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Financing Resources for Egyptian Small and Medium Enterprises

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Abstract

Even though small and medium enterprises (SMEs) represent the majority of the Egyptian firms, their value added is relatively low. According to previous research, SMEs face a financing gap that causes undercapitalization and represents an obstacle that hinders SMEs from growth. This paper analyzes the current situation of SMEs in Egypt and addresses the question whether the financing problem still exists. In addition, we discuss the role of venture capital as a possible source of financing. Based on data which has been gathered using questionnaires, it is investigated whether Egyptian SMEs do know and would accept venture capital financing for their businesses. Our results show that access to finance is still a significant bottleneck for Egyptian SMEs. Venture capital financing could help to close this financing gap.

JEL classification

G24

Keywords

SME, Financing Gap, Venture Capital

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1 Introduction

Small and Medium Enterprises (SMEs) in Egypt represent almost 90% of the enterprises and provide the main bulk of private sector employment, but their share in value-added is disproportional, as the share of manufacturing SMEs in net private manufacturing value-added is only about 7.5% (Central Agency for Public Mobilization and Statistics 2001). This implies that there are some factors that prevent them to reach their full potential.

Around the world, SMEs face the same obstacles: either financial, especially the limited access to external funding, as well as non financial, related to knowhow, marketing, accounting and other business aspects of management. The limited access to external funding, which is mainly represented in debt – especially bank loans – is associated with the unattractiveness of SMEs from the creditor point of view. Bank loans require credit history, collaterals and projections of future cash flows that typically are unavailable for SMEs (Beck and Demirguc-Kunt 2006: 2936 – 2939).

Further sources are needed to satisfy the unmet demand of SMEs (Goodwin and Pinel 2001: 23). Besides debt, equity financing could be considered as a source of financing as well. One form of equity financing that is more oriented towards start up projects is represented through Venture Capital Corporations, a possible source of financing that had been widely used and proved its success in both developed countries such as the US and Canada as well as developing countries such as India (Christofidis and Debande 2001: 8).

Therefore, this research focuses on the situation of Venture Capital Financing in Egypt. Based on primary data which has been gathered using questionnaires, this empirical paper has two main objectives: The first one is to shed the light on the main constraints faced currently by Egyptian SMEs, and whether the access to finance still is an obstacle for Egyptian SMEs. It will also be examined if the financing problem might differ from an industry to another, and if the size of the enterprise is a deterministic factor of accessing funds. This step is necessary as the existing empirical data about Egypt is quite old. The second objective is to test whether Egyptian SMEs may accept using Venture Capital as equity financing instrument and whether the acceptance is dependent on the main activity or size of the enterprise. In addition, it will be analyzed what may be the reason behind the hesitance or rejection of VC by SMEs.

The organization of the paper is as follows: Chapter two discusses the theoretical background of financing SME's, followed by a discussion of the research methodology in chapter three.

The empirical results and their interpretation are presented in chapter four. Finally, chapter five summarizes the main results and provides some recommendations.

2 Theoretical Background

SMEs are often classified by the number of employees and/or by the value of their assets. Classification by size varies within regions and across countries in relation to the size of the economy and its resources (Culkin and Smith 2000: 148). The classification of Egyptian SMEs is dependant on both number of employees, capital used and sales turnover as seen in Table 1.

	Labor	Fixed Assets, excluding Land & Building in L.E.	Sales in LE
Manufacturing & Construction			
Small	5 - 49	5,000,000	10,000,000
Medium	50 – 99	10,000,000	20,000,000
Services and Trade			
Small	5 - 9	500,000	1,000,000
Medium	10 - 19	2,000,000	4,000,000

Table 1: Classification of Egyptian SME's
(Source: FinBi-Finance and Banking Consultants International 2004: 40)

The importance of the small and medium enterprise sector is reflected in the size of its contribution: based on the Central Agency for Public Mobilization and Statistics census of 1996, SME share of Private Sector Enterprises is 99.7% of total number of establishments operating in the trade, service, manufacturing and construction sectors, which counts of 1,641,791 enterprises, generating jobs for 3.48 million workers, which contributes 75% of private sector non-agricultural employment. By 2006, the number of establishments had increased to 2.4 million (representing an annual growth rate of about 4.6%). During these ten years, the private sector added approximately 70,000 new enterprises per year. Total employment in SMEs climbed from 3.48 million to 6.43 million in 2006, an increase of more than 60% since 1998 representing an average annual growth rate of 7.6% (Central Agency for Public Mobilization and Statistics 2006).

