

# Entrepreneurial Ecosystems: Best Practices and Lessons amongst SMEs in BRICS

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## Abstract

The Small and Medium Enterprise (SME) sector is the backbone of the economy in various countries, and several challenges have hindered its growth. The sharp decline of participants in the SME sector across BRICS countries indicates the difficulties besetting the industry. This study explores the entrepreneurial ecosystems within BRICS nations, emphasizing that regulatory frameworks, policies, and legislation are pivotal factors contributing to the stagnation and decline of SMEs, especially in developing contexts. While governments aim to stimulate growth for the SME sector, on one end, the very SMEs are suffocating with compliance issues, labor laws, tax-related matters, and municipal bylaws, among others. This paper presents the main findings from qualitative research mapping the BRICS entrepreneurial ecosystem (EE). The analysis is underpinned by the six elements of EE developed by Daniel Isenberg: the regulatory framework, market conditions, access to finance, policy, Human capital, and an enabling culture. The study gathered qualitative data from secondary sources and interrogated existing policies on the above-mentioned determinants. Publications from Scopus, Web of Science, OECD reports, and government websites were used to source information using keyword searches. A notable decline in SME participation across BRICS countries underscores the difficulties faced. Barlow and Panton identify regulatory compliance burdens as a primary obstacle for SMEs, leading to higher operational costs and reduced competitiveness. Similarly, the World Bank's "Doing Business" report highlights that complex tax regulations and labor laws disproportionately affect smaller enterprises, often stifling their growth potential. This paper presents findings derived from a qualitative research mapping of the BRICS entrepreneurial ecosystem (EE), Grounded in Daniel Isenberg's entrepreneurial ecosystem, this paper based its findings on qualitative data obtained from BRICS countries. Using targeted keyword searches, data was gathered from secondary sources, including Scopus, Web of Science, OECD reports, and government websites. The analysis reveals that while governments aim to stimulate SME growth, many inadvertently impose compliance issues that suffocate these enterprises. The study recommends that governments review restrictive regulations and implement initiatives to enhance SME performance, ultimately contributing to broader economic growth. By addressing these regulatory challenges, a more vibrant and resilient SME sector can emerge, capable of driving innovation and job creation.

**Keywords:** SME, Policy, Regulatory framework, Entrepreneurial-Ecosystem

## Introduction

For a thriving SME sector, it is imperative to establish a conducive environment to support the sector. In addition, when the government strengthens the EE, it propels SMEs towards growth and performance, Bakar & Ahmad (2020). The growth and performance of small and medium enterprises (SMEs) are critical for driving employment and reducing poverty, particularly in BRICS member countries. Despite establishing supportive legislation, policies, and regulatory frameworks,

SMEs face significant challenges that impede their development and potential contributions to economic progress. Among these challenges is the inability of SMEs to survive external environment turbulence, which hampers their agility. Compliance requirements and bureaucratic hurdles create barriers to accessing necessary support, which limits innovation and growth (Mazzarol & Soutar, 2019; Tiwari & Bhatia, 2023). The COVID-19 pandemic has highlighted the need for business diversity and multiple income streams, prompting a reevaluation of how policies can better support entrepreneurs (Kuckertz & Prochotta, 2020). Furthermore, existing entrepreneurship policies often fail to address the multifaceted nature of entrepreneurial ecosystems (Moos, 2014; Pinho & de Lima, 2022). These policies do not adequately target the unique components required for fostering a vibrant entrepreneurial culture, such as human capital, regulatory frameworks, and financial resources (Brown & Mason, 2017; Alvedalen & Boschma, 2017). A one-size-fits-all approach to SME support leads to duplication of efforts and stagnation of businesses, highlighting the necessity for tailored strategies (Kuckertz & Prochotta, 2020).

Additionally, government resource constraints further inhibit the effectiveness of programs designed to support SMEs (Mohd Noor & Mansor, 2021). Without adequate monitoring and evaluation frameworks, the impact of these programs remains unclear, leading to missed opportunities for growth and sustainability (Zeng & Wei, 2023). As a result, the potential of SMEs to generate employment and reduce poverty is significantly undermined.

To address these issues, there is an urgent need for a comprehensive analysis of the policy frameworks and support mechanisms that can create an environment conducive to a thriving SME sector across BRICS countries. This study aims to develop a coherent policy position and actionable measures promoting sustainable SME growth. By examining the entrepreneurial ecosystems in BRICS countries, the research will identify best practices and effective policies that can facilitate the transition of informal enterprises to formal status, thereby enhancing the overall economic landscape.

The study is underpinned by the following objectives:

- To analyze policies that support or strengthen the SME ecosystem across the five BRICS countries, considering their alignment with Isenberg's entrepreneurial ecosystem framework.
- To evaluate the contributions of each country's ecosystem in terms of cultural values, financial resources, and other essential elements.
- To identify mechanisms currently in place to enhance the SME ecosystem in BRICS member countries.
- To extract and share best practices to inform and strengthen SME performance across the BRICS nations.

The COVID-19 lockdown has taught countries and aspiring entrepreneurs the importance of diversity in business and multiple income streams (Kuckertz & Prochotta, 2020). This has increased policymakers' focus on entrepreneurs because of entrepreneurship's ability to aid economic progress (Tiwari & Bhatia, 2023). Entrepreneurship policies may be channeled to address the education gap and curriculum (Wennekers & Thurik, 2018). The role of government as an enabler is to support entrepreneurs grow across various sectors, but resource constraints have hampered focused government support (Mohd Noor & Mansor, 2021). These can be mitigated by allocating more funding, relaxing bureaucratic red tape, and monitoring the effectiveness of support mechanisms. According to Moss (2014), the complexities around individual SME settings or operating environments might hinder the most well-crafted policies, Pinho & de Lima (2022). An entrepreneurial ecosystem (EE) policy should target entrepreneurs, supporting structures, entrepreneurial connectors, and entrepreneurial culture or attitude (Brown & Mason, 2017). In the event of a policy failure, it

becomes a challenge to make progress on the existing programs, allocate resources, and ensure sustainability. While several alternative views of the EE components exist, most EE models encompass cultural, regulatory, infrastructural, market, human capital, networking, policy, and financial aspects (Alvedalen & Boschma, 2017). Zeng & Wei (2023) assert that, making a thriving entrepreneurial ecosystem heightens sustainability, innovation, and firm growth. Ecosystems are shaped by social, cultural, political, and economic contexts. Global Entrepreneurship Monitor (GEM, 2022) provides an integrated perspective to address how SME support exists. The report emphasizes political, cultural, social and economic contexts as the backbone of ecosystems. Meyer and Meyer (2017) stressed that the GDP rate has expanded in many developing and developed economies because of SMEs (Aidis & L. D., 2017). A one-size-fits-all approach to SME support needs further investigation as it results in duplication and business stagnation, especially if we are to compare the EE of the 5 BRICS member countries (Kuckertz & Prochotta, 2020). The significance of this paper is that it builds on a study done by the SAB Foundation (2017), which addresses policy gaps as drivers from policy development to implementation and monitoring results (Mazzarol & Soutar, 2019). These gaps include difficulty complying with existing legislation and regulatory requirements, resulting in barriers to obtaining the necessary support (Pinho & de Lima, 2022). This regulatory burden can inhibit innovation and growth (Tiwari & Bhatia, 2023). It has been observed particularly in South Africa that SMEs consistently rely on government support, before, during, and after the crisis. The study therefore considers the support mechanisms and their effectiveness in supporting growth of the SMEs operating in the manufacturing sector.

