Louvain School of Management

The Financing Methods That Can Promote The Growth of A Foreign-Owned SME Based in Asian Emerging Economies

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Declaration of Generative AI in Scientific Writing

During the preparation of this master’s thesis, the author(s) utilized ChatGPT to help draft and compare some of their ideas for the literature review and the operational part, EndNote to help generate and organize the bibliography & DeepL to review the spelling and grammar.

After using ChatGPT, EndNote & DeepL the author(s) diligently reviewed and edited the content produced by the tool. We take full responsibility for the final content presented in this thesis.

By signing this declaration, we affirm that the content of this master’s thesis reflects our original work, augmented by the responsible use of AI.

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Abstract

This Master's thesis aims to explore the different financing methods that can support the growth of foreign-owned SMEs in emerging economies, particularly for foreign entrepreneurs seeking to establish themselves in the hospitality sector of emerging Southeast Asian economies. This research was conducted because of the increasing globalisation and rapid economic growth in Asia which has raised interest in this topic, yet this is still a niche area with little information available.

While SMEs are crucial to the economic development of these emerging economies, foreign entrepreneurs face specific challenges in obtaining funding, particularly in the context of SMEs, the hospitality sector, and emerging Southeast Asian economies. Our study aims to fill this gap by exploring various financing methods and offering practical recommendations to help foreign entrepreneurs overcome these difficulties.

To this end, this thesis examines 7 key topics: local networks, local knowledge, foreign direct investment (FDI), banks, subsidies, microfinance, financing by family, friends and fools (FFF), and partnerships. These themes are explored both in the literature review and in the empirical part of the thesis, where the validity of our hypotheses is tested through semi-structured interviews with entrepreneurs and financial institutions in Indonesia, Vietnam and Belgium.

TABLE DES MATIÈRES

1. General Introduction

Activity Reports from institutions like AWEX, which helps Belgian businesses to export, have reflected that Asia is a continent that keeps growing in their activities, with their involvement that has more than doubled in the last 5 years (AWEX, 2023). Indeed, this report shows an increase in the support provided to foreign entrepreneurs in Asian emerging economies. This makes sense because Asia is the continent with the most growth in emerging economies (EEs) (Sahoo, 2012) and, as a consequence, is more attractive to foreign investors. This also reflects a growing desire among individuals to develop their business ideas in new, growth-oriented environments. The hot topic of entrepreneurs challenging themselves in diverse economic landscapes came into mind because we did an internship for a Belgian entrepreneur who established his business in an emerging Southeast Asian economy, Indonesia.

As part of our studies, we had to do an internship outside of Europe. Having spent already 6 months in Asia, we both wanted to extend our immersion within the Asian culture and had the opportunity to do a 6-month internship in Indonesia. Immersed in Asian culture for a year, we chose to focus our thesis on a topic related to our master's in International Business, which is what led us to analyse the trending topic of entrepreneurs challenging themselves in new and diverse economic landscapes. To have a clearer idea of what we specifically wanted to research, we interviewed our internship advisor, the most suitable person to be interviewed and to answer our questions about the subject. From this interview, we sought to understand his main challenges, as we wanted our thesis to be as concrete and actual as possible. His biggest challenge turned out to be finding additional funds while navigating this different culture. Consequently, it led to a precise research question with many specific characteristics (Small and Medium-sized Enterprises (SMEs), hospitality sector, EEs, Asia…) and our research question: “What financing methods can promote the growth of a foreign-owned SME based in Asian Emerging Economies ?” was born.

The structure of this thesis is organised as follows, in our literature review, we will first examine the theory that sets out the micro and macro environment for the type of SME we are focusing on in this dissertation, namely, emerging economies across cultures and the essential drivers in the hospitality sector, most notably local network and local knowledge. We then look at all the best-known and most commonly used financing methods in countries with emerging economies, to point out which are accessible, which should be avoided, and which are most commonly used. Our analysis covers financing methods i.e. foreign direct investment (FDI), banks, subsidies, microfinance, and family, friends, and fools (FFF), while also considering the cultural context surrounding these methods.

Then, in our empirical part, we will use a qualitative approach to understand the factors that influence the success of SMEs in the hospitality sector in emerging Southeast Asian economies in finding financial resources. To collect our data, we will conduct semi-structured interviews with four categories of participants: local and foreign entrepreneurs in Indonesia and Vietnam, local financial institutions and international institutions supporting entrepreneurs in these regions. The data collected will be analysed using the Miles and Huberman (1994) method, which includes data reduction, data display and conclusion & verification.

In the results, we will first analyse the data collected from the interviews, identifying the key themes that emerged i.e., local culture, local networks and funding methods (including banks, microcredit, subsidies, FDI and FFF funds), before presenting the perspectives of the different categories of interviewees, outlining the diversity of views and common themes.

In the discussion section, we will compare these results with the theoretical conclusions of our literature review. It will test our hypotheses, which relate to the need for foreign entrepreneurs developing SMEs in the hospitality sector in Asian EEs to understand the local culture and legal environment, the difficulties they face in obtaining finance from local financial institutions, and their reliance on personal capital and informal methods of finance.

This analysis will allow us to draw conclusions, answer our research question about the possible financing methods for foreign-owned SMEs in the hotel sector, and propose recommendations based on our results so that entrepreneurs do not fall into the same trap as the previous ones and use all the means at their disposal.

2. Literature Review

It is important to set the scene and the overall context in which the research question arises, something that is done through this theoretical approach. This literature review will cover all the specific criteria of the research question, namely the specificity of being a foreign-owned SME, in the hospitality sector, within an Asian EE. This theoretical approach starts with these criteria examined concerning the local network and local knowledge. These criteria are then linked to the possible financing methods for developing an SME. The formal external methods are analysed such as FDI, and bank loans. Afterwards, a connection is made between the impact of FDI on bank loans precisely. Next, an analysis of subsidies is made, followed by microfinance the last formal external method analysed in this paper. The final analysis focuses on the only informal external method discussed in this paper, FFF funding. Altogether, this analysis will provide a conclusion on what the theoretical approach tells us about the context of this research and more specifically about foreign entrepreneurs in the hospitality industry within the Asian EEs which are their focus, as well as the financing methods available to these SMEs.

