

The Challenges in Financial Capital Investment to Start Up Entrepreneurs, The Causes of Decline in Rapid Economic Growth for a Nation

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Abstract: The purpose of this article is to access the challenges in financial capital investment to start up entrepreneurs. This manuscript delves into the intricate dynamics between the challenges faced by start-up entrepreneurs in securing financial capital and the resultant decline in rapid economic growth for nations. In an era marked by the recognition of entrepreneurship as a driving force for economic progress, understanding the obstacles hindering start-up ventures is paramount. The study employs both quantitative and qualitative approach to scrutinize the multifaceted challenges encountered by start-up entrepreneurs when seeking financial capital. The target population for this article are startup entrepreneurs, investors and financial institutions. The number of respondents sampled for the study were 70, made up of 50 entrepreneurs, 10 investors and 10 financial institutions. A convenience sampling method was employed to recruit participants, ensuring that a diverse group of entrepreneurs, investors and financial institutions are included in the sample. The article highlights that personal savings, family and friends' support, bank loans, angel investors, venture capital, and crowd financing are the primary sources of funding for new businesses. It proposes tactical and policy solutions to reduce these barriers, including access to markets, financing, skilled labor, education, and training. Overall, the study highlights the challenges faced by start-up entrepreneurs in obtaining financial capital, highlighting the impact on a nation's economic growth and suggests targeted interventions to boost competitiveness.

Keywords: entrepreneurship, entrepreneurs, challenges, economic growth, financial capital.

1. Introduction

Entrepreneurship has emerged as a linchpin of economic development, fueling innovation, job creation, and prosperity in nations across the globe (Acs, Z. J., & Audretsch, D. B., 2010, (pp. 226-239). Start-up entrepreneurs, in particular, have garnered attention for their potential to drive rapid economic growth through disruptive technologies, novel business models, and a penchant for seizing untapped opportunities. However, the ability of these entrepreneurial endeavors to flourish is inextricably tied to their access to financial capital; a resource often elusive in the early stages of a venture's life cycle.

In recent years, a growing body of research has shed light on the formidable challenges faced by start-up entrepreneurs in securing financial capital and the profound repercussions of

these challenges on a nation's economic growth trajectory (Block, J., & Sandner, P., 2009, pp. 295-309). These challenges encompass a spectrum of hurdles, ranging from the dearth of venture capital and limited access to conventional financing sources to regulatory complexities and the psychological barriers that often deter entrepreneurs from seeking external funding.

The consequences of these challenges extend far beyond the individual start-ups, rippling through the economic fabric of nations. This manuscript embarks on an exploration of this intricate relationship, seeking to elucidate the causes of the decline in rapid economic growth that can result from these financial capital investment challenges.

As we delve into this multifaceted topic, it is essential to recognize the critical role that entrepreneurship plays in economic development. The rise of entrepreneurship as an engine of growth has been well-documented, and scholars have articulated the pivotal role that start-ups, in particular, play in driving innovation and job creation (Acs & Audretsch, 2010; Shane, 2009). Concurrently, an expansive body of literature highlights the challenges confronting entrepreneurs when it comes to securing the financial capital necessary to transform their innovative ideas into viable businesses (Block & Sandner, 2009; Kerr & Nanda, 2009). Yet, what remains less explored are the consequences of these challenges at the national level how they contribute to the slowdown in economic growth, the erosion of competitiveness, and the stifling of economic dynamism.

This manuscript seeks to bridge this gap in our understanding by examining the multifaceted challenges that start-up entrepreneurs face in their pursuit of financial capital and by scrutinizing how these challenges can have a cascading impact on a nation's economic growth prospects. By unraveling this complex nexus, this article aims to provide ideas that inform policy decisions and interventions aimed at fostering vibrant entrepreneurial ecosystems, catalyzing economic growth, and ensuring the long-term prosperity of nations. This article seeks to answer the following questions.

- 1) What are the primary sources of funding for start-up entrepreneurs?

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- 2) What are the challenges faced by start-up entrepreneurs when seeking financial capital?
- 3) What measures or policies can be effective in addressing these challenges and fostering economic growth through entrepreneurship?

2. Methodology

The design adopted for this study is the combination of quantitative and qualitative methods base on the concept of Creswell, J. W., & Creswell, J. D. (2017). For the challenges in financial capital investment where interviews with startup entrepreneurs, investors and financial institutions to gather their perspective and experience. This study used a mix of primary and secondary sources such as academic papers, reports etc. to support the research findings. The target population for this article are start up entrepreneurs, investors and financial institutions. The number of respondents sampled for the study were 70, made up of 50 entrepreneurs, 10 investors and 10 financial institutions.

The research aimed to gather ideas and perspectives from various stakeholders involved in entrepreneurs and investors to develop an understanding of the challenges in financial capital investment to start up entrepreneurs. By including diverse groups within the target population, the study sought to identify challenges, opportunities, and potential strategies for promoting challenges in financial capital investment to start up entrepreneurs. The techniques used to sample respondents were the quota, systematic and convenience sampling techniques. The quota technique was used to allot proportionate number of startup entrepreneurs while the systematic technique was used to select the investors and the financial institutions which were invited to participate in the study.