A lack of resources and inadequate funding for SMEs: Governments frequently face resource constraints, which limit their ability to provide adequate support for SMEs (Mohd Noor & Mansor, 2021). This factor, therefore, impacts programs designed to accelerate business growth. A lack of effective monitoring of support mechanisms: It is necessary to develop an effective monitoring and evaluation framework to gauge the impact of policies and programs that aim to support small and medium enterprises (Zeng & Wei, 2023). There are gaps in entrepreneurial education and skills, which causes individuals to be inadequately prepared for the challenges of starting and managing businesses. As a result, entrepreneurial success rates are lower (Kuckertz & Prochotta, 2020). Due to these gaps, SMEs are hindered from generating employment and reducing poverty to a greater extent. The SAB Report (2017) recommends governments strengthen the ecosystem to facilitate SME growth by creating an enabling environment. SME growth and performance must be encouraged in a conducive and enabling environment, which will increase employment and poverty reduction.

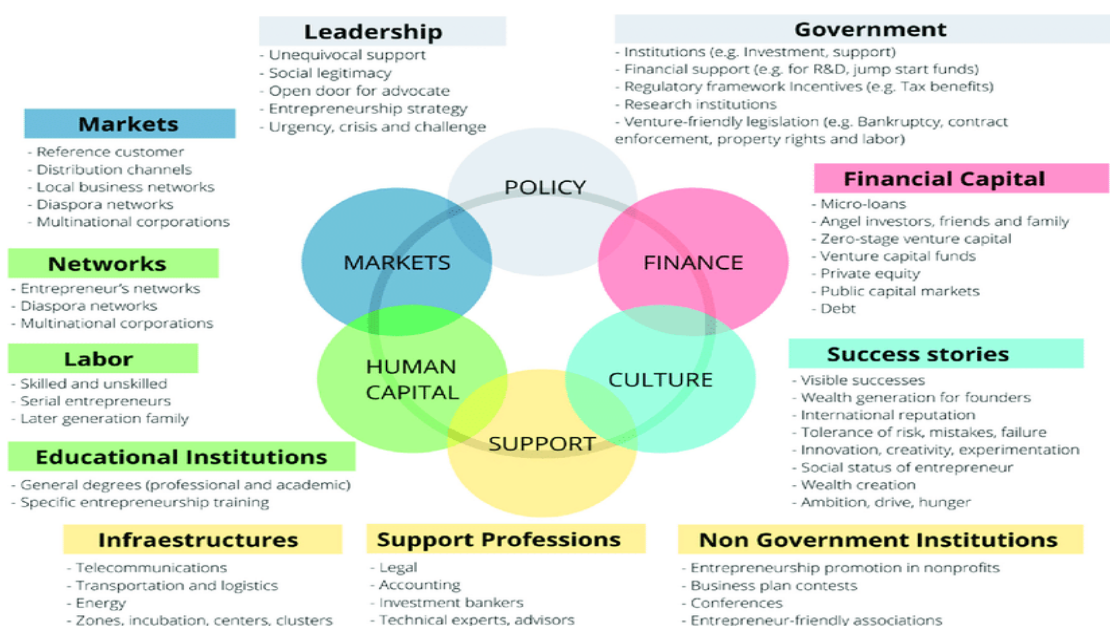
This study synthesizes EE research and related concepts, advancing research studies by Spiegel (2017) and Stam (2015) which draw more attention to the impact of a clear regulatory framework and policy. The study delves deep into the other elements of EE, an extension to the policy and regulatory framework by the to authors. The objective is to facilitate the transition of informal to formal enterprises in BRICS member countries using multifaceted analysis of the entrepreneurial ecosystems. In summary, addressing the gaps in SME support and policy effectiveness is crucial for leveraging the potential of SMEs as catalysts for economic growth and poverty reduction in BRICS countries.

### **Entrepreneurial Ecosystem: Literature Review**

Godley (2021) defines an Entrepreneurial Ecosystem (EE) as a set of interlinked entrepreneurial organizations, institutions, and processes that merge to connect, facilitate, and govern the performance within the local environment, taking into consideration the dynamic and structured nature of EE, within a supportive environment, Madzikanda (2022). Isenberg's (2011) entrepreneurial

ecosystem (EE) model delineates six interrelated domains essential for fostering a climate conducive to entrepreneurship:

**Finance:** According to (Beck & Cull, 2014), access to financial resources is vital for entrepreneurs. Financial institutions must perceive SMEs as viable clients rather than high-risk entities to ensure they obtain the necessary funding for growth. **Policy:** Government regulations exist to establish the regulatory and operational framework for entrepreneurs. Effective policies are crucial as they should support and facilitate growth, offering clarity for SMEs (Isenberg, 2011). **Support:** This encompasses both hard infrastructure (e.g., transportation and communication) and soft support systems (e.g., mentorship, incubators, and networks) that are crucial for entrepreneurs to succeed (Roig-Tierno et al., 2015).; **Culture:** Regarding culture, Msimango-Galawe et al. (2022) assert that the cultural context significantly influences entrepreneurial attitudes. Societal values and norms can promote or inhibit entrepreneurial activities, affecting the overall entrepreneurial climate. **Human Capital:** Some critical elements for successful entrepreneurship are an Individual's skills, experience, and knowledge. To advance sustainable growth and performance in the SME sector, Tshikovhi, More, and Cele (2023) recommend workforce development programs and partnerships with institutions of higher learning to advance skills in the small and medium enterprises sector. The latter is echoed by (Marvel et al., 2016), that a well-trained and skilled workforce enhances the effectiveness of the entrepreneurial ecosystem. **Markets:** Access to markets is essential for entrepreneurial success. Khurram Ali et al., 2014 of the view that policies should facilitate the creation of connections and networks that enable businesses to reach customers and expand their operations. According to Madzikanda, (2022) & Schweitzer et al., (2019), elements of an EE have a lock-on effect on one another with feedback loops that reinforce the EE's robustness.



**Figure 1:** Domains of the Entrepreneurial Ecosystem

**Source:** Isenberg,(2011).

## Finance

Access to finance is a fundamental driver of entrepreneurial success, especially for SMEs, and critical for economic development in BRICS countries. Financial systems influence entrepreneurship by determining the availability of capital necessary for starting and expanding businesses. However, SMEs often need help securing funding due to perceptions of high risk by financial institutions,

which can lead to higher interest rates and stringent lending requirements (Beck & Cull, 2014; Msimango-Galawe, 2022). This lack of financial support can stifle innovation and growth, particularly in developing economies with limited access to credit. According to Beck and Cull (2014), cited in Msimango-Galawe (2022). SMEs are the largest contributors to the economies of countries. While that contribution is noted or acknowledged SMEs remain facing challenges. Finance is essential for SMEs as their operations and borders on access to raw materials, personnel, technology, etc, OECD (2016). In addition, financial institutions generally view SMEs as risky due to fluctuations in their operating environment. This results in higher interest rates on lending there needs to be more clarity between financiers and SMEs, causing financial institutions to lend to SMEs at higher interest rates compared to larger businesses, OECD (2016). Risk appetite, collateral, and period in business affect interest rates offered for borrowings, which can be a tall order for SMEs. SMEs' access to external sources of funding depends predominantly on the state of financial markets, the regulatory framework within which financial institutions operate, and their ability to assess, manage, and cost the risks associated with loans for SMEs. Cited as an essential factor, access to markets drives continuity in the SME sector. Without markets and networks, there is no customer base; hence, business orientation and production appetite become essential.

### Policy

Cumbersome policies hinder the growth of the entrepreneurial ecosystem rather than help them grow. The policy landscape is essential for creating a conducive environment for entrepreneurship. In many BRICS nations, cumbersome regulations and inconsistent policies can hinder entrepreneurial initiatives. For instance, complex tax systems or bureaucratic hurdles can dissuade startups from launching or scaling up. However, successful initiatives, such as Brazil's Simplified Tax System for small businesses, show that effective policies can foster growth by reducing barriers and creating clear pathways for entrepreneurs (World Bank, 2021). Common challenges include a lack of policy coherence and the need for regulatory frameworks that better support entrepreneurship. This is coupled with the duplication of efforts that yield no long-term results.

