out of 189 in paying tax for doing business in 2014 and for that reason the government is in the process of implementing a new strategy that aims to recover the population's living conditions by laying strong foundations for the diversification of the economy by strengthening infrastructure, improving governance and institutional capacity (Economic Report on Africa, 2010). The results from the research are as indicated in figure 7.7.1 below

Figure 7.7.1 The tax structure and government systems discourage new business start-ups.



Source: author's own construction

Figure 7.7.1 shows that the majority of the respondents, 47.38%, who have been involved in the business as entrepreneurs agreed on the fact the tax structure and government systems discourage new business start-ups followed by 33.33% of the respondents who strongly agreed, followed by 10.46% of the respondents who strongly disagreed, followed by 4.95% of the respondents who disagreed, and followed by 3.85% of the respondents who were neutral.

From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs strongly agreed on the fact the tax structure and government systems discourage new business start-ups. This can show that the tax structure is still heavy and government systems discourage new business start-ups because entrepreneurs take a lot of risks and they need support both financial and fiscal in an effort to convert their ideas into business opportunities which should help with the

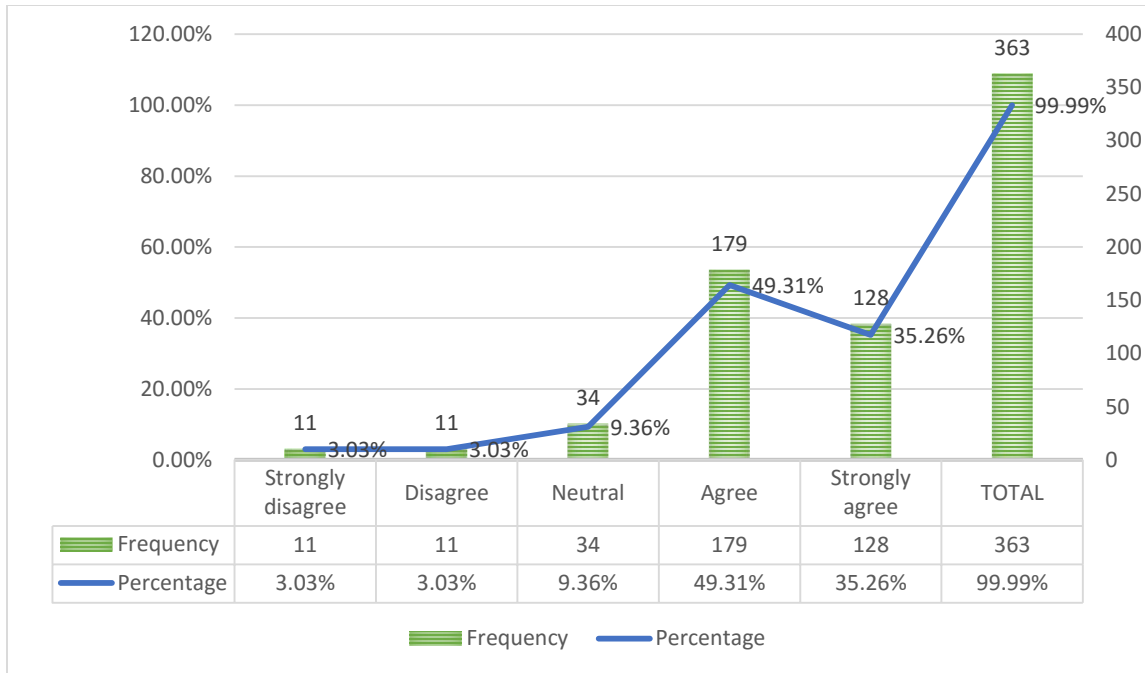
development of a country. Therefore, government must reduce the number of tax to encourage entrepreneurs to create jobs for economic development and poverty reduction.

Question 7.7.2 All entrepreneurs regardless of size are expected to pay government tax.

The intention of this question was to determine whether all entrepreneurs regardless of size are expected to pay government tax. The tax structure and government systems discourage new business start-ups as was mentioned above, but all entrepreneurs must pay the government tax.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that all entrepreneurs, regardless of size, are expected to pay government tax. The DRC had 120 different tax systems and it was reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs. The results from the research are as indicated in figure 7.7.2 below

Figure 7.7.2 Entrepreneurs are expected to pay government tax



Source: author’s own construction

Figure 7.7.2 shows that the majority of the respondents, 49.31%, who have been involved in business as entrepreneurs agreed on the fact that all entrepreneurs regardless of size are expected to pay government tax, followed by 35.26% of the respondents who strongly agreed, followed by 9.36% of the respondents who were neutral, followed by 3.03% of the respondents who disagreed, and followed by 3.03% of the respondents who strongly disagreed.

From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs agreed on the fact all entrepreneurs regardless of size are expected to pay government tax. Opportunistic behaviour of tax officers has a bad impact on entrepreneurs in DRC that produce positive results are constantly harassed by tax officers who try by all means to deprive them of their profits. One of the

main reasons for this is the difficult working conditions, with civil servant wages averaging US\$15 per month.

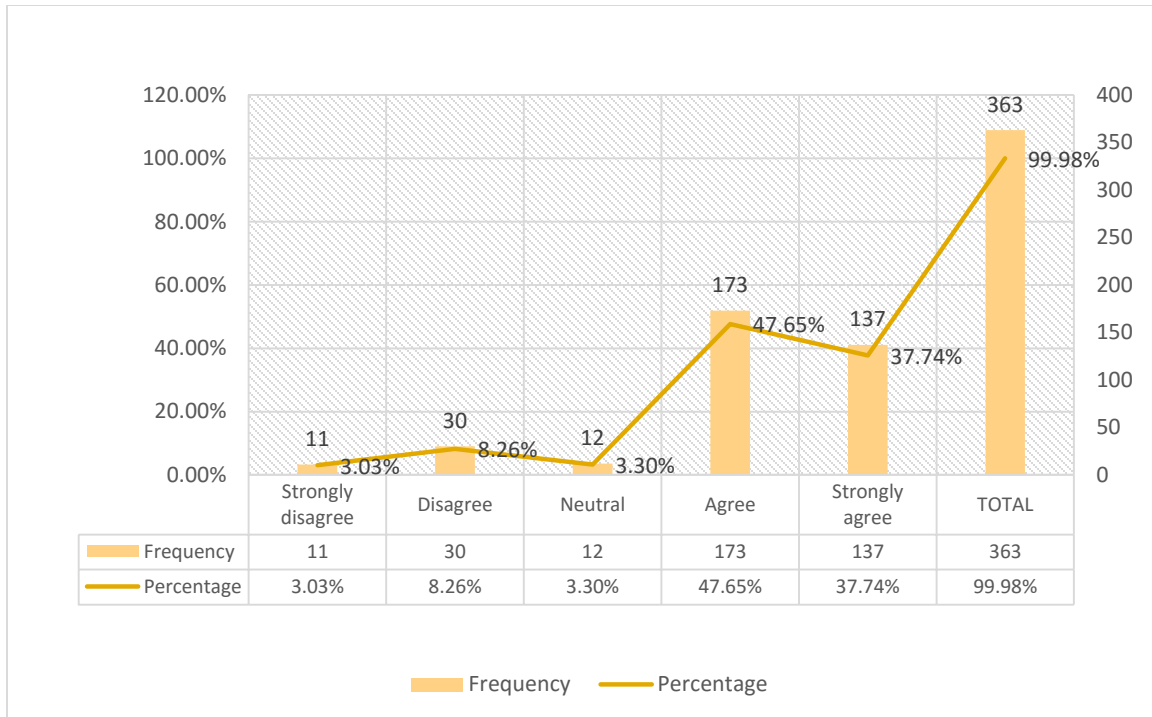
As a consequence, reliable entrepreneurs' operating in DRC employ one or two individuals exclusively charged with dealing with tax officers that visit them almost on a daily basis.

Question 7.7.3 Execution of government tax system discourages entrepreneurs

The intention of this question was to determine whether the execution of the government tax system discourages entrepreneurs.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that execution of government tax system discourages entrepreneurs. The DRC had 120 different tax systems and it was reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs. The tax structure and government systems discourage new business start-ups. The results from the research are as indicated in figure 7.7.3 below

Figure 7.7.3 Execution of government tax system



Source: author's own construction

Figure 7.7.3 shows that the majority of the respondents, 47.65%, who have been involved in business as entrepreneurs agreed on the fact that execution of government tax system discourages entrepreneurs, followed by 37.74% of the respondents who strongly agreed, followed by 8.26% of the respondents who disagreed, followed by 3.30% of the respondents who strongly disagreed, and followed by 3.03% of the respondents who were neutral.

From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs agreed on the fact that execution of government tax system discourages entrepreneurs. Opportunistic behaviour of tax officers has a bad impact on entrepreneurs in DRC that produce positive results are continually harassed by tax officers that try by all means to deprive them of their profits.

One of the main reasons for this is the difficult working conditions, with civil servant wages averaging US\$15 per month.

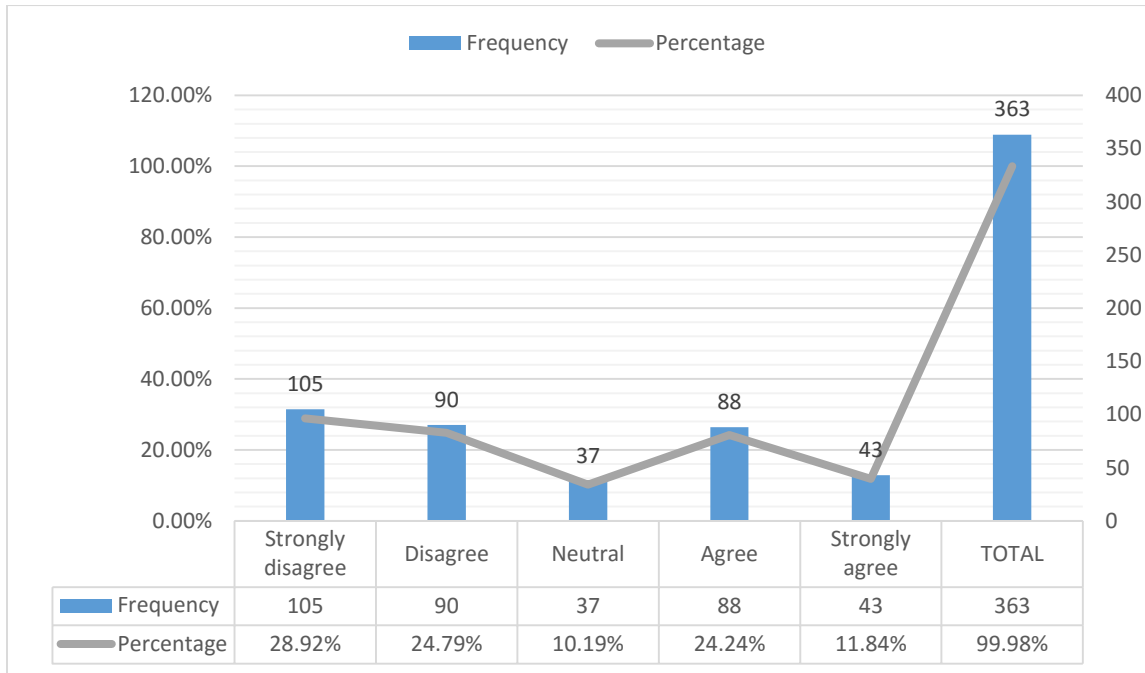
As a consequence, reliable entrepreneurs' operating in DRC employ one or two individuals exclusively charged with dealing with tax officers that visit them almost on a daily basis.

Question 7.7.4 The government has tax related incentives that are designed for start-ups in the economy.

The intention of this question was to determine whether the government has tax related incentives that are designed for start-ups in the economy.

Response and finding: 363 people responded to this question, it was expected that the majority of people would agree on the fact that the government has tax related incentives that are designed for start-ups in the economy. The DRC had 120 different tax systems and it has been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs particularly for start-ups. The tax structure and government systems discourage new business start-ups. The results from the research are as indicated in figure 7.7.4 below

Figure 7.7.4 The government has tax related incentives that are designed for start-ups in the economy.



Source: author's own construction

Figure 7.7.4 shows that the majority of the respondents, 28.92%, who have been involved in business as entrepreneurs strongly disagreed on the fact the government has tax related incentives that are designed for start-ups in the economy, followed by 24.79% of the respondents who disagreed, followed by 24.24% of the respondents who agreed, followed by 11.84% of the respondents who strongly agreed, and followed by 10.19% of the respondents who were neutral.

From these results it can be seen that the majority of the respondents have been involved in the business as entrepreneurs agreed on the fact that the government has tax related incentives that are designed for start-ups in the economy. Opportunistic behaviour of tax officers has a bad impact on entrepreneurs in DRC that produce positive results who are continually harassed by tax officers that try by all means to deprive them of their profits.

One of the main reasons for this is the difficult working conditions, with civil servant wages averaging US\$15 per month.

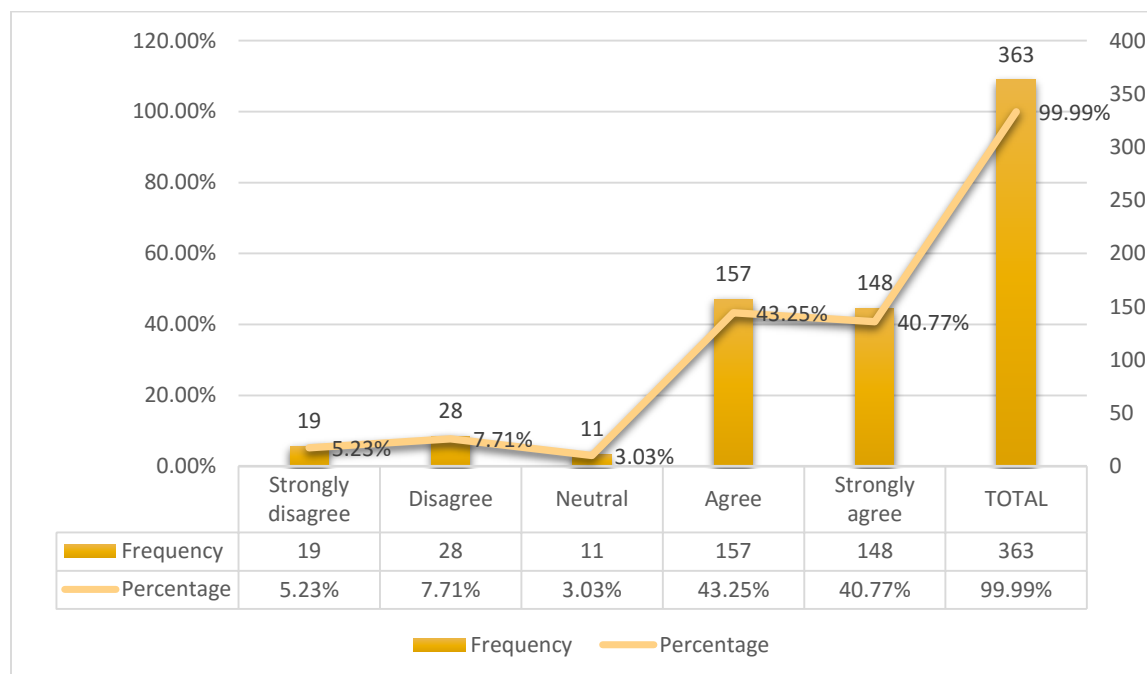
As a consequence, reliable entrepreneurs' operating in DRC employ one or two individuals exclusively charged with dealing with tax officers that visit them almost on a daily basis.

Question 7.7.5 The national tax systems are deleterious for entrepreneurial development

The intention of this question was to determine whether the national tax systems are deleterious for entrepreneurial development. This national tax systems are damaging the entrepreneurial development in terms of the tax structure for new business start-ups.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that the government has tax related incentives that are designed for start-ups in the economy. The DRC had 120 different tax systems and it has been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs particularly for start-ups. The results from the research are as indicated in figure 7.7.5 below

Figure 7.7.5 The national tax systems are deleterious for entrepreneurial development



Source: author's own construction

Figure 7.7.5 shows that the majority of the respondents, 43.25%, who have been involved in business as entrepreneurs agreed on the fact the national tax systems are deleterious for entrepreneurial development, followed by 40.77% of the respondents who strongly agreed, followed by 7.71% of the respondents who disagreed, followed by 5.23% of the respondents who strongly disagreed, and followed by 3.03% of the respondents who were neutral.