2.1. Emerging Economies Across Cultures and Contexts

To understand the context in which the foreign-owned SMEs operate, which will be analysed in the following research, it is important to understand the concept of "Emerging Economies" (EEs) and note that there is a multitude of ways of defining Emerging Economies which leads to a lack of clarity for a general definition. First, definitions should be concise, avoid tautology, and capture the core features and characteristics of these economies (Suddaby, 2010). Another challenge that definitions may face is insufficient contextualisation which can impede the ability to understand the subject under investigation thoroughly and conduct high-quality research (Teagarden et al., 2018). Similarly, given that aspects that determine an Emerging Economy are several complex indicators covering political, economic, cultural, social, and technological domains, context should be specifically addressed because it would serve as a general picture with all those indicators within that frame. Moreover, context is intrinsically relevant to International Business Research (Michailova, 2011).

2.1.1. Defining Emerging Economies

The common definition used in this paper will be the following: Emerging economies, which are low-income countries, drive their rapid growth through economic liberalisation (Hoskisson et al., 2000). As stated by Hoskisson et al. (2000) they are divided into two categories: developing countries in Asia and Africa, and transition economies, such as China. To understand the growing importance of EEs, there is a need to bear in mind that since the early 1990s, low- and middle-income economies have more than doubled their overall share of global exports (Chinn, 2013). As a group, EEs are no longer financially dependent on foreigners. Collectively, they have a current account surplus and, thanks to considerable reserves and debt reduction, are now net foreign creditors. Their budget deficits are on average lower than those of rich countries, and their inflation rates remain historically low (Chinn, 2013).

In conclusion, it can be understood that the fact that EEs are net foreign creditors, which is a sign of a healthy and stable economy, suggests thinking that the next phase of investment will be more locally oriented with an increase in domestic financing which will strengthen the local economy and possibly boost the local and foreign-owned SMEs in that country.

2.2. Foreign-Owned SMEs in ASEAN

When entering a new market outside their own country, foreign-owned small and medium-sized enterprises (SMEs) may make mistakes such as thinking the foreign country or region will have the same entrepreneurial culture as theirs. The culture of the emerging Association of Southeast Asian Nations (ASEAN) region and the complexities it can present for foreign-owned SMEs will be examined here.

2.2.1. Definition of SMEs

What defines small and medium-sized enterprises better known as SMEs is a complex issue. Determining the criteria for classification involves many different factors, making it difficult to have one general definition. There is the number of employees, the amount of revenue it generates, and the general state of its finances, these are the main criteria but they do not apply to every sector (El Madani, 2018). Therefore the definition of SMEs has to be adapted to fit the different industries they can be established in. For example in an EE like Indonesia, defining an SME does not depend on the sector nor the number of employees but rather on the net assets and sales turnover. On the other hand, an EE like Vietnam has specific criteria for the sector, number of employees and total revenue. Those are different from the ones used in Indonesia confirming the complex issues of having one general definition (ASEAN, 2024).

2.2.2. Definition of ASEAN

The Association of Southeast Asian Nations (ASEAN) is a political and economic union of 10 states in Southeast Asia to accelerate economic growth, social progress, and cultural development in the region, and promote regional peace and stability. The 10 Member States of ASEAN in Southeast Asia are Brunei, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam (ASEAN, 2024).

2.2.3. Initial Hurdles for Foreign-Owned Companies in Asian EEs

A common mistake many firms make when entering new markets is to assume that geographically adjacent countries within a given region operate the same way, with similar ways of doing business. The European Union provides a good example of why this is a mistake not to make, as, there are several distinct "entrepreneurial cultures" within it such as Eastern, Mediterranean, and Central/Northern Europe, etc. These differences in terms of "entrepreneurial cultures" explain perfectly why, in each place and culture, the way and circumstances in which a business is created will be different (Liñán & Fernandez-Serrano, 2014).

Concerning the emerging Asian region, the main distinction within the region lies in the levels of collaborative complexity in terms of the intensity of relationships between multiple stakeholders. Such relationships are not typically built overnight and take considerable time to evolve. In addition, firms have to meet the right people and establish a strong relationship with them to, gradually, earn their trust.

These relationships can be divided into a triple alliance between the domestic political forces (state elite), local partners, and foreign-owned firms (see Appendix 1). This figure states that each party to this triad maintains its interests and uses its relationship with the other triad members to reach its own goals. While at times these goals may diverge, mutually advantageous relationship exists because each member's success ultimately depends on the actions of the others.

It is not just about market access. It is more complex than that. It is knowing how things work and having specific knowledge of local contractors, suppliers, and vendors. It is about knowing how to get along with local authorities, how to act, and how to get projects approved because host countries' governments can introduce policies that would interfere in the development of new projects in certain sectors (García-Canal & Guillén, 2008). In addition, when working with local partners, challenges may arise when sharing complex knowledge which not only involves language barriers, they also include cultural constraints. For instance, in some cultures, people are reluctant to ask questions for fear of being looked down upon. Contrary to them, some cultures are risk-averse and attempt to avoid any personal risk through collective decision-making (Lyles & Steensma, 1996).

If foreign-owned SMEs, when entering these new markets, focus on and consider all the cultural and operational differences between their home country and each of the countries within the emerging Asian region, it might have benefits such as easier access to financial resources and easier development.

2.3. Essential Drivers in The Hospitality Sector: Networks and Local Knowledge

In the hospitality sector, the interaction between local knowledge and networks is essential to meet the development challenges. This section will focus on the central role of those elements, and how they intersect with political, legal, demographic, educational, technological, and innovation dimensions. By examining these dynamics, the objective is to discover key insights for navigating the complexities of the hospitality industry and achieving sustainable growth. In the context of our thesis, these aspects will be specified in the context of Asian EEs, due to the unique political, legal, and demographic landscapes, as well as the rapid technological advances and educational developments in the region.

Before delving into this chapter, it is essential to first define the hospitality sector within the broader service industry. Given the focus on the economic aspects of hospitality, the most appropriate definition to consider is the one used for commercial hospitality. Hospitality in a commercial context as part of the wider service industry sector is a particular type of relationship between a host and a guest where the main objective is to improve customer satisfaction and build a loyal customer base (King, 1995) by providing accommodation, food, drink, and other services to the said guests.