### Support

According to Msimango-Galae and Majaja & Galawe, entrepreneurial support systems are divided into hard and soft forms. The hard form refers to the infrastructure entrepreneurs require for their operations, including a good road network to access suppliers and clients, transportation, internet, and water (Roig-Tierno et al., 2015). The soft form indicates support systems directly supporting entrepreneurs in incubators, technology centers, or universities (Roig-Tierno et al., 2015). Falkena et al. (2011) echo the latter, that appropriate 'soft infrastructure' exists in the form of suitable business associations, the availability of quality data and research, and well-rounded efficiency. Both forms of support are vital for reducing transaction costs and enhancing operational efficiency. For instance, collaboration between local entrepreneurs, universities, and NGOs can improve skills development and innovation, strengthening the Entrepreneurial Ecosystem, Ceptureanu & Gabriel (2016). Hard infrastructure varies widely in BRICS countries, with countries like China investing heavily in transportation networks while others may struggle with basic amenities. Packaging these support tools has proven to yield positive results for the entrepreneur and positively influence the performance of young firms. According to Ceptureanu & Gabriel (2016), SMEs can derive benefits if the infrastructure in all its forms can be accessible. This could help level the ground for SMEs propelling them towards a positive growth trajectory.

## Culture

Culture refers to an organizational value system as a set of shared values within an organization, region, or country, Msimango-Galawe, Majaja, and Wright, (2022). These values have an effect on how people view entrepreneurship and its spin-offs, George & Azahra, (2002). Studies have been conducted on the relationship between entrepreneurship and culture to a more significant extent. Cultural attitudes towards entrepreneurship profoundly impact entrepreneurial activity. In BRICS countries, cultural values can encourage or discourage risk-taking and innovation. For example, a growing acceptance of entrepreneurship as a viable career path in India has led to a surge in tech startups (George & Azahra, 2002). However, this picture is different in the past decades. India was one of the most conservative countries with expectations that to be successful, one must follow the employment route. Conversely, prevailing societal norms may stigmatize failure in specific contexts, inhibiting potential entrepreneurs from pursuing their ventures. Cultivating a culture that values innovation and proactiveness is crucial for fostering entrepreneurial traits and success. Societal beliefs can also influence how entrepreneurship is perceived and whether it is a viable career choice. The environment within which an EE operates has an impact on its growth. Political dynamics, societal beliefs, and perceptions affect the EE and the business growth trajectory.

## Human capital

Human capital refers to the ability of an individual or an organization to perform its duties in a manner that reflects competence and skill, Marvel, Davis, and Sproul (2016). It can be delineated through education, operating environment, that is geographical location, work experience, and specific entrepreneurial experience. Work experience has become the foremost important factor in the human capital paradox and as a result, it is the most researched when entrepreneurial studies are conducted, (Marvel et al., 2014). In BRICS nations, the concept of a “skills gap” is particularly relevant, as many educational systems do not adequately prepare individuals for entrepreneurial roles (Marvel et al., 2016). Age, education, and work experience significantly shape the entrepreneurial landscape. For instance, high youth unemployment in South Africa highlights the urgent need for programs aimed at enhancing entrepreneurial skills and capabilities to prepare better the next generation of entrepreneurs (Msimango-Galawe et al., 2021)—demographic factors, such as a growing young population, present challenges and opportunities in human capital development.

## Markets

Within the EE, markets denote access to markets and the network that will support and help advance entrepreneurial aspirations (Khurram Ali et al., 2014). Market access is determined by policies that enable upward, downward, and lateral flow of business, knowledge, and resources. The level of understanding of the entrepreneur assists them in tapping into opportunities. Market access is critical for entrepreneurial success, influencing market size, growth potential, and consumer behavior. Policies that facilitate market entry and reduce barriers can significantly enhance entrepreneurial opportunities. In BRICS countries, diverse consumer markets present both challenges and opportunities. For example, China’s massive market offers significant growth potential and intense competition (Khurram Ali et al., 2014). Understanding consumer behavior and competitive landscapes is essential for entrepreneurs to leverage their strengths. The role of formal and informal networks in fostering entrepreneurial success cannot be overstated. Networks facilitate knowledge sharing, resource access, and collaboration, which are crucial for navigating the complexities of market entry and growth. Entrepreneurs in BRICS countries can leverage technology and trade agreements to access international markets, enhancing their competitiveness and profitability.

Despite these critical domains, finance, market access, and quality human capital are crucial (Jha, 2018; Audretsch & Belitski, 2016; GEM, 2021; OECD, 2020). Brown and Mason 2017; LaFuente, Alonso-Ubieta, Laiva, Mora-Esquivel, 2021; Xie, Wang, Xie, Duan 2021).

Access to finance is a fundamental driver of entrepreneurial success, especially for SMEs, and critical for economic development in BRICS countries. Financial systems influence entrepreneurship by determining the availability of capital necessary for starting and expanding businesses. However, SMEs often need help securing funding due to perceptions of high risk by financial institutions, which can lead to higher interest rates and stringent lending requirements (Beck & Cull, 2014; Msimango-Galawe, 2022). This lack of financial support can stifle innovation and growth, particularly in developing economies with limited access to credit. Human capital refers to the skills, knowledge, and experience individuals bring to entrepreneurship. In BRICS nations, the concept of a “skills gap” is particularly relevant, as many educational systems do not adequately prepare individuals for entrepreneurial roles (Marvel et al., 2016). Age, education, and work experience significantly shape the entrepreneurial landscape. For instance, high youth unemployment in South Africa highlights the urgent need for programs to enhance entrepreneurial skills and capabilities to better prepare the next generation of entrepreneurs (Msimango-Galawe et al., 2021). Falkena et al. (2021) assert that a supportive human resource base is a formalized yet underrated success requirement for SMEs. In addition to entrepreneurship, advanced entrepreneurship and economic literacy levels create a solid foundation for robust and effective SME promotion. Therefore, the human resource development framework is a critical element of success. There is value derived from both formal and informal training programs. The affordability of personal development programs is a crucial element if SMEs are expected to succeed. Demographic factors, such as a growing young population, present challenges and opportunities in human capital development. Market access is critical for entrepreneurial success, influencing market size, growth potential, and consumer behavior. Policies that facilitate market entry and reduce barriers can significantly enhance entrepreneurial opportunities. In BRICS countries, diverse consumer markets present both challenges and opportunities. For example, China’s massive market offers significant growth potential and intense competition (Khurram Ali et al., 2014). Understanding consumer behavior and competitive landscapes is essential for entrepreneurs to leverage their strengths. The role of formal and informal networks in fostering entrepreneurial success cannot be overstated. This is because networks facilitate knowledge sharing, resource access, and collaboration, which are crucial for navigating the complexities of market entry and growth. Entrepreneurs in BRICS countries can leverage technology and trade agreements to access international markets, enhancing their competitiveness and profitability. Understanding the interdependence of these domains is crucial for developing effective strategies to foster entrepreneurship in BRICS countries. By addressing barriers to finance, creating supportive policies, cultivating a positive culture, enhancing human capital development, improving market access, and building robust support systems, policymakers can create a more conducive environment for SMEs to thrive. This holistic approach will empower entrepreneurs and contribute to sustainable economic growth in developing economies.

