

MAPPING ENTREPRENEURIAL ECOSYSTEM (EE) OF PALESTINE

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Abstract

In recent years, the role of entrepreneurs and micro, small, and medium-sized enterprises (MSMEs) has gained attention, especially in developing economies. They contribute to productivity growth, job creation, and promotion of innovation and business internationalization. There is an increasing number of entrepreneurial actors within regional economies, so it is essential to shift from focusing on specific activities involved in entrepreneurship to a more holistic understanding of the environment in which entrepreneurs and MSMEs are operating, the so-called entrepreneurial ecosystem (EE). In Palestine, due to the limited resources and the high unemployment rate, entrepreneurship has become a national priority and an opportunity for wealth-seeking individuals. Mapping EE of Palestine is considered a basis for managing and evaluating conditions and performance of Entrepreneurship. Investigation of the elements of EE in Palestine has been built based on Isenberg's (2011) domains: conducive policy, markets, capital, human skills, culture, and supports. The investigation shows that Palestine is yet under development and in the infancy stage. The efforts by governmental authorities to support MSMEs are limited, coupled with a poor business market, the ineffectiveness of the credit market, and the limited role of supporting institutions working in Palestine. The national culture also obstructs the performance of entrepreneurship because of its deep-rooted traditions. Furthermore, there is a gap between traditional education and what it should be to improve entrepreneurial skills. A pyramid structure of activities executed by different actors according to their impact and influence is recommended to improve EE.

Research paper

Keywords: Entrepreneurial Ecosystem; Palestine; MSME; Finance; Human Capital; Culture

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Introduction

In Palestine, due to the limited resources and the high unemployment rate, entrepreneurship has become a national priority and an opportunity for wealth-seeking individuals. It impacts the level of economic and social welfare (Tajpour & Hosseini, 2021). The purpose of this paper is to map the ecosystem of entrepreneurship elements in Palestine. The ecosystem map depicts the relationship between various actors (institutions) involved in finance, education, government, media, the private sector, donor institutions, and entrepreneurship support organizations. Mapping EE is considered a basis for managing and evaluating conditions and performance of Entrepreneurship.

There has been a limited number of studies that attempted to discuss EE in developing countries. Mapping EE is essential to provide information about the number of entrepreneurs or the level of entrepreneurship. There is a significant number of programs and funding agencies targeting the development of entrepreneurship financially and operationally. Therefore, without an accurate description of all the elements involved in EE, how they interact, and how they affect entrepreneur performance, the effort to support entrepreneurs and small businesses goes nowhere.

The author provides an emergent perspective by introducing a systematic literature review to present a more holistic understanding of the environment in which entrepreneurs and MSMEs are operating in Palestine. Entrepreneurship has become a national priority and an opportunity for improving the economy and decreasing poverty in Palestine. The paper has produced the

first local, descriptive entrepreneurial ecosystem map that accurately describes all the elements involved in EE, how they may interact, and how they affect entrepreneur performance. Moreover, the paper highlights challenges faced by MSMEs in Palestine that need governmental interventions, in addition to local and international institutional support.

The nature of the research is descriptive. It requires the use of secondary data to understand the EE of Palestine. The cross-sectional study has been adopted to explore EE development in Palestine. The author depends on official reports, studies, statistics by using public websites and ABI/INFORM Global websites. The data is collected from governmental agencies and reputable organizations with professional standards in data collection and dissemination (Salamzadeh, 2020). It is reviewed with other resources where they are available for consistency purposes. For investigating the proposed domains, the author focuses on time series (2000-2020) to provide up-to-date and reliable findings. The paper is divided into two sections. The first section contains a revision of the current literature on EE. It focuses on understanding EE and its actors and factors affecting the behavior of entrepreneurs. The defined elements from the first section were used to investigate the EE of Palestine in the second section.

Section one

Several research studies in the EE field (Acs et al., 2017; Radovic Markovic et al., 2013, 2019, 2021; Stam & Spigel, 2016; Isenberg, 2010; Neck et al., 2004) had agreed that EE contains actors and factors that interact

a way to create value, which is the entrepreneurship. Generally, defining EE is complex, multifaceted, and complicated to understand how it works.

Van de Ven (1993) was one of the pioneers in studying EE. He suggested four main components of an EE. They are (1) institutional arrangements that regulate and incentivize entrepreneurship, (2) public resource endowments of basic scientific knowledge, financing mechanisms, and competent labor, (3) market demand, (4) proprietary business activities for entrepreneurs through R&D, manufacturing, marketing, and distribution functions. Isenberg (2011) discussed the EE strategy to help policymakers build their policies on the desired economic development. He suggested six EE domains, including conducive policy, markets, capital, human skills, culture, and supports.

On the other hand, Ahmad and Hoffman (2008) suggested a framework for addressing and measuring entrepreneurship that consists of three indicators: determinants, entrepreneurial performance, and impacts. Stangler and Masterson (2015) pointed out the following indicators of entrepreneurial ecosystem vibrancy: density, fluidity, connectivity, and diversity. Taich et al. (2016) adopted in their study Stangler and Masterson (2015) indicators, in addition to innovation, a center of commerce, and small business hubs. Flores and Kovacs (2018) concluded that indicators mentioned in the EE research studies are consistent with Isenberg's (2011) suggested domains.

Although there is no generally accepted definition of EE, frameworks could provide a new perspective to describe local environmental factors and conditions that shape entrepreneurial performance favorably or unfavorably.

Research studies also highlight the complexity of EE as a multifaceted structure with a high number of actors and factors that influence the relations between those actors (Fredin, & Liden, 2020). The term "entrepreneurship" has existed in all EE definitions; the different explanation raises a problematic issue in EE growth. For instance, the definition of entrepreneurship could refer to the creation of a new venture or refer to the established organizations that create new value (Ahmad & Hoffman, 2008; Salamzadeh & Kesim, 2017; Salamzadeh, 2018; Salamzadeh & Ramadani, 2021). By reviewing the evolution process of the EE, the second problematic issue has risen. The emphasis is on the definition of components of EE rather than their interactions (Fredin, & Liden, 2020). So, recent researchers are motivated to investigate different life cycles of EE (Colombelli et al., 2019; Mack & Mayer, 2016).

Furthermore, it is essential to refer to the spatial dimension of EE, which means that characteristics of a particular location affect the creation and growth of EE, which means findings comparison and public knowledge generation are difficult to perform (Fredin, & Liden, 2020). However, it offers an opportunity to policymakers to form the desirable policies for their specific situation (Jolley & Pittaway, 2019). Thus, understanding the EE as a phenomenon needs enormous effort, but possible interventions to create a more favorable situation for entrepreneurs could be done (Sydow et al., 2010; Asheim et al., 2011).

