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Venture Capital Financing as A Driver for Entrepreneurship Development in Africa.
A Literature Review and Future Research Agenda

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ABSTRACT

Purpose: Several academics and practitioners have observed entrepreneurship development as a critical pillar for the prosperity of high-growth entrepreneurial ventures, new job opportunities, promotion of exports, and improvement of tax revenue across all countries. However, little is known about the role of VC in stimulating entrepreneurship development in Southern and East African regions.

Design/methodology/approach: Therefore, we reviewed 121 articles in international accredited journals from 2001 to 2022 to provide insights into this field of study.

Findings: Our results show that 90% of the reviewed articles were empirical, and 10% were theoretical. Furthermore, only 7% of the articles support the role of VC investment in entrepreneurship development. Colossal studies present beneficial results on this topic, but they are mainly from developed economies in Latin America and Europe, thus widening the literature gaps in Africa.

Research limitations/implications: Whereas the VC industry has received growing attention from emerging economies lately, it is still divided and restricted to technology entrepreneurship sector.

Practical implications: To the best of our understanding, this is the first multidisciplinary and integrative analysis that delivers a current thematic overview and insights into the explicit fields to create instincts for further empirical studies on the role of VC investment in entrepreneurship development in developing countries. Second, our literature analysis discloses significant literature gaps. Lastly, the authors improve the current literature by suggesting future research directions centered on an integration of exceeding Venture capital investors' technological skills to foster entrepreneurship development.

Paper type: Research paper

Keyword: *Economic Development, Entrepreneurship and SME Performance, Entrepreneurship Development, Future Research Agenda, Southern & East Africa, Venture Capital.*

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I. INTRODUCTION

The role of the entrepreneurship development in promoting economic growth, innovation and employment creation has been extensively debated over a long period, in both advanced and emerging economies (Abubakar, 2015; Ahlstrom & Garry, 2006; Gaspar, 2009; Finkle, 2012; Si et al., 2020; Santos et al., 2021). Considering the growing interest of researchers in high-growth entrepreneurship as a pillar for economic growth for emerging economies, new study areas have emerged to adequately address these research gaps. Previous studies document that to sustain entrepreneurship development, Africa demands a broad spectrum of sustainable funding models and state effective involvement that can inspire foreign investors. In the context of feasible equity financing sources, many scholarly articles support VC investment for the continued contribution to the emergence of

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global famous entrepreneurship model centres, for instance, the United States (US) model of Small Business Investment Companies (SBIC) and Yozma fund in Israel (Virtanen, 2001; Gaspar, 2009; Lerner, 2010; Gu et al., 2018; Iriyama et al., 2010; Dai et al., 2022). Albeit, the abundant empirical data presented on the VC's role is largely from US and European countries, as this is where utmost consistent data is available (Tykvova, 2018; Gompers et al., 2020). In such study settings, it is probable that additional research to enhance the position of academic understanding in the integration of entrepreneurship and venture capital investment research area is inevitable.

This article contributes to this debate by discussing the theoretical underpinnings of the role of VC on entrepreneurship development. Particularly, we synthesize findings in key topical areas, where there are conflicts or inconsistent conclusions in the extant literature, how the literature on VC activity in Africa differs from the literature in developed country contexts in terms of the issues & questions & quality of the research, the rigor of the methods in the published work on Africa, and a richer prioritization of unanswered questions. For that reason, we review the academic literature from 2001 to 2022, which complements the previous work of (Alemany, 2006; Kobeissi & Wang, 2009; Lerner, 2010; Sipola, 2022)and to deliver desires for future research. We attempt to search for relevant empirical literature and theoretical constructs with an intention to highlight the literature gaps in the previous studies and offer a future research agenda.

Prior studies of (Bruton et al., 2008; Fernhaber & McDougall-Covin, 2009; Deloitte & NVCA, 2012; Lerner, 2010; Gompers et al., 2020) expose that the global game changer companies like Microsoft, YouTube, Facebook and Apple, their success was attributed to VC financing at their early stage. While previous scholarships present appealing results, little is known about the role VC can play to stimulate entrepreneurship development in the Southern and East Africa regions. In the first place, there are a handful of VC firms in these regions, and even then, these private venture capital firms do not have the capacity to bridge the equity gap, posing a huge threat to entrepreneurship development in emerging economies. Often, the tools of how VC investment can assist to transform the entrepreneurship sector are essentially overlooked. Conceivably as a result, the framework is hardly deliberated when studying its social-economic benefit to start-ups which poses a challenge in synthesising its findings. On this backdrop, scholars, policymakers and multinational agencies have reacted to this tendency with increasing academic insight, diagnosing the role VC can play in fostering entrepreneurship development (Alemany, 2006; Kobeissi & Wang, 2009; Lerner, 2010; Finkle, 2012; Rossi et al., (2020)

Our systematic literature is drawn from Scopus and google databases where we used key works for instance VC and entrepreneurship development, entrepreneurship & SME development, VC & economic development to search for relevant literature from these databases. We further narrowed down our literature search to online open access peer reviewed journals. The analysis underscores the growing importance of shaping the entrepreneurship sector through VC investment particularly in the Southern and East Africa regions. By means of Scopus and google databases, we find 121 articles published in entrepreneurship, business management finance and economics journals and we classify them into research areas, geographical location, no of articles published per year. We examine prior literature in these four research areas, emphasising the research gaps, as well as the key challenges, and drawing insights that can help to advance VC and entrepreneurship research. By doing so, we discover that most of the empirical studies are based on small and unique samples, frequently too idiosyncratic to yield generalised findings (Tykvova, 2017; Ali, 2021).

Our study makes three major contributions to advancing the debate about the role VC investment can play to nurture the entrepreneurship sector in emerging economies. First, we deliver a contemporary thematic overview and insights into the explicit fields that require additional research direction. These results are presented for future research, designed at creating instincts for further empirical studies that add to a more combined research agenda on the role of VC investment, especially in the developing countries. Second, our literature analysis discloses significant literature gaps in emerging economies. We find that from 121 articles reviewed, only 5% relate to VC and economic development, moreover all the identified articles focused on advanced economies, thus widening the literature gaps in Africa continent. Finally, our article directs to important policy implications for practitioners and policymakers. We propose that increasing VC supply to innovative firms with growth potential would essential to adjust these exposed gaps. As such, scholars should try to accept and appreciate the impact of VC on entrepreneurship development, and finally make efforts to expand data methods and research design that can adapt VC into the entrepreneurship ecosystem.