## Research Findings

The study employed a qualitative research method. Examining government policies as a critical factor in shaping the entrepreneurial ecosystem is relatively under-explored, especially in the Indian context. By conducting a systematic literature review, the study identifies distinctive features and measurement approaches of the EE, contributing to policy debates and enriching the existing body of knowledge. A descriptive research design was used to study the EE in the BRICS member countries. The descriptive design is ideal for addressing the what, where, when, and how aspects of EE in the various countries in the study. In the context of this study, it has been applied to

demonstrate the role played by policies in ensuring a functioning EE in BRICS member countries. A limitation of the method is that it does not answer the why part. The technique, however, assists in describing the nature of a demographic segment and making recommendations (Reiter, 2017). This method was relevant because EE occurs under different circumstances for each country or region; therefore, unique elements in each area influence that particular country's EE. Therefore, policy recommendations will differ considering sector and country specificities, contexts, and strengths. Systematic literature review as used in the study, unfolding EE elements according to Daniel Isenberg (2011) and features of each element. It further gives clarity of concepts and contributes to the efforts towards advancing policy debates and enriching the knowledge on EE, conceptualizing and paving the way for future research studies. The theoretical framework was guided by Isenberg's entrepreneurship ecosystem (2011), which proposes a six-element framework. As indicated above, an empirical study involved gathering qualitative data from secondary sources and interrogating existing policies on determinants using Isenberg EE elements. Studies surfaced from ResearchGate, OECD, World Bank, IMF, and government websites with limited open access studies available on Scopus and Web of Science to source relevant literature. The literature search was done information using a keyword search. The focus was on research studies from 2016 to 2024 for relevance and accuracy. It became imperative that each member country is analyzed in terms of its economic context as a factor that can support or hinder the sustainable performance of the EE.

### **Core Ecosystem Enablers: Individual Country Contexts**

#### **Brazil**

The Brazilian economy is highly reliant on the services sector, which makes up 72.8% of its GDP, after which is the industry sector at 20.4% and agriculture at 6.8% (IBGE, 2020). With the growth of the services industry in Brazil and the government's increased focus on nurturing and supporting MSMEs, hose status is becoming increasingly important. The rising cost and shrinking economic growth, in Brazil has resulted in mergers and acquisitions of smaller companies by large ones, (OECD (2020).

#### **Finance**

Micro and small enterprises (MSEs) are essential to the Brazilian economy, accounting for 98.5% of all registered companies (11.5 million), 27% of GDP, and 41% of the total payroll. There has been an increase in interest rates for SMEs than for large companies. This further discourages entrepreneurship across sectors. In 2016, the interest rate was reduced by the Central Bank to the benefit of SMEs. , OECD (2020)On equity finance, the regulatory framework for angel investors was revised in 2016 and further adjusted in 2017, removing some long-standing barriers for investors in SME markets, in particular by using legal protection in their favor as an incentive, covering incidents of company closures, ensuring more flexibility in the type of investment and information sharing between investors and recipients. In addition, new regulations on investment-based crowdfunding and Fintech were introduced in 2017 and 2018. Between 2007 and 2019, micro and small enterprises created 12,4 million jobs; in 2020, they employed 293 200 employees, against the dismissal of 193 600 workers by larger firms. A high self-employment rate in Brazil of 32.9% in 2017 pushed Brazilian policymakers to focus on improving the support for SMEs, (OECD, 2017). Due to the lack of tax incentives, the Government in Brazil now provides a number of incentives for micro-entrepreneurs and SMEs. Angel investment, crowdfunding, and Fintech are alternatives to mainstream SME funding. In South Africa, there is SEFA, which provides financing for SMEs that are unable to deliver their products due to financial challenges. Despite the above initiatives, the domains below reverse gains that could be achieved if there was effective implementation.

## Policy

According to OECD (2020), Brazil is facing mounting pressure to better the environment for MSMEs. Some of this pressure comes from investors as they raise concerns over Brazil's inability to push MSMEs toward reaching their full potential despite these notable policy improvements. Establishing a conducive environment for MSMEs promulgated in 1984 heightened Brazil's preferential treatment for micro and small businesses. It provided legal ground for the activities of SMEs. Systema S's implementing agent/institution worked closely with SME sectors and its public interest activities through government policy implementation. Its purpose was to upgrade the labor force's skills during rapid industrialization and social transformation. Federal Government (2021) strengthened its engagements to improve partnerships for cross-pollination of knowledge with SMEs and entrepreneurship through focused policy placed in a dedicated Unit, OECD (2022). The collaborations between government departments, its agencies, and the business sector enhanced the consolidation of Simples Law (the legal framework) giving a competitive advantage and preferential treatment to MSMEs at national, provincial, and district levels (RFB, 2018). The Support Service for Micro and Small Enterprises (SEBRAE) positively impacts the state of SMEs, increasing the number of established firms from 2.5 million to 11.6 million (SEBRAE, 2017). Through Simples Nacional, eight taxes were unified into one, making paying of taxes simpler, (OECD, 2020). On business support, the Brazilian public policies need to be geared towards implementing a program to position universities and other institutions of higher learning at the center of EE (regional approach).

## Support

In Brazil, the government in all spheres strongly supports the SME sector. At the national level, the Ministry of Economy is entrusted with Brazil's entrepreneurial policy and SME interests. It was established in January 2019 after the merger of four departments in the previous government that is the Ministry of Industry, Finance, Foreign Trade and Services, some part of the Ministry of labor, as well as Planning, Development and Management, Finance, the central part of the Ministry of Labour, as well as the Ministry of Planning, Development and Management, OECD, 2020). Provincial and local governments are involved in the policy of SMEs and entrepreneurship. Despite the presence of these supporting systems, a study by Junior et al. (2016) identified the lack of knowledge exchange between universities and the Brazilian entrepreneurial ecosystem. This points to fragmentation in the EE of Brazil and also these partners are not investing in the capacity development of SMEs, a sector that has the potential to create greater economic results for Brazil. This can result in business stagnation in the value chain, which will help drive competitiveness and innovation.

## Culture

The Brazilian EE performs superior to the BRICS average in risk acceptance, networking, cultural support, technology absorption, opportunity perception, and start-up skills. This means a great attitude to tap into opportunities as they unfold. At an individual level, a general fear of failure is associated with starting a business. This fear is further exacerbated by the gap between public institutions and political organizations, administrative procedures, and compliance rules set before starting a business, Junior et al. (2016). In Brazil, culturally there is low acknowledgment of SMEs. Several factors are considered by those who want to start a business, here to obtain baseline statistics, market size, location, and access to clientele among other resources. This is due to the low appreciation of entrepreneurs. Despite these fears, some populations consider entrepreneurship as a great option. This means that more support is needed to strengthen regional economies so that individual entrepreneurs can gain confidence when starting businesses.

## Human Capital

During the entrepreneurial skills analysis, the dimension is another bottleneck for the Brazilian EE. Businesses that thrive in the Brazilian EE make products that are still scarce in the market. Companies have started tapping into unsaturated markets. At the individual level, Brazil has individuals who claim to possess the necessary skills and capabilities to start a business; however, the Brazilian EE has a challenge regarding individuals with technical and higher education, OECD (2020). There are low enrolment and completion rates at the University and Vocational levels (polytechs). There is lower performance in Human Capital. In terms of advanced and graduate training, Brazil's EE is in the medium-low quintile.

## Markets

Brazil's low-quality average institutional interaction with social context is the main hindrance in the national EE, (Junior, Autio, Morini, Gimenez, and Dionisio (2016). However, its entrepreneurial *ecosystem* performs superior to other BRICS members, especially in the pillars of Start-up skills, opportunity perception, networking, cultural support, risk acceptance, technology absorption and technology absorption. It also has weaknesses in human capital, innovation, internationalization (markets), product innovation, process innovation, and high growth (Junior et.al. 2016). Exports are another challenge facing SMEs in Brazil, owing to trade flows, tariff policies, non-tariff barriers, and direct investment rates. Institutionally, Brazil has favorable conditions for the internationalization of firms; despite this, very few SMEs have aspirations to tap into other markets. Some initiatives are in place by the federal government to assist SMEs' exports.