A convenience sampling method was employed to recruit participants, ensuring that a diverse group of entrepreneurs, investors and financial institutions are included in the sample. Efforts were made to include individuals from various trades and roles within the industry.

Informed consent were obtained from all participants before their inclusion in the study. Participants were provided with information about the research objectives, procedures, and their rights as research subjects. They had the option to participate voluntarily, and confidentiality of their responses were assured. The instrument used to collect data from the sampled respondents was a structured interview schedule and questionnaire.

3. Results Interpretation

The findings of the study are presented in two parts. Part one covers the socio-demographic data of respondents, while part two covers the main findings from respondents. All findings are presented in tables and graphs with a few presented as simple statements. Discussions on the basis of article questions are done under Tables/Graphs that are related to the particular question.

Table 1 shows the distribution of respondents by their education. 40% are at the high school level, 30% holds

Bachelor’s degree, 20% had Master’s and 10% are Doctors as their educational background.

This implies that a greater number of respondents who were self-employed were at the SHS Level whose understanding of entrepreneurship is quite a significant. This means that these people see entrepreneurship as their only means of survival unlike the others who can seek white color job with their certificate aside being self-employed.

Table 1
Educational attainments of respondents

Level of Education	Frequency	Percentage %
High School	20	40
Bachelor’s Degree	15	30
Master’s Degree	10	20
Doctorate Degree	5	10
Total	50	100

Source: Field data, 2023

Question 1: what are the primary sources of funding for start-up entrepreneurs?

Table 2
Sources of funding for start-up Entrepreneurs

Response	Frequency	Percentage %
Personal Savings	9	18
Family and Friends	8	16
Bank Loans	15	30
Angel Investors	6	12
Venture Capital	7	14
Crowd funding	5	10
Total	50	100

Source: Field data, 2023

Base on the result from Table 2, 18% of the respondents believe that personal savings contribute to their source of funding for their business. This is because it is much safe and peaceful to use your own money to start a business; If you run at a loss no one will hold you responsible. 16% said it came from family and friends. People from well to do family normally get help by their friends and families. The funding can be free or a loan with no interest depending on the agreement. 30% said, Bank loans. 12% opted for angel investors, 14% are from venture capital and 10% from crowed funding.

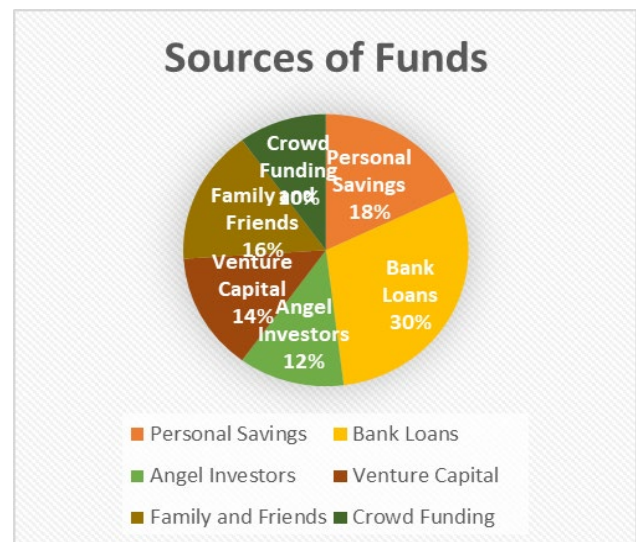


Fig. 1. Sources of funding for start-up entrepreneurs

Question 2: What are the challenges faced by start-up entrepreneurs when seeking financial capital?

Table 3

Challenges faced by start-up entrepreneurs when seeking financial capital		
Response	Frequency	Percentage %
Limited access to traditional financing sources (e.g., bank loans)	30	60
Regulatory hurdles (e.g., complex approval processes).	5	10
Lack of investor interest or trust in start-up	15	30
Total	50	100

Source: Field data, 2023

Details from Table 3 shows that the challenges faced by start-up entrepreneurs when seeking financial capital. are divided into three, 60% of the entrepreneurs chose Limited access to traditional financing sources as the highest challenge. 30% said it was lack of investor interest or trust in start-ups, and the last is regulatory hurdles, made up of 10%: This is the complex loan approval process that start up go through before getting a loan to fund their business.

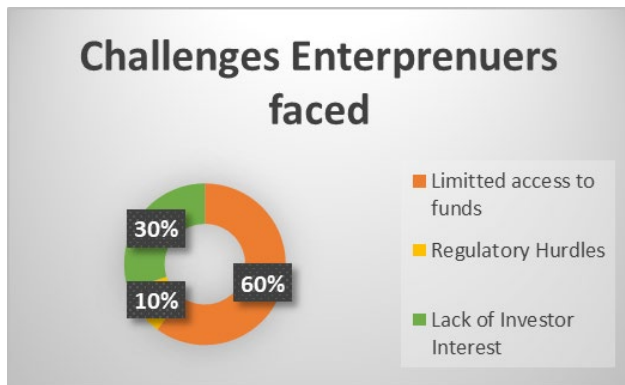


Fig. 2. Challenges faced by start-up entrepreneurs

Question 3. What measures or policies can be effective in addressing these challenges and fostering economic growth through entrepreneurship?