The remainder of the paper is organised as follows: In section 2, we deliver a background of entrepreneurship development in a global perspective and later narrow it down to Africa continent. Section 3, we describe empirical and theoretical gaps in the current literature, section 4, we explain the research methodology applied for collecting 121 relevant articles for this monograph to drive our literature search. In section 5, we conduct a literature analysis, and later identify findings and implications. Finally, in section 6 we convey concluding remarks and future research agenda. We argue that the current theoretical frame exploring entrepreneurship development through VC investment is ready to be improved with novel study findings.

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A. Theoretical perspective and empirical gaps

1. Empirical literature gaps.

The information utilized in this article delivers a unique opportunity to extend our knowledge about the role of vc in fostering entrepreneurship development in emerging economies. Earlier study of manev & manolova, (2010) surveyed 129 academic journal articles published between 1990 and 2009 relating to entrepreneurship success. Studies such as croce et al., (2013) observed the influence of vc on the productivity growth of european entrepreneurial firms. Consistent with the above arguments, (alemany, 2006; salehizadeh, 2005; he, 200); osano & koine, 2016) expose the positive role of vc on economic development in emerging economies. All these studies principally suggest a demand for rigorous and replicable large-scale empirical research due to the paucity of study results of vc in developing countries. Similarly, lerner, (2010) surveys the future of public efforts to boost entrepreneurship and venture capital. The study disclosed need for favourable government policies which can profoundly influence such opportunities, and lerner notes that many public initiatives are misguided. Notwithstanding the widespread importance of vc, our stock take of academic literature exposes knowledge deficit of this new financing technology in the developing countries (rossi et al., 2015; hain & jurowetzki, 2018; shojaei et al., 2018; liang, liu & yin, 2019; kato & tsoka, 2020;)

While firm level studies find that vc-funded firms contribute to increasing employment and sales growth rates than the average start up (hopp, 2007; schenkel et al., 2012; festel et al., 2015; khan et al., 2019grilli et al., 2019;kim & lee, 2022), one cannot certainly construe from these firm level results the implications of vc on entrepreneurship growth in africa. Montchaud, (2014)examines how vc financing supports entrepreneurship growth in emerging economies, particularly in morocco and south africa. The results suggest that pe and vc development trajectory, positively impacts in both quantitative and qualitative standings, on new venture creation, transformation, and growing effect on smes' expansion. Similar results were presented by the study of young, 2016). He postulates role of government investment in vc expansion and entrepreneurial activities applying data from 1992 to 2012 in china. The study reveals a substantial transformation on the entrepreneurial finance for local start-ups. Brattström & wennberg, (2022) study revealed a substantial implicit assumptions and methodological biases in mainstream research. They suggest a more empirically grounded research agenda that continues the development of entrepreneurship research into a rich and diverse field.

Samila & Sorenson, (2011) use a panel of US metropolitan data to review VC, Entrepreneurship, and Economic Growth. The outcomes confirmed that increasing VC supplies, positively impacts on start-ups, job creation and GDP per capita income. Second, funded companies may transfer soft skills to their personnel, thereby empowering spin-offs, and may inspire others to become entrepreneurs through demo effects. Bottazzi et al. (2012) convey nascent results that VC attracts superior returns on the R&D investment of the enterprises it supports, which will encourage investment enterprises to invest more in R&D and innovation. Similarly, Tan et al. (2013) in the study correlation between venture capital and technological innovation of enterprises, they exposed that for SMEs in China, VC firms did demonstrate any value-added to the investee companies during the IPO process nor innovation improvement. Previous scholarships do not extensively measure the benefits associated with promoting entrepreneurship growth through increasing VC supply to the early stage firms.

Interestingly, the growing assumption that the involvement of the venture capitalists (VCs) in the entrepreneurial ventures they finance certainly contribute to value-added than they would have in other firms, is another philosophy to be investigated. Particularly, the empirical and theoretical conclusions presented by earlier scholars present a cosmetic perspective of the connection among VC, entrepreneurship, and economic growth. Hitherto these inferences potentially base on inappropriate theories that VC-financed enterprises cannot be successful in the absence of VC, and the trust that the VC-funded firms generate substantially more value-addition than their counterparts the non-VC-financed firms. To reaffirm this argument, Tykvova, (2017) surveys 314 articles from 2011 focusing on the growing body of recent literature on VC and private equity to articulate an agenda for future research. The study conveyed that 81.2% of most scholarly literature was empirical, and 52% of the empirical articles used US data. In our view, there is barely diminutive empirical studies in Africa about this subject. Owing to the paucity of empirical evidence, it is necessary to conduct novel research to enhance our knowledge on VC experience.

2. Geographical location and technology sector disparities about Venture capital Venture investment

Synthesizing the previous literature, authors from developed countries largely explore VC investment in technology entrepreneurship. Even though the global VC funding almost doubled to $643 billion in 2021 from $335 billion in 2020, a large percentage of investments was allocated to technology growth, which claimed more than 50% ($300 billion) of global VC investments (Pitchbook and NVCA, 2021). To demonstrate the geographical location and technology sector disparities, three states of California, New York, and Massachusetts accounted for most of all VC resources. Nearly 60% of the VC pool in 2021 was presented from US portfolio companies (Pitchbook and NVCA, 2021; Crunchbase, 2021). This has been a trend from long time ago; the

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disparity is instead growing bigger every other year. Venture capital is tightly clustered in a few distinct pockets across the US. Surprisingly, little research has been conducted on how venture capital evolves or why the technology sector has remained the most preferred VC investors.

Martin et al., (2005) exposed equity gaps in their study in United Kingdom and in Germany about enterprise formation and development. They argued that the equity gaps have a regional dimension; in the sense that some regions and industries are more privileged than others, regardless of significant nation-wide differences. VC firms tend to be focussed in distinguishable technology companies and unreasonably dormant countries with major VC investors, for instance, Europe and Latin America appear to be doing well than Africa because they do have many VC active firms. Although VCs deny the fact that they do not promote the global funding gaps per se. In addition, there is overwhelming evidence supporting VC investment variances, ranging from the funding stages, preferred industries, and geographical focus. Precisely, Germany has well developed banking system, Israel takes leads in the insurance companies while United Kingdom is a leader in pension funds hence VC investment. Due to these differences, it is reported that the banks and pension funds target later stage financing thus widening the funding gap for early stage firms.