## Russia's SME Context

The start-up economy induced a robust foothold in a volatile Russian economy hit by a recession in 2008-2009(monetary crises), in 2014 (abrupt fall in oil costs), and imposed sanctions following Russia-Crimea- Ukraine. Thus, this scares foreign investors away from Russia, with investors focusing on less volatile markets (White, 2016). Start-ups suffer the knock-on effects. However, Russia has declared SMEs a national priority. Like other developing countries, the pressure to create jobs is equally heavy on Russia. Providing tax breaks through entrepreneurial support policies, creating products, and higher value-added services can help the Brazilian EE improve the productivity of the sector.

## Finance

Many researchers put emphasis on access to finance as a key factor to entrepreneurial success, particularly bank credit (Kuzilwa, 2005; Nielsen, 2014). Lack of funding as a hindrance cannot be overemphasised, particularly since the contribution of SMEs is well documented across sectors, (Aparicio et al., 2016).

## Policy

In Russia, SMEs and entrepreneurship policies are biased towards micro and medium-sized enterprises (SMEs)through a dedicated national project until 2024. The Russian startup EE has improved and grown when compared to ten years ago. Its growth trajectory moved up from 2016. Notable ones such as the Skolkovo project, with its 'Innovation City' combined with universities, acceleration labs, and incubators to sustain a large community, reflect how the Russian government approached its policy implementation to ascertain privately-run organizations to support startups. Skolkovo Foundation, at the center of the Skolkovo project, is one of these. The foundation gives

funding and academic support to startups, World Economic Forum (2014). Government SME policies as institutional factors of entrepreneurial activity are essential to a thriving SME sector.

### **Support**

Several studies have been conducted to establish the effectiveness of support to the SME sector in Russia, (Anokhin, Schulze, 2008; Xheneti, Bartlett, 2012; Yakovlev, Zhuravskaya, 2013). These studies discovered the importance of business security against crime, high interest rates, inhibitors to expansion, business operational risks, corruption, and crime, Chepurensko, (2017)

### **Culture**

Russian culture contains a code of secrecy, which might make it difficult to determine a robust, supportive, and cooperative network of innovators. There is generally a culture of bitterness and negativity towards the elite in Russia, feeding into the narrative of individualism. Despite these cultural issues, there are noticeable strengths and weaknesses within the startup ecosystem. Russians are big on scientific knowledge. Russians have long been well-known for their scientific knowledge. People have become exceptional problem solvers. Due to the historical and environmental challenges of residing in Russia. This has made the populace self-reliant as they are rooted in their ancient ways of solving problems, identifying market gaps, and providing products to solve them, (White, 2016).

### **Human capital**

While SMEs in Russia are all endowed with innovation and skills, there is a need to enhance and continuously capacitate the sector participants. (Barinova, Zemtsov, and Tsavera, 2018; Lee et al., 2004).

### **Markets**

A number of studies conducted reflected gaps in the market access segment of Russia's EE, (Hanson, 2005; Zemtsov & Baburin, 2016; Brown et al., 2008). Results reflect a short-term lifespan of all created companies, surviving between 5– 10 years, particularly in areas that have a high potential for market and success. Access to high-end technology is another challenge faced by SMEs in Russia particularly those operating outside the cities.

### **India's Entrepreneurial Ecosystem**

According to the World Economic Forum (2014), cited in Jha (2021), the EE in India is the third largest in the world. The number of new companies established has increased since 2010. The funding picture also looks positive. Without clear exit strategies, liquidity becomes scarce, resources stay locked up, and entrepreneurial recycling that can support the next generation of startups needs to be better formed (Johnson & Nguyen, 2020). India has a culture of low tolerance of failure, (Jha, 2021). India still has several social and cultural stereotypes to deal with in order to have a vibrant entrepreneurial ecosystem. India is a patriarchal society; people/parents tell their children what they should do, pushing them towards traditional education and employment (Mehta & Raghavan, 2022)

### **Finance**

The State government in India set up the Tamil Nadu start-up fund, which national finance agencies manage. The financial and entrepreneurial ecosystem in India is highly favorable to entrepreneurs.

Many resources are invested to support SMEs strongly. There is greater access to entrepreneurial finance, and India is at the top compared to GEM economies. GEM Report, (2020/21)

### **Policy**

The entrepreneurial policy Context in the last decade has mainly focused on the importance of the EE and its entrepreneurial policies. Entrepreneurial policies enhanced the establishment of the entrepreneurial ecosystem through the government in forming a sustainable EE for existing enterprises and start-ups, (Junior et al., 2021). The entrepreneurial ecosystem gained importance in innovative entrepreneurs compared to traditional entrepreneurship. As a result, various state governments have formulated policies for new and existing innovative entrepreneurs.

### **Support**

All government programs are performing very well in providing a favorable ecosystem for entrepreneurs. In addition, there are enough government programs and support from business incubators and scientists. The government is well vested in ensuring that the work of entrepreneurs is showcased on every platform, be it through exhibitions, events, or business expos.

### **Culture**

India's cultural consideration is that no entrepreneur expects anything from the government, as each must be able to solve problems, innovate, and scale up before they reach the government. This reduces expectations and pressure on the government. Challenges entrepreneurs face include a tall order of regulations on how to establish a company, managing people, drafting policies and marketing products, and many other issues in businesses (Jha, 2021). India has made significant regulatory changes in its foreign direct investment, finance, investment, and legal structuring to benefit entrepreneurs, across industry sectors. It also aids entrepreneurs in developing business plans based on the funder's scope without looking at growing their product (Sonkar & Sarkar, 2021). The challenge of fundraising contributes to the plethora of operating-related challenges, regulations, and compliances with investors' requirements. Startups are given attention only when they raise funds or apply for funding. EEs established in rural areas in India have a better chance of survival as the attention is more concentrated in cities, given technological advancement and growth. This is possible if the investors target those EEs operating in rural India, such as Bharat. Therefore, investors need to review their strategy. The Indian diaspora at the leadership level competes in the global space to get momentum regarding the policy framework.

### **Human capital**

The government provides formalized programs to augment academic research and campus environment for students, faculty, and entrepreneurs, Sonkar and Sarkar (2021). The government's focus now is to support new and growing firms. The government has also worked on the expertise in the programs that would train the entrepreneurs and support them by enhancing their skills.

### **Markets**

India has a good ecosystem in the context of market dynamics. There is an even bigger market for business-to-business transacting, which is growing drastically. The market is an outstanding domain in the Indian EE, GEM Report (2020/21). All dimensions of EE are equally favorable for entrepreneurs, most of which are affordable office space, followed by access to physical communication and affordable essential utilities. What needs improvement is the support an entrepreneur can get

through physical infrastructure. All factors have improved except communication and access to utilities.

### **Chinese SME Ecosystem**

According to the World Economic Forum, (2021), China has transformed its economy deriving most contributions from manufacturing.

### **Finance**

China established The Government Guidance Funds through collaborations with national, provincial, and local governments. On the entrepreneurial side, the government has introduced tax, incentives for innovation and productivity as well as incubation policies that simplify establishing a new company, (World Economic Forum 2021).

### **Policy**

Government policies have driven mainly China's progression from a manufacturing hub to a technology hub, GEM (2020/21). Government policies have transformed China's economy from manufacturing to nurturing and enabling a high-tech innovation environment. The partnership between the manufacturing sector and learning institutions in China's Silicon Valley created a safe environment for start-ups. China is leading the world in artificial intelligence, robotics, and computer vision. This start-up scene is enabled by stakeholders such as the government, state-owned enterprises, large corporations, and universities. The Chinese government laid a foundation for innovation by developing innovation-friendly policies. Through its new Open Door Policy, the government lured foreign investments and capital, encouraging foreign businesses to establish their factories in China.

Academia and industry collaboration enabled through the "Open Door Policy" paved the way for Zhongguancun to become China's Silicon Valley and a center of innovation. An example of Lenovo can be drawn as a brand that came out of the Chinese Academy of Sciences. Intel, AMD, Google, and Oracle established their headquarters and research centers in China, (World Economic Forum, 2021)

### **Support**

The partnership between the manufacturing sector and institutions of higher learning in many parts of China has created an encouraging environment for new firms. China has innovative-friendly policies, strong academia and industry collaboration, a large market, faster response times, and an excellent entrepreneurial culture.