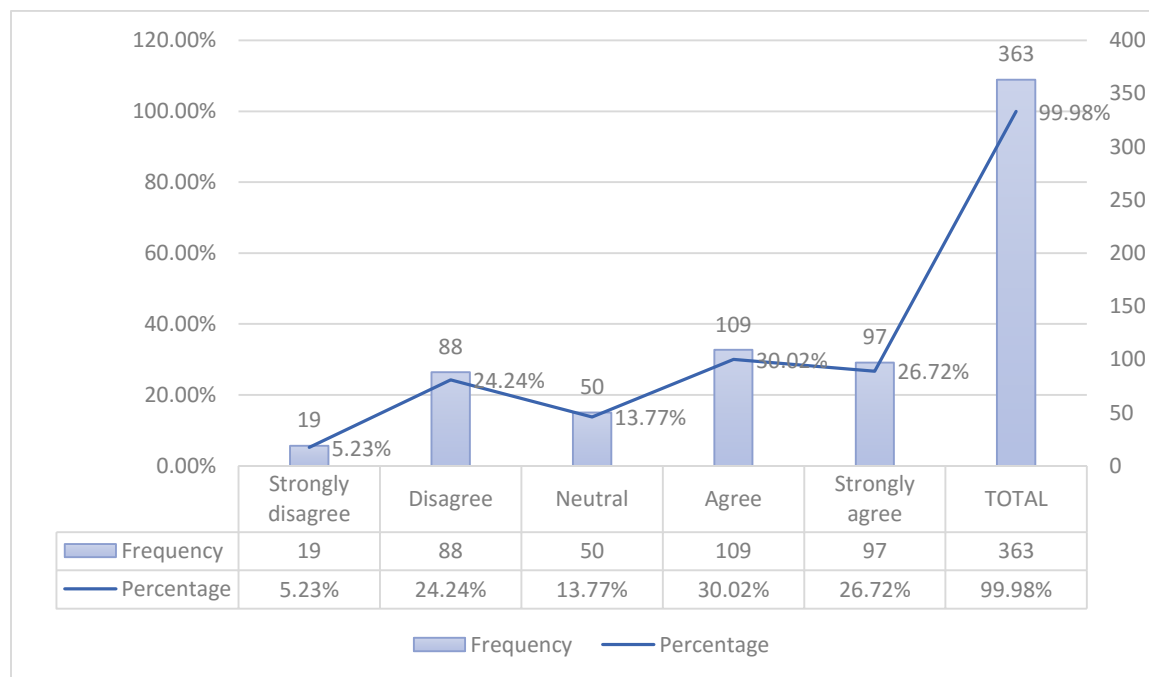
From these results it can be seen that the majority of the respondents have been involved in the business as entrepreneurs agreed on the fact that the national tax systems are deleterious for entrepreneurial development. Opportunistic behaviour of tax officers has a bad impact on entrepreneurs in DRC that produce positive results and who are continually harassed by tax officers that try by all means to deprive them of their profits. One of the main reasons for this is the difficult working conditions, with civil servant wages averaging US\$15 per month.

Question 7.7.6 You register for tax on your own no government follows up

The intention of this question was to determine whether you register for tax on your own with no government follow ups. This national tax systems are damaging the entrepreneurial development in terms of the tax structure for new business start-ups.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that you register for tax on your own with no government follow ups. The DRC had 120 different tax systems and it has been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs particularly for start-ups. The results from the research are as indicated in figure 7.7.6 below

Figure 7.7.6 You register for tax on your own no government follows up



Source: author's own construction

Figure 7.7.6 shows that the majority of the respondents, 30.02%, who have been involved in business as entrepreneurs agreed on the fact you register for tax on your own no government follow ups, followed by 26.72% of the respondents who strongly agreed, followed by 24.24% of the respondents who disagreed, followed by 3.13.77% of the respondents who were neutral, and followed by 5.23% of the respondents who strongly disagreed.

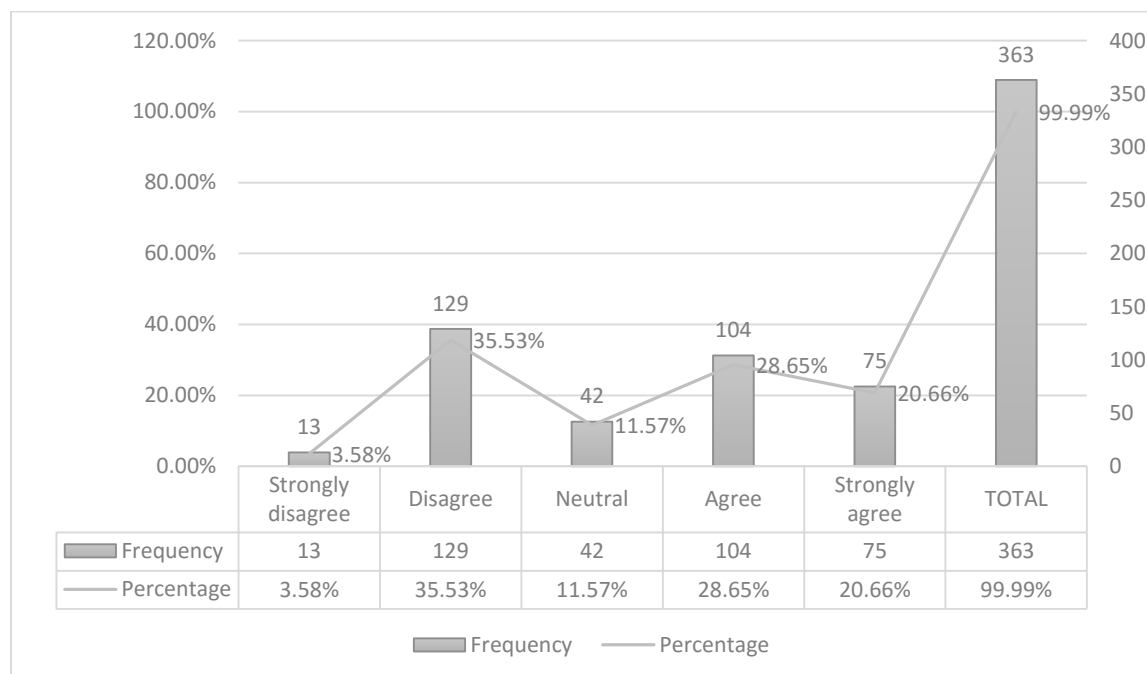
From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that you register for tax on your own with no government follow ups. Opportunistic behaviour of tax officers has an immoral impact on entrepreneurs in DRC that produce positive results and who are continually harassed by tax officers that try by all means to deprive them of their profits. One of the main reasons for this is the difficult working conditions, with civil servant wages averaging US\$15 per month.

Question 7.7.7 I have never had tax people check on my tax returns since

The intention of this question was to determine whether entrepreneurs have never had tax people check on their tax returns since? This national tax systems is damaging the entrepreneurial development in terms of the tax structure for new business start-ups.

Response and finding: 363 people responded to this question. It was expected that the majority of people would disagree on the fact that you register for tax on your own with no government follow ups. The government has its officials checking on the tax returns. The strange thing is that those state officials are so corrupt and always produce fake documents to entrepreneurs in exchange for their own financial benefits. Their reports to the government does not reflect the reality because they receive bribes. The results from the research are as indicated in figure 7.7.7 below

Figure 7.7.7 I have never had tax people check on my tax returns since



Source: author's own construction

Figure 7.7.7 shows that the majority of the respondents, 35.53%, who have been involved in business as entrepreneurs disagreed on the fact that i have never had tax people check on their tax returns since, followed by 28.65% of the respondents who agreed, followed by 20.66% of the respondents who strongly agreed, followed by 11.57% of the respondents who were neutral, and followed by 3.58% of the respondents who strongly disagreed.

From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs agreed on the fact that they have never had tax people check on their tax returns since. Opportunistic behaviour of tax officers has a corrupt influence on entrepreneurs in DRC that produce positive results, and who are continually harassed by tax officers that try by all means to deprive them of their profits. One of the main reasons for this is the difficult working conditions, with civil servant wages averaging US\$15 per month.

Question 7.7.8 Mention anything else with regards to the above.

Response and finding: 363 people of responded to this question. It was expected that the majority of people were free to express themselves by saying the existing legal insecurity and increasing weight of the informal sector in the economy? There is a grave lack of courts and existing ones are untrustworthy and hurt by corruption. Regarding the several new laws approved during 2002, some of them have very good contents and structure, but they are still far from being implemented 'on the ground'. In such a context, an increasing number of companies join the informal sector or simply leave the country, occasionally selling their activities to informal sector operators to escape paying tax. The growing weight of the informal sector in DRC is putting pressure on formal sector operators due to unfair competition, as well as contributing to lower tax income to finance the national budget.

7.8 Section G: Security situation

Please rank the following by crossing the most applicable. The ratings are: 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

The conflict in the DRC has claimed more than 5.4 million lives since it began in the late 1990s. Now centered in the east of the country (Ball, 2011), it involves a range of militant groups: local militias, Congolese and Rwandan rebels, and the Congolese army that use control over country's rich mineral deposits as source of financing. The contribution of eastern DRC mineral resources to funding the conflict, and the need to sever this link, has been widely discussed by a range of organisations and governments.

Although much of the public focus has been on conflict minerals used in the electronics industry, they feed a range of complex supply chains, serving as raw materials for component parts in everything from cell phones and cutting tools to jet engines and jewelry. NGO's campaigners, development organisations, governments, industry working groups and others are attempting to address the link between minerals and the conflict in

a variety of ways. The electronics and tin industries have been among the most active in identifying approaches to preventing conflict minerals from entering product supply chains, while recent NGO's efforts have focused on raising awareness about connections between conflict minerals and the jewelry and auto industries (Maphosa *et al*, 2014).

Government actions have included legislative proposals to encourage supply chain verification schemes, support for regional peace building, programs to strengthen governance in the DRC, and other efforts. Solutions that effectively address DRC conflict minerals cut across a number of industries and require action from a variety of stakeholders. Efforts should be aligned and mutually supporting, and should communicate with each other to limit duplication of effort. As a result, there is a clear incentive to take a collaborative approach to eliminating conflict minerals from all supply chains and addressing the critical situation in the DRC.

This section has 8 sub questions such as: 1) Whether one is not affected by war and does one's business peacefully; 2) Whether there is war in my region but it doesn't disturb my business at all; 3) Whether i am not able to operate because I am interrupted by the fighting taking place in this area; 4) Whether because of war we are not able to access finance and government assistance to start / run our businesses; 5) Whether the government supports us with skills development and money even though they are at war here; 6) Whether only supporters of the military people around here are given help to establish businesses; 7) Whether the war has made us to benefit in our businesses because there are many people who depend on us business people; 8) Mention anything else with regards to the above.

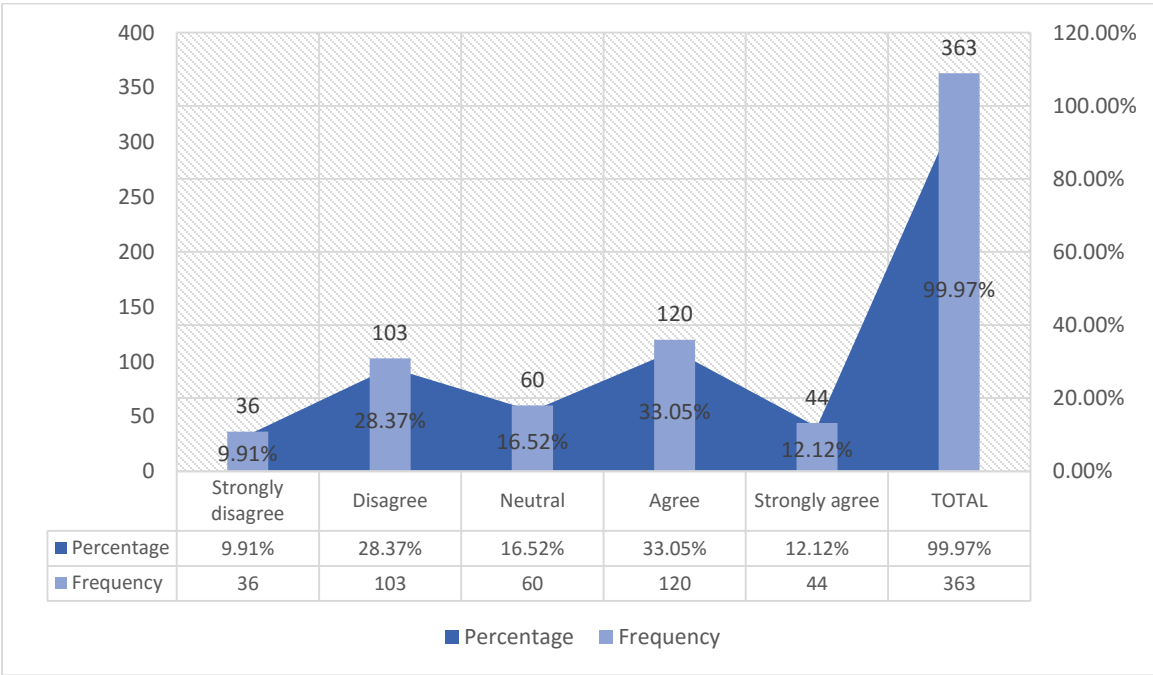
Question 7.8.1 You are not affected by war and you do your business peacefully

The intention of this question was to determine whether one is not affected by war and does one's business peacefully. Ensuring that the DRC continues along the path to lasting peace is in the interests not only of its own citizens, but of the wider international community.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that they are not affected by war and they do their business peacefully. Because of economic constraints, we did our investigation only in Kinshasa and Lubumbashi.

With its great size and mineral wealth, the DRC could become a major economic power in Africa. Unfortunately, its history since independence has shown that without sound economic policies, possessing great natural wealth can lead to disaster. Now that the DRC seems to be emerging from years of war, building a strong economy that benefits its citizens must be a top priority if lasting peace is to be achieved. As the business community is a vital part of the peace process, it is important to assess the strength of the business sector and identify ways in which it might be further strengthened. The results from the research are as indicated in figure 7.8.1 below

Figure 7.8.1. You are not affected by war and you do your business peacefully



Source: author’s own construction

Figure 7.8.1 shows that the majority of the respondents, 33.05%, who have been involved in business as entrepreneurs agreed on the fact they are not affected by war and they do their business peacefully, followed by 28.37% of the respondents who disagreed, followed by 16.52% of the respondents who were neutral, followed by 12.12% of the respondents who strongly agreed, and followed by 9.91% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs agreed on the fact that they are not affected by war and they do your business peacefully in Kinshasa which is the capital of DRC and Lubumbashi, provincial capital of Katanga.

Question 7.8.2 There is war in my region but it doesn't disturb my business at all

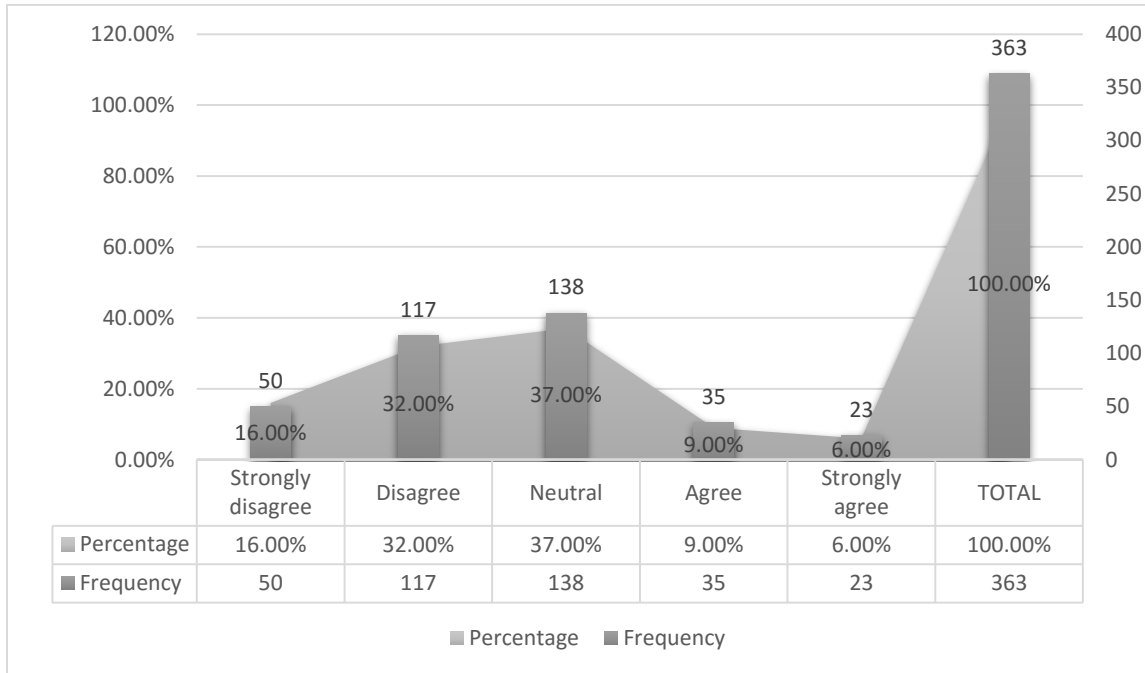
The intention of this question was to determine whether there is war in the respondents' region but it doesn't disturb their business at all. By the end of that conflict period, the extraction of the DRC's resources involved seven foreign governments, sometimes in collusion with mining companies.