1) Political and Legal Institutional Factors

First, concerning the political-institutional factors, during this research, it became apparent that it was essential to understand and analyse the links between corruption, political risks, legal systems, and regulatory landscapes to grasp their influence on obstacles to future growth and investment. Starting with corruption and political risks. Networks and local knowledge are invaluable assets for finding partners (local or not). Finding them requires a deep understanding of the local political climate, as the unpredictability that can be introduced by political instability and corruption can raise serious challenges for SMEs in the hospitality sector (Buhalis & Leung, 2018). In EEs and particularly in the ASEAN region, the variability in political stability and governance standards requires extra vigilance from companies, whether foreign-owned or not, the challenges this poses, require extensive engagement with local networks to mitigate risks and adapt strategies accordingly (Kurecic & Kokotovic, 2017). Then there are legal systems and affiliations. SMEs need a global understanding of the host country's legal environment to comprehend the legal intricacies to ensure compliance and minimize legal risks. In EEs, legal frameworks are changing at a fast pace with varying degrees of applicability (Tocar, 2018). In Asia, laws tend to be unpredictable and complex for example, when it comes to short-term rentals, in Thailand, they are considered illegal; in Malaysia, they require approval from the local authorities, while in Vietnam, Cambodia and Laos there is absolutely no official ban at this level (Kawa et al., 2018). This diversity of legal systems between ASEAN countries shows that businesses are required to have a nuanced understanding of each country's legal intricacies and local knowledge offers a contextual understanding of the specific opportunities offered in the political institutional landscape of each place. In turn, it is also known that such local knowledge is often best acquired through established local networks and partnerships (Dewi et al., 2023). For example, in the ASEAN region, understanding local regulatory frameworks through established networks has proven to be vital for reducing firms' operational frictions. This is because networks enable the acquisition of valuable information, the building of relationships with local authorities, and an understanding of the subtle nuances of political dynamics. This makes it clear that a strong local network is key to effective legal support (Tocar, 2018).

2) Demographic and Educational Factors

Next up are the demographic and educational factors. First, there are the demographic dimensions, which play a key role in shaping market demand and workforce availability, which are critical to the growth of the hospitality sector. In EEs, demographic trends significantly influence demand patterns, underscoring the need for local insights in strategic planning. For example, high population growth in certain countries creates both a growing consumer base and heightened competition (Yi et al., 2019). Having a high degree of understanding of the demographic considerations of the region in which it is set up is therefore essential (Tocar, 2018). Local networks once again play a crucial role in helping enterprises make sense of these nuanced demographic trends, enabling them to adapt their services, marketing, and expansion strategies to the specific needs and preferences of different populations. Asia, being home to a significant portion of the world's population, presents unique demographic opportunities and challenges (Sabir & Khan, 2018). Its hospitality sector thus faces unique demographic challenges due to the region's diverse population dynamics and rapid urbanisation. Countries like Indonesia, Malaysia, and Thailand experience significant population growth and urban migration, making local insights indispensable to effectively cater to the evolving consumer base (Yi et al., 2019). For example, strategies will be tailored differently, and the workforce managed differently for the ageing populations of developed Asian countries like Japan and South Korea (Bailey, 2018) compared to the youthful demographics of Asian emerging countries like Indonesia and the Philippines (Dewi et al., 2023).

Our attention turns now to education. Education levels, particularly in EEs (Sabir & Khan, 2018), not only influence the capabilities of the workforce but also reflect the potential for innovation and technological assimilation (Noorbakhsh et al., 2001). Thanks to the study by Tocar (2018) it can be said that educational progress and economic development are intrinsically positively linked. Educational investments across Asian EEs have indeed been vital in building a skilled workforce supporting various sectors, including hospitality (Sabir & Khan, 2018). For example, Asian developed countries like South Korea and Japan have prioritized education funding, fostering a workforce capable of driving forward the technology and services sectors. On the other hand, Asian emerging countries like Indonesia are actively building up their educational infrastructure to better meet the demands of their expanding economies (ASEAN, 2023). Local knowledge about the education ecosystem and networks is therefore vital for SMEs in the hospitality sector wishing to leverage the region's intellectual capital and align workforce strategies with educational landscapes to build a competent workforce (Sabir & Khan, 2018).

3) Technological Integration and Innovation Factors

Finally, there is the impact network and local knowledge have on the two remaining factors: technological integration and innovation. Considering technology, there is no denying that the hospitality sector is increasingly dependent on it for its operational efficiency, customer experience, and global competitiveness. Hospitality companies that understand local nuances can indeed customize their technology investments and innovations to the specific needs and preferences of their local market (Buhalis & Leung, 2018). In this case, and more specifically in EEs where technology integration challenges can arise from different levels of infrastructure or simply different consumer behaviour (Yi et al., 2019), local knowledge serves as a guide to identifying technologies that integrate perfectly with local practices and cultural nuances. This shows again that networks, whether within the industry or local communities, are real channels for knowledge sharing, and in this case specifically for the successful adoption of transformative technologies (Buhalis & Leung, 2018). In Asia, both the case of China, a leader in digital innovation, and the case of Vietnam, which is rapidly catching up, local networks play, indeed, a crucial role in bridging technological gaps and facilitating the effective adoption of new technologies (Dewi et al., 2023). By relying on local networks and knowledge, hospitality companies will not only be able to stay on top of technological advances suited specifically to the region but also understand the adaptability and appropriateness of such innovations in the local context and thus help shape those innovations that will meet the unique requirements of the hospitality sector in the given region.

In conclusion, local and network knowledge is proving to be a key competitive advantage for the hospitality industry, allowing it to understand emerging trends, user behaviour, and regulatory changes within dynamic political, demographic, educational, and technological landscapes. Collaborative networks made up of local industry associations, research institutes, and chambers of commerce, facilitate continuous learning and collaboration, creating an environment in which hospitality businesses can thrive in an ever-changing landscape. By strategically integrating local knowledge and building strong networks, these businesses can mitigate risk, leverage region-specific opportunities, and remain competitive and responsive in today’s global marketplace. Therefore, understanding and utilizing local and network knowledge is fundamental for achieving sustainable growth and long-term success in the hospitality sector, particularly in the diverse and rapidly evolving landscapes of Asian EEs.

2.4. Factors Influencing Foreign Direct Investment and SME Growth in The Hospitality Sector

2.4.1. Factors Impacting SME Growth in The Hospitality Sector

Having highlighted in the previous section the importance of networks and local knowledge, at their intersection with various factors, for businesses in the hospitality sector, it is only natural to now examine the factors impacting the growth of SMEs in the hospitality sector. The purpose is here to analyse how factors influence the development of SMEs within the hospitality industry. To do so, the analysis of the market size, technological infrastructure, linguistic and cultural factors, entrepreneurial dynamics, local market conditions, tourism, and political institutional elements, will be analysed. Those all play an important role in the growth path of SMEs. The specific impacts of these factors will be explored, with a focus on EEs and Asia, aiming to illustrate how they contribute to or undermine the development of SMEs in the hospitality sector and highlighting the strategic importance of adapting to these various influences to ensure sustainable growth and competitive advantage.