### **Culture**

Historically viewed as a risk-averse society, the culture of risk-taking for a country has made China a leader in technology and advancing the 4th Industrial Revolution. Entrepreneurs are proactive and experiment with innovative ideas within the market. They are operating with a 'try quick and fail fast' attitude. These are performed among additional flexible legal surroundings within the Western terms of information privacy and security (World Economic Forum, 2018).

## Human capital

China has 200 million pupils, and entrepreneurial skills are taught at school age. This is four times the number in the United States of America, which is deemed a large country. China provides unique opportunities for entrepreneurs in education, which fastracks growth. The start-up culture is highly competitive and fast, resulting in the need to offer differentiated products while remaining agile, Wang 2021).

## Market

The domestic market is sufficient for startups due to its population of 1.5 billion, an attractive market size that provides an opportunity for scale, easing pressure to take up the global market. There are more than 200 million school-age students in China, a unique opportunity for start-ups in the education sector. However, the start-up culture is hyper-competitive and fast, meaning offering differentiation while being agile is vital. Interactive artificial intelligence (AI) solutions for education, finance, manufacturing, and public services are rapidly maturing start-ups that have been forced to cancel due to regulators' excessive criticism of the technology sector.

## The South African Ecosystem

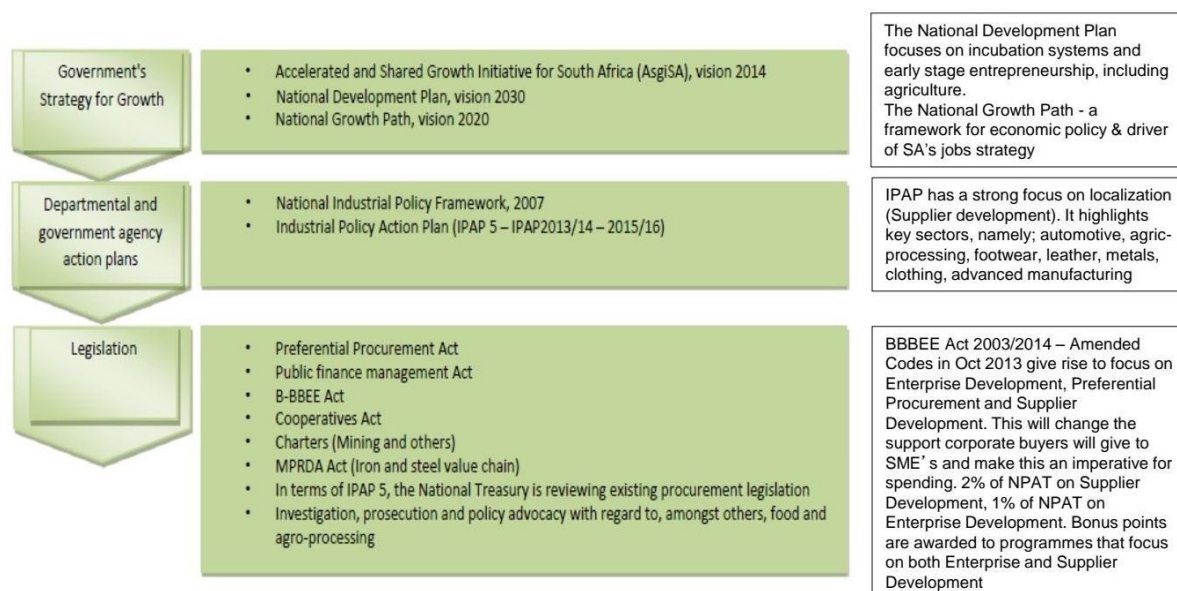
Currently, the SME survival rate in South Africa is 70% to 80%, whereas small businesses fail within five years. Msomi et al. (2019) acknowledged the crucial SMEs' role in the development and sustainability of the nation (Statistics SA Report, 2018), with a GDP contribution of 70 to 95%, making SMEs the bedrock of the country's economy. Compared to other countries in the sub-Sahara, South Africa has a more robust economy (World Bank South Africa, 2019), although structural and non-structural factors hamper the country's EE (Eshetie, 2018). The dominance of the economy by large companies, widening income inequality, bureaucratic procedures, inadequate infrastructure, poor education system, and several other structural factors exacerbate the current EE situation in the country (SAB Foundation 2017). The dual economy, social inequality, and wealth inequality are other challenges facing South Africa (SAB Foundation 2017). The Company Intellectual Property Commission (CIPC) has increased the number of companies registered even though some are being de-registered due to inactivity due to a tall order in terms of compliance with legislation and policy in the business sector. Key obstacles that hinder SME success include legal compliance, registration requirements, excessive bureaucracy on compliance with labor laws, tax-related issues, database registration processes, and documentation are critical obstacles experienced by SMEs, Nieuwenhuizen (2019) Research has placed importance on EE, highlighting the need for a comprehensive and dynamic approach to SME support (Alvedalen & Boschma, 2017; Spigel, 2017; Mason, 2019; Motoyama & Knowlton, 2017; Cavallo, Ghezzi and Balocco, 2018). This view is echoed by Belitski and Heron (2017), who specify that this must be at individual, institutional, and firm levels within an entrepreneurship context. Looking at the current SME performance, it is projected that by 2030, the current share of SMEs will grow substantially in output.

## Finance

Several studies on South African EE found that poor access to finance and related resources is a vital hindrance in Africa and South Africa (Chimucheka & Mandipaka, 2015; Leboea, 2017; Msimango-Galawe and Majaja, 2022; Leboea, 2017 and Makiana et al., 2015). This came out as the foremost essential element in supporting manufacturing SMEs.

## Policy and regulatory environment

The Department of Trade and Industry and the Department of Economic Development play a significant role in developing policy and setting up support structures for SMEs in South Africa. Despite the availability of these policies, implementation remains a hindrance to SME growth. At the national level, The National Development Plan (NDP) is underpinned and used as a delivery machinery of the Constitution of the Republic of South Africa, Act 108 of 1996. The NDP informs provincial and local government plans. The National Development Plan is the overarching strategy from which all planning for government flows. The South African government has Chapter 9 institutions set up to protect democracy. There are also government agencies on the judiciary, electricity supply, economic development, SME support across industries, finance, etc., and government departments. On the legislative side, the Government and businesses alike obtain incentives for compliance with the legislation below, particularly on the Preferential Procurement Act, which ensures that previously disadvantaged people are given first preference on contract. Again, Broad, The Black Economic Empowerment policy provides preference points for those doing business with historically disadvantaged individuals or companies.



**Figure 2:** Regulatory Policy Framework for Businesses in South Africa

**Source:** National Treasury (2021)

The role of government begins and ends with creating a conducive environment by developing policies, reviewing them, and ensuring that they are effective in their purpose, Madzikanda, Li, and Dabuo (2022).

## Support

South African government established a number of institutions to support SMEs. These were developed through the Act of Parliament, The Constitution. However, their effectiveness cannot be fully evaluated comprehensively as they are held in different organizations. The South African government established the Socio-economic Development Agency (SEDA), SEFA, through the National Small Business Amendment Act (Act 29 of 2004) to provide business development and support services for SMEs. While the established policies and support institutions are acknowledged, regulatory and bureaucratic hindrances remain a challenge for SMEs at any phase of their development, (Tshikovhi et.al, 2023). The study goes further to recommend consolidation of the registration

and funding systems, cutting the red-tape by a noticeable margin. The relationship between enabling legislative environment, good governance, clear policy direction, and entrepreneurship concentration has yielded sound entrepreneurial outcomes in many countries and the Brazilian government has made progress in implementing the recommendations by the scholars.