Egyptian SMEs are concentrated in five governorates: Cairo, Giza, Dakahliya, Alexandria and Sharqiya, as almost half of the private sector is in these areas (Central Agency for Public Mobilization and Statistics 1996). They are predominantly concentrated in the trade sector,

due to the low entry barriers in terms of capital, skill and technology that are attributing this sector. The latest statistics regarding SMEs activities show that trade remains the primary economic activity, however, it lost part of its relative weight especially among the formal activities, where the percentage of SMEs dropped from 55% in 1998 to 35.5% of all formal SMEs in 2006; however, it increased slightly in the case of informal SMEs from 38% to 41% in the same two years respectively (El Mahdi and Rashad 2006: 6-8). Manufacturing activities grew slightly from 19% in 1998 to 20.3% of all SMEs in 2006. On the other hand, the combined service activities (Hotels, real estate, education, health etc.) lost a substantial part of 9% their relative weight, from 27% in 1998 to 18% in 2006. The continuous change in SMEs economic activities weights reflects SMEs' ability to adapt to varying market conditions and needs (El Mahdi and Rashad 2006: 6-8).

There is a very high degree of informality within Egyptian SMEs, even though the number of informal enterprises cannot be accurately depicted. There are two forms of establishments that may be found: enterprises that somehow can be estimated and street vendors, mobile units and home based enterprises which cannot. The reason behind the high degree of informality is due to the very high cost burden of going formal since it represents 40-60% of the total costs., Based on the last census in 2002, only 16% of establishments had acquired a commercial register (Egyptian National Competitiveness Council 2007: 72). But on the other hand, the opportunity cost of staying informal is the limited opportunity to grow, as the informal businesses lose benefits such as applying for formal loans, and/or acquiring business development services and supply chain contracts, or any government support that might be available (Palmade 2005: 25).

Generally, SMEs face obstacles that prevent them to perform and realize their unique contribution to the economy of

- Employment generation,
- Innovation,
- Poverty alleviation and
- Economic growth.

A number of problems that hinders SMEs development and growth have already been identified. These could be grouped in the two categories *non financial* and *financial problems*. The focus of this research is on the financial problems facing Egyptian SMEs. As the importance of access to finance to SMEs lies in the fact that undercapitalization puts them into the higher risk of failure, thus lower chance in survival and growth. As the business will not be able to

retain and obtain facilities, attract and maintain capable staff, produce and market a product, or do any of the other things necessary to run a successful operation (Megginson 2001: 91).

In 1998, self finance was the number one source of funding used by more than 90% of SMEs, while the other formal or informal institutions did not represent more than 10% of the sources of total finance. In 2006, 41% of the formal enterprises were able to external finance their capital needs mainly from formal financial institutions. As for the informal SMEs, only 19.5% of them managed to borrow from other sources, while the rest of them relied on self-finance from previous savings from work, inheritance, remittances, family and friends, rotating savings groups etc. In addition, the suppliers of machines, equipment, and raw materials represent 16.5% of the informal SMEs sources of finance. Local moneylenders, who are in fact informal sources of finance, play a role in offering loans. As a rule, access to formal financial institutions is relatively limited for the majority of SMEs due to their informal status (El Mahdi and Rashad 2006: 11).

In addition to the typical commercial bank loan, in Egypt financial resources available for SMEs include (Goodwin and Pinel 2001: 23):

- Governmental banks (e.g. National Bank of Development),
- National initiatives such as Social Fund of Development and Credit Guarantee Company, or
- NGOs such as Alexandria Business Association, the ESED foundation, and the SE-DAP foundation and ASBA foundation.

Financing for SMEs has to a certain extend been relying on informal financing mechanisms. One widely used method of informal saving used by SME's are Rotating Savings and Credit Associations (RoSCAs) – *gamae'yat* in Egypt – a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. RoSCAs offer quick fund access, close access, low transaction costs, an informal commitment to save, a friendly atmosphere, informal and flexible terms, and low savings thresholds (El Gamal et al. 2001: 10).

In 1997, within the formal lending sector about $560 million (0.76% of Egypt's GDP) was provided to SME's through over forty programs (sponsored by donor institutions, NGOs, and the Social Fund for Development) – this reached only 5-6% of potential clients (total number of SME's) and thus supports few start-ups and little expansion. There is an estimated SME

credit gap of 1,475,000 SME borrowers requiring US$371 million in micro financing (El Gamal et al. 2001: 10).