1) Market Size

First, the size of the market is of interest in this context, since the larger it is, the higher the revenues and the greater the growth opportunities. Indeed a larger market means more potential customers, leading to higher sales volumes and increased revenues. A larger market also means that the success of one region can amplify the one of another, which would therefore mean that the presence of an SME in one region would positively influence the performance in adjacent regions. For these reasons, regional market integration in Asia is now facilitated by trade agreements and economic partnerships such as ASEAN, increasing the potential for SMEs to access wider markets and benefit from cross-border economic activities (Binder et al., 2023). Larger markets not only offer substantial growth opportunities for hospitality SMEs but also attract investment due to higher potential returns (Kurecic & Kokotovic, 2017), which ultimately also acts as a perspective for growth. Indeed, by reaching out to larger regional markets, SMEs in the hospitality sector will thus be able to expand their operations, diversify their offerings, and better meet the demands of a wider and more diverse customer base, which ultimately boosts their competitiveness and ensures their long-term success. In EEs, the market growth potential is even more pronounced driven by a fast-paced urbanisation and growing middle class, which creates new customer bases and demand for hospitality services. In Asia, the hospitality sector is once again benefiting from the size and growth of the middle class in the region, which is increasing demand for travel and tourism services. Developed Asian countries such as China and India, with their large populations and growing levels of income, hold sizeable market opportunities for SMEs in the hotel and restaurant sector.

2) Technological Dimension of Infrastructure

As for the second factor, thanks to the work of Buhalis & Leung (2020), it is fair to say that the technological dimension of infrastructure plays a major role in solving development problems. Advanced communication systems and modern transport networks form the essential technological infrastructure for businesses in the hospitality sector. Such advances streamline operations, improve customer service, and stimulate innovation. They also facilitate data management, improve marketing strategies, and enhance global competitiveness. In EEs, investments in technology infrastructure are often seen as key milestones towards modernisation and economic development, helping to bridge the gap between developed and developing regions (Le et al., 2023), as they provide SMEs with the right tools to be both locally and internationally competitive (Tri et al., 2019). This is why government initiatives and private investments are increasingly being deployed in EEs to accelerate this digital adoption (Binder et al., 2023). More particularly in Asia, technology infrastructure does vary considerably from country to country, with some developed countries such as Japan and South Korea pioneering technological advances, while other countries in the emerging region are still developing but rapidly catching up by investing heavily in infrastructure to support economic growth and competitiveness in the global market (Tri et al., 2019), with this disparity potentially having a considerable impact on SMEs' ability to compete and innovate effectively (Hoang & Bui, 2015). These investments in technology infrastructure will not only improve operational efficiency but also make these countries more attractive destinations for international tourists and business travellers (Le et al., 2023). It is also worth noting that to further enhance the efficiency and competitiveness of SMEs in the hospitality sector, emerging Asian countries need to invest particularly in the adoption of advanced communication systems and smart city initiatives as well as in the implementation of smart tourism and the integration of advanced digital platforms (Buhalis & Leung, 2020). That said, it is not difficult to understand why investment in this type of technological infrastructure is essential for sustainable growth and competitiveness.

3) Culture and Language

Thirdly, there are linguistic differences which according to this research, can influence companies' choice of entry mode, given that sharing the same language reduces communication barriers and therefore facilitates business transactions (Vidal-Súarez & López-Duarte, 2013). Looking at the impact of language differences on the choice of entry method naturally leads to the next factor: cultural consideration. Language is closely linked to culture and shapes consumer behaviour and expectations. A good example is how cultural nuances influence consumer preferences and perceptions of service quality. Recognizing and adapting to these cultural subtleties is becoming increasingly vital for hospitality businesses looking to establish a strong presence in local markets, especially as globalisation keeps rising(Altman & Bastian, 2023). In EEs, cultural and linguistic diversity can be more pronounced (ASEAN, 2023), representing both a challenge and an opportunity (OECD, 1999). This requires SMEs to be more adaptable and sensitive to local customs and consumer behaviour than in developed countries. Above all, they must develop culturally sensitive strategies to engage effectively with customers and respond to their specific preferences. Particularly in Asia, where the diversity of languages and cultures is immense, this adaptability will improve customer satisfaction and loyalty.

4) Entrepreneurship

Then, are the entrepreneurial factors, which play an essential role in the growth of SMEs by stimulating strategic initiatives aimed at improving operational efficiency and market competitiveness. Companies in all sectors prioritize key objectives such as rationalising production costs, exploiting economies of scale, and expanding their product range to meet diverse market demands. These efforts not only stimulate business expansion but also create opportunities for innovation and market entry. EEs often present particular entrepreneurial opportunities due to their rapidly changing and evolving market environments, characterized by high levels of uncertainty and opportunity (Kurecic & Kokotovic, 2017). They therefore need to adapt to these changing markets and innovate, which will ultimately lead to significant competitive advantages (Tri et al., 2019) and therefore growth opportunities (Yi et al., 2019). Entrepreneurial activities are therefore often encouraged by government incentives and a growing ecosystem of support for startups, (Binder et al., 2023). Indeed, this is the case in Asia too with entrepreneurial activities being supported by government policies and a growing number of incubators and accelerators, which of course encourages innovation and business growth for hospitality SMEs (Binder et al., 2023).

5) Local Market Dynamics Factors

The next factor to consider is local market dynamics. To grow sustainably, companies need to align their development strategies with the specific demands and opportunities inherent in their local market. This requires not only a thorough understanding of local market dynamics but also the judicious integration of these dynamics into the web of entrepreneurial decision-making. In EEs, local market dynamics can vary significantly from region to region (Tri et al., 2019) and will often be shaped by fast urbanisation, a growing middle-class population, and changing consumer preferences (OECD, 1999). This thus requires a deep understanding of local consumer behaviour, economic conditions, and competitive landscapes (Tri et al., 2019) but it also ultimately provides the perfect environment for SMEs to grow and innovate (OECD, 1999). For example, tourism and hospitality markets in countries such as Vietnam have been growing substantially due to the increase in international tourist arrivals, providing an ideal foundation for SMEs to thrive (Kawa et al., 2018). In addition, the dynamics of local Asian markets are also strongly influenced by regional integration initiatives such as ASEAN, which promotes trade and investment flows, thereby improving the business environment for SMEs (Hoang & Bui, 2015).