VC is a competitive financing model manifested with huge selection effects, implying that actually a few firms get funded. Recent studies disclose that VCs choose high growth firms depending on how their risk is related to technology, regional financial markets and to the entrepreneurs. Prior authors uncover that even the US Silicon Valley, a global VC model that contributed to the surge of VC financing in different countries worldwide, significant sectoral financing imbalances are evident. To emphasize this argument, 85% of VC investment in New York State was invested in information technology in the year 2012 Grilli et al., (2019) observe that in spite a strong footprint of VC investment in the US, most of the funds are prevalently localised in New York, California and Massachusetts and technological focus remains the preferred target, involving companies such as IT and biotech (PitchBook & NVCA, 2018). Although many attempts to replicate and export this model of financing technology have been observed, the US at present account for 54% of the worldwide VC investment activity (NVCA, 2017). Comparative figures reveal that observing the VC industry in Europe, it is less than one-fourth equated to the US (Florida and King, 2016). Similar results were disclosed by Mason and Harrison, (2002) in their study in the 1990s, a period of immense growth in VC investment activity in the UK. They argue that VC supply was only concentrated in a few areas, for instance, in London underpinning the current trends geographical location bias of VC investment activity. Although the study observed a declining trend in the geographical disparity, literature works points to investments in large-scale IPOs and corporate restructuring through ownership change, which remains highly concentrated in London and Scotland.

We noticed that the Africa continent has also exclusively adopted the similar VC myopia, the technology sector is more preferred as compared to health services, education, agriculture, and transport sectors. According to AVCA, (2021), fintech industries claimed 90% of the gross VC capital investment in Africa. Our results confirm that significant biased investment in the different countries is squarely replicated from the US VC myopia. In Africa, although prior studies indicate skyrocket growth in the VC industry, the total VC investment in their entire continent is by far below those of UK and Germany. It necessarily follows that diminutive VC allocation goes to the entrepreneurship sector, yet it is a backbone for economic development of emerging economies. We propose a future research to investigate why technology sectors continue to attract a large VC budget in Africa. Drawing on these review results, we discuss and build various future potential research directions. We have confidence that our attempts can motivate emerging scholars, multinational agencies, and universities to promote a positive opportunity of entrepreneurship research.

The mixed conclusions and growing research interest in this subject, have provoked a mounting quantity of studies on how VC investment can fuel entrepreneurship development. Scholars have attempted to examine this topic from various grounds: entrepreneurship culture, entrepreneurship and economic development, entrepreneurship, and firm level performance, although the results delivered have remained questionable. We learn that country investment bias can be elucidated by high investment risks, such as regulatory ambiguity and frail government authority on a country level, and operational obstacles, such as flawed data and other market adversities, which make it unlikely that VC firms will invest adequately in entrepreneurship development.

3. Data irregularities and methodological gaps

Many scholars have confirmed that the best approach to advancing scholarly literature is to allow access to reliable literature to enable replicating and exploring the limitations of earlier studies. Regrettably, because the empirical studies often rely on proprietary datasets that are not public, such results are usually difficult to replicate or contest (Tykvova, 2018). Authors argue that this questionable or varied conclusion can remain for several years without negation. The discrepancies in the dataset partly arise owing to investors' reluctance to share financial data for deliberate reasons. For instance, they do not want to expose their unsuccessful ventures as it may negatively impact the VC investors concerned. Even a few studies that disclose data about their

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resolved deal tickets and IPOs to global data providers such as Pitchbook, Crunchbase and Preqin, tend to offer only the amount of funding and not the names of investors Lerner, (2010)

On the other hand, many of these newer databases interest in supporting acade.mic research is still to be fully determined, and nearly some of the data released for public use, is potentially subject to biases. We discover an intrinsic compromise between dealing with more questions in a survey to determine causes with better accuracy or to discover further reasons to enhance survey response rates. First, the data from anyone provider may be incomplete. For instance, several leading venture capital funds have pressured pension funds not to post online or report their performance to data providers such as Preqin. Some have gone as far as to drop institutions that cannot make such commitments as limited partners Lerner, (2010). Similar problems arise when observing collected data that attempts to scrutinize matters such as the influence of VC in the economy, employing various data collection and analysis methods to deal with these problems. These comprise propensity scores, instrumental variables, selection effects, changing regression analysis, normality tests, descriptive statistics, regression break, etc. Noticeably, each of these data analysis methods has its own pros and cons, and differing on the problem under research, certain procedures may be more appropriate than others. Using instrumental variables, the study demands to justify the exclusion limitation. Changing regressions are suitable for selection on unobservable, and propensity scoring does well for coordinating observables but cannot deal with selection on unobservable (Li and Prabhala, 2007); however, this is not our major focus for this survey.

Given the highly skewed nature of the performance in venture capital, even a handful of omissions can have a substantial impact on reported performance figures. Besides, it is possible that there is a backfill bias in that the databases report positive past returns for funds that are newly added to the database. Preqin reports the performance of several funds for which it does not have the gritty cash flow data. In other words, some LPs simply report IRRs and multiples without reporting the cash flows that generated them Harris et al. (2014). Despite several years of academic research, entrepreneurship continues as an obscure concept, challenging to describe and harder to measure. Researchers have therefore had faith in various certainly existing and distinct quantity-based metrics such as the growth of innovative firms, self-employment, and business ownership. We show that this empirical practice can result in ambiguous conclusions not just about the significance of statistical interactions but then about their symptoms.

II. METHODS

We adopted a stepwise systematic literature review approach outlined by Tranfield et al., (2003) and methods presented by current studies in management sciences (Leonidou et al., 2020; Battisti et al., 2021; Mazzocchini & Lucarelli, 2022)to ensure a coherent, replicable, and visible procedures that can boost the reliability of the research results. A systematic review is a detailed approach that pinpoints current research papers, synthesises data and presents the findings in a manner that enables relatively transparent inferences to be made about what is known in the public domain and what compels further research direction Tranfield et al., (2003). We pursue three primary objectives: (i) To structure existing main empirical sources and theoretical forms of evidence available to underpin the role of VC finance inflows in entrepreneurship development. (ii) To comprehensively assess previous literature, identify existing gaps and suggest potential areas for future research agenda. (iii) To abridge and circulate research findings in relation to progress made in stimulating entrepreneurship development through increasing a supply and access to entrepreneurs. This might benefit the policy makers and practitioners to agitate for policy reforms that encourage entrepreneurial activities, for instance, by increasing access to equity financing which is lacking or inadequate in Southern and East Africa regions.

This systematic review approach assisted us to generate a list of peer reviewed journals largely from Scopus using keywords "*venture capital and entrepreneurship development*". We controlled our focus on the literature created from the from 2001 -2022, aligned with our study attention.