## Culture

There is a need to facilitate a culture of entrepreneurship in South Africa, (GEM, 2022). This will help present entrepreneurship as a valuable career option. Currently, entrepreneurship in South Africa is viewed as a second job one can do and a fallback when all else fails.

## Human capital

In South Africa, there has been an increase in the number of entrepreneurial or business-related training programs offered in recent years. This is due to the pressure exerted on the government to create jobs. The country has seen a higher establishment of non-governmental organizations aiming to skill people towards entrepreneurship as a career option. Technical and Vocational schools are more geared towards business studies than public management courses. This reflects a country facing reality in terms of the role of entrepreneurship. As a result of this, South Africa faces one of the worst inequalities in the world. (The World Bank in South Africa 2019, ILO (2016).

## Markets

The South African government established organizations that promote entrepreneurial work through Proudly South African, facilitating access to markets within and outside the country's borders. The government also entered into trade agreements with several countries to support entrepreneurs in South Africa. The entrepreneurial ecosystem approach is still in its new stages, as there is no proper monitoring and evaluation of its effectiveness. Several programs are in place to promote entrepreneurial activities. These include Trade Expos, Festivals, and institutional events for exposure and opportunity sharing. With all these developments, South Africa was among those hit the hardest by the COVID-19 lockdown restrictions as compared to other countries within the BRICS bloc. Cele, Tshikovhi & Netswera (2024) assert that a number of companies were not prepared for a crisis and had no business metrics to measure and quantify their business strategy effectiveness, successes or failures. This challenge led to permanent closures in the SME sector. With systems that facilitate cross learning particularly in relation to accessing markets, product diversification and navigating crisis, the South African government has to improve its proactiveness.

## Discussion of Results

The study is undertaken with a clear understanding of the uniqueness of the environments within which each EE is set up in the BRICS member countries. Understanding the nature of challenges and diverse needs of BRICS entrepreneurs required more than mapping the entrepreneurship ecosystem, identifying gaps, and proposing focus areas to strengthen each EE; it enhanced how BRICS countries strengthen their cooperative advancement to transform and promote EE by solving the underlying bottlenecks, Bate (2021). The literature review reveals the importance of SME support coordination, policy development, implementation, and focused and biased support institutions around the industry. From this study, policymakers can focus on developing a tool to assist policy-makers in developing their policy with demographic and local needs in mind. The findings indicate that while BRICS countries have made strides in creating supportive ecosystems for SMEs, significant gaps need addressing.

## Finance

Across the BRICS member countries, access to finance is one of the critical elements in the EE, apart from skilled human capital and a favorable regulatory framework. Financing challenges for small and medium enterprises (SMEs) across BRICS countries exhibit significant variation due to differing economic structures, regulatory frameworks, and governmental support mechanisms. This analysis will focus on Brazil, India, and South Africa, drawing upon recent data to highlight vital emphatic points in the financing landscape of these nations.

### Brazil

In Brazil, SMEs are critical to the economy, comprising 98.5% of registered companies and contributing 27% of GDP (OECD, 2020). However, they face significant financing challenges. The Brazilian Central Bank's measures to reduce interest rates have historically benefited SMEs, but the current trend of higher interest rates for SMEs than larger firms discourages entrepreneurship (OECD, 2020). Additionally, despite the introduction of regulatory changes to facilitate angel investments and crowdfunding in 2016 and 2017, SMEs still struggle with access to finance due to a lack of tax incentives and persistently high interest rates (Aparicio et al., 2016). The structural challenges, including high self-employment rates, emphasize the necessity for policies that further enhance the business climate for SMEs (OECD, 2017).

### India

Contrastingly, India's financial ecosystem is markedly more supportive of entrepreneurship. The Tamil Nadu Start-up Fund and various public-private investment initiatives bolster access to finance for SMEs, positioning India favorably in the global entrepreneurial landscape (GEM Report, 2020/21). The Indian government has established collaborative funding models that not only support emerging technologies but also aim to digitize traditional industries, thereby enhancing the growth potential of small enterprises (World Economic Forum, 2021). This proactive approach and increased access to financial resources distinguish India as a leader in fostering entrepreneurial activity within the BRICS framework.

### South Africa

South Africa presents a mixed scenario where governmental initiatives such as the Small Enterprise Finance Agency (SEFA) aim to bridge the funding gap for SMEs. Despite these efforts, poor access to finance remains a pressing issue, often attributed to credit market inefficiencies and information asymmetries (Chimucheka & Mandipaka, 2015; Leboea, 2017). Although the government has relaxed eligibility criteria for loans, including collateral requirements, significant barriers persist that require adequate access to funding (Msimango-Galawe & Majaja, 2022). This situation forces many SMEs to rely on informal finance options, which may need to support their growth trajectories sufficiently.

### Comparative Analysis

The comparative analysis of financing challenges reveals that Brazil struggles with high interest rates and limited access to formal funding. At the same time, India benefits from a robust entrepreneurial ecosystem supported by government initiatives and collaborative funding structures. On the other hand, South Africa is caught in a cycle of inefficiencies despite attempts to improve access to finance for SMEs. In summary, while the BRICS nations each face unique financing challenges for SMEs, the disparity in governmental support, access to financial resources, and economic conditions

underscores the need for tailored strategies to nurture entrepreneurship effectively. Bridging the financing gap remains critical for unlocking the potential of SMEs across these diverse economies.

### Policy

Across BRICS member countries, the study places, at the fore, policy framework as a critical factor for a thriving entrepreneurial ecosystem. The bureaucracy and red tape should not inhibit EE from performing optimally through meaningless rules and regulations. Instead, it must facilitate a system to speed up the decision-making and implement single window clearances. The success of startups depends on the strength of progressive policies that create an enabling environment for small businesses to thrive. Madzikanda et al. (2022) assert that high entry barriers, corruption, poor national strategies, and excessive taxes pressure SMEs and put innovative entrepreneurship out of business. Socio-cultural elements and government policies encourage entrepreneurship, but that support is insufficient to contribute positively towards economic growth.

### Support

The environment is enabled through significant SME policies, such as Simples Nacional of Brazil, The SME Business forum of Brazil exists to monitor the implementation of policies and programs supporting the business sector, OECD (2020). Many multinational companies are now flocking to India to avoid the risk of being left out of the globalized world economy. This is where, apart from tight policies, governments in other BRICS member countries need to strengthen, monitoring the effectiveness of the policies for impact, not only compliance to it.

### Human capital

Across BRICS countries there is a need for enhanced skills development. China and India are leading in the establishment of Entrepreneurial ecosystems and providing support, However, cultural dynamics might hinder the success of these ecosystems. There is cross-learning that can be derived from each country's EE. Resilience, risk appetite, and management practices need to be shared as Russia, Brazil, and South Africa face similar risks of safety, funding, lifespan, crime, corruption and skills gaps.

### Market

In Brazil there is low innovation, few high-growth enterprises, internationalization of companies, and innovation in products and processes. However, Russian startups need more innovation, technology, and global market orientation know-how, (Szerb and Trumbull (2018)). There is a need to enhance those conditions within each EE that hinder business growth. This so implies that among BRICS, there are strategies that every member country can borrow from the opposite towards an efficient ecosystem. South Africa has identified a need for the government to create a conducive environment for SMEs to thrive and make their mark in the global market.