6) Tourism

Tourism is also an important factor in the development of SMEs in the hospitality sector. The influx of tourists generates a steady stream of customers, boosting their revenues, and this increased demand drives these SMEs to constantly upgrade their services, improve the customer experience, and innovate in general. Additionally, tourism also stimulates local economic development by creating jobs and supporting related businesses in the hospitality sector, such as restaurants, transportation services, and entertainment venues. The benefits of tourism are obvious: it stimulates investment in infrastructure, enhances the attractiveness of a destination, and thus creates an economic environment conducive to the success of hospitality businesses. Indeed, by relying on tourism, SMEs in the hospitality sector can achieve sustainable growth and competitiveness. In EEs, tourism plays a crucial role in economic development, offering SMEs in the hospitality sector significant opportunities for growth and prosperity. For example, in ASEAN countries, tourism contributed around 12.63% of GDP in 2018, illustrating its importance in the overall economic framework (Indriana, 2022). Governments in these regions therefore frequently implement policies to boost tourism, which promotes growth in the hospitality sector (Le et al., 2023). This is also the case in Asia and more particularly in ASEAN, where in 2022, its member countries received a total of more than 136 million international tourist arrivals, representing more than USD 134 billion in tourism receipts (ASEAN, 2022). Tourism fuels the growth of hospitality SMEs by attracting large numbers of international visitors and encouraging investment in infrastructure and services (Buhalis & Leung, 2020), hence the utmost importance for hospitality SMEs to align their strategies with the growth trends of the tourism industry (Kawa et al., 2018).

7) Political and Legal Institutional Factors

The last factors affecting SMEs' development are the political institutional factors such as corruption and political risk, more specifically in a legal and institutional landscape. This regulatory environment presents both challenges and growth opportunities for SMEs. It is therefore necessary for companies in the hospitality sector to navigate effectively through its complexities and make good use of opportunities specifically linked to their region, sector, and so on (Kurecic & Kokotovic, 2017). The quality of political institutions and their stability are particularly important, as they can have a considerable impact on the confidence of your potential partner and your overall business environment (Hoang & Bui, 2015). This is not to the advantage of EEs which, although their regulatory environment may vary, often face higher levels of political and institutional risk (Kurecic & Kokotovic, 2017) due, for example, to higher levels of corruption and regulatory instability (Binder et al., 2023). Corruption can play both a "grease in the wheels" and a "sand in the wheels" role depending on its level and context (Abotsi, 2016). Indeed, when corruption is moderate, it can act as a lubricant by helping companies overcome bureaucratic inefficiencies and speed up processes. However, when corruption becomes excessive, it creates significant obstacles to business operations, increasing costs and uncertainty. This dual role is highlighted by Abotsi (2016), who introduces the concept of the corruption tolerable investment level (CTLI), suggesting that below a certain threshold, corruption may facilitate business activities, but above that threshold, it severely hampers economic performance and investment attractiveness (Abotsi, 2016). However, it is clear that these risks, whether corruption or regulatory instability, can be mitigated through strategic partnerships and an understanding of local regulatory frameworks (Kurecic & Kokotovic, 2017). Now more specifically in Asia, where the political landscape can also vary considerably, some countries offer stable and transparent environments while others face higher levels of corruption and political risk (Kurecic & Kokotovic, 2017). Strategic navigation of these factors is therefore clearly essential for SMEs to take advantage of opportunities in the region.

Simply put, several factors have an impact on the development of SMEs in the hospitality sector. A larger market increases revenues and growth opportunities, enabling SMEs to expand operations and diversify offerings. While technological infrastructure enhances operational efficiency and fosters innovation, providing SMEs with tools to compete locally and internationally. There are language and cultural factors that influence market entry and customer engagement, necessitating cultural adaptability for better customer satisfaction and loyalty. Entrepreneurial dynamics drive operational efficiency and market competitiveness, supported by government policies and entrepreneurial ecosystems. Local market conditions and tourism offer a steady flow of customers and stimulate economic development, providing a robust foundation for SMEs to thrive. Last but not least, navigating the political-institutional landscape presents both challenges and opportunities, requiring strategic adaptation to leverage growth opportunities and mitigate risks. Understanding and leveraging these factors is essential for the sustainable growth and competitiveness of SMEs in the hospitality sector, particularly in Asian EEs.

2.4.2. Attractiveness Factors for Future FDI in The Hospitality Sector

By gaining a deeper understanding of the complexities of SMEs in the hospitality sector, it is evident that local knowledge and networks play a vital role not only in tackling development challenges but also in attracting foreign direct investment (FDI), which will be the first financing method being analysed in this paper. FDI is crucial to international economic integration. An FDI happens when an individual or a company from one country directly invests in the production or business in another country. This can be done by buying an existing company in the country of interest or by starting a new business there. FDI often refers to activities such as intra-company loans, building new facilities, and mergers and acquisitions (M&A) (Tülüce & Doğan, 2014).

Building on our explanation of local knowledge and networks and through our analysis of the different factors influencing the development of SMEs, this section will explore the various factors that make destinations attractive to FDI. By looking closely at the interconnection between market dynamics, cultural subtleties, entrepreneurial considerations, technological advances, and legal and institutional frameworks, the aim is to understand what shapes investment opportunities for leveraging the potential of FDI and promoting sustainable growth within the sector.

1) Market Size

The first factor influencing these investments is the market size (Tokunaga & Iwasaki, 2017). Market size is a key factor for attracting external financial resources (FDI) in the hospitality sector, due to growth prospects thanks to access to larger consumer bases. Moreover, the interaction between regional economic dynamics and FDI shows how important it is to consider not only national but also regional contexts when examining development strategies

(Crespo & Fontoura, 2007). Regions within EEs can have very different economic dynamics, which in turn will affect their attractiveness to FDI (Tri et al., 2019). Southeast Asia's regional economic integration through initiatives such as ASEAN is increasing the overall size of the market, thereby enhancing its attractiveness to FDI (Yi et al., 2019). In fact, in EEs within the ASEAN region, market size plays an even more decisive role because of fast economic growth and the expansion of the middle class, creating major opportunities for foreign investors in the hospitality sector (Tri et al., 2019), thanks to the growing demand for hospitality services (OECD, 1999). GDP growth rate also has a positive and significant effect on FDI flows into ASEAN countries, further underlining the importance of market size (Bahtiar et al., 2024). As of 2022, FDI in ASEAN increased by 5.5%, amounting to US$ 224 billion (ASEAN, 2023), emphasizing the growing attractiveness of the region on account of its expanding consumer base and rapid economic development, and thus the importance of market size and economic growth in attracting foreign investment (ASEAN, 2023).