Section two

The investigation of the elements of EE in Palestine has been built based on the most repetitive domains (Isenberg,2011) that construct EE map, described in table 1.

Table 1. Isenberg's six domains of EE

Domains	Elements/ Factors
Policy (Enabling policies and leadership)	Government R& D Leadership
Market	Demand Entrepreneurs Network (social networks)
Finance (Availability of financial support)	Financial Capital
Culture (Conductive culture)	Social Norms Success Stories
Human capital (Human resources with capabilities)	Education Experience / skills / knowledge
Supports (Institutional & infrastructure support)	Non - Governmental Institutions Support Professions Physical infrastructure

Policy

It is essential to undertake several measures to find solutions to the problems related to entrepreneurs by national authorities, enabling MSMEs to contribute to the national economy. Most probably, the gap arose between the intentions of governmental institutions towards supporting the small-scale sector and their needs and challenges of this sector. The government can interfere to support MSMEs by adopting sustainable policies and actions (Dana &Tajpour et al., 2021). Such acts can be implemented in the fields of protection (against large companies' competition), promotion (developing programs

and guidelines through consultation bodies), and developing institutional bodies (agencies and institutions for operational and financial assistance purposes). Additionally, the government has an efficient role in encouraging R&D activity by supporting academic institutions and local businesses to develop new technologies, processes, products, and services (Milan, 2019).

Since the foundation of the Palestinian National Authority (PNA) in 1994, a clear and comprehensive definition of MSME has not been set till 2011. PNA adopted in 2011 the description of MSMEs (Rajab, 2015) as described in table 2.

Table 2. the definition of MSMEs in Palestine

Enterprise classification	Number of employees	Registered capital (USD)
Micro	1- 4	Up to 5000
Small	5 - 9	5001 - 50000
Medium	10 - 19	50001 - 100000

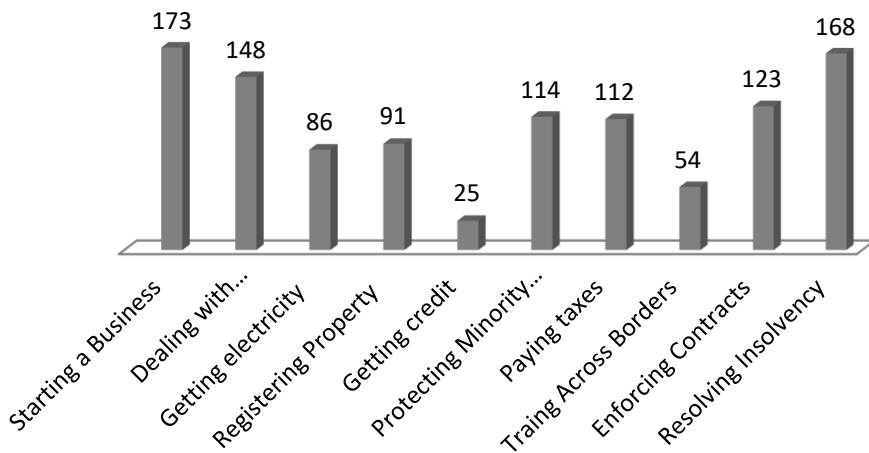
The MSMEs represent 99% of all enterprises in Palestine, of which 80% of Palestinian labor is working in MSMEs (Rajab, 2015). The Palestinian investment Act of 1998 and its amendments in 2014 have not fully encouraged MSME (MAS, 2014; Sabri, 2010). The Large-scale firms have been favored against the small ones since the Palestinian legislation states that the income tax exemptions go to companies with a minimum capital of \$100,000. Moreover, the law amendment identified the beneficiaries of the financial incentives: businesses with a minimum of 25 employees, enterprises with exports of more than 40% of production, and businesses using 70% of national

inputs and resources (MAS, 2014). However, 90% of business projects in Palestine are small-scale projects with less than ten employees (MAS, 2014).

Furthermore, exporting more than 40% of production and consuming 70% of national inputs in production could be a challenge for enterprises since the existence of Israeli barriers and its control over production resources and exports. Therefore, these incentives do not encourage investment in MSMEs. Additionally, the investment promotion act of 1998 did not have a special treatment to local investors against foreign ones (Melhem, 2010). Furthermore, law investment provisions need to be revised to avoid conflict with other related laws, such as income tax law (MAS, 2014).

According to the latest report of the world bank doing business 2020, issued in 2019, Palestine has experienced progress in the ease of doing business index during the last decade. Palestine ranked according to ten domains, 117th among the 190 countries (Figure 1), one point down from the previous ranking of 116th.

Figure 1. World bank doing business ranking of Palestine, 2020



Source: <https://www.doingbusiness.org>

The report shows that starting a business in Palestine formally is time and cost-consuming. It takes 11 procedures to follow for registering a business, a duration of 44 days, with a cost of 40% of income per capita, while the middle east and north Africa average depicts seven procedures, 20 days, 16.7% of income per capita. Moreover, the registration process is distributed among many official institutions and not grouped in one place to simplify the whole process (Sabri, 2010; Acs et al., 2008). As a result, 45% of MSMEs operated in the informal sector (Rajab, 2015).

Doing Business in Palestine moved up 59 places in the world bank doing a business report during the last decade. Several reforms were adopted to support business in property registration, collateral registration, financial secured transactions law, construction permits, and paying taxes (The World Bank, 2019). However, the investment laws such as banking law, Industrial

estates, industrial free zones law, and commercial laws did not have incentives to support MSMEs (Khalifa, 2010).

Market

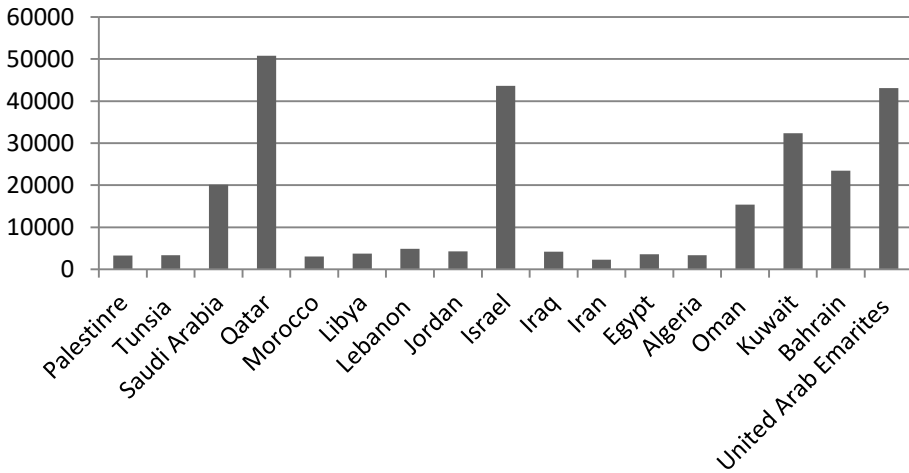
For any development purposes, analyzing market conditions for investment and employment is essential. Favorable market conditions are essential for reducing the risk of starting a business, expanding investment returns, and eventually encouraging employment. A favorable business environment has a minimum business capital cost, good competition, and comprehensive governmental regulations (White, 2018).