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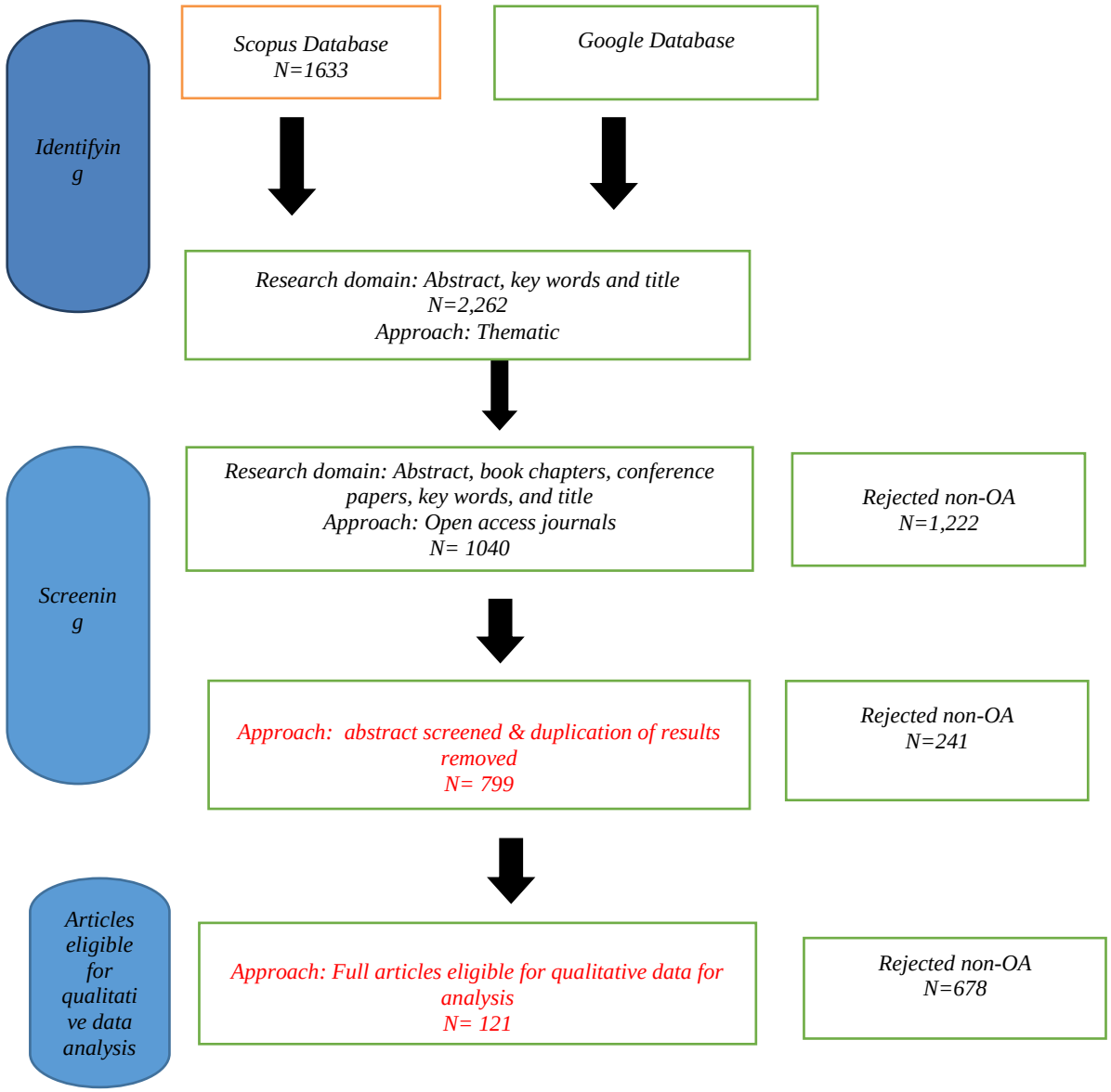

Figure 1. Stepwise Systematic literature review adopted from Transfield et al., 2003)

Source Author's compilation, (2020)

The quest for peer reviewed articles was conducted from September 2021 to March 2022. In a way to gather reliable and dependable data, we followed specific steps in search for literature aligned to this study. The first was to develop research questions to guide a search for required literature for the study. In the Second phase, we aimed at identifying online open access sources data to help offer groundwork for the study. We extensively searched for the literature from one of the largest international bibliographic databases, Scopus, and Google Scholar, using a primary combination of keywords, such as, "*VC and entrepreneurship".* To be more inclusive we also searched for articled using *"entrepreneurship & SME development, entrepreneurial activities, entrepreneurship and economic development and VC and economic development"*

In addition, we selected our articles from the SCOPUS database as a further literature database to maintain a special attention to our argument. Our literature review is based on peer reviewed articles which appeared in accredited international journals. We exclude study material not subject to the traditional academic peer-review process (Ali, 2021)Our choice was based on two aspects: First, journal articles are considered as authentic knowledge and have the ultimate impact on the distinct disciplines of research (Armstrong and Wilkinson, 2007). Second, this review seeks to be coherent with previous seminal review works in the field of VC financing and entrepreneurship development, which implemented comparable methodologies (Tykvova, 2017).

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We searched for the related articles in accredited international journals in the categories of business management, entrepreneurship, economics & management, finance, and accounting journals (Table III). As a result, our literature analysis of the role of VC on entrepreneurship development comprising 37 sets of interdisciplinary leading journals generated 121 open access published articles.