The problem with formal lending institutions varies on many levels either from the operational point of view as well as from the SME's side. Since SMEs do not invest in assets such as building or land (84% operate from rented shops), there is no collateral for banks to cover the loan. Adding to that, typical loan officers at banks do not have the experience to evaluate proposals within a SME scale or niche, which requires a higher administrational overhead for loan appraisal when dealing with SMEs and therefore too little or even no profit incentive. The current lending terms and conditions often require small businesses to borrow relatively large loans (Brandsma and Chaouali 1999: 11). Problems from the SMEs point of view include that they often have

- Difficulties attracting/acquiring the necessary skilled labor, technologies, product and market information, production inputs, and physical space (World Bank 1994: 9),
- Little capacity to provide feasibility studies and business plans to a level that lending institutions require (Brandsma and Chaouali 1998: 12),
- Limited access to public contracts and larger contracts that offer longer-term forecasting and stability, low awareness about business opportunities, especially outside of urban centers and
- Finally few, if any, linkages with large and foreign enterprises that usually offer support through its network and other business aspects related to the advantages of being a large company.

In addition, 95% of Egypt's SME's do not maintain bank accounts, therefore informal saving mechanisms are the main funding source for start-up and capital, and those savings are not part of the deposit pool that banks and lending institutions have available for otherwise supporting SME loans. Thus, leading to a quick depletion of available funds with lower interest rates then market and consequently SME's are sheltered from realistic market forces (El Gamal et al. 2001: 11).

The problem with the current financing resources available for Egyptian SMEs is that they are either subsidized – which is proved to be inefficient in the economy since subsidized activities does not reflect their true value – or dependant on the formal institution financing which is aided by the NGO programs which is not a continuous reliable source. In addition, many of the bank officers lack the expertise to accurately and efficiently evaluate the proposal and keep up with entrepreneur. As for banks, SMEs are not considered as a profit ori-

ented activity. SMEs are viewed as being risky to invest in, in addition of the expected short life of its existence, due to the highly competitive market and the weakness of such a sector. Therefore, SMEs lack both the full access to financial sources and the lack of experienced professionals to handle the financial management.

As discussed, the before mentioned instruments come with some severe disadvantages or are unavailable for Egyptian SMEs, so the question for alternatives must be raised. Besides debt, equity is the other possible source of funding. In Egypt, several companies are already active in the field of private equity, such as EFG Hermes, Beltone Partners, Akanar Partners and others. Yet these types of companies are usually interested in later stage investments or buyouts of large firms and therefore not suitable for small scale firms or startups. Another equity instrument that is regularly discussed with SMEs is venture capital (Sahlman 1990: 511; Ribeiro 2007: 33). Venture capital (VC) firms manage a pool of resources from one to several investors to provide temporary investment for high-growth companies and projects for a specified period of time, after which they exit. VC usually invests into privately-held SMEs that are not yet prepared to list their shares in the stock markets. The high potential entrepreneurs managing these firms generally have ambitious projects involving new technologies or processes and typically face large barriers in obtaining credit to finance them (Metrick 2007: 3). Often confused with private equity, venture capital distinguishes from private equity with the value added by experienced investors (suppliers of funds), aiming to add value to the company and eventually gain positive returns at time of exit. Being part of the board of directors enables them to interfere in different functions: direct participation in management, promoting companies' products, planning, providing advice, and bringing their industry and financial expertise on behalf of the company (Christofidis and Debande 2001: 13).

Generally speaking, venture capital corporations can contribute to small and innovative firms in different ways. Gompers and Lerner (1996: 471 – 472) emphasized that venture capitalists finance firms with few tangible assets that banks would find difficult to finance because venture capital providers are more effective in monitoring their investments. In addition, VC enhance a firm's reputation to receive better terms and conditions when applying for other financing and help professionalize the firms in which they invest in (Black and Gilson 1998: 251). Thus VC corporations could be an opportunity to finance SMEs and to fill the financing gap for SMEs in Egypt.

Considering the problems and potential solution described above, this research triggers the two problems as follows: In a first step, the actual status of Egyptian SMEs regarding their

access to different available financing sources will be analyzed. Secondly, the degree of acceptance of Egyptian SMEs of using VC as equity financing their projects will be investigated.