The Palestinian population in 2020 was about 5.1 million. The pace of population growth in Palestine was around 2%. The average current GDP per capita of the Middle East and North Africa countries of 2020 was 6670.9 \$, while Palestine's current GDP per capita was 3239.7\$ (The World Bank, 2020a) (Figure 2). Real Palestinian GDP per capita in 2020 was 2914\$ (PMA, 2020a). Since 2000, the real GDP per capita of Palestine has fluctuated a lot. During the years (2017-2019), it began to decrease with a percentage of 1.1% and a sharp decrease of 13.7% in 2020 (Figure 3).

The unemployment rate average value within (2010-2020) was 24%, with 21% as a minimum value in 2011 and 27% as a maximum value in 2014. In contrast, the average global unemployment rate amounted to 5.72% between 2010 to 2020 (Statista, 2020). The average value of unemployment rate among the middle east and north Africa countries (MENA region) was 15.5% in 2019. Within the years (2017-2020), Palestine was in second place in the

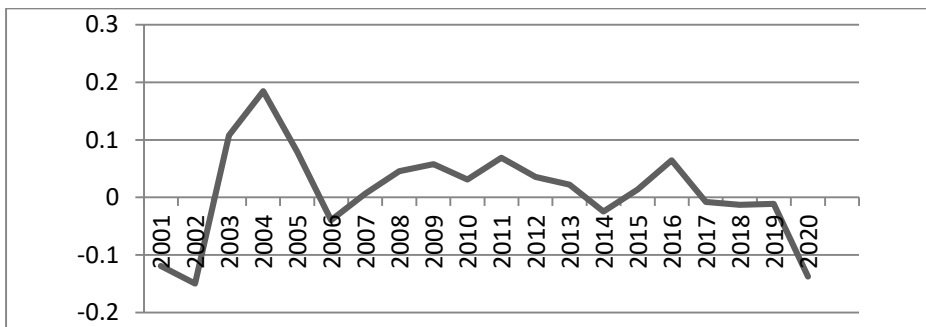
unemployment rate (The Global Economy, 2020a), 17 points down from the 2011 ranking and 57 points down from the 2000 ranking. The growth rate of the unemployment rate of Palestinians is demonstrated in Figure 4.

Figure 2. Comparison of Current GDP



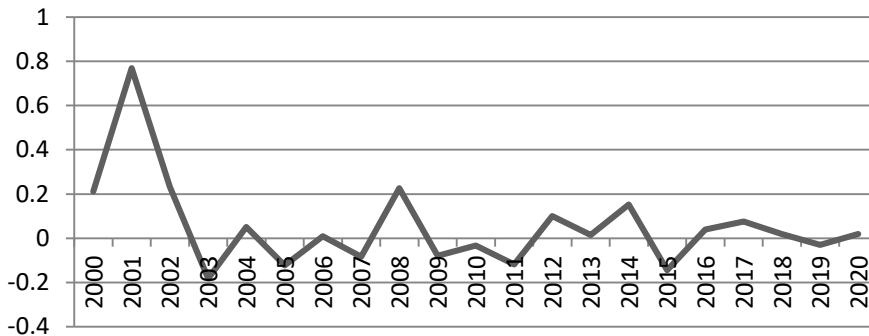
Source: Elaboration by Author based on the world bank data (2020a)

Figure 3. Palestine GDP per capita Growth Rate



Source: Elaboration by author based on PMA (2020)

Figure 4. Unemployment Growth Rate in Palestine



Source: Elaboration by author based on PCBS (2020c)

The average value of an investment as a percentage of GDP during the period (2012-2020) was 23.17%, which is within the global average range. The average investment growth rate was 5.06% (The Global Economy, 2020b). The Palestinian investment growth rate has been decreasing since 2018. Moreover, consumption as a percentage of GDP has fluctuated throughout the last decade. The average consumption value during the years (2011-2020) was 89.03%, with an average consumption growth rate of 3.73%. (The Global Economy, 2020c). The analysis of the economic condition indicates the existence of a gap between investments and consumption. The Palestinian economy continued to be slow for the fourth consecutive year since 2017 because of the decline of investment, the weakening of export, and the contraction of the majority components of aggregate demand.

The Palestinian economy is small and unsustainable because of the political conflicts. GDP per capita is low, unemployment is high, and several

large companies dominate specific sectors (Shawan, 1999). There are Israeli border restrictions on exports and capital goods imports. The Palestinian market depends mainly on Israel as the trading partner; in 2020, it constitutes around 82.5% of Palestinian imports and 55% of Palestinian exports (PMA, 2021). The Israeli trade obstructs Palestinian trade from international markets, therefore, developing foreign trade policies to motivate MSMEs limited by Palestinian National Authority. However, trading access to foreign markets is vital to small markets (Shahwan, 1999).

Indicators of enforcing contracts, resolving insolvency show that resolving commercial disputes takes time and cost, and the efficiency and quality of the court system are still developing (The World Bank, 2019). Additionally, the absence of policies and strategies to motivate startup businesses and protect MSME against bankruptcy increases the risks of doing business in Palestine. According to the world bank doing a business report 2020, Palestine's rankings among 190 countries show deterioration in terms of protecting minority investors (ranked 114), trading across borders (ranked 54), enforcing contracts (ranked 123), and resolving insolvency (ranked 168).

From another perspective, enhancing the business environment by establishing competition and strengthening competition protection policy is essential for free markets that depend on the private sector to enhance productivity and technological progress (Milhem, 2012). Consequently, the development of competition laws is beneficial for producers and consumers to reduce product cost, enhance product quality, promote investment, exports, and

fully utilize economic resources (Milhem, 2012). There was a release of Palestinian draft law on the protection of competition in 2012 prepared by the ministry of economy. Since then, it has been moved to the council of ministers for deliberation (Salameh, 2019). So, the attempts to develop policies to protect the consumer's interest, prevent the market of monopolistic, illegal competition-related activities, and promote the SME's competition abilities are still limited.

In summary, Palestine suffers from poor business environments, which contributes to an excessively negative effect on MSMEs and deter their development. The private sector characterizes by low investment, average productivity, and limited competition. The majority of it is operating in retail and wholesale trade activities (PCBS, 2018). The weakness of innovation performance of the Palestinian economy was observed through the most recent ranking of Palestine on the global innovation index of 2016. Palestine scored 6.02, with a rank of 137 out of 177 countries, with a change of - 43.2% from the previous year (Knoema, 2016). All through the previous twenty years, the overall performance of the Palestinian market shows an unsustainable economy, in terms of higher unemployment rates, a growing gap between consumptions and investments, instability of market conditions due to the political situation, and unwillingness by the national authority to improve the conditions of local, foreign trade and commercial related laws and regulations. Therefore, business environment reforms are essential for MSMEs' growth; such reforms aim to change the behavior of private firms, increase levels of investment and innovations, and create more jobs (White, 2018).