Response and finding: 363 people responded to this question. It was expected that the majority of people would disagree on the fact that there is war in my region but it doesn't disturb my business at all. Entrepreneurs are not affected by war and they do their business in Kinshasa and Lubumbashi with many challenges like police harassment.

The peace deal of 2003 and the elections of 2006 that cemented it may have ended the war formally, but did little to extend the writ of the Congolese state, end the fighting, or decelerate the flow of stolen resources across its borders. The eastern region of North and South Kivu, in which Bukavu is situated, continues to suffer from the aftermath of the 1994 Rwandan genocide and the ethnic violence it unleashed. The region remains overrun with armed groups and the rule of law is virtually nonexistent. However, behind it all, a wartime economy, anchored by the organised exploitation of natural resources by militia groups, continues to operate unhindered. However, war is not the only dynamic to

report the economic landscapes of the cities. The results from the research are as indicated in figure 7.8.2 below

Figure 7.8.2 There is war in my region but it doesn't disturb my business at all



Source: author's own construction

Figure 7.8.2 shows that the majority of the respondents, 37%, who have been involved in business as entrepreneurs were neutral on the fact there is war in my region but it doesn't disturb my business at all, followed by 32% of the respondents who disagreed, followed by 16% of the respondents who strongly disagreed, followed by 9% of the respondents who agreed, and followed by 6% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs were neutral on the fact that there is war in their region but it doesn't disturb their business at all. Entrepreneurs are not affected by war and they do your business peacefully in Kinshasa which is the capital of DRC and Lubumbashi, provincial capital of Katanga.

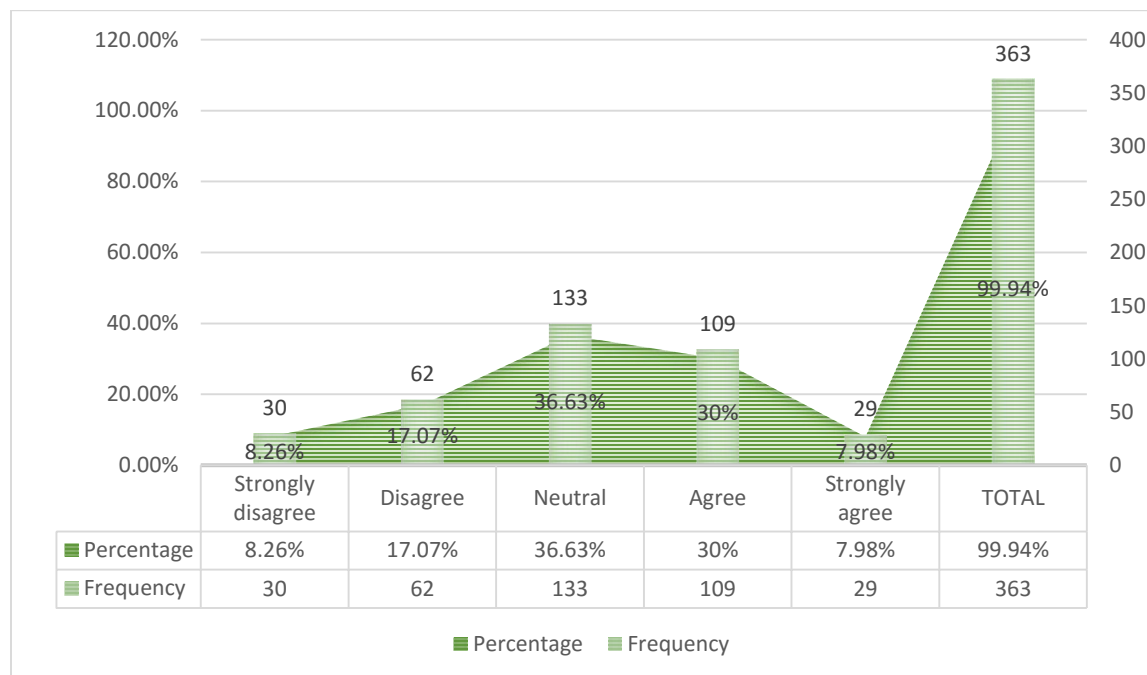
Question 7.8.3 I am not able to operate because I am interrupted by the fighting taking place in this area

The intention of this question was to determine whether respondents were able to operate because they were interrupted by the fighting taking place in their area. By the end of the conflict period, the extraction of the DRC's resources involved seven foreign governments, sometimes in collusion with mining companies.

Response and finding: 363 people responded to this question. It was expected that the majority of people would be neutral on the fact that they were not able to operate because of they were interrupted by the fighting taking place in their area. Entrepreneurs' operating in Kinshasa and Lubumbashi were not affected by war and they conduct their business with many challenges, like police harassment, corruption.

The peace deal of 2003 and the elections of 2006 that cemented it may have ended the war formally, but did little to extend the writ of the Congolese state, end the fighting, or decelerate the flow of stolen resources across its borders. The eastern region of North and South Kivu, in which Bukavu is situated, continues to suffer from the aftermath of the 1994 Rwandan genocide and the ethnic violence it unleashed. The region remains overrun with armed groups and the rule of law is virtually nonexistent. However, behind it all, a wartime economy, anchored by the organised exploitation of natural resources by militia groups, continues to operate unhindered. However, war is not the only dynamic to report the economic landscapes of the cities. The results from the research are as indicated in figure 7.8.3 below

Figure 7.8.3. I am not able to operate because I am interrupted by the fighting taking place in this area



Source: author’s own construction

Figure 7.8.3 shows that the majority of the respondents, 36%, who have been involved in business as entrepreneurs were neutral on the fact they were not able to operate because they were interrupted by the fighting taking place in this area followed by 30% of the respondents who agreed, followed by 17.07% of the respondents who disagreed, followed by 8.26% of the respondents who strongly disagreed, and followed by 7.98% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs were neutral on the fact they were not able to operate because they were interrupted by the fighting taking place in their area. Entrepreneurs are not affected by war and they conduct their business peacefully in Kinshasa which is the capital of DRC and Lubumbashi, provincial capital of Katanga.

Question 7.8.4 Because of war we are not able to access finance and government assistance to start / run our businesses.

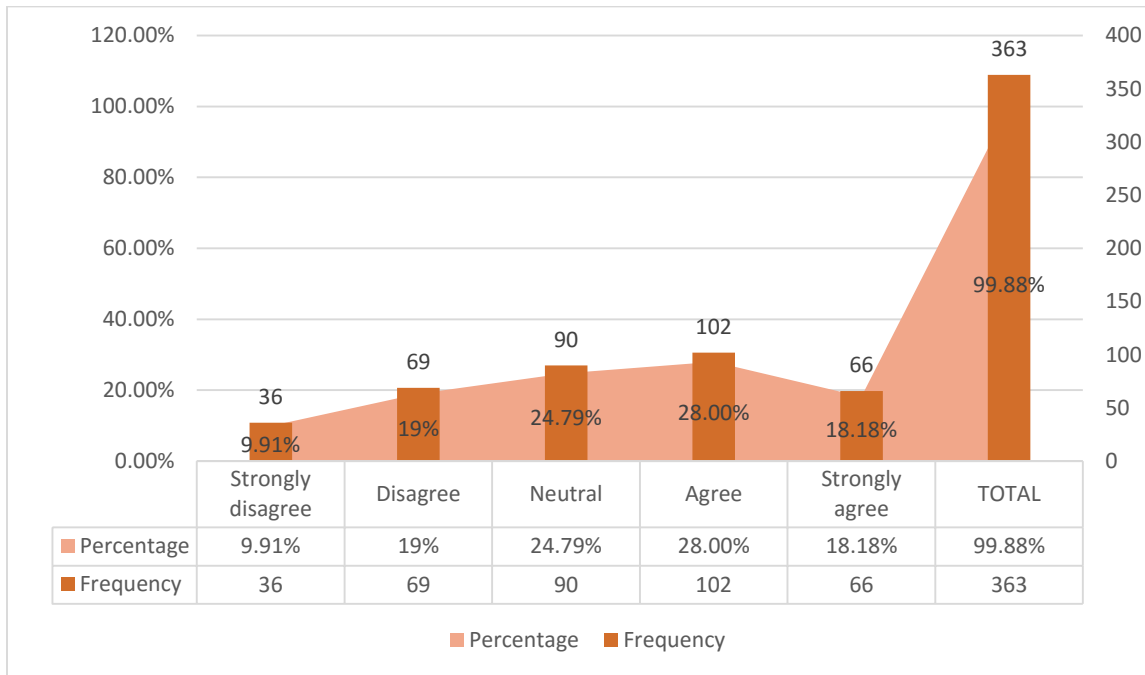
The intention of this question was to determine whether because of war respondents were not able to access finance and government assistance to start / run their businesses.

Response and finding: 363 people responded to this question. It was expected that the majority of people would agree on the fact that because of war they were not able to access finance and government assistance to start / run their businesses. Entrepreneurs' operating in Kinshasa and Lubumbashi are not affected by war and they conduct their business with many challenges like police harassment, corruption.

The private sector in the DRC has suffered from the overall deterioration in economic activity due to the war situation and persistent economic mismanagement. Given the size of the DRC, sector performance can be compared across fragile and more stable provinces. The whole country is awaiting the peace dividend as real development is arrested throughout the country due to localised fragility and widespread poor governance.

The development of microfinance services in the DRC presents an opportunity to provide financing to SMMEs and therefore play an important role in alleviating poverty, reducing vulnerability and contributing to economic and social development of the country. There is no one way to develop financial institutions able to finance SMMEs and normally competition and innovation should be promoted to achieve the best results. The results from the research are as indicated in figure 7.8.4 below

Figure 7.8.4 Because of war we are not able to access finance and government assistance to start / run our businesses.



Source: author's own construction

Figure 7.8.4 shows that the majority of the respondents, 28%, who have been involved in business as entrepreneurs agreed on the fact because of war they were not able to access finance and government assistance to start / run their businesses followed by 24.97% of the respondents who were neutral, followed by 19% of the respondents who disagreed, followed by 18.18% of the respondents who strongly agreed, and followed by 9.91% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact that because of war we are not able to access finance and government assistance to start / run our businesses. Entrepreneurs are not affected by war and they conduct their business peacefully in Kinshasa which is the capital of DRC and Lubumbashi, provincial capital of Katanga.

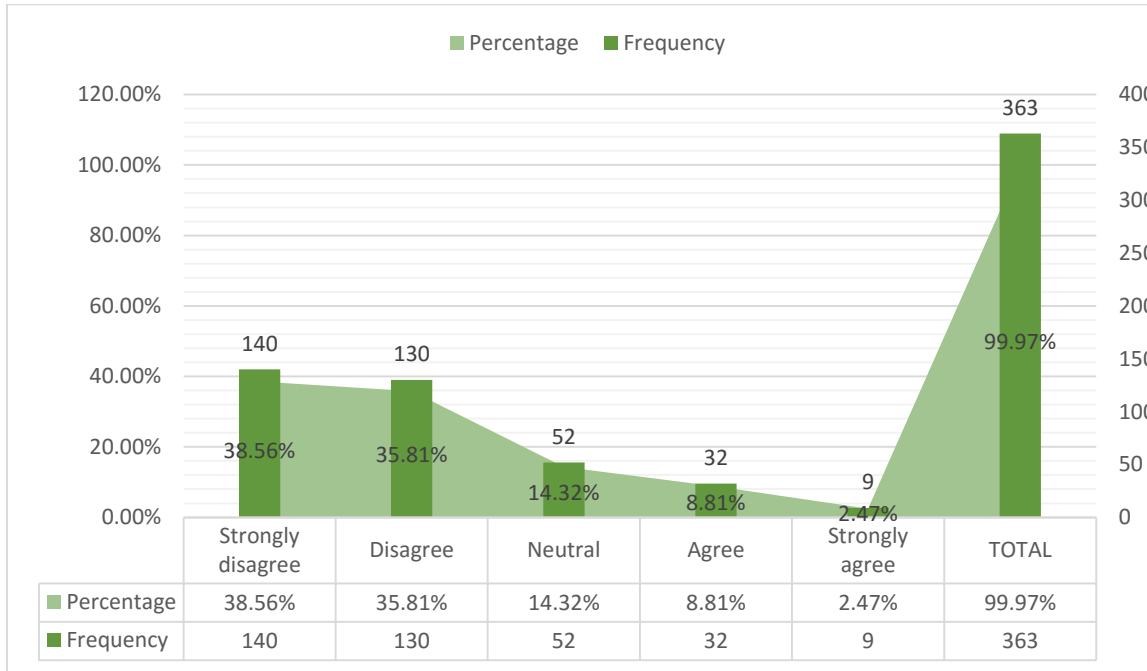
Question 7.8.5 The government supports us with skills development and money even though they are at war here.

The intention of this question was to determine whether the government supports entrepreneurs with skills development and money even though they are at war here. Given the size of the DRC, sector performance can be compared across fragile and more stable provinces.

Response and finding: 363 people responded to this question. It was expected that the majority of people would strongly disagree on the fact that the government supports entrepreneurs with skills development and money even though they were at war here. Entrepreneurs' operating in Kinshasa and Lubumbashi are not affected by war and they conduct their business with many challenges, like police harassment, corruption.

The whole country is awaiting the peace dividend as real development is arrested throughout the country due to localised fragility and widespread poor governance. The development of microfinance services in the DRC presents an opportunity to provide financing to SMMEs and therefore play an important role in alleviating poverty, reducing vulnerability and contributing to economic and social development of the country. There is no one way to develop financial institutions able to finance SMMEs and normally competition and innovation should be promoted to achieve the best results. The results from the research are as indicated in figure 7.8.5 below

Figure 7.8.5 The government supports us with skills development and money even though they are at war here.



Source: author's own construction

Figure 7.8.5 shows that the majority of the respondents, 38.56%, who have been involved in business as entrepreneurs disagreed on the fact the government supports entrepreneurs with skills development and money even though they are at war here followed by 35.81% of the respondents who disagreed, followed by 14.32% of the respondents who were neutral, followed by 8.81% of the respondents who agreed, and followed by 2.47% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents who have been involved in business as entrepreneurs agreed on the fact the government supports entrepreneurs with skills development and money even though they were at war here. The government of DRC does not effectively support entrepreneurs financially or legally. Entrepreneurs are used, mistreated, exploited by the government agents in terms of harassment.

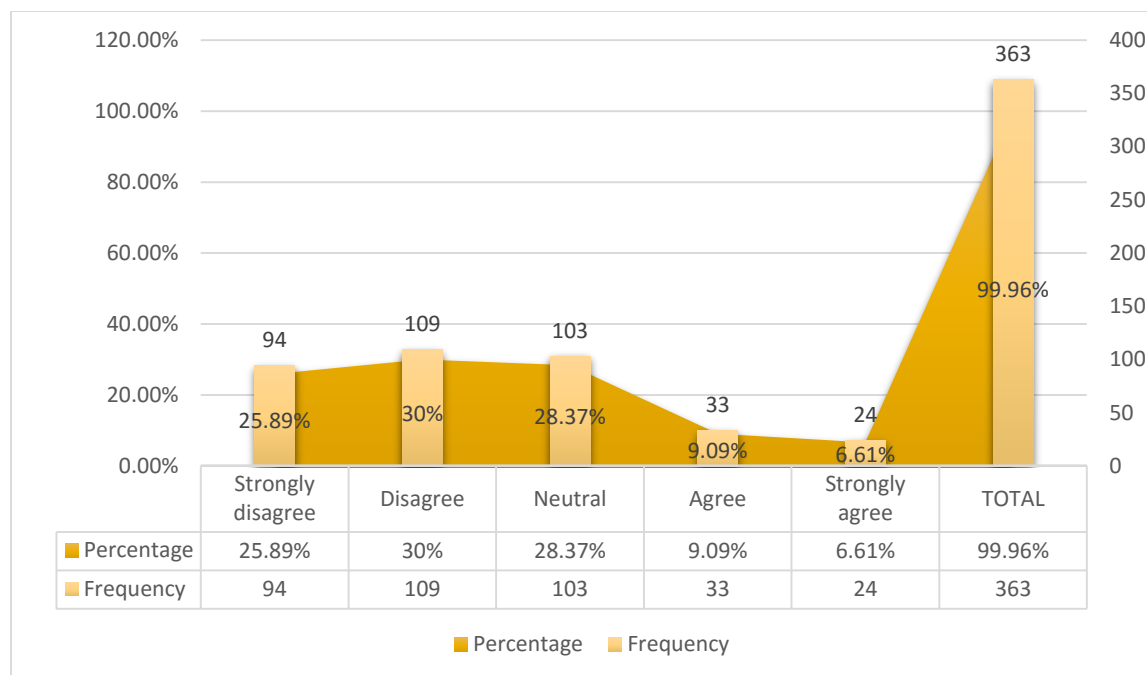
Question 7.8.6 Only supporters of the military people around here are given help to establish businesses

The intention of this question was to determine whether only supporters of the military people around here are given help to establish businesses. Given the size of DRC, sector performance can be compared across fragile and more stable provinces. The whole country is awaiting the peace dividend as real development is arrested throughout the country due to localised fragility and widespread poor governance.