2) Infrastructure

Secondly, infrastructure was also pointed out. It appears that infrastructure-related "bureaucratic obstacles" play an important role in attracting FDI (Abotsi, 2016). The term "bureaucratic obstacles" is used here to refer to the administrative and regulatory challenges that companies may face when dealing with government agencies or public authorities. These can include long approval procedures for individual permits or licenses, unclear regulations, excessive paperwork, and delays due to inefficiencies. These obstacles will indeed increase the cost and time needed to develop an infrastructure, making a destination less attractive to foreign investors. Tackling these bureaucratic obstacles by simplifying administrative processes and enhancing transparency can significantly boost a destination's attractiveness to FDI, especially in a sector like hospitality. In many EEs, improving infrastructure and reducing bureaucratic obstacles is considered a key factor in attracting FDI, as better infrastructure reduces operational costs and improves overall business efficiency (Tri et al., 2019), which is essential for the hospitality sector (Kawa et al., 2018), as this will make these destinations more competitive on a global scale (Le et al., 2023). Hence, in these regions, improving infrastructure is often at the core of development policies aimed at attracting FDI (OECD, 1999). Investment in smart infrastructure would be particularly beneficial in EEs, as technological advances were proven to improve operational efficiency (Buhalis & Leung, 2018). More specifically regarding the hospitality sector, smart hospital infrastructure, such as interconnected systems and cloud-based services, would reduce operational costs and improve service delivery, making it more attractive to investors (Buhalis & Leung, 2018). In Asia, this kind of investment in the hospitality sector has been crucial in attracting more FDI, especially in rapidly emerging countries such as Indonesia and Thailand (Buhalis & Leung, 2018). Indeed in Asia and particularly in the ASEAN region (Kawa et al., 2018), governments have been investing heavily in infrastructure development, which has boosted the region's attractiveness to foreign investors (Le et al., 2023).

3) Culture and Language

A third factor of considerable importance concerns culture and language. Linguistic proximity is a critical factor that strongly influences FDI inflows (Tocar, 2018), allowing one to understand how much people value effective communication and cultural understanding in business operations (Bahtiar et al., 2024). Taking advantage of linguistic and cultural similarities can improve the ease of doing business for foreign investors, thereby boosting FDI inflows (Dewi et al., 2023). In EEs, and particularly in ASEAN countries, the skill of being able to navigate multiple languages and cultural contexts is particularly important as populations and cultural landscapes are diverse (Tocar, 2018). As is the case in Asia, this linguistic and cultural diversity can be either a barrier or a bridge for FDI, depending on the strategies adopted by host countries to welcome foreign investors (Sabir & Khan, 2018). Countries that encourage multilingual capabilities and cultural openness, such as Malaysia, tend to attract more FDI in the hospitality sector (OECD, 1999), as they facilitate better communication and integration for foreign investors (Yi et al., 2019).

4) Entrepreneurship

The next factor is entrepreneurship. Foreign investors' motivations are mainly related to cost advantages, economies of scale, and product diversification (Gauselmann et al., 2011). EEs, particularly in the ASEAN region (Tri et al., 2019), present entrepreneurial opportunities like lower labour costs and high potential return on investment, which is very attractive to foreign investors looking to maximize returns (Tri et al., 2019). Asia's entrepreneurial ecosystem is evolving rapidly, with many start-ups and innovative companies attracting the attention of foreign investors (Binder et al., 2023). Indeed, ASEAN countries have invested heavily in the manufacturing and digital economy sectors, driven by cost advantages and entrepreneurial opportunities (ASEAN, 2023).

5) Political Institutional Factors

In fifth place are political institutional factors, corruption, and political risk. Such variables can shape potential investors' perception of risk and consequently influence their FDI decisions in the hospitality sector (Buhalis & Leung, 2018). In emerging Asian economies, corruption can play a dual role, as discussed above, as both an obstacle and a facilitator of business transactions, meaning that it must be carefully managed to create an environment conducive to FDI (Kawa et al., 2018). However, reforms to improve governance and reduce corruption, have been making these economies more attractive to foreign investors (Sabir & Khan, 2018), as they have a direct impact on investor confidence and the perceived risk of investment (Le et al., 2023). For example, by implementing smart governance practices in Asia and leveraging technology to monitor and reduce corruption, as seen in developed Asian countries such as Singapore and Hong Kong, the region's attractiveness to foreign investors could be enhanced (Buhalis & Leung, 2018).

6) Legal and Institutional Factors

Lastly, there are legal and institutional factors that have an impact on the attractiveness of future FDIs. The concept of affiliation to a legal family (countries with equivalent legal systems) is particularly interesting here. Indeed, this concept suggests that similarities in legal frameworks can be attractive to investors, giving them a sense of familiarity and reducing any potential risks they may perceive associated with navigating foreign legal systems. Exploring legal family affiliation thus clearly highlights an essential facet of understanding the central role of legal systems in FDI decisions (Tocar, 2018). The adoption of international legal standards and practices in EEs can provide a more predictable and stable business environment, thereby attracting more FDI (Hoang & Bui, 2015) In Asia, the alignment of legal frameworks with international standards is happening at the moment and is proving to enhance the region's attractiveness to foreign investors (Kurecic & Kokotovic, 2017).

To summarize, attracting FDI to the hospitality sector depends on a multi-faceted combination of factors. Market size is key, as it offers growth prospects thanks to larger consumer bases. In Asian EEs, rapid economic growth and the emergence of a growing middle class are making the market much more attractive to FDI, creating opportunities for foreign investors. Efficient infrastructures and streamlined administrative processes enhance the appeal of destinations. In regions such as Southeast Asia, investment in intelligent infrastructure and the reduction of bureaucratic obstacles have proved essential in attracting FDI. Cultural and linguistic proximity facilitates effective communication and investor trust. Asia's diverse cultural and linguistic landscape can either act as a barrier or a bridge for FDI, depending on the host countries' strategies in terms of multilingualism and cultural openness. Entrepreneurial opportunities, including cost advantages, stimulate FDI flows. Asia's evolving entrepreneurial ecosystem, characterized by lower labour costs and high potential returns, continues to attract significant foreign investment. Favourable political and legal environments, in particular low corruption and minimal political risk, shape investor perceptions and decisions. EEs such as Vietnam and Thailand have implemented governance reforms to reduce corruption, making them more attractive to foreign investors. In addition, belonging to a legal family provides foreign investors with a sense of familiarity and security. The alignment of legal frameworks with international standards makes the region even more attractive to FDI. Through understanding and taking these elements into account, a destination can considerably enhance its attractiveness to FDI. Having examined in detail the factors that attract FDI and promote the growth of an SME in the hospitality sector in this chapter, the focus now turns to the analysis of the financing methods, at their core, available to foreign-owned SMEs in emerging Asian economies.