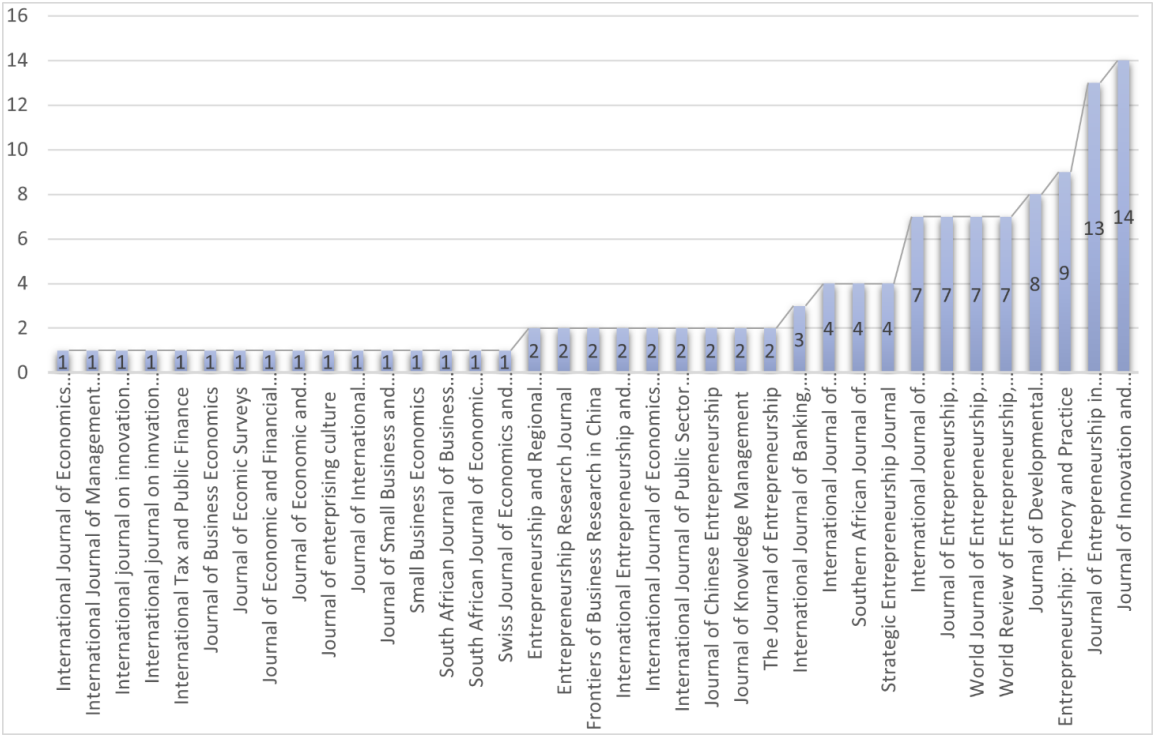

Figure 2. List of reviewed articles by Journals

Source: Author's compilation, (2022).

As it can be seen in table III, our analysis involved 37 selected Journal articles with a solid footprint in entrepreneurship and management, where 121 full articles reading were drawn for deeper analysis, since they were found to align well with the research subject.

III. RESULTS AND DISCUSSION

Many studies explored on entrepreneurship from various standpoints such as entrepreneurship and SME development (Abu Bakar et al., 2017; Kloepfer & Castrogiovanni, 2018; Melese, 2018; Hänle et al., 2022), entrepreneurship activities (Ngoma et al., 2021; Munyuki, T. and Jonah, 2022), venture capital and SME performance (Festel et al., 2015; Shava, 2018; Couto, 2020; (Kato & Germinah, 2022), observing it as a device for employment creation and poverty alleviation in emerging economies. However, studies on how VC investment can stimulate entrepreneurship development remains scarce. Certainly, these studies have left a lot to be desired in the context of VC investment as a fundamental pillar of entrepreneurship development in the Southern and East regions. To identify these literature gaps and structure a future research direction, we performed various literature analyses drawing on 121 reviewed journal articles as earlier alluded to, such as (i) review of different research topics conducted in the continuum entrepreneurship and venture capital, (ii) number of published articles from 2001 to 2021, (iii) number of articles published by the different journals with a footprint in entrepreneurship and venture capital research, (iv) we further analyzed reviewed articles categorized by publishing companies and (v) we scrutinized the reviewed articles by geographical locations. In the next section, we discuss and specify the substantial literature gap associated with geographical data selection problems.

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A. Venture capital and entrepreneurship development empirical gaps

In this section, we review a growing body of literature underpinning how VC investment can promote entrepreneurship development, indicate substantial discrepancies in the current literature and articulate an agenda for future research. Specifically, we review 121 articles published in top leading accredited international journals with a footprint on entrepreneurship and VC funding model from 2001 to 2021, then highlight study areas that compel greater investigation. Our literature analysis of the reviewed articles exposes six top research areas (FIG III.). We discuss and provide insights into these study areas drawing from earlier academic articles. After disentangling a spectrum of extant literature regarding entrepreneurship growth through a VC funding model, we discover that a growing body of evidence offers mixed conclusions (Figure 3).

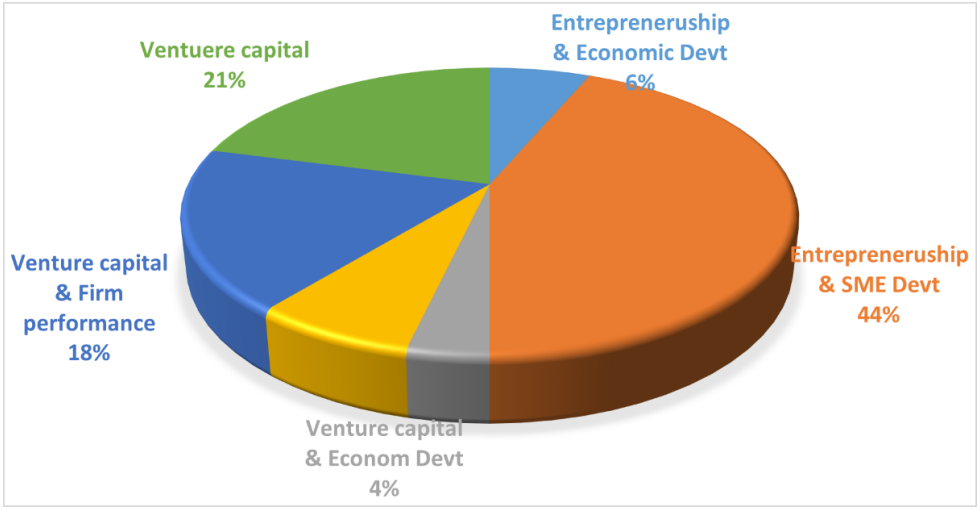

Figure 3. Distribution of the reviewed open access articles by research area

Source: Author's compilation, (2022).