Response and finding: 363 people responded to this question. It was expected that the majority of people would disagree on the fact that only supporters of the military people are given help to establish businesses. Entrepreneurs' operating in Kinshasa and Lubumbashi are not affected by war but they conduct their business with many challenges like police harassment, corruption.

The government of the DRC presents an opportunity to provide financing to SMMEs and therefore play an important role in alleviating poverty, reducing vulnerability and contributing to economic and social development of the country. There is no indication regarding the support of military people to establish a formal business. The results from the research are as indicated in figure 7.8.6 below

Figure 7.8.6 Only supporters of the military people around here are given help to establish businesses



Source: author’s own construction

Figure 7.8.6 shows that the majority of the respondents, 38.56%, who have been involved in business as entrepreneurs disagreed on the fact only supporters of the military people around here are given help to establish businesses followed by 35.81% of the respondents who disagreed, followed by 14.32% of the respondents who were neutral, followed by 8.81% of the respondents who agreed, and followed by 2.47% of the respondents who strongly agreed. From these results it can be seen that the majority of the respondents have been involved in the business as entrepreneurs disagreed on the fact that only supporters of the military people were given help to establish businesses. However, the government of DRC does not effectively support entrepreneurs financially or legally. Entrepreneurs are used, mistreated, exploited by the government agents in terms of harassment. The government is trying to support the war’s victims with NGO’S help, but not in terms of financial support for established business.

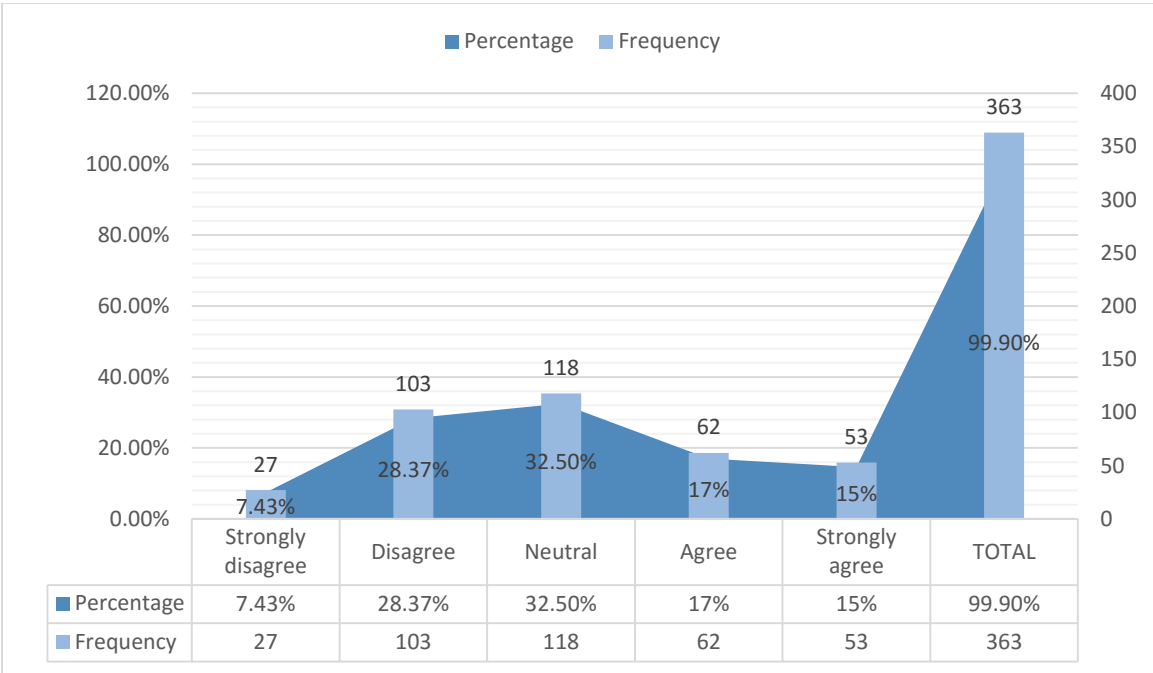
Question 7.8.7 The war has made us to benefit in our businesses because there are many people who depend on us as business people.

The intention of this question was to determine whether the war has made entrepreneurs to benefit in their businesses because there are many people who depend on entrepreneurs as business people. Given the size of the DRC, sector performance can be compared across fragile and more stable provinces.

Response and finding: 363 people responded to this question. It was expected that the majority of people would be neutral on the fact that the war has made entrepreneurs to benefit in their businesses because there are many people who depend on entrepreneurs as business people. Entrepreneurs' operating in Kinshasa and Lubumbashi are not affected by war and they conduct their business with many challenges, like police harassment, corruption.

The whole country is awaiting the peace dividend as real development is arrested throughout the country due to localised fragility and widespread poor governance. The government of the DRC presents an opportunity to provide financing to SMMEs and therefore play an important role in alleviating poverty, reducing vulnerability and contributing to economic and social development of the country. There is no indication regarding the support of military people to establish a formal business. The results from the research are as indicated in figure 7.8.7 below

Figure 7.8.7 The war has made us to benefit in our businesses because there are many people who depend on us business people



Source: author’s own construction

Figure 7.8.7 shows that the majority of the respondents, 32.50%, who have been involved in business as entrepreneurs were neutral on the fact that the war has made entrepreneurs to benefit in their businesses because there are many people who depend on entrepreneurs as business people, followed by 28.37% of the respondents who disagreed, followed by 17% of the respondents who agreed, followed by 15% of the respondents who strongly agreed, and followed by 7.43% of the respondents who strongly disagreed. From these results it can be seen that the majority of the respondents who have been involved in the business as entrepreneurs were neutral on the fact that the war has made them to benefit in their businesses because there are many people who depend on them as business people. The government of DRC does not effectively support entrepreneurs financially. Entrepreneurs are used, mistreated, exploited by the

government agents in terms of harassment. The war has made a team of people to benefit in their businesses because of their political connections.

7.8.8. Mention anything else with regards to the above.

Response: 363 people of responded to this question, it was accepted that the majority of people were freely give away their viewpoint by saying they wanted their country to change from worst to better. Democratic Republic of Congo (DRC) has enormous economic potential thanks to its rich mineral deposits and vast tracts of arable land. Historically, these resources have been exploited by predatory leaders and a host of sub regional actors. The time is now ripe for the DRC to put years of war and economic underdevelopment behind it. The business community has an important part to play in promoting maintainable peace in the DRC. Business communities in Kinshasa and Lubumbashi have managed to remain profitable in the very trying years following the signing of the 1999 Lusaka peace accord by showing great resilience and versatility, primarily outside formal channels.

Congolese businesses face serious obstacles, including poor infrastructure, high tax, extortion, and market distortions. Nevertheless, respondents expressed relatively little concern about insecurity and violence, suggesting that these costs have been internalised or that other obstacles impose much greater costs. DRC businesses neither want nor expect handouts. Respondents would prefer assistance in removing barriers to trade, improving infrastructure, and reducing corruption. Respondents are broadly optimistic about the future and their economic prospects, and have a strong sense of being stakeholders in shaping society. This bodes well for the future of the DRC, provided public policy can harness this energy and not impede it.

7.9. Section H: Support resources of government and private sector.

Open ended questions. Please state clearly your likes, dislikes and concerns of the government's efforts to support your business venture

In the light of this non-transparent tax system, it becomes clear that companies are motivated to avoid formalization because they want to 'keep themselves out of trouble'. Entrepreneurs mention that even if the monthly results are negative, tax agents come by to collect tax. On the other hand, it is not evident that the tax burden increases with formalization. As a matter of fact, every entrepreneur struggles against real and false tax agents, independent of their level of formalization. From this point of view there is no disadvantage to the entrepreneur formalizing. Rather it is a question of the individual company's perception and prejudice that lead formalization to be seen as implying excessive taxation.

Business laws are non-transparent too, and only the medium sized companies with financial reserves can afford to go to court in case of violation of their property or business affairs. Entrepreneurs stress that legal issues are generally resolved very slowly and cost them a large amount of money.

In general, most of the entrepreneurs are not aware of the advantages and disadvantages that formalization implies. Information on this subject would support SMMES decision making and definitively encourage them to approach apply for a loan. Clearly, the reason why many entrepreneurs still keep cash outside of the bank is because they fear harassment by the state, be it through increasing tax collections or obscure laws to constrain their activities.

This section has 4 questions such as: 1) What factors in your opinion will make you succeed as an entrepreneur? 2) What factors in your opinion will make you succeed as an entrepreneur? 3) What factors in your opinion will make you succeed as an entrepreneur? 4) How do these things [barriers] affect you when you want to start a business?

Question 7.9.1 What factors in your opinion will make you succeed as an entrepreneur?

The intention of this question was to determine whether what factors in your opinion will make you succeed as an entrepreneur?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that what factors in your opinion will make you succeed as an entrepreneur?

The findings revealed that majority enter into entrepreneurship and succeeded as entrepreneur because of There are so many factors that can help entrepreneurs to succeed in DRC such as: good governance; the security of persons and goods; offer visibility; availability of credits; tax reduction and control; the peace; a good business plan and funding; influence peddling; economic policy; good business regulation; Permanent electrical energy; roads, Tracery police; very expensive customs.

It is pointed out in this paper that the political environment in Democratic Republic of Congo (DRC) is neither safe nor stable. Therefore any government in DRC should adopt and implement measures aimed at maintaining peace and political stability if economic, legal and regulatory developments are to be accomplished. For example it was shown in the sample that during the war years, entrepreneurial activity was very much hindered. If peace and security are not guaranteed there will neither be economic partners nor will foreign investors come to DRC. Other measures should comprise among others, allowing for globalization: adhering to regional economic treaties and agreements that favour transnational trade, favour free move of people, capital flows and goods across nations, hampering corruption, and keeping criminal activities to a check.

Question 7.9.2 What things [barriers] delay your effort to start a business in your opinion?

The intention of this question was to determine whether what things [barriers] delay your effort to start a business in your opinion?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that what things [barriers] delay your effort to start a business in your opinion?

The findings revealed that majority enter into entrepreneurship and stuck as entrepreneur because of There are so many factors that can delay entrepreneurs to succeed in DRC such as:

- ✓ Insufficient financial resources
- ✓ Inappropriate apprenticeship and human resources (including education & training system);
- ✓ Lack of adequate infrastructure,
- ✓ Lack of good investment climate (due to problems related to bureaucracies, tax structure, legal framework, private property, corruption, political regime and culture).
- ✓ Inappropriate industry structure (less open competition, absence of supporting industries and potential suppliers of inputs, fragmented markets

Question 7.9.3 How do these things [barriers] affect you when you want to start a business?

The intention of this question was to determine whether how do these things [barriers] affect you when you want to start a business?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that how do these things [barriers] affect you when you want to start a business?

The case of DRC supports these findings. DRC is situated in a region that does not facilitate the smooth running of commercial as well as entrepreneurial activities. This study exposed that the region where DRC is situated has no appropriate infrastructure such highways, railways, telecommunication, etc...

There are no adequate regional trade agreements and tariffs and the region has been marked by series of inter-ethnic conflicts. It also discovered that terrorism imposes further restrictions on business and free movement. From this study, the following factors that negatively affect entrepreneurship DRC were drawn up:

- ✓ Unstable social, political and economic environment
- ✓ Inappropriate technological development,
- ✓ Inappropriate financial as well as human capital based resources.
- ✓ Insufficient level of education of the population that leads to poor quality entrepreneurs who fail to adequately act according to the available needs (opportunities). The average DRC entrepreneur concentrates efforts on persistence entrepreneurial activities that lack innovativeness, with no diversity and with insignificant economic value.
- ✓ The predominance of cultural values that do not allow for a sound enterprising society
- ✓ Undeveloped industrial structure
- ✓ Undeveloped national taxation system

Question 7.9.4 Is your business registered in the chamber of commerce? (Yes or No), if No why?

The intention of this question was to determine whether your business is registered in the chamber of commerce? (Yes or No), if No why?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that your business is registered in the chamber of commerce? (Yes or No), if No why? The findings revealed that majority enter into entrepreneurship and become entrepreneur without thinking about registering the business because of lack of information and there is no need for. Basically, they do not see the motive of it. Therefore, most of the respondents did not registered in chamber of commerce.

CHAPTER EIGHT

RECOMMENDATIONS, LIMITATIONS AND CONCLUSIONS

8.1 Introduction

The intention of this study is to discover the distinctiveness of entrepreneurship in underdeveloped countries cutting-edge hostile environment for business developments. In the case of Democratic Republic of the Congo (DRC), entrepreneurship is developed under life-threatening conditions, rarely seen elsewhere. The extreme conditions for entrepreneurship are present as result of transitional particularities and marginalised context deriving from political circumstances surrounding the Democratic Republic of Congo. Apart from the barriers and particularities of business environment that derive mainly from transitional phase, political situation has heavily influenced entrepreneurial developments in the country (Schweickart, 2010).

8.2 The experimental exploration purposes

The main purpose of this study is to identify factors that favor or hinder entrepreneurship in Democratic Republic of Congo. The research survey scrutinized and examined the evaluation of the effects of political instability to entrepreneurial activities: the case of the DRC. The interviewees were essentially entrepreneurship practitioners at innumerable echelons who remain unescapably affected by the charms of entrepreneurship originated in the industry.

The descriptive statistics is principally deliberated, and then the results are assumed and inferred following the classification in the questionnaire, attached as appendix at the end of the thesis. The results are given to an excessive gradation with distinctive accent on contrasts of the variables as detailed and requested in the questionnaire. The questionnaires were taken to the respondents in Kinshasa and Lubumbashi and all the questionnaires were returned giving a 100% return rate. In total there were 363 questionnaires that were administered for this analysis. The facts of the analysis remain

vividly epitomized below, the response to each questionnaire follows the question as it was fixed in the measuring instrument (questionnaire).

8.2.1 The following hypotheses are constructed on information from the previous literature review.

Hypothesis 1: To identify the performance of successful and failure entrepreneurs in small industrial business is related to their political issues

Hypothesis 2: To what extent the performance of successful and failure entrepreneurs in small industrial business are related to the informal issues (corruption, bribes)?

Hypothesis 3: To identify how much the performance of successful and failure entrepreneurs in small industrial business is related to their economic & infrastructure environment of business in the DRC?

8.3 Synthesis of goals of preceding chapters

The concept of entrepreneurship was basically introduced in the first chapter and the importance of the study was also underlined. Through the ephemeral literature review in the first chapter a breach for the study was acknowledged and this supported in configuring the problem statement. Additionally, the problem statement was rationally surveyed by the requirement of the research objectives counting the research design and research methodology. Furthermore, the aim population was discoursed counting the sample size, sampling selection and method of sampling and the limitations of the study.

The second chapter familiarized the conception of successful entrepreneurship in some developing countries the story of China, India and Malaysia. The World Bank Report of 2013 advocates that the private sector delivers an estimated 90% of jobs in developing economies. As implied by this report, start-ups will assist in job creation which by derivation will assist in the economic and social development of communities and countries at large. Where government policies support a dynamic business environment

with private firms making investments, creating jobs and increasing productivity, more people have greater opportunities.