Table 4

Measures or policies to address the challenges of entrepreneurs		
Response	Frequency	Percentage %
Access to capital and Market	6	30
Education and Training	3	15
Access to Skilled Labor	4	20
Monitoring and Evaluation	7	35
Total	20	100

Source: Field data, 2013

Data gathered on measures put in place to curb the challenges of entrepreneurs shows that there should be Access to capital and market (30%). There should be access to small loans and financial services for aspiring entrepreneurs, especially those in underserved or rural areas. There should be an encouragement of the development of venture capital and angel investor networks to provide equity financing to startups and innovative businesses. Establishment of public funds to co-invest with private investors in promising startups and high-growth

ventures should be considered as well as the promotion of trade liberalization and reduce trade barriers to enable entrepreneurs to access international markets and investment in e-commerce infrastructure and digital platforms to help entrepreneurs reach a wider customer base.

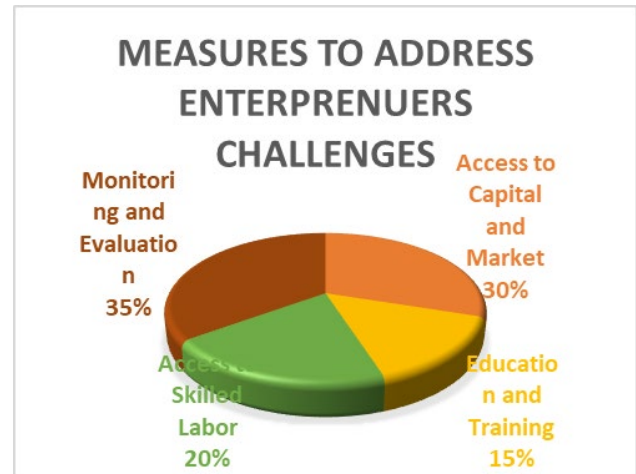


Fig. 3. Measures to solve entrepreneurs' problems

35% opted for Monitoring and Evaluation since continuously monitor and evaluating the impact of entrepreneurship policies and adjust them as needed to ensure effectiveness is essential in addressing some of the challenges. Effective policies and measures should be tailored to the specific economic context and challenges faced by an entrepreneur. A holistic approach that combines these strategies can create an environment where entrepreneurship flourishes, leading to sustained economic growth and job creation. 15% opted for education and training. Integrate entrepreneurship education into school curricula and offer training programs for adults to develop entrepreneurial skills. Support incubators and accelerator programs that provide mentoring, training, and resources to early-stage startups. and 20% chose access to skilled labour where there should be investment in education and workforce development programs that align with the needs of emerging industries and startups and implement favorable immigration policies to attract skilled entrepreneurs and innovators from other countries.

4. Conclusion

This manuscript delves into the intricate dynamics between the challenges faced by start-up entrepreneurs in securing financial capital and the resultant decline in rapid economic growth for nations. In an era marked by the recognition of entrepreneurship as a driving force for economic progress, understanding the obstacles hindering start-up ventures is paramount. This manuscript seeks to find answers to the questions: What are the primary sources of funding for start-up entrepreneurs? what are the challenges faced by start-up entrepreneurs when seeking financial capital? And what measures or policies can be effective in addressing these challenges and fostering economic growth through entrepreneurship?

The study employs both quantitative and qualitative

approach to scrutinize the multifaceted challenges encountered by start-up entrepreneurs when seeking financial capital. These challenges encompass a spectrum of factors, both internal and external, including Limited access to traditional financing sources (e.g., bank loans), Regulatory hurdles (e.g., complex approval processes) and lack of investor interest or trust in start-up. This manuscript scrutinizes the cascading repercussions of these challenges on a nation's economic growth. The diminishing number and growth of start-ups can have profound consequences for a nation's capacity for innovation, job creation, and overall economic vibrancy.

This article found out that the sources of funds for startup entrepreneurs comes from personal savings, family and friends, Bank Loans, Angel Investors, Venture Capital and crowd funding. This article proposes a range of policy recommendations and strategic approaches to alleviate them. These solutions encompass access to capital and market, Education and Training, access to skilled Labor and Monitoring and Evaluation.

In summary, this article sheds light on the intricate interplay between the challenges faced by start-up entrepreneurs in obtaining financial capital and the profound implications of these challenges for a nation's economic growth trajectory. By

understanding these hurdles and implementing targeted interventions, governments, policymakers, and stakeholders can cultivate a more dynamic entrepreneurial ecosystem, ultimately invigorating economic growth and bolstering nation's competitiveness on the global stage.

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