Therefore, the research questions addressed are as follows:

1. Do Egyptian SMEs face problems in accessing traditional financing sources representative in bank loans?

   - Is access of finance one of the obstacles faced by SMEs?
   - Do SMEs use bank loans as a source of financing?
   - What are the obstacles that SMEs face to reach bank loans?
   - What are the problems faced by SMEs already having bank loans?
   - Is the access to finance dependent on the type of activity of the enterprise?
   - Within the Services and/or trade, does the access to finance differ depending on the size of the enterprises?
   - Within Manufacturing and/or Construction, does the access to finance differ depending on the size of enterprises?

2. Might SMEs consider VC corporations as a potential complimentary/alternative source for their financing needs?

   - Are SMEs willing to use VC as a source of financing their operations?
   - What is the main reason for hesitation/refusal of using VC?
   - Does the type of activity affect the acceptance or demand of venture Capital?
   - Does the size of enterprise affects the main reason of refusal or hesitance of using VC?

3 Research Methodology

The population in this survey is based on the definition of SMEs, previously mentioned in the literature review, where the enterprises are defined based on the number of employed employees and paid in capital used. Since the Central Agency for Public Mobilization and Statistics uses the same definition in their establishments' census, accordingly, in the last Central Agency for Public Mobilization and Statistics census on establishments in Egypt in 1996, the population of the Small and Medium Enterprises operating in the trade, services, manufacturing and construction sectors nationwide was 116,305 where small enterprises represents 101,289 and medium enterprises 15,016 (Central Agency for Public Mobilization and Statis-

tics, 1996). This study is concerned with both small and medium and not focused on a specific industry as it will include trade, services, manufacturing and construction.

For a population of 116,305, a sample of 384 is required at a confidence level of 95 percent and a confidence interval of 5 (Creative Research Systems, 2007), which is the acceptable significance level of 5 percent in management reserach (Drucker-Godard et al. 2001: 159). The calculation of the sample, in the website (Creative Research Systems 2007), is based on a formula developed by Cochran in 1977 (Barlett II et al. 2001: 47):

$$\mathbf{n = (t)^2 \cdot (p) \ (q) \ / \ (d)^2} \tag{1}$$

Using this formula, the sample size "n" will be:

$$n = (1.95)2 \cdot (0.5) \cdot (0.5) \ / \ (0.05)2 = 384 \tag{2}$$

Where:

t = value for selected alpha level of 0.025 in each tail = 1.95

(p)(q) = estimate of variance = 0.25

d = acceptable margin of error for proportion being estimated = 0.05

Since the population is Small and Medium Enterprises at large, without focusing on a specific industry or geographic area, the sampling approach is "snowball sampling", which means that a number of enterprises that fit the definition were asked to fill the questionnaire, then they forward the questionnaire to others they know matching the same definition (Welch 1975: 238). Using the snowball sampling method, 190 responses were obtained out of 384 required sample size; leading to a response rate of around 50 percent.

A questionnaire was developed to answer the research questions. The questionnaire was developed in English and then translated into Arabic, to be distributed, since it is the official language of the country and that not necessarily the owners of SMEs will be English literate.

The questionnaire is divided into two main parts: the first part covering the two research questions and the second part which is representative of the demographics of the sample. The first part of the questionnaire is composed of seven questions; the first question is depicting the ranking of problems faced by SMEs by priority, to detect the priority of access to finance as a constraint. Then from questions two till five, the different financing tools used and the problems faced during SMEs access of such a tool are addressed. Finally, from question five till seven, SMEs acceptance of using VCs as equity financing and reasons that may lead to hesitation or make them refuse such a tool is evaluated.

The second part of the questionnaire is basically analyzing the demographics of the gathered sample, describing their activity (manufacturing and/or construction or services and/or Trade), their size (micro, small, medium or large enterprises), and finally their ownership structure.

In order to ascertain the validity of the research instrument, a panel of experienced academics was consulted and modifications to the questionnaire were made according to their recommendations. The sequence and wording of some of the questions were changed to make them more understandable and relevant to the dimensions being studied and some scales were modified to better match the purposes of the research. The face validity of the questionnaire was therefore improved (Ghauri and Grønhaug 2005: 83).

Moreover, a pilot test of the survey was conducted whereby the questionnaire was administered to a number of participants before being broadly circulated to the research sample. Some of the comments received from these early participants related to the wording of the questionnaire. For instance they observed that some of the options given were not readily understood. The wordings for these items were hence simplified.