The third chapter introduced the economic growth and development models used in successful entrepreneurial countries. Longman (2006) asserts that a developed economy is characterised by increase in capital resources, improvement in efficiency of labour, better organisation of production in all spheres, development of means of transport and communication, growth of banks and other financial institutions, urbanisation and a rise in the level of living, improvement in the standards of education and expectation of life, greater leisure and more recreation facilities and the widening of the mental horizon of the people, and so on.

The fourth chapter presented factor that impact on effective entrepreneurship and the condition of affairs in the DRC [Education, Training, Financing, Policies, Resources, Governance, Etc.]. Regardless of being rich in mineral wealth, conflict, mismanagement, corruption and illegal trade have disallowed most Congolese from benefiting from these natural resources. Corruption, low spending on social sectors, limited capacity and an inability to afford basic services to significant parts of the country are at the heart of weak governance. Much international assistance remains focused on the high-profile issues of humanitarian response and peace building (Jones, 2008).

The fifth chapter presented conceptual model. This chapter had a focal point on the conceptual framework of the thesis; the first part of the chapter was a concise outline of historical perspectives of entrepreneurship citing advantages and disadvantages. The second part of the chapter focused on the history of entrepreneurship; the third part focuses on theoretical perspectives of the conceptual framework. These were followed by a detailed conceptual-theoretical perspective specifically evaluating the potential application to the distinctive entrepreneurship discipline. The orientation to known the entrepreneurship models was premeditated, as this will permit for an comprehensive framework that will help in eliminating possible gaps deriving from oversight of good elements of the existing approaches. Maxwell (2005) reports that a conceptual framework

is a system of concepts, assumptions, expectations, beliefs, and theories that support and inform the research.

The sixth chapter introduced research design and methodology. The purpose of research was the fact of exploration, description and explanation (Kumar 2008), to estimate or create existing knowledge; explore existing situations or problems; supply solutions to problems; investigate and scrutinize more general issues; build or generate new procedures or systems; elucidate new phenomenon; produce new knowledge or a combination of any of the above. This chapter introduced the research design, theoretical aspects of research methodology and the research strategy. The aim population and the sample size, and the research objectives are correspondingly conferred with the limitation of the study. The method of data collection and sampling selection and method of sampling were debated, the practice of stratified random sampling method was proposed and justified. The expectations made for the research were likewise conversed with the data analysis, validity and reliability, sampling bias and the ethical consideration for the research methodology and research design.

The seventh chapter introduced data analysis and interpretation of findings. This chapter describes and discusses the results of the study which are summarised and presented in frequency distribution charts and tables. The intention of the study was to; 1) To identify factors that favor or hinder entrepreneurship in Democratic Republic of Congo. 2) To determine the disproportion in entrepreneurial development between Democratic Republic of Congo and other African underdeveloped countries. The study was conducted on entrepreneurs that their businesses fall under production, agriculture and services in Kinshasa and Katanga regions. A total of 363 individuals at different levels of employment in those 3 industries were interviewed. The research instrument was constructed, sent to a few interviewees (20) and then reconstructed to meet the standards expected from an instrument or questionnaire of its calibre. Another thing very significant was the fact that the questionnaire made in English was translated to French because of our population target which is the Democratic Republic of Congo representing by its capital Kinshasa and Katanga (Lubumbashi) were French speaking.

8.4 Section A: Biography

The main key highpoints of the results and findings as deliberated in chapter seven are momentarily debated and recommendations are specified. The recommendations and conclusions are founded on the researcher's concerned and clarification of the connotation from the data composed.

Question 8.4.1 Are you involved in business? Please tick the applicable boxes. Please indicate the applicable answer in the boxes below.

The intention of this question was to determine whether you are involved in business? The involvement of the respondents in the business was very crucial in the sense of their response to this particular question that gave us the accuracy in what is really happening in the field of business in the Democratic Republic of Congo (DRC).

Response: 363 people responded to this, it was expected that the majority of people would agree about their involvement in business. We can see the peculiarity of the respondents' answers according their degree of the involvement in the business despite their mode of live, their culture and their tradition. The results from the research are indicated in table 8.4.1The degree of the involvement in the business below.

Table 8.4.1The degree of the involvement in the business

Degree of involvement	Not in business	Plan to be in business	Am in business	Was in business before	Total
Percentage	8.20%	10.10%	67.70%	13.70%	99.70%
Frequency	30	37	246	50	363

Source: author's own construction

Recommendation: It is recommended that the degree of the involvement in business depending on the purpose of entrepreneurs in doing business. Entrepreneurs must have a vision, mission, self-motivated, risk takers to achieve their goal in instable environment.

Question 8.4.2 What is your age range?

The intention of this question was to determine whether you have been involved in business according the certain age range?

Response: 363 people responded to this, it was expected that a large portion of youth people have left school early due to the multifaceted crisis affecting families in Kinshasa, and they engage in informal trading to meet certain needs of their families. This situation is dictated by the interest to support their families and parents who are literally impoverished as they are underpaid and have low incomes. Thus, the population’s structure in Kinshasa and Lubumbashi are included in table 8.4.2, as follows:

Table 8.4.2 The population’s structure in Kinshasa and Lubumbashi

Population	18-25years	26-35years	36-45years	46 over	Total
Percentage	13.70%	28%	34.10%	23.90%	100%
Frequency	50	102	124	87	363

Source: author’s own construction

Recommendation: It is recommended that the population of Kinshasa and Lubumbashi have the obligation to increase, to motivate all entrepreneurs in doing business despite their age specially for those are not working, those who did not finish the school to eradicate the poverty.

Question 8.4.3 How long have been in the business?

The intention of this question was to determine whether how long have you been involved in business?

The number of years' experience in the business has a lot to do with the time spent in business.

Response: 363 people responded to this, it was expected that the majority of people would agree on the interval of time involved in business. The longer the experience they have, the better the respondent will be able to assess the business, because they understand the pros and cons of the business. The results from the research are indicated in table 8.4.3 Time involved in the business below

Table 8.4.3 Time involved in the business

Time	0-5years	6-10years	11-15years	16 +years	Total
Percentage	28.60%	30.30%	20.30%	20.60%	100%
Frequency	104	110	74	75	363

Source: author's own construction

Recommendation: It is suggested that the time involved in the business for the population of Kinshasa and Lubumbashi had the impact on all entrepreneurs in doing business. Thus the experience counts a lot in doing business, which provides the wisdom to master the business and the environment.

Question 8.4.4 What category does your business fall under?

The intention of this question was to determine whether what category does your business fall under?

In this section, we deliberately subdivide it into three namely production, agriculture and service. Interviewed entrepreneurs in the following industries: Production: Agriculture and service.

Response: 363 people responded to this, it was anticipated that the majority of people would agree on the category of service whereby their business fall under. Production is a process of combining various material inputs and immaterial inputs (plans, know-how) in

order to make something for consumption (the output). It is the act of creating output, a good or service which has value and contributes to the utility of individuals (Brecher 2012:441). The results from the research are indicated in table below

Table 8.4.4 The category of business

Category	Production	Agriculture	Service	Other	Total
Percentage	15.70%	14.32%	68.32%	1.65%	100%
Frequency	57	52	248	6	363

Source: author's own construction

Recommendation: It is advocated that the category of business involved many aspects especially in Kinshasa and Lubumbashi. Those aspects affect entrepreneurs in doing business regarding the rural area or city. Hence, the category of business implies experience, the knowledge and the environment.

Question 8.4.5 What is your level of education? Please tick applicable box

The intention of this question was to determine whether education was playing a big role and its impact on the entrepreneurs.

Response: 363 people responded to this, it was expected that the majority of people would agree on the matric as their level of education when involved in business in the DRC. The explanation in that is very clear, the majority of parents are working for the public service whereby their salary is something around 15\$ a month. The results from the research are indicated in table below

Table 8.4.5 Level of education

Education	No schooling	Primary	High school	Matric	Bachelor	Honours	Total
Percentage	1.37%	2.47%	23.96%	30.30%	29.47%	12.39%	100%
Frequency	5	9	87	110	107	45	363

Source: author's own construction

Recommendation: It is backed that the level of education of entrepreneurs involved in business is considerably between matric and bachelor's degree. Hence, the entrepreneurs must be educated to improve the business locally and nationally in terms of profits, job creation.

Question 8.4.6 What is your gender?

The intention of this question was to determine whether gender had an impact on entrepreneurs in the Democratic Republic of Congo context and whether it was playing an immense role in the society.

Response: 363 people responded to this, it was expected that the majority of people would agree on the male as their gender in the DRC. In fact, furthermore of Congolese are very connected to their culture. The results from the research are indicated in table 8.4.6 below

Table 8.4.6 The gender

Gender	Male	Female	Total
Percentage	74.93%	25.06%	100%
Frequency	272	91	363

Source: author's own construction

Recommendation: It is commended that the gender of entrepreneurs involved in business is sizeably influence between male and female. Therefore, utmost believe that female gender is inferior to male and married women are not allowed to do business. Things are changing now because of economic crises, women took advantage especially in the informal business and are pillars of families in terms of financial support.

Question 8.4.7 What is your nationality?

The intention of this question was to determine whether nationality had an impact on entrepreneurs in the Democratic Republic of Congo context and whether it was playing an immense role in this environment. Clarke (2011) asserts that the status of belonging to a particular nation.

Response: 363 people responded to this, it was expected that the majority of people would have the Congolese nationality. Actually, most of Congolese are very attached to their country whereby they want to live in peace and safety. The results from the research are indicated in figure 8.4.7 below

Table 8.4.7 Nationality

Nationality	Percentage	Frequency
ANGO'slan	0.82%	3
Congolese	97.79%	355
Lebanese	0.27%	1
Malian	0.27%	1
Nigerian	0.27%	1
Rwandese	0.27%	1
Senegalese	0.27%	1
Total	99.96%	363

Source: author's own construction

Recommendation: It is commended that the nationality of entrepreneurs involved in business in the DRC is multiple because its hospitality in living, receiving and being with other people. Therefore, they ultimately believe that peace and safety in country are among the keys of progressing as entrepreneurs in DRC. The other nationalities are operating as well despite economic calamities, Congolese's people are friendly other nationalities as long as they respect norms and regulations particularly in the business atmosphere.

Question 8.4.8 Why did you decide to start a business?

The purpose of this question was to find out why did you decide to start a business? The reason of starting business as entrepreneurs in the Democratic Republic of Congo context is that the government is powerless to pay its officials of state regularly and efficiently with a reasonable remuneration that would help them supporting their necessary needs.

Response: 363 people responded to this, it was expected that the majority of people would decide to start business because economic crises. Burke (2006b) emphasises that a push factor is a trigger that forces and thrills a person out of their present job into self-employment, redundancy or retirement, disability, illness, accident, loss of license (medical license, legal license), for example becoming unemployed need to find a job to pay the bills. The results from the research are indicated in table 8.4.8 below

Table 8.4.8 Decision of starting business

Decision	Percentage	Frequency
Was unemployed	20.11%	73
Unhappy with my job	23.41%	85
Never worked in my life	20.93%	76
Got opportunity for funding	11.57%	42
Passionate about doing my own business	23.96%	87
Total	100%	363

Source: author's own construction

Recommendation: It is commended that the decision of starting business derive from the fact people were unhappy with their job and other were passionate to have their own business. Therefore, they ultimately believe that peace and safety in country are among the keys of progressing as entrepreneurs in DRC

Question 8.4.9 Any other reason, please specify

Response: 363 people of responded to this question, it was expected that the majority of people were free to express themselves by saying they want the Democratic Republic of Congo to be free economically, politically, socially so that the population can be able to do the business in peace and safety with respect of economical norms and regulations.

Recommendation: It is commended that being entrepreneurs mean you are living with the great challenges because of the current situation in the DRC. Therefore, entrepreneurs ultimately believe that peace and safety in country are among the keys of progressing as entrepreneurs in DRC

8.5 Section B: Business registration

Please rank the following by crossing the most applicable. The ratings are: 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

The Likert scale was used for the measurements and it vacillated from the lowest to the highest as indicated in the diagram below. The Likert scale was selected for this resolution since this was meant to measure entrepreneur’s observations and attitudes which could not be classified as discrete nor are they assessable. For the suitability of the respondents the scale revealed in arithmetical form (to support in determining the scope of agreement or disagreement) to equilibrium the statements utilised; in this circumstance consequently. The structure of the likert scale applied shows the explanation assumed here as 1) strongly disagree; 2) disagree; 3) neutral; 4) agree and 5) strongly agree

Table 8.5. Structure of the Likert scale used

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1		1	2	3	4	5

Question 8.5.1. Information on business registration is easily obtainable

The objective of this question was to determine whether the information on business registration is easily obtainable in the Democratic Republic of Congo context.

Response: 363 people responded to this, it was expected that the majority of people would agree on the fact that the information on business registration is easily obtainable. Thanks to information and technology system, it is quite easy for people to find out about the information on business registration with more details on the DRC's business catalogues websites.

Recommendation: It is commended that the majority of the respondents have been involved in the business as entrepreneurs agreed on the fact that the information on business registration is easily obtainable in the Democratic Republic of Congo. This can be credited to the fact that the government tried to make current tendency most likely the information on business registration easily obtainable for the national and international entrepreneurs.

Question 8.5.2 Procedures and steps are clear and easily to follow

The intention of this question was to determine whether the Procedures and steps are clear and easily to follow on business registration in the Democratic Republic of Congo context. Procedures and steps seem to be easy on the paper, but it is quite difficult to obtain the required documents without bribing the officials of state.

Response: 363 people responded to this, it was expected that the majority of people would agree on the fact that procedures are numbered to eleven and steps are clear and easily to follow on business registration in the Democratic Republic of Congo. Thanks to information and technology system, it is quite easy for people to find out about the information on business registration with more details on the DRC's business catalogues websites.

Recommendation: It is commended that the majority of the respondents have been involved in the business as entrepreneurs agreed on the fact that Procedures and steps were clear and easily to follow in the Democratic Republic of Congo. This can be credited to the fact that the government tried to make current trend most likely Procedures and steps clear and easily to follow the information on business registration for the national and international entrepreneurs.

Question 8.5.3 The timeframe in registering the business is unacceptable

The intention of this question was to determine whether the timeframe in registering the business in the Democratic Republic of Congo context is unacceptable. Time required to complete each procedure (calendar days) doesn't include time spent gathering information, each procedure starts on a separate day and no prior contact with officials.

Response: 363 people responded to this, it was expected that the majority of people would agree on the fact that the timeframe in registering the business in the Democratic Republic of Congo context is unacceptable. The timeframe is officially 31 days, but the reality on the field is totally diverse that why the DRC is ranked 185 out of 189 in doing business 2014.

Recommendation: It is commended that Officials state are hungry and tried at all means to lengthen procedures and time for their own benefits and the government is ineffective to the change. It is time for the government to step up and take responsibility for it by start paying the officials of state a decent salary and by motivating them to excel in their duty.

Question 8.5.4 Assistance during business registration process is inefficient

The intention of this question was to determine whether the assistance during business registration process is inefficient in the Democratic Republic of Congo context.

Response: 363 people responded to this, it was expected that the majority of people would agree on the fact that the assistance during business registration process is inefficient in the Democratic Republic of Congo.

Recommendation: It is commended that the government got a good intention in terms of assisting entrepreneurs in doing business in the country but that intention is not materialised because of economic and social crises that let its officials to do whatever they can to survive by all means.

Question 8.5.5 The cost for business registration are affordable

The intention of this question was to determine whether the cost for business registration are affordable in the Democratic Republic of Congo context. Cost required to complete each procedure with official costs only not bribes, no professional fees except services required by law.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that the cost for business registration are affordable in the Democratic Republic of Congo. The cost for business registration are affordable for the minor of people. The majority disagrees and affirms that the government should reduce the cost to assisting entrepreneurs in doing business in the country and been accountable.

Recommendation: It is commended that the majority of the respondents have been involved in the business as entrepreneurs disagreed on the fact that the cost for business registration are affordable in the Democratic Republic of Congo. This can be shown that the government does not try so hard to make current trend most likely to assist the national and international entrepreneurs regarding the cost during the registration process.

Question 8.5.6 The process of starting a business is simple and easy

The intention of this question was to determine whether the process of starting a business is simple and easy in the Democratic Republic of Congo context. Since the liberation days, there have been no effective policies which have been implemented to empower the indigenous population and move the masses away from poverty.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that the process of starting a business is simple and easy in the Democratic Republic of Congo. Today the DRC ranks 185 out of 189 on the low end of the ease of doing business scale as ranked by the World Bank.