2.5. Foreign Direct Investment Patterns in Emerging Asian Economies

One of the most interesting financing methods foreign-owned SMEs should think about attracting are foreign direct investment (FDIs), coming from multinational enterprises (MNEs), private equity firms, or individual investors. As a lot of money is invested in EEs (Gomez-Mera et al., 2015), SMEs within those economies benefit from that attractive investment climate due to the economy's growth prospects. Moreover, Asia is the most attractive destination for FDIs because of the regional trade agreements (RTAs) which allow for future expansion thanks to reduced trade barriers (Sahoo, 2012). But mostly it is advantageous for SMEs to have access to this external financing because it does not impact any repayment of capital or interest, therefore it should be one of the first financial resources they should try to get.

2.5.1. Overview of FDI

As said before, FDIs are not only made by MNEs but also by private investors or private equity firms. In EEs and specifically emerging Asian economies, along with MNEs investments, there has been a considerable increase in private equity investment (Yoshikawa et al., 2006). First, private investments from business angels (BAs) are analysed. Business angels might choose to invest in EEs because these are attractive environments for them due to their strong economic growth and the large number of investment opportunities. However, they might also encounter challenges like high costs of transactions and lower returns, which is why finding BAs in these economies could be quite difficult (Scheela et al., 2015). To succeed in emerging markets, BAs need to network effectively to discover investment opportunities, collaborate on investments, and oversee their investments carefully (Scheela et al., 2015). Private equity firms have a different approach. Indeed, shareholders of private equity firms indirectly invest in EEs through the firms' investments, which is similar to shareholders of MNEs allocating resources to businesses in EEs (Agmon & Messica, 2009). This means that the FDI's decisions will be based on the same criteria: they will not take too many risks with these investments. Indeed both criteria such as investing in an SME and investing in an EE are risk-taking factors because of the limited resources to react to an economic downturn for the SMEs or uncertainties like corruption or political instabilities in these EEs. Because shareholders of private equity firms are primarily focused on profit, the risks mentioned before, make it difficult for SMEs to generate the desired returns, complicating the investment environment for SMEs.

2.5.2. Sectors Attracting FDI in Emerging Economies

Factors such as low labour costs and prospects for future growth in these economies are attracting FDI, as this will benefit their profitability. EEs are aware that private capital inflows, especially FDI, offer many advantages such as capital creation, technological and skill transfer, and global market access. Looking more closely at these private capital inflows, their most striking feature is that they do not generate repayment of capital or interests (Bhagwati, 1994). The benefits of FDI spillover are additional to the primary benefits of increased national income due to new investment (Meyer & Sinani, 2009). When talking about these investments, questions arise about the level of investment in each sector. It turns out that not all sectors are being equally invested in even though both developed and developing market economies offer portfolio diversification. Service sector companies focussing on customers within their local markets are more affected by transaction costs resulting from regional and cultural disparities (Zhao et al., 2004). These costs are associated with difficulties adapting to those cultural norms or managing different regulatory frameworks in various locations. When it comes to investors in the service sector, they tend to prefer host markets that are geographically closer to each other and more comparable (Dikova et al., 2010). This means that having a deep understanding of the local market is more important in the services sector than it is in the manufacturing sector, which has already been mentioned before. Moreover, given that their main motivation is to access new markets, investors in the service sector tend to place a higher value on the size of the domestic market than do enterprises in the industrial sector, depending on the type of FDI. As this desire to expand into new markets is also the main motivator for investment in both export-oriented industries and domestic services such as retail, not all FDI sectors have the same level of attractiveness. It can eventually be concluded that the least attractive sector for FDIs could be the service sector because of the transaction costs resulting from regional and cultural disparities.

2.5.3. Policies Attracting FDI in Emerging Economies

Over the past two decades, one out of every three dollars invested abroad went to firms in emerging countries. These investing companies, which are mainly big manufacturing industries or industries promoting technological advancements, have become major sources of FDI and increasingly significant players in global markets (Gomez-Mera et al., 2015). Thanks to a considerable increase in FDI, SMEs in stable countries result in easier access to funds. However, these SMEs must meet certain criteria, such as being located in balanced countries rather than economically unstable countries, with a fragile banking system, as all these factors make them unattractive to FDI due to their limited growth prospects. This is why countries must ensure efficient economic management of their monetary policy, fiscal burden, banking, and finance to benefit from these foreign inflows. To attract these potential foreign investors, the governing authorities need to provide an investment-friendly climate. They can do this in the form of tax breaks in different sectors, reduced trade barriers, liberalisation of the share market, and corruption control (Ullah et al., 2018). To make them more attractive to FDI, these EEs should also have minimum government intervention, low-level corruption as mentioned above, and strong property rights (Sambharya & Rasheed, 2015). Another advantage of foreign capital inflows for an economy is that they smooth out its spending when faced with unexpected external shocks. Using Southeast Asian countries as an example, for them to create a more favourable domestic investment climate and thus attract more foreign private capital inflows into their region, they need to adopt privatisation, deregularisation, and liberalisation, thereby granting them more economic freedom.

2.5.4. Regional Trade Agreements & Preferential Trade Agreements

As a fast-growing continent in terms of EEs, Asia is an attractive destination for foreign investments and one of the main reasons for its attractiveness lies in the increasing number of Regional Trade Agreements (RTAs) in Asia (Sahoo, 2012). However, two conflicting trends are discernible: on the one hand, there seems to be a trend toward greater regionalisation in trade. On the other hand, with declining communications and transportation costs, the average number of trading partners for each country has increased over time and more and more companies are involved in long-distance trade. Indeed, the latter trend would normally suggest that regionalisation should be declining, as shown by the increase in the number of preferential trade agreements (PTAs) signed with distant nations. But what is happening is that the PTAs are not decreasing RTAs because these PTAs are happening also inside the region. After all, PTAs within the region have lower costs of administration and transport than if they had PTAs with long-distance nations outside the region. Moreover, there is a sense of unity thanks to RTAs and the cost will be lower than those PTAs between distant nations so RTAs are even more attractive for FDI than countries with a lot of PTAs (Hanson, 2012). Nevertheless, regional trade agreements are increasing and this is simply because those nations that are geographically closer are more susceptible to be natural partners for preferential trade agreements, as the costs associated with geographical transport tend to be lower for closer countries they will be more likely to trade with each other than with more distant countries.