In order to measure the reliability of the questionnaire, a test-retest (Drucker-Godard et al. 2001: 202) was conducted on a sub-sample of twenty respondents (5% of the research sample). This sub sample was asked to answer the questionnaire twice, separated by a reasonable period of time (two weeks). The Pearson correlation coefficient of the different questions in the two response times was found to be positive at a significant level over 0.5 which indicates a strong correlation (Dancey and Reidy 1999: 208). That made the questionnaire a reliable instrument for the purposes of this study.

Data was collected via two methods, as it was distributed to known entrepreneurs that fitted the criteria within the German University Masters of Business Administration program and those distributed them later on to their acquaintances, and this was done either electronically using a specialized survey collection website (www.surveymonkey.com) or distributing the survey in hard copy.

Data was analyzed using both the office excel 2007 and the Statistical Package for Social Sciences (SPSS) 17.0 statistical programs, where frequency analyses were used to describe the sample and answer the research questions. Cross tabulations and Chi Square statistics were utilized to verify the interrelationships between the different characteristics of the respondents and the responses they provided.

4   Findings and Discussion

Based on the research, several conclusions turned out to be important regarding each hypothesis tested. The following section will cover the research questions with its significant results.

1. Do Egyptian SMEs face problems in accessing traditional financing sources representative in bank loans?

Based on the survey sample, access to finance was ranked on the second place as a priority in the problems they currently face, hand in hand with finding customers (Figure 1). While this shows the importance of access to finance to SMEs, still it was interesting to find out that the access to finance problem is dependent on the type of activity of the enterprise. This relationship was tested using Chi square calculations, a significant relationship at $p < 0.05$ was found. Enterprises working in Services and/or Trade ranked access to finance on their top priority, as 48% of enterprises working in Services and/or Trade, ranked access to finance as being on their first or second priority problem, whereas only 15% of enterprises working in Manufacturing and/or Construction ranked them in the first or second.
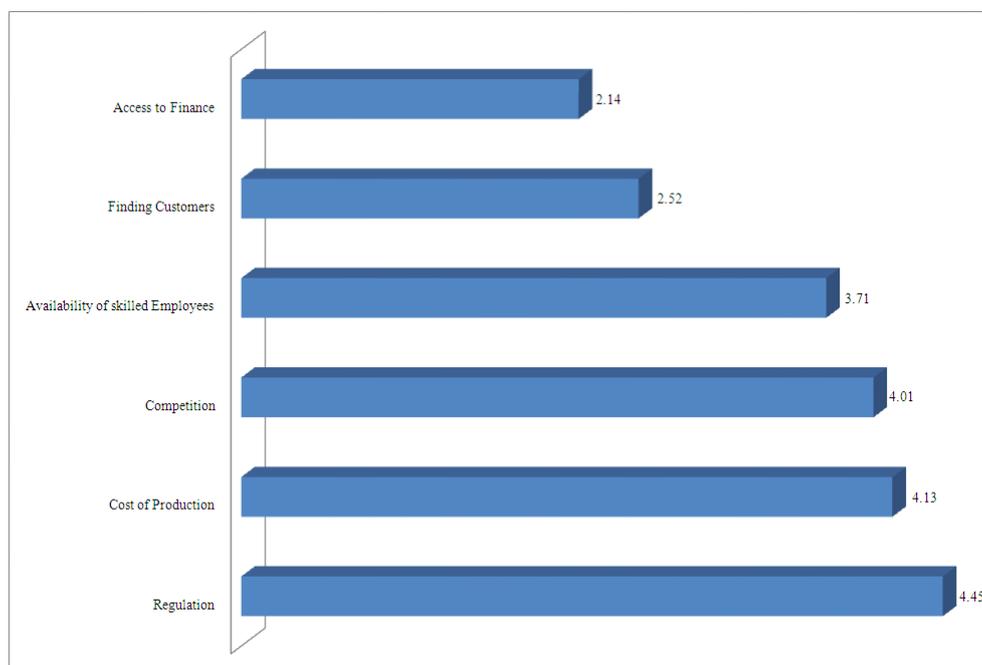

Figure 1: Problem Ranking of Egyptian SMEs

Another relationship was tested using Chi square, whether the access of finance was dependent on the size of the enterprise, and this was done once with Services and/or Trade enterprises and another time with Manufacturing and/or Construction enterprises, since their classification differs within Micro, small, medium and large sizes. Within the Services and/or