Human capital

Human capital development is vital to achieving sustainable economic benefits. Capacity-building efforts and the professionalization of small business founders are essential for strengthening the entrepreneur ecosystem. The latest statistics about human power variables show that 96.2 % of the Palestinian population is literate (PCBS,2020a). The status of higher education in Palestine shows a more promising picture. Families continue to prioritize investing in higher education, with around 5.3 % of GDP spending on education, which is higher than the regional average and the average of the Palestinian income group (The World Bank, 2020b). Between years (2000 - 2020), the enrolment rate of students in higher education increased by an average value of 6%, and the graduate students increased by an average value of 8% till the end of 2019 (PCBS, 2020b). The specialization of business, administration and the law dominates Palestinian graduates with 33%, followed by education with 20%, and health and welfare with 15% (PCBS, 2019).

MSMEs compose most Palestinian enterprises and employ many employees, but, in terms of productivity, they contribute very little to GDP, about 8% (Rajab, 2015), and their rate of survival is low. According to the recent Global Entrepreneurship Monitor (GEM) report of Palestine of 2012 (GEM, 2012), the Total Early-Stage Entrepreneurial Activity (TEA) rate is 9.8%, and the baby business rate (aged up to 42 months) is 3.8%, both indicators are relatively low. At the same time, the necessity/opportunity rate for doing business rose to 72%.

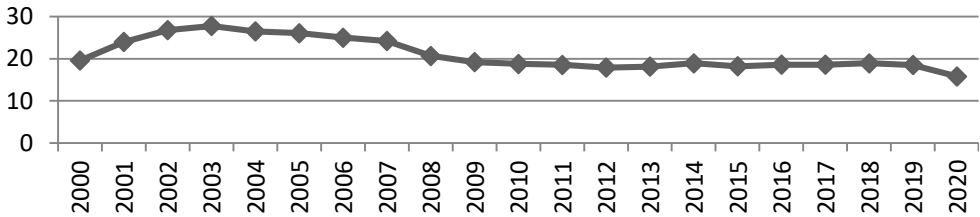
Moreover, according to the Human Development Report (UNDP, 2020), the human development index (HDI) value for 2019 for Palestine is 0.708, positioning it at 115 out of 189 countries and territories, with an increase of 7.4% during the period of (2005-2019). It means that the achievement of Palestine in terms of main dimensions of human development such as education, the standard of living, and health is moderate. Palestine's level is higher than Arab countries such as Iraq, Morocco, Syria, and Yemen, but lower than other Arab countries ranked among the very high levels of human development such as the Gulf countries, Lebanon, and Jordan.

However, to avoid low rates of small businesses' survival, MSMEs should opt to face the recent economic, technological, social, and political changes. The MSME founder should own the skills necessary to develop initiative solutions, allocate resources efficiently, and be alert to business environmental changes. Research shows that human capacity variables are vital for the success or failure of small businesses. For instance, writing a business plan, having previous knowledge, education, and experience in the industry are necessary for doing business (Baidoun et al., 2018). The key strength of EE in Palestine is the existence of highly educated startup founders; 85% of business founders got a university degree and 27% of them with graduate degrees, with high participation of female entrepreneurs, about 23% of startups (The World Bank, 2018). Because there has been a shift in the entrepreneur's age favoring younger entrepreneurs, the current entrepreneurs lack experience (The World Bank, 2018). Moreover, lacking networking with experienced or successful profile persons is considered another obstacle, as these

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persons will share information and present opportunities to the young (The World Bank, 2018). Self-employment has been on average 25% from 2001-2008 (Trading Economies, 2021); since then, the average has dropped to 18% (Figure 5).

Figure 5. Self-employment Rate



Source: Elaboration by author based on Trading Economies (2021)

Entrepreneurs should have skills of thinking critically, solving problems creatively, managing a business, and being effective communicators. The higher rates of education in Palestine do not enhance MSMEs' performance. Entrepreneurial education is essential for solving the high unemployment rates in society (Dana et al., 2021). One of the areas that obstruct Entrepreneurship is the type of education and training (GEM, 2012) that is traditional, uncreative, lacking teaching skills to manage a business. Education efficiency to meet the local market needs is limited, therefore withholding job creation (GEM, 2012) creates a gap between graduation rate and employment rate. It is essential to review the current curriculum, equip vocational education and training centers with modern facilities and professionals, and develop

partnerships between educational institutions, training centers, and private and public sectors (Abdullah et al., 2014).

Finance

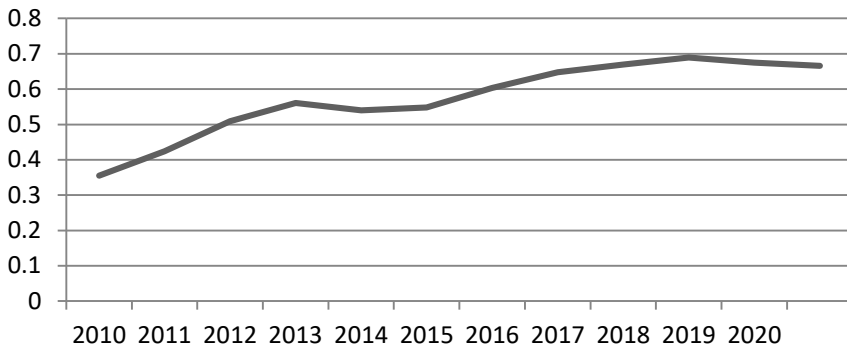
Financial support is defined by more than half of the international experts as the number one constraining factor for doing a business; however, the GEM report of 2012 for Palestine indicated that 40% of Palestinians think that it constrains entrepreneurship (GEM, 2012). Because of the unique condition of Palestine, the political, institutional, and social contexts were considered the most important constraining factor (GEM, 2012; Dana et al., 2020). The private sector in Palestine has got on average 80% of total bank credit during the last decade; half of these loans go to corporations (PMA, 2020a). Most of the MSMEs (around 80%) rely on the personal savings of their owners for financing operational and startups costs, and 88% of the total types of credit to MSMEs are less than three years maturity (Rajab, 2015). Furthermore, the percentage of Palestinians that have bank accounts was 24.2% in 2017, and the percentage of them who got funding for small business projects are less than 3%, and this is the lowest, in comparison with neighboring countries as Jordan, Egypt, and Lebanon (PMA, 2019).