As seen in Figure 3, 44% of the reviewed articles largely focused exclusively on entrepreneurship and SME development (e.g., Abubaker, 2015; Kloepfer & Castrogiovanni, 2018; Möller & McCaffrey, 2021; Cruz Rincon et al., 2022; Endris & Kassegn, 2022) , this was followed by 21% of articles published exclusively about venture capital (e.g., Keuschnigg and Soren, 2004; Messica & Agmon, 2008; Iriyama et al., 2010; Groh & Liechtenstein, 2011; Portmann & Mlambo, 2013) while 18% studied VC and firm-level performance (Ajagbe & Ismail, 2014; Lechner et al., 2016; Kato & Germinah, 2022; Sriyono et al., 2021; Dai et al., 2022; (Kato & Germinah, 2022). Many of these studies are often narrowed to firm-level performance of entrepreneurship efforts, declining to describe the interaction between entrepreneurship and VC investment efforts Bruton et al., (2008). We find that only 4% of the reviewed articles studied VC and economic development, while only 7% of the papers have examined venture capital and entrepreneurship development. Considering the literature analysis (Figure 1), there is overwhelming evidence to conclude that studies exploring the role of VC investment in entrepreneurship development remain scanty in the Southern and East Africa regions. Besides, the literature on VC investment and economic development efforts remain divided. We demonstrate the importance of future studies to investigate the role VC can play in encouraging entrepreneurship development in Africa. Another research area is to examine shaping the economic development of an emerging economy through venture capital investment.

Our results are consistent with Virtanen, (2001), Finkle, (2012), Montchaud, (2014), Gu et al., (2018),Sipola, 2022). Although these results convey that entrepreneurship research is gradually attaining ground in recent times, more than 63% of all empirical studies still trust the United States data. Our paper fills some of the empirical and methodological gaps in the literature about how entrepreneurship development in the Southern and East African regions can be enhanced through VC investment. We also suggest future research exploring study subjects such as entrepreneurship and economic development, venture capital and economic development. Therefore, we principally underscore the prerequisite for demanding and replicable large-scale empirical studies

B. Unequal geographical and technological sector data selection challenges

At the very onset, we debate and scrutinize the literature gaps with a limited focus on Scopus database online open access articles, that appeared from the different geographical locations and their implications on entrepreneurship development. We specifically pay attention on the proficiency of VC investments in fostering

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success of high-potential growth firms, employment creation and economic growth at large. It important to stress that our categorisation of the reviewed articles was based on physical location of the publishers not by the authors' country of residence.

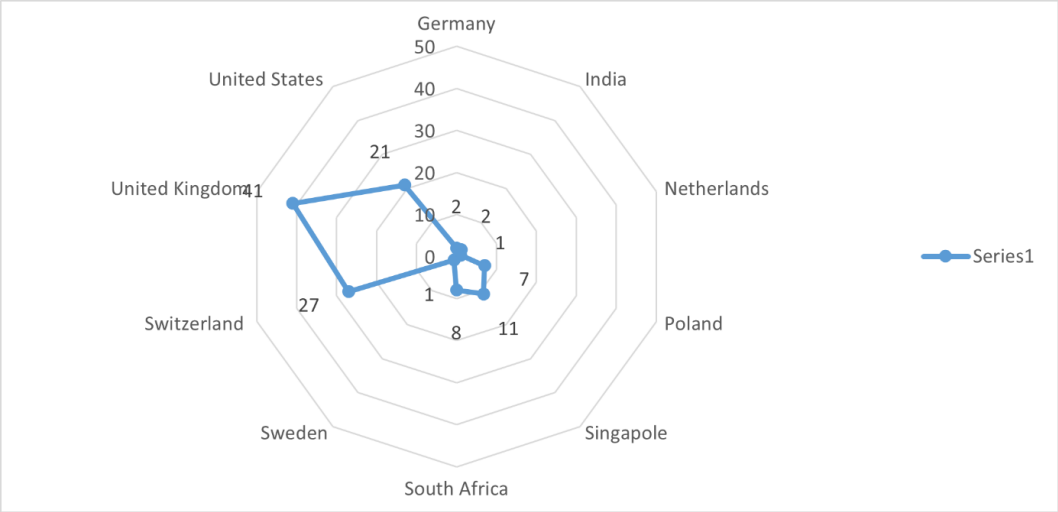

Figure 4. Structure of reviewed articles by geographical location

Source: Author's compilation, (2022).

As can be seen in Fig V, we categorized these articles along country dimensions involving investigated geographic areas such as United Kingdom, United States, Germany, India, Netherlands, Poland Singapore, South Africa, Sweden, and Switzerland. One major key aspect with the selected countries is that they have some of the leading journal publishers in management sciences which is the focus for this study. (Ref Figure 5). Observing the results from Figure IV, most of the reviewed articles were published in the United Kingdom (41%), followed by Switzerland (27%) and the United States (21%). A rapid analysis shows that these three countries published 73.5% (89 of 121) of the reviewed articles. The point to make here is that these figures were high because some of the leading publishers like Emerald Group Publishers, Indersceience and Springer Open, their head offices are situated in Europe. Research shows that VC Venture can play a crucial role in deciding the layout and location of an enterprise. Our results conform to the study Colombo et al., (2019)who posit that VC investments in Europe, is largely concentrated in restricted geographical metropolitan regions, such as, London in United Kingdom and Paris in France. Worst scenario is that even the US global Silicon Valley model, VC investment is largely focused in Boston and New York metropolitan area. Considering VC geographical funding disparities in advanced economies as illustrated (FIGURE 3), it is not surprising that the same trend has been observed in the Africa continent with VC investment noticed in Cape Town in South Africa and other metropolitan areas such as Nairobi in Kenya, Lagos in Nigeria and lately Cairo in Egypt. Southern and East Africa region, we can conclude that the low uptake of the VC industry possibly has been affected with concept of cross boarder challenges and the characteristics of prospective investors.

One major factor that explains why uneven geographical distribution of VC investment has persisted for decades, is that proximity permits for more regular consultations between VC investors and their portfolio companies. We find that effective monitoring and coaching of management staff assists to foster the anticipated investment returns of VC and decreases anticipated agency costs Cumming & Johan, (2017). African continent has encountered several economic trials and humiliations entrepreneurship hurdles not being exceptional. Despite the geographical location barriers of prospective VC investors, potential entrepreneurs attempt to search for VC inflows beyond national borders in a way to compensate for potential constraints in the national VC supply (Schertler and Tykvova, 2012). Because, foreign private VC firms may support entrepreneurial ventures grow their companies in the location of the VC investors Maula & Lukkarinen, (2022), since cross border VC has potential benefits for entrepreneurial ventures over and above those entrepreneurs can obtain from national VC. We may therefore argue that in such circumstances, entrepreneurs might be specifically motivated to search for VC if their entrepreneurial ventures are in proximity to foreign VC hubs with more accessibility of VC.