Trade enterprises, the relationship turned out to be significant with p<0.05. Within Micro enterprises 100% ranked the access of finance as being their number one problem, compared to 43% of small enterprises, 30% for medium, and none in large enterprises. Within the Manufacturing and/or Construction, the relationship was insignificant with $p > 0.05$.
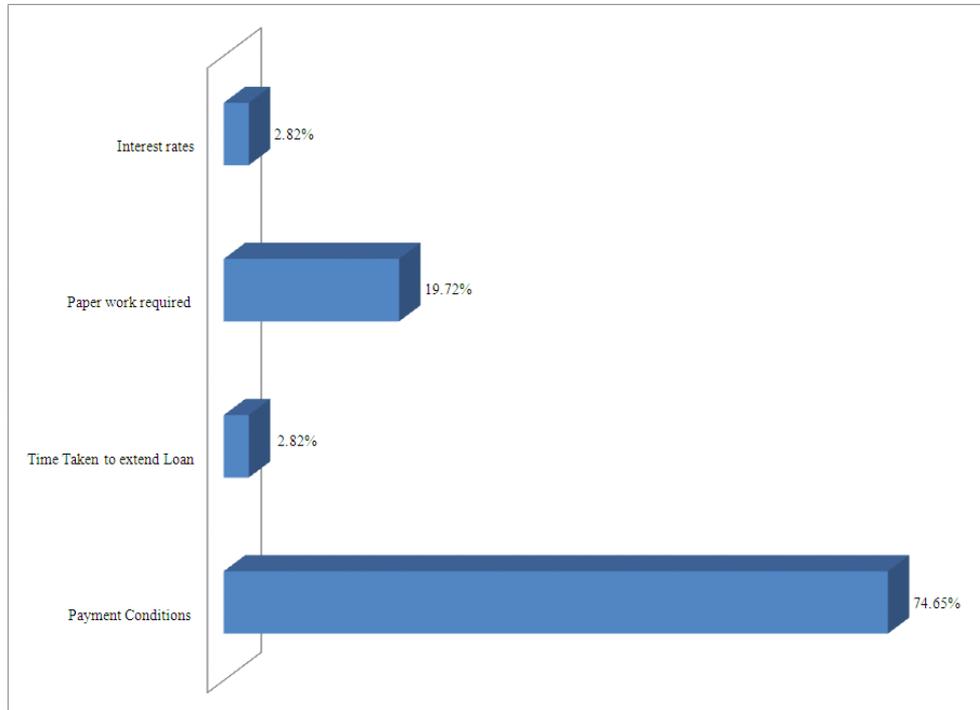

Figure 2: Financing Sources of Egyptian SMEs

Using Internal Funds turned out to be the main source of financing used by SMEs (61.14% from the sample), while some enterprises used both Internal Funds and Bank loans as source of financing, those represented 30% of the sample, only 11% depended solely on Bank loans. Around 40% have a bank loan and 60% who do not. For the enterprises who already have a bank loan, 75% of the sample found that the payment conditions represent a problem for them (Figure 2).
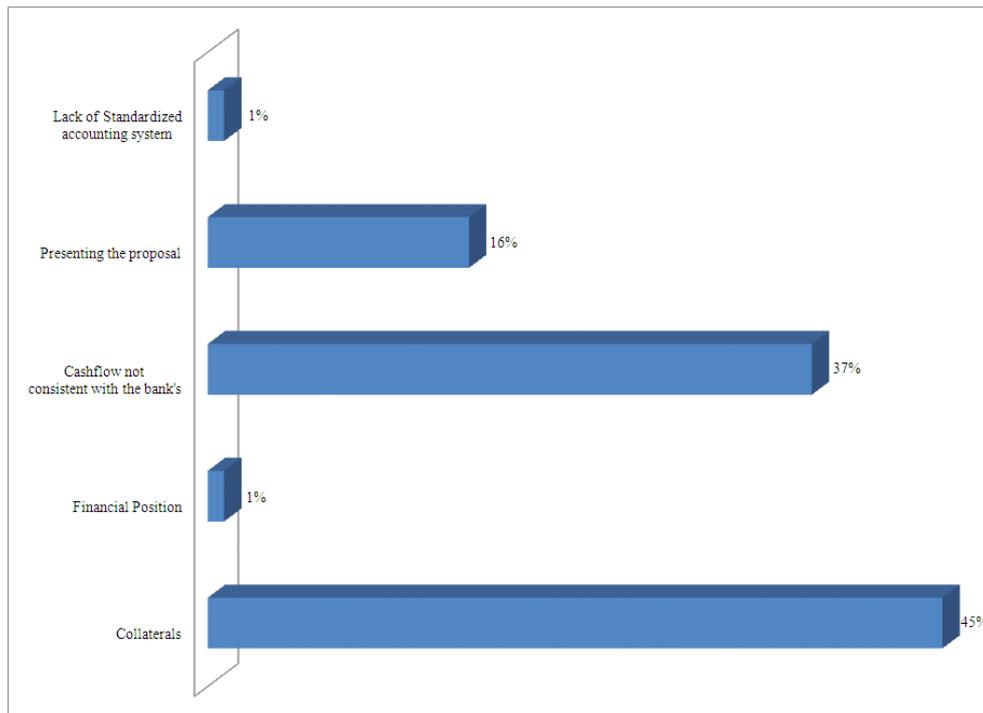
Figure 3: Problems with Bank Loans