Recommendation: It is commended that the majority of the respondents have been involved in the business as entrepreneurs disagreed on the fact that the process of starting a business is simple and easy in the Democratic Republic of Congo. This can be shown that the government does not stab effectively to make current trend most likely to assist the national and international entrepreneurs regarding the process of starting a business during the registration process.

Question 8.5.7 It is difficult to start a business in this environment

The intention of this question was to determine whether it is difficult to start a business in the environment in the Democratic Republic of Congo context. There a lot of facts that make things difficult to start a business in the environment such time, procedures, the cost required to complete each procedure with official costs only not bribes, no professional fees except services required by law.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that it is difficult to start a business in this environment. Today the DRC ranks 185 out of 189 on the low end of the ease of doing business scale as ranked by the World Bank.

Recommendation: It is commended that the majority of the respondents have been involved in the business as entrepreneurs disagreed on the fact that it is difficult to start a business in the environment of the Democratic Republic of Congo. This can be shown that the government does not stab effectively to make current trend most likely to assist the national and international entrepreneurs regarding the striving to start a business in the environment during the registration process.

Question 8.5.8 Mention anything else in relation to the above

Response: 363 people of responded to this question, it was expected that the majority of people were free to express themselves by saying they want the Democratic Republic of Congo must adapt with the international norms to become more competitive to be free

economically and socially so that the population can be able to do the business in peace and safety with respect of economical standards and regulations.

Recommendation: It is commended that measuring the difficulties of starting a business, enforcing contracts, paying tax, resolving insolvency, protecting investors, trading across borders, getting credit, getting electricity, registering property, dealing with construction permits and registering property and the situation has not changed drastically from the previous structures as stated above.

8.6 Section C: Sourcing funds

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

Question 8.6.1. Applicants are uninformed about sources of government finance.

The intention of this question was to determine whether applicants are uninformed about sources of government finance to start a business in the Democratic Republic of Congo environment.

Response: 363 people responded to this, it was expected that the majority of people would strongly agree on the fact that applicants are uninformed about sources of government finance to start a business in the Democratic Republic of Congo environment. Having the information about sources of government finance is having the power, so the population is not informed at all due to the system that rules.

Recommendation: It is commended that for certain reasons there is viable sources of government finance, officials of state will try at all means to pass it primary to their relatives before it get know by other people. Same for politicians specifically those who are in power and they will make sure that the finance comes mainly to them first and their relatives. Hence, it is a precarious and sad situation for big country

Question 8.6.2 Finance is even inaccessible to all eligible entrepreneurs in the country

The intention of this question was to determine whether finance is even inaccessible to all eligible entrepreneurs to start a business in the Democratic Republic of Congo environment.

Response: 363 people responded to this, it was expected that the majority of people would agree on the fact that finance is even inaccessible to all eligible entrepreneurs in the Democratic Republic of Congo environment. From these results it can be seen that the majority of the respondents have been involved in the business as entrepreneurs agreed on the fact that finance is even inaccessible to all eligible entrepreneurs in the country. This can be shown that applicants are not getting easily the government finance and the government.

Recommendation: It is commended that generally, the lack of finance is vast constraint to entrepreneurs. In the DRC context is the worst because of unemployment rate, the low wages paid from the government to its officials. The government must really improve its financial system to let entrepreneurs run peacefully without its official's harassment.

Question 8.6.3 Financing processes take a short time before you can be financed

The intention of this question was to determine whether financing processes take a short time before you can be financed in the Democratic Republic of Congo environment.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that financing processes take a short time before you can be financed in the Democratic Republic of Congo environment. Generally, the lack of finance is gigantic constraint to entrepreneurs

Recommendation: It is commended that it is a dangerous and sad situation for big country like the DRC to not having a lot of sources of funding. Usually, financing processes take a short time before you can be financed if you are well connected or if you can guarantee those people who give the finance an incentive bonus so that they can accelerate the processes.

Question 8.6.4 The set criteria to get funding is within reach for the average Congolese looking for business finance.

The intention of this question was to determine whether the set criteria to get funding is within reach for the average Congolese looking for business finance to start a business in the Democratic Republic of Congo environment.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that the set criteria to get funding is within reach for the average Congolese looking for business finance to start a business in the Democratic Republic of Congo environment.

Recommendation: It is commended that commonly, the lack of finance is a colossal constraint to entrepreneurs. In the DRC context is the worst because of unemployment rate, the low wages paid from the government to its officials. Hence, it is a dangerous and sad situation for big country like the DRC to not having a lot of sources of funding. Typically, the set criteria to get funding is within reach for the average Congolese looking for business finance to start a business in the Democratic Republic of Congo environment is a huge blow for the commonly people.

Question 8.6.5 The exact capital requested for is awarded if candidate qualifies.

The intention of this question was to determine whether the exact capital requested for is awarded if candidate qualifies to start a business in the Democratic Republic of Congo environment.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that the exact capital requested for is awarded if candidate qualifies to start a business in the Democratic Republic of Congo environment. Commonly, the lack of funding is a massive restriction to entrepreneurs. In the DRC context is the worst because of unemployment rate, the low wages paid from the government to its officials.

Therefore, it is a risky and depressed situation for big country like the DRC to not having a lot of sources of funding. Characteristically, the exact capital requested for is awarded if candidate qualifies to start a business in the Democratic Republic of Congo environment is a huge setback for the commonly people if you are connected.

Recommendation: It is commended by (Stokes & Wilson, 2010) that blocks are opposite to triggers, meaning it puts obstacles in the entrepreneur's path making it difficult to set up a venture. For instance, lack of capital and financial support to fund a new venture (Burke 2006b). This can be shown that the set criteria of getting the capital is still a big issue for entrepreneurs in the Democratic Republic of Congo.

Question 8.6.6 Funding for business is unusually readily available and accessible for those who meet the criteria.

The intention of this question was to determine whether the funding for business is unusually readily available and accessible for those who meet the criteria in the Democratic Republic of Congo environment.

Response: 363 people responded to this, it was expected that the majority of people would disagree on the fact that the funding for business is unusually readily available and accessible for those who meet the criteria in the Democratic Republic of Congo environment.

Recommendation: It is commended that frequently, the lack of funding is a massive limit to entrepreneurs. In the DRC context is the worst because of unemployment rate, the low wages paid from the government to its officials, the corruption and financial is out of norms.

Question 8.6.7 You may need political connections to get business finance

The intention of this question was to determine whether you may need political connections to get business finance in the Democratic Republic of Congo environment. With all the issues that Democratic Republic of Congo have everything is possible. Corruption is known to be rampant, and this question sought to identify if entrepreneurship

may be hampered because of the need for political connections to get finance for start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would complain about political interference and nepotism in the allocation of business finance.

Recommendation: It is commended that the majority of the respondents have been involved in the business as entrepreneurs strongly agreed on the fact that you may need political connections to get business finance in the Democratic Republic of Congo. This can be shown political connections has an immense influence for entrepreneurs in the Democratic Republic of Congo. The government must be fair in its financial institutions regardless your tribe, your political tendency, your gender, etc.

Question 8.6.8 Mention anything else with regards to the above.

Response: 363 people of responded to this question, it was expected that the majority of people were free to express themselves by saying they want the Democratic Republic of Congo must adapt with the international norms to become more competitive to be free economically and socially so that the population can be able to do the business in peace and safety with respect of economical standards and regulations. Usually, in the DRC the finance is available for those who are connections with politicians or members of politicians especially for those in power.

Recommendation: It is commended that the DRC must improve its financial institutions and avoid the discrimination, geo-politics.

8.7 Section D: Other sources of funding

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

Question 8.7.1 Banks are a major source of business finance in the DRC for those who qualify

The intention of this question was to determine whether banks are a major source of business finance in the DRC for those who qualify. Banks as financial sources are available and accessible in furthestmost cities of the country.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that banks are a major source of business finance in the DRC for those who qualify. When we go deep down, it turns out that banks are only in biggest cities in few provinces in the country. That means the majority of people do not get access to the banks service in the whole country

Recommendation: It is commended that with all those issues most of entrepreneurs in the Democratic Republic of Congo still don't trust the financial institution. Banks should be available in every cities in country which is not the case of the DRC. The government must be accountable on it and must encourage the private banks as well.

Question 8.7.2 Banks specifically deal with people who have money and security only.

The intention of this question was to determine whether banks specifically deal with people who have money and security only. Banks as financial sources are available and accessible in biggest cities of few provinces in the country. With all those issues most of entrepreneurs in the Democratic Republic of Congo still don't trust the financial institution.

Response: 363 people responded to this question, it was expected that the majority of people would strongly agree on the fact that banks specifically deal with people who have money and security only.

Recommendation: It is commended that with all those issues most of entrepreneurs in the Democratic Republic of Congo still don't trust the financial institution. Banks should be available in every cities in country which is not the case of the DRC. The government must be accountable on it and must encourage the private banks as well.

Question 8.7.3 Non-governmental organisations [NGO's] are a major source of business finance for the poor.

The intention of this question was to determine whether non-governmental organisations [NGO'S] are a major source of business finance for the poor. Non-governmental organisations as financial sources are available and accessible in furthestmost cities of the country.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that non-governmental organisations [NGO's] are a major source of business finance for the poor. Youth people face huge problems in finding work. Given the limited number of jobs on offer, the mismatch between training and the skills sought by employers, and the slow rate of retirement among public employees (Green, 2008), more than 70% of the youth are jobless.

Recommendation: It is commended that those hardest hit are youth people aged between 15 and 24 living in towns and cities. The brain drain and the crisis in the educational system mean that there is a strong demand for expertise in human resources in the country. (DRC African economic outlook report, 2012). With all those financial issues most of entrepreneurs in the Democratic Republic of Congo get help from the NGO's. The government must be accountable on it and must encourage the NGO's as well.

Question 8.7.4 There are numerous small loan funders for small business start-ups.

The intention of this question was to determine whether there were numerous small loan funders for small business start-ups. The financial institution who can give small loan for small business starts-ups are available and accessible in furthestmost cities of the country.

Response: 363 people responded to this question, it was expected that the majority of people would disagree on the fact there were numerous small loan funders for small business start-ups.

Recommendation: It is commended that it is such a mission finding a small loan funders for small business start-ups. If when one, the set criteria to get the loan will be an obstacle for start-ups. This can be shown by the fact that to get a loan is still a vast issue in the DRC even for those who qualified.

Question 8.7.5 International corporations are not readily available to form joint ventures with the local people.

The intention of this question was to determine whether international corporations are not readily available to form joint ventures with the local people.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that international corporations are not readily available to form joint ventures with the local people.

Recommendation: It is commended that to form any joint ventures, they must be parameters such as social-cultural factors that you count for instance lack of respect for contracts; political and family interferences contribute to the lack of a proper business-attitude; fiscal charges are one of the main difficulties they face. Two main factors are mentioned: a) the large number of different tax that was 120 now condensed to 40; b) fiscal contribution is often based on sales and not on net income. Congolese people particularly and Africans generally do not respect the clause of a contract. It is one of the issues among others that make international corporations to not form joint ventures with local people.

Question 8.7.6 Funding for business is not readily available and not accessible even for those who meet the criteria.

The intention of this question was to determine whether funding for business is not readily available and not accessible even for those who meet the criteria. The financial institution who can give small loan for small business starts-ups are available and accessible in furthest cities of the country but it is such a mission to get funding even if qualified.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that funding for business is not readily available and not

accessible even for those who meet the criteria. Influences and networks play a key role in getting the fund for business in the DRC. Bond (2006) affirms that 9 000 youth people send-off Congolese universities each year less than 100 get a job. It regularly occurs that youth graduates become street salespersons, cash changers, and dealers, operatives of community phones or security workforce, for deficiency of any other job chance.

Recommendation: It is commended that funding for business is not readily available and not accessible even for those who meet the criteria. This can be shown by the fact that procedures of getting funds is very complex and unavailable in most of cases. Therefore, funding for business may be easier from families and friends than from financial institutions.

Question 8.7.7 If you have a good business plan, finance is not an issue at all

The intention of this question was to determine whether you have a good business plan, finance is not an issue at all. Funding for business is not readily available and not accessible even for those who meet the criteria. The financial institution who can give small loan for small business starts-ups are available and accessible only in few cities of the country but it is such a mission to get funding even if qualified.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that you have a good business plan, finance is not an issue at all. Acquaintances play a main role in getting the fund for business in the DRC.

Recommendation: It is endorsed by the fact that procedures and time of getting funds is very multifaceted even having a good business plan. Therefore, funding for business may be easier from families and friends than from financial institutions.

8.7.8. Mention anything else with regards to the above.

Response: 363 people of responded to this question, it was expected that the majority of people were free to express themselves by saying they want the Democratic Republic of Congo must adapt with the international norms to become more competitive to be free economically and socially so that the population can be able to do the business in peace and safety with respect of economical standards and regulations. Entrepreneurs need a

huge financial support from the government, NGO's, banks and other financial institutions to boost their businesses.

Recommendation: It is endorsed that banks, NGO's must work together with the government in perspective to harmonize the financial institutions in the DRC.

8.8 Section E: Policies

Please rank the following by crossing the most applicable. The ratings are: 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

Question 8.8.1. The government policies encourage entrepreneurship.

The intention of this question was to determine whether the government policies encourage entrepreneurship. Democratic Republic of Congo must invest deeply in entrepreneurship as part of economic governance. Growth in today's world based on global economy depends on a flexible, educated and healthy workforce. Investment in entrepreneurship promotes individual development and provides the ability to escape poverty.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that the government policies encourage entrepreneurship in the DRC. The experiences of successful countries in Asia, Latin America, and elsewhere present two important aspects of effective economic transformation processes.

Recommendation: It is endorsed that the government policies encourage entrepreneurship within two factors; the first is that there are palpable common characteristics in the designs of structural change and economic development processes in general, industrialisation and diversification in particular. The second and overarching feature is that the government plays a central role in guiding and promoting successful entrepreneurship in economic transformation for instance in developing infrastructure, attracting foreign resources, and increasing productivity are important elements of successful renovation, as are strong and functional institutions.

Question 8.8.2 Labour relation policies aid entrepreneurs to create jobs

The intention of this question was to determine whether labour relation policies aid entrepreneurs to create jobs. Democratic Republic of Congo must invest seriously in entrepreneurship as part of economic supremacy.

Response: 363 people responded to this question, it was expected that the majority of people would disagree on the fact that the labour relation policies aid entrepreneurs to create jobs in the DRC. Growth in today's world based on global economy depends on a flexible, educated and healthy workforce. Government must profoundly invest in entrepreneurship to boost individual development and provides the ability to escape poverty

Recommendation: It is endorsed that governments have to be better at identifying good criteria to determine the labour relation policies that can be helpful for entrepreneurs to create jobs in the appropriated industries to their endowment structure and level of development. The government's policy must facilitate entrepreneurship in industrial upgrading and diversification must be anchored on industries with latent competitive advantage so that, once the new industries are established, they can quickly become competitive domestically and internationally.

Question 8.8.3 The government policies discourage entrepreneurship

The intention of this question was to determine whether the government policies discourage entrepreneurship. Democratic Republic of Congo must deeply invest in entrepreneurship as part of economic governance. Growth in today's world based on global economy depends on a flexible, educated and healthy workforce. Investing in entrepreneurship will stimulate individual development and provides the ability to escape poverty.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that the government policies discourage entrepreneurship in the DRC. Growth in today's world based on global economy depends on a flexible, educated and healthy workforce.

Recommendation: It is endorsed that the government plays a central role in guiding and promoting successful entrepreneurship in economic transformation for instance in developing infrastructure, attracting foreign resources, and increasing productivity are important elements of successful renovation, as are strong and functional institutions.

Question 8.8.4 Good systems are in place to support entrepreneurship

The intention of this question was to determine whether good systems are in place to support entrepreneurship. Democratic Republic of Congo must invest heavily in entrepreneurship as part of economic governance.

Response: 363 people responded to this question, it was expected that the majority of people would disagree on the fact that good systems are in place to support entrepreneurship in the DRC.

Recommendation: It is endorsed that government must profoundly invest in entrepreneurship to stimulate individual development and provides the ability to escape poverty with good systems in place to support entrepreneurs.

Question 8.8.5 Government policies do not encourage entrepreneurship at all

The intention of this question was to determine whether Government policies do not encourage entrepreneurship at all.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that Government policies do not encourage entrepreneurship at all in the DRC.

Recommendation: It is endorsed that government must profoundly invest in entrepreneurship to stimulate individual development and provides the ability to escape poverty with good systems in place to support entrepreneurs in creating jobs.

Question 8.8.6 The government has developed skills development programs to encourage entrepreneurs.