In summary, the study highlights the critical role of a conducive environment in supporting the growth and performance of small and medium-sized enterprises (SMEs) within BRICS countries. Key results include Legislative and Regulatory Frameworks: BRICS nations have established legislation and policies that, while not intentionally obstructive, require SMEs to comply with various regulations before receiving support. This compliance can act as a barrier to growth. Impact of COVID-19: The pandemic underscored the necessity for business diversity and multiple income streams, prompting policymakers to focus more on entrepreneurship to drive economic recovery. Entrepreneurial Ecosystem (EE) Components: Successful entrepreneurship policies should address the education

gap, regulatory burdens, and the need to monitor support mechanisms effectively. Challenges Faced by SMEs: Significant barriers include government resource constraints in supporting SMEs, inadequate funding, and ineffective monitoring of existing support mechanisms. These challenges hinder SMEs' potential to generate employment and reduce poverty. Cultural Influences: Cultural attitudes towards entrepreneurship vary across BRICS countries, affecting risk-taking behavior and innovation. For instance, India has seen a cultural shift towards accepting entrepreneurship as a viable career path. Human Capital Development: A "skills gap" exists in many BRICS nations where educational systems do not adequately prepare individuals for entrepreneurial roles. This gap is particularly evident among youth facing high unemployment rates. Market Access: Access to markets is essential for entrepreneurial success; policies that facilitate market entry can significantly enhance opportunities for SMEs. Policy Effectiveness: The complexity of existing policies often results in unintended consequences that stifle rather than promote entrepreneurship. Simplified tax systems and coherent regulatory frameworks are necessary to foster a conducive business environment. Support Mechanisms: A dual approach involving hard (infrastructure) and soft (mentorship, networks) support systems is crucial for enhancing SMEs' operational efficiency. Collaboration among local entrepreneurs, educational institutions, and NGOs can strengthen these support networks. Cultural Shifts: Promoting a culture that values entrepreneurship is essential for increasing participation rates among potential entrepreneurs. Societal attitudes towards risk-taking must evolve to encourage innovation. Human Capital Investment: Addressing the skills gap through targeted educational programs is vital for preparing the workforce for entrepreneurial challenges. Programs to enhance entrepreneurial skills should be prioritized to improve success rates among new ventures. Market Dynamics: Understanding consumer behavior and competitive landscapes is critical for entrepreneurs in navigating market entry effectively. Policies should aim to reduce barriers to market access while fostering networks that facilitate knowledge sharing.

The study advocates for a holistic approach that integrates these findings into actionable strategies tailored to the unique contexts of each BRICS member country. By addressing barriers related to finance, policy coherence, cultural attitudes, human capital development, and market access, these countries can create a more enabling environment for SMEs to thrive and contribute significantly to economic growth.

## Policy Recommendations

### Finance

To create an empowering entrepreneurial ecosystem, it is essential to establish robust connections between venture capitalists, angel investors, and startups. The government should develop comprehensive laws and policies that not only provide tax breaks but also offer incentives such as grants for innovation, access to land, and essential infrastructure (e.g., roads and international airports) to attract global investors. Furthermore, implementing an Open Door policy similar to that of China advocating for equal opportunities for all countries trading with China should be prioritized when member countries resolve their current infrastructure challenges, enabling them to attract better and retain foreign investment.

### Policy

In South Africa, government policy should prioritize long-term sustainability and consistency. Frequent policy changes can lead to confusion and sector stagnation. Therefore, a comprehensive SME Strategy and Action Plan must be created, detailing policy objectives, targets, and support measures, emphasizing monitoring for impact rather than mere compliance. Policies should

categorize businesses by size to ensure equitable support and partnerships. They must enhance the entrepreneurial environment, particularly for early-stage companies, through initiatives to improve management skills, export capabilities, technological application, and innovation. Active collaboration between universities and entrepreneurs is crucial, fostering partnerships that benefit both sectors. Regular evaluation of SME and entrepreneurship programs should be instituted to build an evidence base for future policy development.

### **Support**

Clear roles and responsibilities for ministries and agencies involved in SME governance must be established. A forum similar to the Permanent Forum on SMEs should be created to facilitate dialogue on SME policy at the institutional level and promote state-level discussions. All policies should clearly articulate and prioritize essential components of an enabling EE, such as infrastructure, access to funding, land, regulatory frameworks and water.

### **Human Capital**

Recruiting experienced and passionate staff is crucial to effectively implementing SME programs. Additionally, the number of entrepreneurship-focused academic programs in South Africa and Brazil should be expanded, learning from other BRICS nations where these programs flourish, particularly in India, China, and Russia. Collaborative programs that integrate practical entrepreneurship training with academic learning should be prioritized.

### **Culture**

Several studies cutting across various sectors highlight different phases of entrepreneurial development—including challenges, breakthroughs, and success stories—that should be compiled and shared widely. This documentation will play a vital role in cultivating a positive entrepreneurial culture by showcasing real-life examples and best practices.

### **Markets**

A value chain should be developed to significantly reduce startup approval and processing times, taking cues from Brazil's successful models. Encouraging product diversity is critical, as it fosters innovation and generates solutions to real-world challenges. Furthermore, countries like India should prioritize internationalization to expand beyond domestic markets, taking inspiration from South Africa's strategies for accessing global markets. Collaborative initiatives that enhance market access and create sustainable networks among BRICS nations can also facilitate this goal.

### **Future Research Directions**

Based on the findings and discussions presented in the study, several future research directions are proposed to explore further and enhance the understanding of entrepreneurial ecosystems (EEs) in BRICS countries. Further exploration will help bridge the gap between the most successful entrepreneurial ecosystems and the less, taking lessons from India, which has the 3rd largest EE in the world, and China. The following are areas of focus in those studies:

### **Impact of Policy Frameworks on SME Growth**

Investigating the specific impacts of various policy frameworks on the growth and sustainability of SMEs within BRICS countries. This could include examining successful initiatives like Brazil's Simplified

Tax System and analyzing their applicability in other BRICS contexts. In this comparison, it would be beneficial to consider the operating environment of those SMEs in each of the BRICS countries.

### **Role of Technology in Enhancing Market Access**

Exploring how technology can be leveraged to improve market access for SMEs in BRICS countries. Research could focus on e-commerce, digital platforms, and social media as tools for expanding market access and connecting entrepreneurs with consumers outside their borders.

### **Cultural Influences on Entrepreneurship**

Cultural issues hinder EE's effectiveness in each of the BRICS member countries. Therefore, cultural factors influencing entrepreneurial attitudes and behaviors in BRICS countries must be examined. These studies could also assess how societal values impact risk-taking, innovation, and the perception of entrepreneurship as a viable career choice.

### **Human Capital Development Strategies**

Several factors influence human capital development, such as duplication of the same training programs offered by different supporting institutions to comply with their annual targets without considering the needs of each SME or sub-sector in which it operates. SME firms find no benefit in that. Investigating effective strategies for bridging the skills gap in BRICS countries and focusing on educational reforms that align with entrepreneurial needs will help supporting institutions create a level ground for all SMEs to thrive. Therefore, research studies could evaluate existing educational programs and propose new curricula that foster entrepreneurial skills among youth.

### **Monitoring and Evaluation of Support Mechanisms**

SME-supporting institutions play a dual role in policy development, implementation, and monitoring and evaluation of their policies, which can result in bias. Future research studies can examine frameworks for monitoring and evaluating the effectiveness of support mechanisms for SMEs. These frameworks should exclude the government as policy developers to reduce bias and influence. This research could identify key performance indicators that measure the success of government initiatives that foster entrepreneurship.

### **Longitudinal Studies on Entrepreneurial Outcomes**

One contribution future research studies can make to the EE paradox is to conduct longitudinal studies to track entrepreneurial outcomes over time in response to policy and economic conditions changes within BRICS countries. This research would provide valuable insights into the long-term effects of different strategies on SME growth.

### **Cross-National Collaboration Initiatives**

Explore opportunities for cross-national collaboration among BRICS countries to share knowledge, resources, and best practices related to entrepreneurship support. Research could focus on establishing networks that facilitate learning and collaboration across borders.

By pursuing these research directions, future research studies can contribute to a deeper understanding of how to effectively support SMEs within BRICS countries, ultimately fostering sustainable economic growth and innovation across these diverse economies.

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