One of the most significant contributions of a healthy EE is providing the financial resources required to start or expand a business. Most MSMEs suffer from insufficient funds to fully finance upfront investment costs for new or established businesses. For this reason, credit capabilities play a crucial role in bridging the gap, and it is the heart of any real economy. Failure

in the credit market may affect other markets, employment opportunities may be lost, and poverty levels may increase (The Portland Trust, 2013). The Palestinian credit market has the remarkable ability to generate bank deposits, but bank lending to the private sector is lower than in other emerging economies for many reasons. The public sector depends on borrowing to meet its expenditures; 17% of total bank credit went to governmental consumption. However, this percentage has decreased during the last ten years by 41%; however, this still indicates the dependence of governmental authorities on the banking sector to finance their expenditures (PMA, 2020c). Moreover, MSMEs face high credit risks and difficulty providing the guarantees required by banks to mitigate these risks.

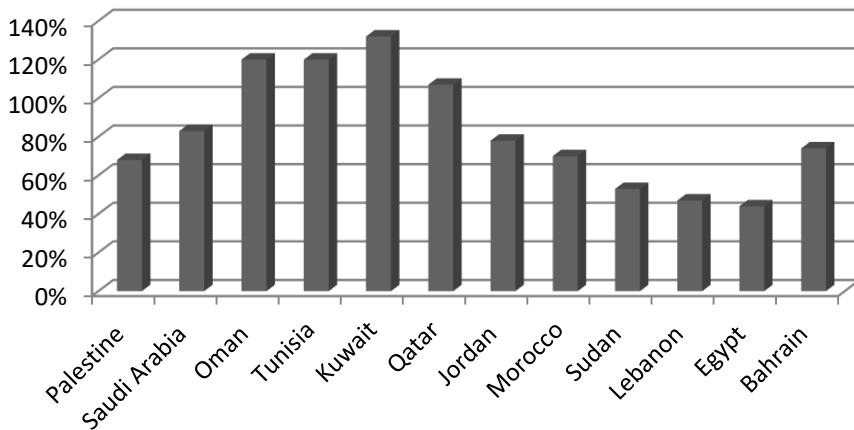
There are 16 banks and eight specialized lending institutions in Palestine (PMA, 2020b). The Palestinian economy has good prospective demand and funding availability when considering the Palestinian economic conditions related to MSMEs funding. However, demand for credit and credit supply is still low (Hamed, 2017), despite the higher need for external funding to MSMEs (Abdelkarim, 2010). During the last decade, the average credit-deposit ratio was 59%, low compared to 80-90%, the ideal credit-deposit ratio (Figure 6). As a result of the high political and economic situation, Palestine has a moderate position among other countries in the middle east and north Africa in terms of credit-deposit ratio (Hamed, 2017) (Figure 7). Furthermore, Palestine ranked among the countries with the lowest lending interest rate compared to other countries worldwide. Hence, the Palestinian financial institutions demand guarantees to minimize the risks of funding (PMA, 2019).

Figure 6. Credit- deposit Ratio in Palestine



Source: Elaboration by author based on PMA (2020c)

Figure 7. Credit- deposit Ratio for countries, 2019



Source: own elaboration from countries' official data

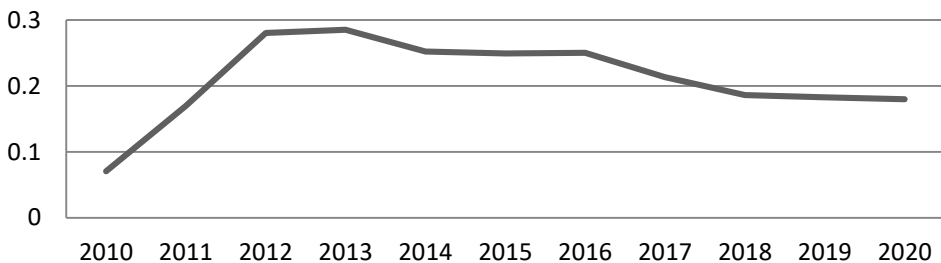
In general, according to the world bank doing a business report of 2020, Palestine ranked high in terms of getting credit, 25 out of 190 countries, and intermediate position (12) among the 22 Arab countries (PMA, 2020b).

The indicator tests the durability of the credit information system and the effectiveness of the movable collateral laws in facilitating access to finance. However, MSMEs suffer from insufficient financial resources for starting a business or developing an existing one, coupled with the difficulty setting the required funding from local financial institutions or satisfying the lender requirements (Abdelkarim, 2010). On the other hand, there have been programs for lending MSMEs by international sources, which operate as a part of donors' plans for Palestine. However, they did not meet the needs of MSMEs in terms of the repayment period, the size of loans, the collateral, capital, and project age requirements. Furthermore, the absence of law to support MSMEs in case of bankruptcy and troubled debts negatively affects the availability of funding opportunities for MSMEs (Rajeb, 2015).

In the last years, several efforts to stimulate private sector lending have been executed by the Palestinian Monetary Authority (PMA). For example, during 2009, the upper legal limit to deposits held abroad by Palestinian banks was reduced from 65% to 55% to bring back around \$700 million to the Palestinian banking system (The Portland Trust, 2013). Moreover, PMA formed the MSMEs technical committee in 2013 to face the challenges obstructing MSMEs access to finance. The main achievements of the committee were setting exemptions of obligatory associated reserves and organizing the law of secured transactions in 2016 that regulate the use of movable assets as collateral (EU Neighbours, 2017). As a percentage, the total funding to MSMEs by PMA through its program (called Istitamah) was 24% of the total fund (PMA, 2020b). Half of the private sector loans go to financing large

organizations and local consumptions rather than production. Financing consumptions by loans has increased 39% during the last decade to reach 18% of private-sector loans in 2020 (Figure 8). Furthermore, 23% of private-sector loans went to construction and real estate activities, 19% went to local and foreign trade finance, and 14% to business and consumer services (PMA, 2020c). Other significant sectors in generating growth and employment opportunities received a marginal part of total bank credit, such as agriculture and food processing (2%), mining and manufacturing (6%), tourism (1%).

Figure 8. Percentage of loans for consumptions



Source: Elaborated by Author based on PMA (2020c)

In summary, the Palestinian credit market lacks effectiveness. The barriers are driven by money supply and lack of demand cause the current situation for the credit market (The Portland Trust, 2013). The policies of Palestinian lending institutions are too conservative. They prefer to lend to fewer risk sectors, such as government, well-established enterprises, and the private consumption sector, with a person's salary payment as a guarantee.

On the other hand, from the demand side, the negative MSMEs perception of the investment environment, lack of personal experience and capabilities, and the frustration from financial institutions' requirements obstruct them from getting credit to finance their projects. Therefore, it is a priority to create the appropriate banking environment necessary to fund small projects according to their needs. There is a need to develop a coordination mechanism between MSMEs, international, local financial institutions, and the government, which should enforce laws, develop strategies, policies, and plans to offer solutions to meet the financial needs of MSMEs (Abdelkarim, 2010).