However, research has shown that cross-country differences in regulations and tax policies stand to explain the rising difficulty to access VC funding and the costs involved in carrying out due diligence on the part of VC investors Cumming & Johan, (2017). Thus, it is not surprising that the VC investment in Southern and East

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Africa regions is concentrated in South Africa, Cape Town, and Kenya Nairobi, and these two countries contribute over 60% of the total VC investment in the continent. These results are comparable the findings of (Bygrave and Timmons, 1992) who expose a tight geographical attention of VC investments with the firms based in California, Massachusetts, and New York accounting for over 75% of the high-tech investments. The VC investment fragmentation driven by the uneven geographical distribution is simply because VC investors are profoundly concentrated in VC hubs that are in financial centres and high-tech regions and exhibit a strong tendency to invest nearby.

(Colombo et al., 2019) study a sample of 533 European high-tech entrepreneurial ventures from 1984-2009 to demonstrate how the geography of VC can influence the performance of the entrepreneurial ventures that pursue external equity financing. The results exposed that entrepreneurs would search for VC when it is easily accessible, and afterwards, the demand for external equity quickly diminishes with distance at nearly 250 km, and disappears when countrywide boundaries are crossed, except for countries at close cultural and institutional distance. Considering VC geographical funding disparities in Southern and East Africa region, we can conclude that the low take of the VC industry possibly has been affected with concept of cross boarder challenges and the characteristics of prospective investors.

We find that owing to the comparative rigidity of the VC industry, previous research focused on self-reported surveys with fundamental geographical location selection and reporting biases. Existing empirical evidence is comparatively meagre and underlines various discrepancies about accrued benefits of the VC industry to entrepreneurship development in Africa at large. Our results deliver significant policy implications that countries in the Southern and East Africa regions would apply to nurture the need for VC by high growth entrepreneurial ventures, thereby expanding the performance of the VC market in Africa at large. We trust that government's new regional VC funds through co investment funding into the private VC firms and efforts to attract foreign VC investors in the Southern and East Africa regions, may assist in closing this regional finance disparity.

As earlier discussed in the research methods section, we used keys words to search for relevant articles to form Scopus database to inform our data analysis. Even though our search yielded *1040* results, only *121* articles were selected for greater analysis. The articles used in the survey were extracted from 37 accredited international journals with a footprint in entrepreneurship, and venture capital research. We largely focussed on journals which indicated *entrepreneurship* in their brand or corporate name as illustrated in Figure 3. We further screened articles with key words like venture capital, entrepreneurship, SME development and economic growth from 2001-2021 sustaining venture capital and entrepreneurship development.

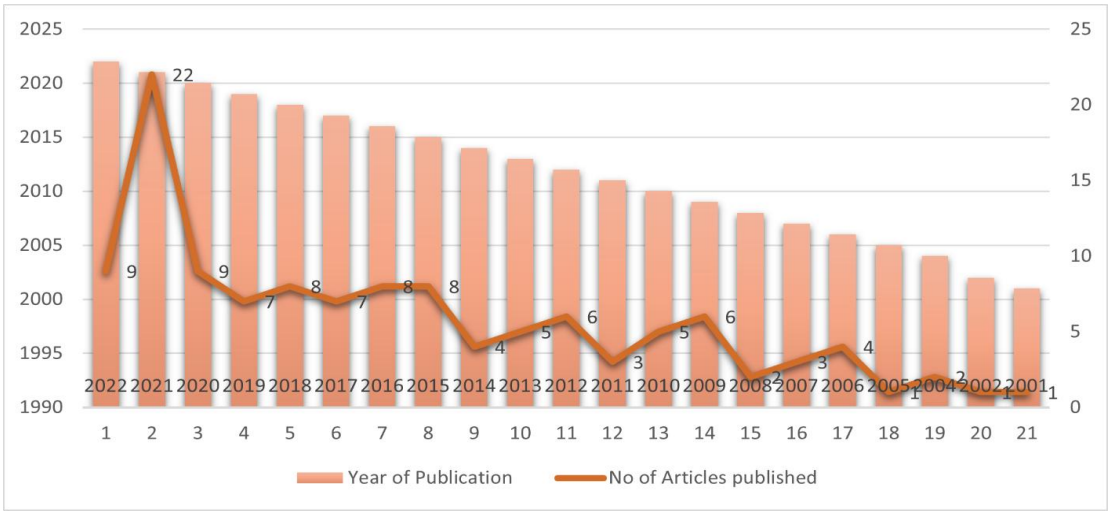

Figure 5. Breakdown of reviewed articles by year of publication

Source: Author's compilation, (2021)

In consideration of the reviewed articles published from 2001- 2021 as illustrated in Figure VI, above, we discover that 18.2% (22 of 121 articles) appeared in the year 2021, (e.g Lee. N & Andres Rodrıguez-Pose, 2021 Hunt, 2021; 'Ning, 2021; Wennberg, 2021; Chalmers et al., 2021; Riar et al., 2022; Davidsson & Gruenhagen, 2021; Randolph et al., 2021; Aljuwaiber, 2021; Rodríguez-Peña, 2021). Our fast assessment shows a growing interest that most of these articles reflect largely on from US and Europe. There are virtually limited scholarly articles which support entrepreneurship development using VC financing model. We also discover that

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entrepreneurs do not have sufficient knowledge concerning the significance of the VC industry in boosting young innovative firms' growth.

While 8% of the articles in question were published in 2020, e.g. Amorós et al., 2019, Mbedzi & Simatele, 2020; Rossi et al., 2020; Bilau & Couto, 2012; Kato &Tsoka, 2020; Liang, 2020; Javadian et al., 2020) then 8% in 2019 and 6% of articles in 2018. A quick analysis reveals that over 60% of the article were published between 2016-2021. Our survey identifies two fundamental aspects that underwrites to our understanding about this subject: First, we offer a systematic classification of contemporary works on the subject, by analysing the subject through distinct lenses to exhibit how the solutions to these issues can be so diverse. We particularly disclose contemporary issues underpinning the growing interest in this field, thus reducing knowledge deficit in the context of entrepreneurship development. Second, we identify literature gaps in the last two decades (2001-2022) where VC and entrepreneurship development had less attention from the academics, craft a future research direction. While we celebrate these results, most of the articles published present findings from developed countries such as UK, US and Canada, leaving a wider knowledge gap in the Africa continent specifically Southern and East Africa regions where the importance of VC investment in is yet to be known. *This poses a question compelling future research direction; What are some of the causes for a significant gap between VC investment research in advanced economies versus emerging countries?*

We trust that future research may attempt to investigate this huge disparity in the VC market in Africa as compared to Europe and Latin America. Like we mentioned earlier, one portfolio companies in the US raised a deal ticket more than the total VC investment in the continent, thus calling for increased efforts to improve the VC ecosystem. We further conducted a literature review based on the various publishers derived from the 121 reviewed articles. Our analysis does not in away convey that these were the only articles which appeared from 20001 -2022, but rather rely on key words we used to select out open access from Scopus database, and largely those with a conation about VC and entrepreneurship development. It therefore implies that several articles which do not exhibit venture capital and entrepreneurship, in either their abstracts or research titles are beyond the scope of this discourse.