The intention of this question was to determine whether the government has developed skills development programs to encourage entrepreneurs. Landy & Conte (2009) acknowledge that training is as acquisition of knowledge and skill for present tasks; a tool to help individuals contribute to the organisation and be successful in the current position; a means to an end.

Response: 363 people responded to this question, it was expected that the majority of people would strongly disagree on the fact that the government has developed skills development programs to encourage entrepreneurs.

Recommendation: It is endorsed that government must profoundly invest in developed skills programs to cheer entrepreneurs; to inspire individual development and provides the ability to escape poverty with good systems in place to support entrepreneurs in creating jobs.

Question 8.8.7 You get into business at your own expense and risk

The intention of this question was to determine whether you get into business at your own expense and risk. The evidence suggests that entrepreneurs are the risk takers and self-motivated to achieve their goal.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that you get into business at your own expense and risk

Recommendation: It is endorsed that the entrepreneurs take risks, both financial and physical in an effort to convert their ideas into business opportunities which should help with the development of a country. Therefore, it should be taken as one of the entrepreneurs' qualities to create jobs for economic development and poverty reduction in favourable or unfavourable environment.

Question 8.8.8 Mention anything else with regards to the above.

Response: 363 people of responded to this question, it was expected that the majority of people were free to express themselves by saying they want the Democratic Republic

of Congo must adapt with the international norms to become more competitive to be free economically and socially so that the population can be able to do the business in peace and safety with respect of economical standards and regulations in terms of practical training for entrepreneurs.

Recommendation: It is endorsed that the government policies discourage entrepreneurship; the labour relation policies discourage entrepreneurs to create jobs and the government must develop skills development programs to encourage entrepreneurs.

8.9 Section F: Tax

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

Question 8.9.1 The tax structure and government systems discourage new business start-ups.

The intention of this question was to determine whether the tax structure and government systems discourage new business start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that the tax structure and government systems discourage new business start-ups.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs.

Question 8.9.2 All entrepreneurs regardless of size are expected to pay government tax.

The intention of this question was to determine whether all entrepreneurs regardless of size are expected to pay government tax. The tax structure and government systems

discourage new business start-ups as was mentioned above, but all entrepreneurs must pay the government tax.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that all entrepreneurs regardless of size are expected to pay government tax.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs.

Question 8.9.3 Execution of government tax system discourages entrepreneurs

The intention of this question was to determine whether execution of government tax system discourages entrepreneurs. The tax structure and government systems discourage new business start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that execution of government tax system discourages entrepreneurs.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs.

Question 8.9.4 The government has tax related incentives that are designed for start-ups in the economy.

The intention of this question was to determine whether the government has tax related incentives that are designed for start-ups in the economy. The tax structure and government systems discourage new business start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that the government has tax related incentives that are designed for start-ups in the economy.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs.

Question 8.9.5 The national tax systems are deleterious for entrepreneurial development

The intention of this question was to determine whether the national tax systems are deleterious for entrepreneurial development. This national tax systems are damaging the entrepreneurial development in terms of the tax structure for new business start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that the government has tax related incentives that are designed for start-ups in the economy.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs.

Question 8.9.6 You register for tax on your own no government follows up

The intention of this question was to determine whether you register for tax on your own no government follows up. This national tax systems are damaging the entrepreneurial development in terms of the tax structure for new business start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that you register for tax on your own no government follows up.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs.

Question 8.9.7 I have never had tax people check on my tax returns since

The intention of this question was to determine whether i have never had tax people check on my tax returns since. This national tax systems are damaging the entrepreneurial development in terms of the tax structure for new business start-ups.

Response: 363 people responded to this question, it was expected that the majority of people would disagree on the fact that you register for tax on your own no government follows up.

Recommendation: It is endorsed that the DRC had 120 different tax systems and it's been reduced to 40 tax. The government must be capable of upgrading and updating the tax structure and system for the benefit for international and national entrepreneurs. The government has its officials checking on the tax returns. The strange thing is that those officials of state are so corrupt and always produce fake documents to entrepreneurs in exchange of their own financial benefits. Their reports to the government do not reflect the reality because they received bribes.

Question 8.9.8 Mention anything else with regards to the above.

Response: 363 people of responded to this question, it was expected that the majority of people were free to express themselves by saying the existing legal insecurity and increasing weight of the informal sector in the economy.

Recommendation: It is endorsed that an increasing number of companies join the informal sector or simply leave the country, occasionally selling their activities to informal sector operators to escape paying tax. The growing weight of the informal sector in DRC is putting pressure on formal sector operators due to unfair competition, as well as contributing to lower tax income to finance the national budget

8.10 Section G: Security situation

Please rank the following by crossing the most applicable. The ratings are: 1 to 5 on a decreasing scale (strongly disagree – disagree – neutral – agree - strongly agree).

Question 8.10.1 You are not affected by war and you do your business peacefully

The intention of this question was to determine whether you are not affected by war and you do your business peacefully. Ensuring that the DRC continues along the path to lasting peace is in the interests not only of its own citizens, but of the wider international community.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that they are not affected by war and they do their business peacefully. Because of economic constraints, we did our investigation only in Kinshasa and Lubumbashi.

Recommendation: It is endorsed that with its great size and mineral wealth, the DRC could become a major economic power in Africa. Regrettably, its history since independence has shown that without sound economic policies, possessing great natural wealth can lead to disaster. Now that the DRC seems to be emerging from years of war, building a strong economy that benefits its citizens must be a top priority if lasting peace is to be achieved. As the business community is a vital part of the peace process, it is important to assess the strength of the business sector and identify ways in which it might be further strengthened.

Question 8.10.2 There is war in my region but it doesn't disturb my business at all

The intention of this question was to determine whether there is war in my region but it doesn't disturb my business at all. By the end of that conflict period, the extraction of the DRC's resources involved seven foreign governments, sometimes in collusion with mining companies.

Response: 363 people responded to this question, it was expected that the majority of people would disagree on the fact that there is war in my region but it doesn't disturb my business at all. Entrepreneurs are not affected by war and they do their business in Kinshasa and Lubumbashi with many challenges like police harassment.

Recommendation: It is endorsed that the eastern region of North and South Kivu, in which Bukavu is situated, continues to suffer from the aftermath of the 1994 Rwandan genocide and the ethnic violence it unleashed. The region remains overrun with armed groups and the rule of law is virtually nonexistent. However, behind it all, a wartime

economy, anchored by the organised exploitation of natural resources by militia groups, continues to operate unhindered. However, war is not the only dynamic to report the economic landscapes of the cities.

Question 8.10.3 I am not able to operate because I am interrupted by the fighting taking place in this area

The intention of this question was to determine whether I am not able to operate because I am interrupted by the fighting taking place in this area. By the end of that conflict period, the extraction of the DRC's resources involved seven foreign governments, sometimes in collusion with mining companies.

Response: 363 people responded to this question, it was expected that the majority of people would be neutral on the fact that they not able to operate because of they have interrupted by the fighting taking place in this area.

Recommendation: It is endorsed that entrepreneurs operating in Kinshasa and Lubumbashi are not affected by war and they do their business with many challenges like police harassment, corruption, etc.

Question 8.10.4 Because of war we are not able to access finance and government assistance to start / run our businesses.

The intention of this question was to determine whether because of war we are not able to access finance and government assistance to start / run our businesses.

Response: 363 people responded to this question, it was expected that the majority of people would agree on the fact that because of war we are not able to access finance and government assistance to start / run our businesses.

Recommendation: It is endorsed that entrepreneurs operating in Kinshasa and Lubumbashi are not affected by war and they do their business with many challenges like police harassment, corruption, electric cut, etc.

Question 8.10.5 The government supports us with skills development and money even though they are at war here.

The intention of this question was to determine whether the government supports us with skills development and money even though they are at war here. Given the size of DRC, sector performance can be compared across fragile and more stable provinces.

Response: 363 people responded to this question, it was expected that the majority of people would strongly disagree on the fact that the government supports us with skills development and money even though they are at war here.

Recommendation: It is endorsed that the whole country is awaiting the peace dividend as real development is arrested throughout the country due to localised fragility and widespread poor governance. The development of microfinance services in DR Congo presents an opportunity to provide financing to SMMEs and therefore play an important role in alleviating poverty, reducing vulnerability and contributing to economic and social development of the country.

Question 8.10.6 Only supporters of the military people around here are given help to establish businesses

The intention of this question was to determine whether only supporters of the military people around here are given help to establish businesses. Given the size of DRC, sector performance can be compared across fragile and more stable provinces. The whole country is awaiting the peace dividend as real development is arrested throughout the country due to localised fragility and widespread poor governance.

Response: 363 people responded to this question, it was expected that the majority of people would disagree on the fact that only supporters of the military people around here are given help to establish businesses.

Recommendation: It is endorsed that the government of DR Congo presents an opportunity to provide financing to SMMEs and therefore play an important role in

alleviating poverty, reducing vulnerability and contributing to economic and social development of the country. There is no indication regarding the support of military people to establish a formal business. The government is trying to support the war's victims with the NGO'S help, but not in terms of financial support for established business.

Question 8.10.7 The war has made us to benefit in our businesses because there are many people who depend on us business people.

The intention of this question was to determine whether the war has made us to benefit in our businesses because there are many people who depend on us business people. Given the size of DRC, sector performance can be compared across fragile and more stable provinces.

Response: 363 people responded to this question, it was expected that the majority of people would be neutral on the fact that the war has made us to benefit in our businesses because there are many people who depend on us business people.

Recommendation: It is endorsed that the entire country is awaiting the peace dividend as actual development is arrested through the country due to localized instability and extensive poor governance.

8.10.8 Mention anything else with regards to the above.

Response: 363 people of responded to this question, it was accepted that the majority of people were freely give away their viewpoint by saying they wanted their country to change from worst to better.

Recommendation: It is endorsed that Congolese businesses face serious obstacles, including poor infrastructure, high tax, extortion, and market distortions. Nevertheless, respondents expressed relatively little concern about insecurity and violence, suggesting that these costs have been internalised or that other obstacles impose much greater costs. DRC businesses neither want nor expect handouts. Respondents would prefer assistance in removing barriers to trade, improving infrastructure, and reducing

corruption. Respondents are broadly optimistic about the future and their economic prospects, and have a strong sense of being stakeholders in shaping society.

8.11. Section H: Support resources of government and private sector.

Open ended questions. Please state clearly your likes, dislikes and concerns of the government's efforts to support your business venture

Question 8.11.1 What factors in your opinion will make you succeed as an entrepreneur?

The intention of this question was to determine whether what factors in your opinion will make you succeed as an entrepreneur?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that what factors in your opinion will make you succeed as an entrepreneur?

The findings revealed that majority enter into entrepreneurship and succeeded as entrepreneur because of There are so many factors that can help entrepreneurs to succeed in DRC such as: good governance; the security of persons and goods; offer visibility; availability of credits; tax reduction and control; the peace; a good business plan and funding; influence peddling; economic policy; good business regulation; Permanent electrical energy; roads, Tracery police; very expensive customs.

It is pointed out in this paper that the political environment in Democratic Republic of Congo (DRC) is neither safe nor stable. Therefore any government in DRC should adopt and implement measures aimed at maintaining peace and political stability if economic, legal and regulatory developments are to be accomplished. For example it was shown in the sample that during the war years, entrepreneurial activity was very much hindered. If peace and security are not guaranteed there will neither be economic partners nor will foreign investors come to DRC. Other measures should comprise among others, allowing for globalization: adhering to regional economic treaties and agreements that favour transnational trade, favour free move of people, capital flows and goods across nations, hampering corruption, and keeping criminal activities to a check.

Recommendation: It is endorsed that good governance would play a vital role in creating jobs; the security of persons and goods would make entrepreneurs succeed because of the peace; tax reduction and control would make easy the regulation; influence peddling; economic policy must be update; good business regulation must be accurate as well; Permanent electrical energy is one of the keys to development; roads are dynamic for the transport of persons and goods; tracery police must be stopped at all means and the actual expensive customs must be energetic and accommodate to people's live.

Question 8.11.2 What things [barriers] delay your effort to start a business in your opinion?

The intention of this question was to determine whether what things [barriers] delay your effort to start a business in your opinion?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that what things [barriers] delay your effort to start a business in your opinion?

The findings revealed that majority enter into entrepreneurship and stuck as entrepreneur because of There are so many factors that can delay entrepreneurs to succeed in DRC such as:

- Unsatisfactory financial resources
- Unsuitable apprenticeship and human resources (including education & training system);
- Nonexistence of adequate infrastructure,
- Deficiency of good investment climate (due to problems related to bureaucracies, tax structure, legal framework, private property, corruption, political regime and culture).
- Inapt industry structure (less open competition, absence of supporting industries and potential suppliers of inputs, fragmented markets

Recommendation: It is endorsed that government must change the educational system, the financial institutions, the investment climate to help entrepreneurs to succeed in the business.

Question 8.11.3 How do these things [barriers] affect you when you want to start a business?

The intention of this question was to determine whether how do these things [barriers] affect you when you want to start a business?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that how do these things [barriers] affect you when you want to start a business?

The case of DRC supports these findings. DRC is situated in a region that does not facilitate the smooth running of commercial as well as entrepreneurial activities. This study exposed that the region where DRC is situated has no appropriate infrastructure such highways, railways, telecommunication, etc...

There are no adequate regional trade agreements and tariffs and the region has been marked by series of inter-ethnic conflicts. It also discovered that terrorism imposes further restrictions on business and free movement. From this study, the following factors that negatively affect entrepreneurship DRC were drawn up:

- Unsteady social, political and economic environment
- Unsuitable technological development,
- Unfitting financial as well as human capital based resources.
- Inadequate level of education of the population that leads to poor quality entrepreneurs who fail to adequately act according to the available needs (opportunities). The average DRC entrepreneur concentrates efforts on persistence entrepreneurial activities that lack innovativeness, with no diversity and with insignificant economic value.

- The numerousness of cultural values that do not allow for a sound enterprising society
- Untrained industrial structure
- Embryonic national taxation system

Recommendation: It is endorsed that the government must be liable and take responsibility in developing industrial structure, the national taxation system, and the social, the political and economic environment.

Question 8.11.4 Is your business registered in the chamber of commerce? (Yes or No), if No why?

The intention of this question was to determine whether your business is registered in the chamber of commerce? (Yes or No), if No why?

Response: 363 people responded to this question, it was expected that the majority of people would freely give their viewpoint on the fact that your business is registered in the chamber of commerce? (Yes or No), if No why? The findings revealed that majority enter into entrepreneurship and become entrepreneur without thinking about registering the business because of lack of information and there is no need for. Basically, they do not see the motive of it. Therefore, most of the respondents did not registered in chamber of commerce

Recommendation: It is endorsed that the government must introduce the new era in collecting information by updating its websites, its business magazine and make people aware about the chamber of commerce.

8.12 Conclusion

The DRC remains underdeveloped despite its five decades of independence in intellectualizing, framing and executing countless types of economic policies and programmes. DRC holds a growing share of the world's out-and-out poor with slight power to influence the allocation of its resources and then tangible income averaged making DRC among the poorest countries in the world. Regardless of being rich in mineral

wealth, conflict, mismanagement, corruption and illegal trade have disallowed most Congolese from benefiting from these natural resources. Corruption, low spending on social sectors, limited capacity and an inability to afford basic services to significant parts of the country are at the heart of weak governance.

DRC has made significant, but insufficient, progress in the different governance areas
Combating Corruption: With a corruption perceptions index score of 21 out of 100, DRC is ranked 160th out of 176 countries according to the 2012 Transparency International Report. The Government has tried to implement a zero tolerance strategy on corruption but the results obtained remain unsatisfactory (Mbaku, 2010). This situation is due to weaknesses in the justice system, especially partiality, and the poor functioning of the system. This is exacerbated by the low level of basic public sector remuneration and the absence of effective control and accountability mechanisms. In addition, they include high inequality, uneven access to resources, social exclusion, insecurity, environmental degradation, HIV/AIDS pandemic, Ebola, among others.

Debatably, the thesis considers primarily opportunities that DRC could implement and exploit in order to succeed its challenges such as: peace with the security and political stability would be developed, this peaceful state would empower country to adopt good governance with strong leadership, delicate and bad governance would be exterminated.

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Appendix A

QUESTIONNAIRE

Evaluation of the effects of political instability on entrepreneurial activities: the case of the Democratic Republic of Congo (DRC).

This questionnaire seeks to establish perceptions about factors that hinder effective entrepreneurship in the Democratic Republic of Congo. This is an academic exercise, please do not write your name, that of your firm or any form of identification, no information will be given to authority, you are safe and protected.