Culture

Based on the Cultural Atlas, small-scale businesses in Palestine are usually family-owned and operated, depending on local customers making business dealing more personal and less formal. In Palestine, relationships and personal contacts are central aspects. A Palestinian family is a significant part of the culture as it plays a crucial role in business development and growth. It impacts the performance of their members (Ijaz, 2012). Moreover, a peer group is also a source of social interaction, and it influences the entrepreneur's behavior by offering new ideas and opportunities (Ijaz, 2012).

The process of directing small enterprises is different from large ones in terms of flexibility, formality, and structure. MSMEs have less tolerance for inefficiency than a larger one; thus, good management practices are vital (Graham,2014). Typically, MSME is managed by its owner, whose attitude

influences business-related aspects and employees by passing on the entrepreneurial spirit (Ijaz, 2012).

National culture influences entrepreneurial behavior through entrepreneurs practicing cultural values (Ijaz, 2012). The EE is strongly affected by the cultural context and societal attitudes, which have been reflected by people's attitudes toward entrepreneurship, surrounding conditions, and expectations to start a business (GEM, 2012).

Over the three years of Palestine's participation in the Global Entrepreneurship Monitor (2009, 2010, 2012), many indicators were observed related to its culture. First, the Palestinian economy is considered a factor-driven economy, which means it competes based on factor cost advantage, sells primary products with low productivity. Scores of Palestine according to the cultural context and entrepreneurial attitudes and perception is presented in table 3.

Table 3. Cultural context and entrepreneurial attitudes and perception in Palestine

	Scores of 2012	Percentage of change during 2009-2012
<u>Individual context</u>		
Perceived opportunities to start a business within six months	46.1 %	-11.5%
Perceived capabilities to start a business	59.4 %	-6.3%
Fear of Failure would prevent starting a business	39.6 %	+2.5%
Networking with people who started a business in the past two years	39.7%	-18%
<u>Cultural Context</u>		
Entrepreneurship is a good career choice	84.6%	-2.3%

	Scores of 2012	Percentage of change during 2009-2012
Successful stories about new businesses in the media	70.9%	+34%
Successful entrepreneurs have high status and respect in the country	80.4%	+1.3%
Expectation to start a business in the next three years	37.5 %	+ 42%
People prefer to have a similar standard of living	56.4%	+21.7%

Source: Elaboration by the author based on the Global Entrepreneurship Monitor (2012)

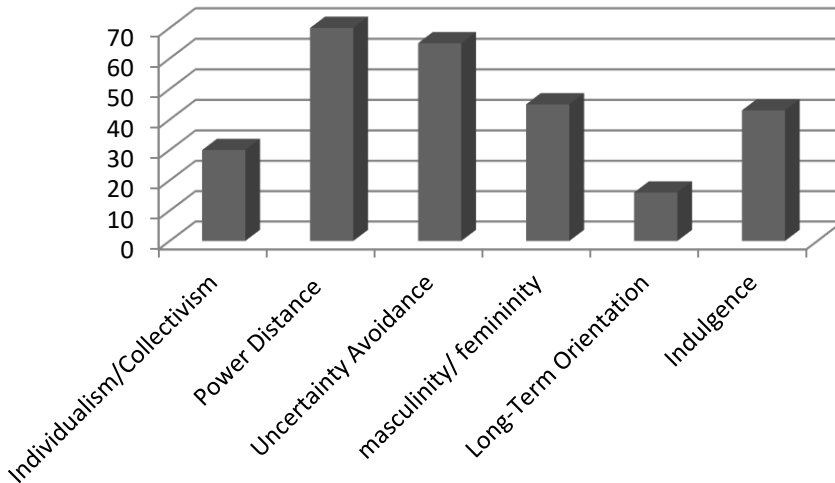
Entrepreneur social image is the most positive condition influencing entrepreneurial activity in Palestine. However, the perception about opportunities and intentions to start a business and business survival decreases and may adversely influence MSMEs activities.

The relationship between culture and entrepreneurship is significant as culture creates new enterprises, supports innovation, and establishes risk-taking practices. Specific personality characteristics or traits can affect the decision to become an entrepreneur and the chances of success (Shahwan, 1999). These traits could be different between cultures, as well as circumstances of the situation can also affect the variety of traits (Shahwan, 1999). Hofstede (1980) defined the culture as a six-dimensional concept, including individualism/collectivism, power-distance, uncertainty avoidance, masculinity/ femininity, long-term orientation, and indulgence.

There is no data available regarding cultural traits in Palestine. However, it is available for neighboring countries such as Jordan. Jordan and Palestine share the same language, religion, and many aspects of the culture.

They also have well-established history relations as the west bank was under the regency of the Jordanian kingdom until the occupation of the west bank by Israel in 1967. It could indicate the cultural traits of Palestine by presenting Jordanian culture dimensions (Figure 9). Jordan's score is 70 on power-distance, which reveals a strong attitude towards having inequalities among individuals and accepting hierarchical society. A low score of 30 on individualism represents the degree of interdependence between the society and its members. Thus, it is considered as a collectivistic society whose members belong to "in groups." It scores moderately low of 45 on Masculinity. By getting this score, it is neither a clear Masculine nor Feminine society. The feminine society is known for caring for others and focusing on the quality of life rather than looking for competition, achievement, and success. According to the uncertainty avoidance dimension, Jordan receives an intermediate score of 65, which indicates the preference to avoid uncertainty. Jordan receives low scores of 16 on long-term orientation, which means it is a normative society, which exhibits enormous respect for traditions, focusing on achieving quick outcomes without viewing societal change. It has a moderately low score of 43 on the indulgence dimension, which indicates the tendency of people to control their desires.

Figure 9. Dimensions of culture, Jordan



Source: <https://www.hofstede-insights.com/country-comparison/jordan/>

Reviewing the culture of Jordan based on Hofstede dimensions could be a reference to understand the national culture in Palestine. Palestine has a traditional society where hierarchy and centralization are accepted. Individuals prefer to follow orders. Thus, having anxiety about unknown situations and uncertainty avoidance is the solution. Palestinians focus on working to live, and to some degree, are being driven by competition. They may be cautious of making plans for things far in advance because of political and economic issues. Furthermore, they have a long-term commitment to a member "group" such as a family, extended family, or extended business relations. Palestine is a society that sticks with traditions, restrained by them, and societal change is not favorable.