As shown in Figure 3, for those who do not have a bank loan, the main problem lied in two factors evenly: either the cash flow conditions were not consistent with the bank requirement (37% of the sample) or there were not enough collaterals to back up their loan demand (45% of the sample).

2. Might SMEs consider VC corporations as a potential complimentary/alternative source for their financing needs?

SMEs showed their interest in using VC financing their operations (32.39% answered yes), while half of them (51.14% of the sample) might consider the usage of equity financing, whereas the rest refused such a source for financing (Figure 4). A relationship was tested whether this decision of accepting or rejecting VC financing was dependent on the size of the enterprise, using Chi square. And again this was done twice, once on the Services and/or Trade and another time with the Manufacturing and/or Construction due to the difference in classification.
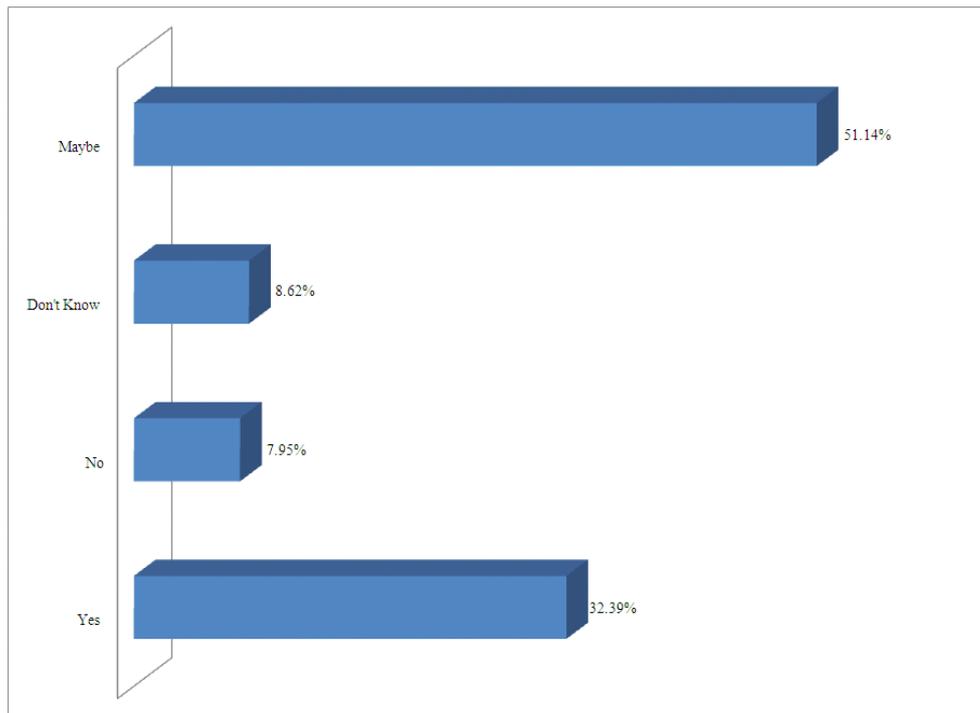
Figure 4: Egyptian SMEs Willingness to use VC Financing

Within The Services and/or Trade enterprises, the relationship turned out to be significant with p<0.05. As within Micro enterprises 100% accepted to use VC, compared to 49% of small enterprises, 15% for medium, and 7% in large enterprises. Within the Manufacturing and/or Construction, the relationship was also significant with p>0.05. Within Small enterprises 26% accepted to use VC, compared to 8% for medium, and none in large enterprises.