SECTION A. BIOGRAPHY

Please tick the applicable boxes

1. Are you involved in business? Please indicate the applicable answer in the boxes below.

Not in business	Plan to be in business	Am in businesses	Was in business before
-----------------	------------------------	------------------	------------------------

2. What is your age range?

18-25years	26-35years	36-45years	46-over
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3. How long have you been in business?

0 - 5 years	6 – 10 years	11 – 15 years	16 +
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4. What category does your business fall under?

Production	Agriculture	Services	If other specify:
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5. What is your level of education, please tick applicable box.

No schooling	Primary	High school	Matric	Bachelor's degree	Honours degree	Other
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6. What is your Gender?

Male	Female
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7. What is your nationality?

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8. Why did you decide to start a business?

Was unemployed	Unhappy with my job	Never worked in my life	Got opportunity for funding	Passionate about doing my own business
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Any other reason, please specify

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Mention anything else in relation to the above

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SECTION B: BUSINESS REGISTRATION.

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly agree- agree- neutral-disagree-strongly disagree)

Registration process of business		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Information on business registration is easily obtainable	1	2	3	4	5
2	Procedures and steps are clear and easy to follow.	1	2	3	4	5

3	The time frame in registering the business is unacceptable.	1	2	3	4	5
4	Assistance during business registration process is inefficient.	1	2	3	4	5
5	The costs for business registration are affordable.	1	2	3	4	5
6	The process of starting a business is simple and easy	1	2	3	4	5
7	It is difficult to start a business in this environment	1	2	3	4	5

Mention anything else with regards to the above.

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SECTION C: SOURCING FUNDS.

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly agree- agree- neutral-disagree-strongly disagree)

Sourcing Funds		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Applicants are uninformed about sources of government finance.	1	2	3	4	5
2	Finance is even inaccessible to all eligible entrepreneurs in the country	1	2	3	4	5
3	Financing processes take a short time before you can be financed.	1	2	3	4	5
4	The set criteria to get funding is within reach for the average Congolese looking for business finance.	1	2	3	4	5
5	The exact capital requested for is awarded if candidate qualifies.	1	2	3	4	5
6	Funding for business is unusually readily available and accessible for those who meet the criteria.	1	2	3	4	5
7	You may need political connections to get business finance	1	2	3	4	5

Mention anything else with regards to the above.

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SECTION D: OTHER SOURCES OF FUNDING

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly agree- agree- neutral-disagree-strongly disagree)

Sourcing Funds						
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Banks are a major source of business finance in the DRC for those who qualify	1	2	3	4	5
2	Banks specifically deal with people who have money and security only.	1	2	3	4	5
3	Non-governmental organisations [NGO'S] are a major source of business finance for the poor.	1	2	3	4	5
4	There are numerous small loan funders for small business start-ups.	1	2	3	4	5
5	International corporations are not readily available to form joint ventures with the local people.	1	2	3	4	5
6	Funding for business is not readily available and not accessible even for those who meet the criteria.	1	2	3	4	5
7	If you have a good business plan, finance is not an issue at all	1	2	3	4	5

Mention anything else with regards to the above.

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SECTION E: POLICIES

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly agree- agree- neutral-disagree-strongly disagree)

Effectiveness of Policies	

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The government policies encourage entrepreneurship.	1	2	3	4	5
2	Labour relation policies aid entrepreneurs to create jobs	1	2	3	4	5
3	The government policies discourage entrepreneurship	1	2	3	4	5
4	Good systems are in place to support entrepreneurship	1	2	3	4	5
5	Government policies do not encourage entrepreneurship at all	1	2	3	4	5
6	The government has developed skills development programs to encourage entrepreneurs.	1	2	3	4	5
7	You get into business at your own expense and risk	1	2	3	4	5

Mention anything else with regards to the above.

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SECTION F: TAX

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly agree- agree- neutral-disagree-strongly disagree)

Effectiveness of Tax		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The tax structure and government systems discourage new business start-ups.	1	2	3	4	5

2	All entrepreneurs regardless of size are expected to pay government tax.	1	2	3	4	5
3	Execution of government tax system discourages entrepreneurs	1	2	3	4	5
4	The government has tax related incentives that are designed for start-ups in the economy.	1	2	3	4	5
5	The national tax systems are deleterious for entrepreneurial development	1	2	3	4	5
6	You register for tax on your own no government follows up					
7	I have never had tax people check on my tax returns since					

Mention anything else with regards to the above.

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SECTION G: SECURITY SITUATION

Please rank the following by crossing the most applicable. The ratings are; 1 to 5 on a decreasing scale (strongly agree- agree- neutral-disagree-strongly disagree)

The impact of war on your entrepreneurship						
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	You are not affected by war and you do your business peacefully	1	2	3	4	5
2	There is war in my region but it doesn't disturb my business at all	1	2	3	4	5
3	I am not able to operate because I am interrupted by the fighting taking place in this area	1	2	3	4	5
4	Because of war we are not able to access finance and government assistance to start / run our businesses.	1	2	3	4	5

5	The government supports us with skills development and money even though they are at war here.	1	2	3	4	5
6	Only supporters of the military people around here are given help to establish businesses	1	2	3	4	5
7	The war has made us to benefit in our businesses because there are many people who depend on us business people.	1	2	3	4	5

Mention anything else with regards to the above.

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**SECTION H: SUPPORT RESOURCES OF GOVERNMENT AND PRIVATE SECTOR.
OPEN ENDED QUESTIONS.**

Please state clearly your likes, dislikes and concerns of the government’s efforts to support your business venture.

1. What factors in your opinion will make you succeed as an entrepreneur?

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2. What things [barriers] delay your effort to start a business in your opinion?

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3. How do these things [barriers] affect you when you want to start a business?

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4. Is your business registered in the chamber of commerce? (Yes or No), if No why?

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THANK YOU

Appendix B

Basically, this appendix was made in English and then translate in French because the majority of Congolese people are French speakers for a good understanding of the real sense words in the questionnaire.

QUESTIONNAIRE

Evaluation des effets de l'instabilité politique sur l'entrepreneuriat: Cas de la République démocratique du Congo (RDC).

Ce questionnaire vise à établir vos perceptions sur les facteurs qui entravent l'efficacité d'entrepreneuriat en République démocratique du Congo. Il s'agit ici d'un questionnaire académique anonyme. S'il vous plaît n'inscrivez pas écrire votre nom, ni celui de votre entreprise ni toute autre forme d'identification. Aucune information que vous donnerez ne sera transmise aux autorités. Vous êtes donc en sécurité et bien protégés.

SECTION A. BIOGRAPHIE

Veillez cocher les cases applicables

1. Êtes-vous présentement dans les affaires? S'il vous plaît indiquer la réponse applicable dans les cases ci-dessous.

Pas dans les affaires	Je prévois de commencer des affaires	Je suis dans les affaires	J'étais dans les affaires avant
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2. Quelle est votre tranche d'âge?

18-25 ans	26-35 ans	36-45 ans	46 et plus
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3. Depuis combien de temps avez-vous été dans les affaires?

0 - 5 ans	6 - 10 ans	11 - 15 ans	16 +
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4. Quelle est la catégorie de vos affaires?

Production	Agriculture	Services	Si autre, précisez:
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5. Quel est votre niveau d'éducation, s'il vous plaît cocher la case appropriée.

sans scolarité	Primaire	Secondaire	Diplôme d'état	Diplôme de graduat	Diplôme de licence	Si autre, précisez:
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6. Quel est votre sexe?

Mâle	Femelle
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7. Quelle est votre nationalité?

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8. Pourquoi avez-vous décidé de démarrer une entreprise?

J'étais au chômage	Mécontent avec mon travail	Jamais travaillé dans ma vie	J'ai eu une possibilité de financement	Par passion de faire ma propre entreprise
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Toute autre reason, s'il vous plaît précisez

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Mentionnez toute autre information en rapport avec ce qui précède
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SECTION B: LE PROCESSUS D'ENREGISTREMENT DES ENTREPRISES

Veillez exprimer votre opinion en choisissant l'option qui s'approche le plus possible de votre point de vue en cochant la case appropriée sur une échelle de 1 à 5 (fortement en désaccord, en désaccord, neutre, d'accord et fortement d'accord)

LE PROCESSUS D'ENREGISTREMENT DE L'ENTREPRISE
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		Fortement en désaccord	En désaccord	Neutre	D'accord	Fortement d'accord
1	L'information sur l'enregistrement des entreprises est facile à obtenir	1	2	3	4	5
2	Les procédures et les étapes sont claires et faciles à suivre.	1	2	3	4	5
3	Le délai pour l'enregistrement de l'entreprise est inacceptable.	1	2	3	4	5
4	L'assistance pendant le processus d'enregistrement des entreprises est inefficace.	1	2	3	4	5
5	Les frais d'enregistrement des entreprises sont abordables.	1	2	3	4	5
6	Le processus de démarrage d'une entreprise est simple et facile	1	2	3	4	5
7	Il est difficile de démarrer une entreprise dans cet environnement	1	2	3	4	5

Mentionnez toute autre information en rapport avec ce qui précède

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SECTION C: RECHERCHE DE FONDS

Veillez exprimer votre opinion en choisissant l'option qui s'approche le plus possible de votre point de vue en cochant la case appropriée sur une échelle de 1 à 5 (fortement en désaccord, en désaccord, neutre, d'accord et fortement d'accord)

RECHERCHE DE FONDS						
		Fortement en désaccord	En désaccord	Neutre	D'accord	Fortement d'accord
1	Les candidats ne sont pas informés sur les sources de financement du gouvernement.	1	2	3	4	5

2	Les finances sont insuffisantes pour tous les entrepreneurs éligibles dans le pays	1	2	3	4	5
3	Les processus de financement prennent peu de temps avant que l'entreprise ne soit financée.	1	2	3	4	5
4	Les critères établis pour obtenir un financement sont à la portée de main des Congolais moyens à la recherche de financement des entreprises.	1	2	3	4	5
5	Le montant exact du capital demandé est attribué si le candidat est qualifié.	1	2	3	4	5
6	Le financement pour les entreprises est particulièrement disponible et facilement accessible pour ceux qui répondent aux critères.	1	2	3	4	5
7	Vous pouvez avoir besoin des relations politiques pour obtenir le financement des entreprises	1	2	3	4	5

Mentionnez toute autre information en rapport avec ce qui précède

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SECTION D: AUTRES SOURCES DE FINANCEMENT

Veillez exprimer votre opinion en choisissant l'option qui s'approche le plus possible de votre point de vue en cochant la case appropriée sur une échelle de 1 à 5 (fortement en désaccord, en désaccord, neutre, d'accord et fortement d'accord)

AUTRES SOURCES DE FINANCEMENT						
		Fortement en désaccord	En désaccord	Neutre	D'accord	Fortement d'accord
1	Les banques sont une source majeure de financement des entreprises en RDC pour ceux qui sont qualifiés	1	2	3	4	5
2	Les banques traitent spécifiquement avec des personnes qui ont de l'argent et de la sécurité seulement.	1	2	3	4	5
3	Les organisations non gouvernementales [ONG] sont une source majeure de financement des entreprises pour les pauvres.	1	2	3	4	5
4	Il ya de nombreux petits bailleurs de fonds qui prêtent aux petites entreprises qui démarrent (les start-ups).	1	2	3	4	5

5	Les sociétés internationales ne sont pas facilement disponibles pour former des co-entreprises (joint-ventures) avec les populations locales.	1	2	3	4	5
6	Le financement des entreprises n'est pas facilement disponible et n'est pas accessible même pour ceux qui répondent aux critères.	1	2	3	4	5
7	Si vous avez un bon plan d'affaires, les finances ne sont pas du tout un problème	1	2	3	4	5

Mentionnez toute autre information en rapport avec ce qui précède

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SECTION E: POLITIQUES

Veillez exprimer votre opinion en choisissant l'option qui s'approche le plus possible de votre point de vue en cochant la case appropriée sur une échelle de 1 à 5 (fortement en désaccord, en désaccord, neutre, d'accord et fortement d'accord)

EFFICACITÉ DES POLITIQUES						
		Fortement en désaccord	En désaccord	Neutre	D'accord	Fortement d'accord
1	Les politiques gouvernementales encouragent l'esprit d'entreprise.	1	2	3	4	5
2	Les politiques syndicales aident les entrepreneurs à créer des emplois	1	2	3	4	5
3	Les politiques gouvernementales découragent l'esprit d'entreprise.	1	2	3	4	5
4	Il y a des bons systèmes en place pour soutenir l'entrepreneuriat	1	2	3	4	5
5	Les politiques gouvernementales n'encouragent pas du tout l'esprit d'entreprise	1	2	3	4	5
6	Le gouvernement a élaboré des programmes de développement des compétences pour encourager les entrepreneurs.	1	2	3	4	5
7	Vous vous lancez dans les affaires à vos frais et risques	1	2	3	4	5

Mentionnez toute autre information en rapport avec ce qui précède

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SECTION F: IMPÔTS

Veillez exprimer votre opinion en choisissant l'option qui s'approche le plus possible de votre point de vue en cochant la case appropriée sur une échelle de 1 à 5 (fortement en désaccord, en désaccord, neutre, d'accord et fortement d'accord)

EFFICACITÉ DES IMPÔTS						
		Fortement en désaccord	En désaccord	Neutre	D'accord	Fortement d'accord
1	La structure de l'impôt et les mécanismes du gouvernement découragent la création des nouvelles entreprises	1	2	3	4	5
2	Tous les entrepreneurs indépendamment de leur taille sont tenus de payer l'impôt au gouvernement	1	2	3	4	5
3	L'exécution des mécanismes du gouvernement à propos de l'impôt découragent les entrepreneurs	1	2	3	4	5
4	Le gouvernement a des mesures d'incitations fiscales conçues pour les nouvelles entreprises (start-ups) qui entrent dans l'économie	1	2	3	4	5
5	Les systèmes de tax nationales sont nuisibles pour le développement des entreprises	1	2	3	4	5
6	Vous vous inscrivez vous-même à l'impôt sans aucun suivi du gouvernement	1	2	3	4	5
7	Les agents fiscaux n'ont jamais vérifié mes déclarations d'impôts sur les revenus	1	2	3	4	5

Mentionnez toute autre information en rapport avec ce qui précède

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SECTION G: SITUATION SÉCURITAIRE

Veillez exprimer votre opinion en choisissant l'option qui s'approche le plus possible de votre point de vue en cochant la case appropriée sur une échelle de 1 à 5 (fortement en désaccord, en désaccord, neutre, d'accord et fortement d'accord)

IMPACT DE LA GUERRE SUR VOTRE ESPRIT D'ENTREPRISE						
		Fortement en désaccord	En désaccord	Neutre	D'accord	Fortement d'accord
1	Vous n'êtes pas affecté par la guerre et vous menez vos affaires en paix	1	2	3	4	5
2	Il y a la guerre dans ma région, mais elle ne perturbe pas du tout mes affaires	1	2	3	4	5
3	Je ne suis pas en mesure de fonctionner parce que nos activités ont été interrompues par les combats dans cette région.	1	2	3	4	5
4	En raison de la guerre, nous ne sommes pas en mesure d'accéder au financement ni à l'assistance du gouvernement pour démarrer / faire fonctionner nos entreprises.	1	2	3	4	5
5	Le gouvernement nous soutient avec le développement des compétences et de l'argent malgré qu'ils soient en guerre ici.	1	2	3	4	5
6	Seulement les partisans des militaires ici reçoivent de l'aide pour créer des entreprises	1	2	3	4	5
7	La guerre a bénéficié à nos entreprises, car il ya beaucoup de gens qui dépendent de nous, les hommes/femmes d'affaires.	1	2	3	4	5

Mentionnez toute autre information en rapport avec ce qui précède

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**SECTION H: SOUTIEN DES RESSOURCES DU GOUVERNEMENT ET DU
SECTEUR PRIVÉ.**

QUESTIONS OUVERTES.

**Citez des exemples clairs qui démontrent votre appréciation ou manque
d'appréciation d'efforts du gouvernement pour soutenir votre projet d'entreprise.**

**1. A votre avis, quels sont les facteurs qui vous feront réussir en tant
qu'entrepreneur?**

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**2. A votre avis, quelles sont les choses [barrières] qui retardent vos efforts
pour démarrer une entreprise?**

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**3. Comment ces choses [obstacles] vous affectent-elles dans le démarrage de
votre entreprise?**

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4. Est-ce que votre entreprise est enregistré dans la chambre de commerce? (Oui ou Non), si Non pourquoi?

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MERCI