Support

To ensure the development and growth of MSMEs, they should have resources. Therefore, the institutional support is vital to MSMEs and their survival, which could act as promotional, facilitative, and supportive (Loktam, 2013) in several areas of financing, technology, information, marketing, capacity-building, and access to infrastructure (Loktam, 2013). Institutional incapability has a significant influence on doing business. The institutional environment is described at three levels (Xheneti & Smallbone, 2008): macro-level (policies at the national level, policy implementation agencies), at meso level (financial infrastructure, and regulations), at the micro-level (networking of business support organization, and comprehensible responsibilities in the policy process). Isenberg (2011) identified supports in three main areas: physical infrastructure Non - Governmental Institutions, and support Professions.

The physical infrastructure in Palestine is not promising. A reliable national infrastructure is essential to improve Palestinian's quality of life and help develop a platform for private investment. Infrastructure includes road, rail, air networks, and utilities such as energy, water, broadband networks, and other communication networks. The Palestinian electricity and power sector needs significant reform and development. The Israeli Electricity Corporation (IEC) supplies more than 99% of the West Bank's electricity demand and more than 65% of Gaza's demand (Massader, 2020). The energy sector suffers from lacking investment to meet its current & forecasted electricity needs. Thus, the reforming of the energy sector is a requirement and should

be coupled with large-scale reconstruction projects over the Palestinian territories.

Palestinians have been prohibited from sea and air transport since 1967. They must rely on Israeli agents for sea and air transport. Moreover, the existing road system serving the Palestinian population has not been expanded. Furthermore, road maintenance is at minimal levels (Hazboun, 1994). The decision of transport services development between main urban centers and smaller towns and villages is determined by Israeli considerations to prioritize linking Israel settlements with metropolitan areas in Israel (Hazboun, 1994). However, many development projects in the field of construction and rehabilitation of regional roads were implemented by international donors. Their efforts targeted to support the Palestinian micro-infrastructure initiative.

On the other hand, the adaptation of fast broadband networks is significant in countries for economic growth and will enable private sector innovation. According to the International Telecommunication Union (ITU, 2017), Palestine has a high percentage of individuals using the Internet (61.2% compared to 45.9% globally). However, it has limited fixed-broadband penetration, where the percent of fixed-broadband subscribers is only 6.9% compared to 12.4% globally, with restricted speed broadband (Masader, 2020). Palestine ranked 123 out of 176 in the ICT development index in 2017 with a score of 3.55 (ITU, 2017). It is below the Arab states average of 4.84. However, it is above the Arab states average in households with a computer (+ 27.12) and households with internet access (+11.24%).

From another perspective, developing MSME's marketing initiatives in terms of both quantity and quality is critical as marketing is one of the essential functions of management. It contributes to opening new markets and matching the needs and desires of customers. In developing countries, the supporting organizations, private or public, play a significant role in assisting MSMEs' marketing plans by providing training and organizing exhibitions. In Palestine, a large part of MSMEs founders performs marketing functions. They depend on direct selling, self-promotion, and goodwill to promote their products in the Palestinian economy (Sabella, 2010). Although many assistant programs were held during the last years, particularly those sponsored by the international community, most Palestinian MSMEs did not benefit from such services. MSMEs did not believe in their role in promoting their products through exhibitions (Sabella, 2010).

Since the Palestinian National Authority's establishment (PNA) in 1994, training programs have been accelerated by both international and local agencies to promote entrepreneurship. These programs focused on providing technical, commercial, and managerial training. However, the desired outputs of these programs did not achieve the desired results because of the absence of the following basis: needs assessment, content analysis, and candidate's personality evaluation (Shahwan, 1999). Unfortunately, the impact of the training courses on supporting entrepreneurs in terms of financial grants, skill development, internship, and mentorship at business startup stages was not fruitful. The existing system is very fragmented and of poor quality, with several donor-funded initiatives (Ridao-Cano et al., 2019)

Tsai (2001) mentions that organizational learning and networking between enterprises generate more innovation and better performance. According to Hlavacek et al. (2012), networking creates a wide range of effects and structures that define the conditions for business development. Moreover, sharing knowledge is an essential element of entrepreneurship (Tajpour & Hosseini, 2021). As stated by the GEM report of 2012 for Palestine, networking with people who started a business is scored low. In addition to that, entrepreneurs sought advice primarily from a private environment, including spouses, parents, and other family members and friends.

Furthermore, many entrepreneurs were not involved in any networking activities. The international and professional network had been scored low compared to the private one. Thus, the upper-level income entrepreneurs depend more on their professional network than their low-income counterparts.

Recently, several business incubators, twenty institutions have been established in Palestine. Their purpose is to support MSMEs through intensive mentorship, networking (Tajpour & Hosseini, 2021), office space, and administrative and technical support (Ridao-Cano et al., 2019). They focus on reducing startup business failure, creating job opportunities, and changing the culture spread among young people from searching for a job to creating new jobs. However, these institutions suffer from low capability, making them unable to provide quality services and network connections (Ridao-Cano et al., 2019). Moreover, in 2019, the Ministry of Entrepreneurship and Empowerment was established in Palestine. Still, its activities are limited. However, it could play a leading role in building a coherent and sustainable

entrepreneurship sector by enacting modern entrepreneurial laws, unifying the efforts of business incubators, and encouraging investments.

Discussion

This paper studies the EE of Palestine. Generally, it is not easy to study EE and actors' or elements' interrelations due to their complexity. The investigation of Isenberg's domains of EE shows that Palestine suffers from a poor business environment for MSMEs development. However, Palestine is an unexploited emerging market with enormous investment potential. It has a strategic location, human talent, well-organized financial institutions, relatively good infrastructure, and usage of modern technology. Therefore, private sector specifically, small and medium businesses can play a leading role in offering several investment possibilities.

Szabo (1995) explained the mechanism of Small and Medium-sized Enterprises(SMEs) sector development in an emerging market economy, which could be applied to understand the growth of entrepreneurship in developing countries as Palestine. The effective development of SMEs depends on the activities and the assistance that are incorporated and aimed at three different levels: strategic level (policymaking), institutional level (support institutions), enterprise-level (entrepreneurs and business entities). These levels create an SME development pyramid structure; the strategic level (top-level) presents the highest priority, the middle level is the institutional level, pre-

sents the liaison between the policymakers at the top level and the SME representatives at the bottom level. The structure shows that all levels should cooperate simultaneously. Therefore, no institutional and enterprise tasks can achieve the desired outcome without a coherent national SME-policy statement at the government level. The application of the six domains of Isenberg in the levels of SME development is presented in table 4.