IV.CONCLUSIONS

The major aim of this article was to deliver a thorough systematic review of the current literature underpinning how entrepreneurship development can be nurtured through VC investment. Our review exposes that 90% of the reviewed articles were empirical papers and 10% of the papers involved studies using theoretical approach. Additionally, we discover only 8 out of 121 reviewed articles, describe the role of VC investment on entrepreneurship development for instance (Virtanen, 2001; Gaspar, 2009; Lerner, 2010; Finkle, 2012; Montchaud, 2014; Gu et al., 2018; Sipola, 2022; Santos et al., 2021). To shed a picture about the research efforts on this subject in Africa, only one out of 121 article for Montchuad, 2014 surveys the interest of private equity and VC for the financing of entrepreneurship in emerging markets, a limited focus on employment creation, creation of high-growth firms and economic growth. We demonstrate that here is a significant literature gap about this field in Africa for which we recommend future research studies to attempt to fill the gap. Specifically, we recommend future studies to investigate how VC stimulates entrepreneurship with a focus on quantity of successful VC-financed firms and their contribution to economic development of emerging economies.

In addition, we also find less evidence (5 of 121 reviewed articles) to support the impact of VC investment on economic development of emerging economies. Colossal studies present worthwhile results about this topic, but they are largely from Latin America and Europe, thus widening the literature gaps in Africa. For instance, Kobeissi & Wang, (2009)analyse Venture capital and economic growth in the local markets in US. The study of Osano & Koine, (2016) investigates role of foreign direct investment on technology transfer and economic growth in Kenya, while Alemany, (2006)study Venture capital evolution and economic impact analysis in Spain. Salehizadeh, (2005) using a panel of data from 1990-2003 including 19 emerging economies in Europe disclose increasing number of entrepreneurs and VCs has enhanced the prosperity and improved economic conditions for many industrialized countries. A composition of only 5% of 121 articles reviewed is a clear justification for demand for future research agenda in this filed. We suggest that future research is desirable in emerging economies, especially in some of the countries which have demonstrated a growing interest in the VC industry such as South Africa, Kenya, Nigeria, Egypt, Tunisia, Ghana and Uganda, to contribute to the very reduced interest by earlier literature.

Several topics have emerged from the analysis of previous studies, which demand thorough empirical estimation. We critically synthesize the current literature and point out major methodological and data collection irregularities, and we also suggest mutual attempts to address them. We discovered that many seminal studies examine the causal impact of VC exclusively or by integrating it into other research subjects. A key concern is

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the discrepancy between selection and treatment effects in all instances. VC contacts include at least two parties so that selection effects may be appropriate to both the VCs and the entrepreneur wings of the market. The popular question is that data is normally only accessible to entrepreneurs who received VC financing, but the counterfactual, those who did not get VC, is often missing. The major reason is that VC companies regularly invest in high-growth firms with growth potential, but again, they must buy shares in the VC-financed enterprises, which cause obvious principal-agent disputes. These disputes arise from considerable information irregularities and developmental ambiguities connected to the interaction with the investment target (Amit, Brander, and Zott, 1998), which structure the thorough contracts applied to regulate the over the life of the investment (Cumming & Johan, 2017).

This article presents major contributions based on a content analysis point of view. First, the paper brings together a large some of literature gaps scattered in the previous empirical studies and formulates substantial future research direction. This research is estimated to add to our understanding about the challenges of the paucity of sufficient evidence concerning VC as a viable source of entrepreneurial finance. The survey additionally agitates for the integration of VC as a key component of entrepreneurship development in Southern and East Africa. This article delivers useful insights for policymakers and VC investors who seek for evidence to appreciate the benefits of increasing VC investments into the entrepreneurship sector, and later engage in thoughtful interventions such as commercial conferences and opportunities designed at escalating knowledge and availability of venture capital to high growth firms. We articulate our argument along the thematic areas and research lines previously identified to enhance our knowledge of impact VC on entrepreneurship development in developing countries. For instance, there are unsatisfactory conceptual papers and not many empirical findings which can generate theoretical contributions. We also discover that existing studies are categorised with small samples and idiosyncratic settings, where applied strategies for fostering entrepreneurship development through VC investment remain unexplored.

To conclude, VC performance and entrepreneurship development is totally diverse in the emerging countries exclusively in Africa. There is substantially a reduced amount of empirical research to underwrite VC investor's role in nurturing entrepreneurship development. Besides, government policies in the developing nations seem not to inspire foreign VC investors to increase capital inflow. On this basis, there is a need to carry out novel empirical research to partially fill these existing gaps in the current literature and provide an agenda for future research. We also trust that government intervention in the VC industry is inevitable to create a conducive climate for VC by cultivating the macroeconomic atmosphere, frustrating transformation approaches about risk and entrepreneurship, and promoting the availability of venture capital funds. With a small percentage of 8% of published articles in about entrepreneurship venture capital, we can conclude that there is a knowledge deficit about this field compared with Europe that accounted for over 62% of the screened articles.

A. Limitations and Implications of the study

Just like any other systematic literature review study, it is important to highlight that our data analysis had limitations too. The study largely involved open access journals drawn from Scopus and Google databases, besides, we chose only articles with a footprint in entrepreneurship, business management and finance. Therefore, publications in databases for instance WES, IBSS, research gates to mention but a few were not considered for this study. Moreover, when selecting articles from Scopus database, our interest was mostly on articles that focus on entrepreneurship, small business management and entrepreneurial finance since this was the attention of study. We believe that future empirical reviews integrating other databases other than Scopus would assist to enrich these results.

Coherent with the previous work of (Tranfield et al., 2003; Kraus et al., 2021; Stiller et al., 2021), we engaged a rigorous systematic approach for review as it generates clear and practical results compared to a narrative literature review. However, it is important to stress that systematic literature reviews are prone to prejudice and miscalculation. We purposely performed a high-quality systematic literature review in a way to minimise potential bias and oversights. Our results can enhance better government formulation of entrepreneurship and VC investment policy framework, increase entrepreneur's familiarity about the rewarding benefits accrued from embracing the VC financing model as well as support academics in synthesising the literature under review.

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