For those enterprises who rejected (7.95% of the sample) or were reluctant (51.14% of the sample) of using VCs, there were two main reasons:

- Reduced control over the firm (51.43% of the sample), and
- Financing not available at all (40.95% of the sample).

A relationship was tested, whether the reason behind the rejection or reluctance was dependent on the size of the enterprise.

Within the Services and/or Trade enterprises, the relationship turned out to be significant with p<0.05. 26% of the small enterprises found that an important VC obstacle is the reduced control over their own firm, compared to 61% in Medium enterprises, and 93% in large enterprises. This shows that the larger is the size of the firm the more the rejection of VC is based on their loss of control. Small enterprises found that the obstacle hindering the use of VC is their non existence in the Egyptian market (74% of the sample), compared to 39% within Medium Enterprises, and none within Large enterprises. And this shows the smaller

the enterprise the higher is their non awareness of the VC market in Egypt. The same relationship turned out to be insignificant within the Manufacturing and/or Construction, with $p>0.05$.

5 Conclusion and Recommendations

The importance of SMEs and their role in alleviating poverty, diversifying economic activity, and creating job opportunities, must not be ignored. Several countries have proven the success of using SMEs growth and development as a mean for the economic development itself (Karlsson, et al. 1993: 35). In order to do so, a diagnosis of the Egyptian SMEs with its characteristics will help find the obstacles that hinder their growth. Even though that the SME definition differs by country and industry, still the problems faced by such an industry is similar around the globe. The first objective of this research was to investigate whether limited access to finance is a constraint that Egyptian SMEs face.

Access to finance was ranked on the second place as a priority in the problems Egyptian small and medium enterprises currently face hand in hand with finding customers. While this shows the importance of access to finance to SMEs, still it was interesting to find out that the access to finance is dependent on the type of activity of the enterprise, as it turned out to be highly ranked as a priority by enterprises operating in the Services and/or Trade, much more then to enterprises operating Manufacturing and/or Construction. Another significant relationship was found, as the access of finance turned out to be dependent on the size of the enterprise. The smaller the enterprise, the higher was the access to finance ranked as a priority and that was in both activities Manufacturing and/or Construction and Services and/or Trade.

The majority of the enterprises are using Internal Funds as a source for financing their companies, while some do have bank loans but still they found that the payment conditions presented a problem to them, and the rest that do not have collaterals, and/or their cash flows is not consistent with the bank requirements, faced problems in acquiring bank loans.

The second objective of the research investigated whether Egyptian SMEs are willing to use Venture Capital, which was previously defined as a business oriented financing tool that provides financing and adds value to businesses; it is characterized by assuming high risks for higher return. The majority of SMEs showed their interest in using VC financing their operations. And this decision turned out to be dependent on the size of the enterprise. The smaller the enterprise, the more they were open to accept this new equity financing method, which

might show their need in financing sources, and this relationship turned out to be significant in both Manufacturing and/or Construction enterprises and Services and/or Trade.

The main two reasons for refusal or reluctance in using VCs were the reduced control over the firm, and the non-availability. Within the Services and/or Trade, the larger the enterprise, the more important reason of refusal was the loss of control. On the other hand, small enterprises found the obstacle hindering the use of VC in the non-existence in the Egyptian market. And this shows the smaller the enterprise the higher is their non awareness of the VC market in Egypt. However, this relationship was not significant in the Manufacturing and/or Construction enterprises.

The research objectives were fulfilled, as the survey gave a glimpse of the current situation of Egyptian SMEs, their access to finance, willingness to use VCs. In addition, an analysis of the Egyptian Macroeconomic Framework that determines the potentiality of VC market development and growth.

The limitation of the research might be presented in the actual verification of the VC market status, as these are predictions since it is was difficult due to time constraint to reach VC corporations. In addition, accessing this information is quite difficult, as usually these corporations have no disclosure of information.

Another limitation in explaining VC corporations within the survey, all what could be given was a definition and I believe it may have been difficult for some enterprises to understand the actual meaning and functions of such corporations. Maybe another survey could be done detailing the VC characteristics within the questions, could maybe change the results of SMEs choice.

There is no research done on the Venture capital corporations currently operating in Egypt. It would be interesting for further research, to survey these corporations, to know the investments they are interested in. the sectors of the economy they are operating in. Whether they reach the small and medium enterprises or they take the license of VC corporations for tax reasons.

A factorial analysis could be done, linking the determinants of VCs around the world with the VC performance in Egypt, to test whether these determinants are the same here or some of them are not applicable while new ones arise.

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