Table 4. Integration of Isenberg's domains of EE & Szabo's SME development Pyramid

Strategic Level	Institutional Level	Enterprise Level
Policy - Governmental Institutions for investment and support - Regulatory Framework - Research Support - Business Laws -Labor Rights - Contract Enforcement Leadership -Absolute Support -Open a door for supporter -Social Justice -Entrepreneurship strategy	Finance - Micro Loans -Angel Investors, friends, families -Venture capital Funds Support Infrastructure - Telecommunications - Energy -Zones, incubators Nongovernmental Institutions - Training and education - Conferences, contests -Entrepreneur -friendly associations Market - Customers (distribution, production, control) - Entrepreneur’s networking	MSMEs Enterprises
Human Capital - General Degrees -Specific Entrepreneur Training - Experience/Skills/ Knowledge		
Culture Social norms and success stories - Innovation, Creativity -Tolerance of Risk, Failures, Mistakes - Ambition, Drive - Wealth creation - Social Status of Entrepreneurs - International reputations		

Source: Elaboration by author, based on Szabo (1995), and Isenberg (2011)

Although developing EE is still tricky because of the Palestinian territories' political situation, the government policies and regulations are necessary to create an enabling business environment for the growth of MSMEs. The government plays a vital role in developing the necessary MSME support infrastructure and creating and implementing national MSME support programs. It is the responsibility of governments to improve the conditions to create and develop MSMEs (Szabo, 1995).

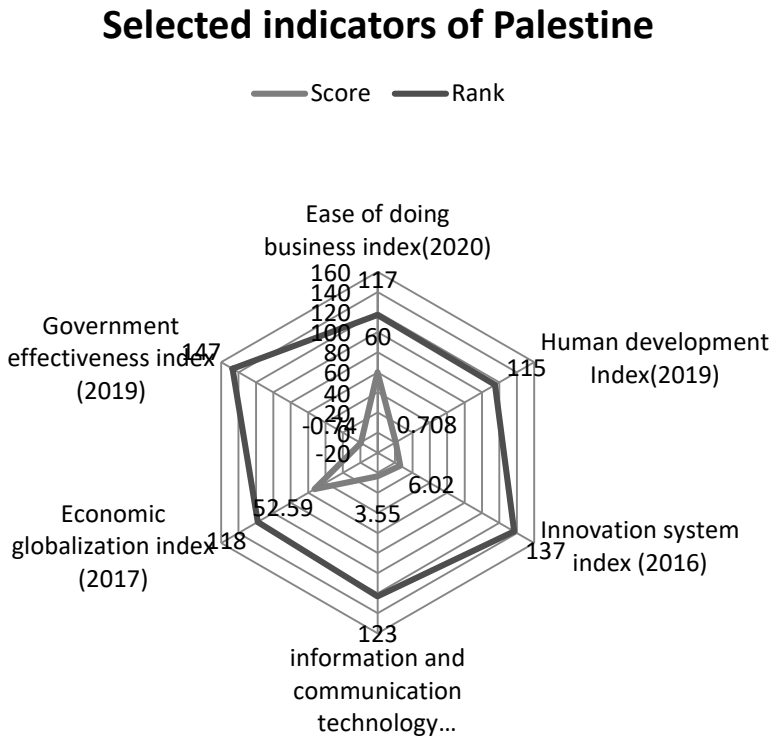
At the institutional level, the existence of business support services and business incubators are crucial. These enterprises could help startups in terms of financing, consulting, marketing, and information technology. They must tailor their services to target different needs of entrepreneurs by providing essential and special advisory services. Measuring their roles includes assisting entrepreneurs, the number of sustainable businesses, and creating a new entrepreneurship culture (Szabo (1995). However, these enterprises should be supported by governments, and other donors, to minimize the cost for startups, especially at the early stage of entrepreneurship.

Conclusion

The critical review of the EE of Palestine reveals that it is yet under development and in the infancy stage. The following factors play a vital role in generating unfavorable EE: (i) The efforts by Palestinian National Authority to draft comprehensive strategies, policies, and legal structures to support MSMEs operationally and financially are limited; (ii) Palestine has a poor

business market in terms of low investment, average productivity, limited competition, and weak innovation performance of the economy. The unsustainability of the Palestinian economy is indicated by high unemployment rates, a growing gap between consumptions and investments, and the weakness of foreign trade; (iii) The type of education and training offered to entrepreneurs does not meet the local market needs, as it is traditional and uncreative. Thus, the inefficiency of education creates a gap between the graduation rate and the employment rate; (iv) A traditional national culture that may obstruct the development of MSMEs, where refusing change, hierarchy, centralization, avoiding uncertainty, and long-term commitment to a group are well-rooted; (v) Ineffectiveness of the credit market because of the barriers driven by money supply and lack of demand; (vi) The physical infrastructure of Palestine needs development to create a platform for private investment; (vii) The supporting institutions working in Palestine are limited in training and assessing MSMEs technically, commercially, and operationally. The programs offered by these institutions did not achieve the desired outputs because of the absence of assessment, content analysis, and candidate personality evaluation. Selected indicators of Palestine for economic growth to illustrate EE of Palestine are shown in Figure 10.

Figure 10. Selected indicators of Palestine for economic growth



Ease of doing business ranked among 190 countries | The index value falls on a scale of 0-100 | Government effectiveness index ranked among 192 countries. The index value falls on a scale of 0-100 | Economic globalization index ranked among 186 countries. The index value falls on a scale of 0-100 | Information and communication technology index(ICT) ranked among 176 countries. The index value falls on a scale of 0-10 | Innovation system index ranked among 177 countries. The index value falls on a scale of 0-10 | Human development index ranked among 189 countries. The index value falls on a scale of 0-100

Investigating the domains of an entrepreneurial ecosystem is the first step in developing entrepreneurship in societies. Palestine has its unique sit-

uation because of the political situation and Israel's control over several Palestinian business aspects. However, energizing entrepreneurship is crucial for economic development. Palestine has some readiness for entrepreneurship, and several actions need to adopt by several actors. Palestinian National Authority has a leading role in improving MSMEs' business environment and should have a will to develop and support entrepreneurial development strategies. Those strategies could execute in coordination with nongovernmental support bodies, local and international ones. They should design to provide support to entrepreneurs of all types when and how they need it. At the Palestinian EE case, fundamental changes are essential in the following areas: (1) Capacity building for entrepreneurs, (2) Youth entrepreneurial education programs, (3) Micro-Lending and financing services, (4) Physical and networking infrastructure. Furthermore, changing the perception of society about entrepreneurs and their opportunities to succeed takes time and effort. It could be attained gradually by improving entrepreneurial education, empowering young entrepreneurs, and introducing innovative and new business ideas to encourage social change.

Research limitations

The differences between Gaza and West Bank Territories have not been investigated. The paper did not allocate analysis of coronavirus impact on EE that hit Palestine in the mid of 2020.

Future research directions

The paper suggests several opportunities for future research in terms of theoretical improvement and concept validation. Further work is essential in: (i) Examining the domains within empirical research, (ii) Investigating the domains with consideration of geographic and gender variables, and (iii) Examining the impact of the domains on different stages of business startup.

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