This reduction of trade barriers can trigger an increase in FDI, especially from companies participating in vertical FDI, which are investments that occur when a firm in an industrialized country reduces its cost by relocating its production process to countries where wages are lower (Protsenko, 2004). The same conclusion can be drawn when looking at companies involved in horizontal FDI since these are generated because it is too costly to serve the foreign market through exports, due to transportation costs or trade barriers. (They will invest in creating subsidiaries to serve the foreign market). This reduction in tariff protection within a free-trade zone affects both horizontal and vertical FDI from the rest of the world (Protsenko, 2004). Another reason for the expansion of vertical FDI in particular is purely due to the simplification over time of exporting final products to the nations of origin of the company or other countries within the region.

2.5.5. FDI within ASEAN

The implementation of the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement (AFTA) in 1993 marked an important turning point in the history of FDI flows to the ASEAN region. Before this landmark agreement, positive trends were discernible in FDI flows, making it possible to carry out an in-depth examination of the impacts following the introduction of this treaty. The consequences of the AFTA are that more agreements took place than before its implementation (Lee & Shin, 2006).

Focussing now more closely on investments happening between ASEAN members, it is interesting to note that the ASEAN5 members (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) invest less in each other than in the new ASEAN members. A recent analysis also reveals a decline in such mutual investments between the original ASEAN members, as well as a significant increase in investments in new ASEAN nations, such as Vietnam, Laos, Brunei, and Myanmar. One of the reasons for this significant increase in investment in these new ASEAN member countries is none other than the East Asian financial crisis that broke out in 1997, which led to East Asian economies having to work together even more closely on economic policies. Due to this increase in regional trade and financial cooperation, East Asian economies were becoming increasingly interdependent (Ismail et al., 2009).

The first financing method foreign-owned SMEs could think of is the FDIs and unfortunately, there are more complexities in attracting them than one might think. First, the hospitality sector does not attract investors, whether equity firms or MNEs, because of cultural disparities. This might suggest that the fact that there are RTAs, there seemed to be an opening for an increase in FDIs but the sector is also the problem here because RTAs will mainly benefit the export sector and not the hospitality sector. Finally, FDIs may not have the expected impact and, even though SMEs are part of an EE within a system where RTAs are present, they will thus not be targeted by these companies' FDI. Since all sorts of FDIs are not viable, SMEs could look at other financing methods, more precisely external financing such as local bank loans.

2.6. Ripple Effect of Foreign Direct Investments on Local Bank Loan Dynamics

Another external financing method being analysed in this paper is bank loans. Something worth noting is that there might be a boost in loans thanks to more FDIs entering the country because they will boost the domestic company's prosperity. As a result, foreign-owned SMEs could benefit from a boost in bank loans to launch their project.

When a domestic company prospers, it often creates new job opportunities and supports employment within the community. Thanks to the resulting job stability, employees have more disposable income and, potentially, higher wages. This can result in increased consumer spending on goods, services, and necessities of life. The former creates a situation where workers can resort to domestic banks to meet their financial needs, potentially increasing demand for loans, which benefits local banks as they will receive more interest. It is not a certitude that employees receive their loans because banks, depending on the monetary policy, will have to choose between either allocating their money to loans or securities purchases (Kahn, 1991).

2.6.1. The Role of Monetary Policy in Loan Allocation

This means that depending on the monetary policies, fewer loans could be given to employees, which would be the same case for SMEs local or foreign-owned. SMEs have limited loan options for financing credit, so if banks do not grant them, the most common alternative for debt financing will be microfinance (Finnegan & Kapoor, 2023). So, even though there is an enhancement of domestic firms thanks to FDI, it does not affect the credit sector, since they depend on factors such as monetary policies.

2.6.2. The Relationship Between Success and Government Revenue

To understand the point stated above, about the ripple effect of FDI, it is important to know that the good performance of a national company affects not only its short-term financial results, but also other elements, such as certain aspects of the community’s economy, or the way it interacts with the National Bank’s funds. This makes sense given that a national company’s success contributes strongly to increased government funding, due to workers paying more taxes to the government because of their larger taxable base and companies paying more corporate income taxes (Nunns & Toder, 2017). As stated before, business growth would also increase individual incomes, higher wages logically mean that workers will have to pay more taxes to the government, including income taxes and social security contributions. The same kind of conclusion concerning companies can be drawn: if they prosper, and therefore create increased profits, this will increase their corporate income tax obligations. It is now easy to understand that when businesses prosper, they lead to an increase in consumer spending, as concluded above, which in turn leads to the creation of new indirect taxes for the government, such as sales tax and VAT (Value-Added Tax) (Nunns & Toder, 2017), meaning they generate a positive economic cycle. In other words, they stimulate economic growth by broadening the tax base and increasing government revenues. Thanks to increased government funding, more money could be injected into banks or subsidies could be handed out.

2.6.3. Sectoral Risk in the Service Industry

An additional point regarding banks in EEs is that they are either private or state-owned, and if a lot of them are state-owned, economies will have more money available for local long-term investments (Prasanto et al., 2020), which could be beneficial for SMEs' access to capital thanks to loans, microcredits, or subsidies, and consequently have an impact on the growth of the domestic economy. Nevertheless, it once more depends on monetary policies if loans will be given or not even if a lot of FDIs are happening. In the service sector, there seems to be a strong correlation between new firm formation and the tax capability of local governments, such as through subsidies (Wong, 2004). However, this is not the case with the attractiveness for banks to invest in the service industry.

As mentioned above, another problematic issue for SMEs is that banks will not invest in SMEs in every sector. For example, banks reduce their exposure to companies in sectors such as food and beverage (F&B), which are tertiary sectors because they rank as the riskiest. Bank loans are given to less risky sectors such as the gas and oil industry, this comes due to the network effect, which holds that the network structure affects the way shocks spread within sectors can affect how they spread and can either increase or decrease their effect (Silva et al., 2018). Moreover, the risky sectors are unattractive because of their market volatility, competitive pressures, and supply disruptions. Whereas, the safer sectors are more attractive because risks are mitigated thanks to diversified portfolios or better risk assessments.

To conclude, the indirect effect of FDIs on enhancing the banking system would boost the number of loans, which could have been beneficial for foreign-owned SMEs. It can be said that due to monetary policies and a sector that is unattractive for banks, bank loans might therefore not be the best financing method.

2.7. Bank Reluctance and Institutional Influence in Small Business Financing

Knowing that the hospitality sector is not attractive for banks to invest in and monetary policies promoting security purchases can reduce the number of loans. One might think that those would be the only issues for foreign-owned SMEs to access bank loans but other barriers arise.

2.7.1. Dependency on Banks for External Credit

Unlike large, publicly traded firms, which have access to capital markets, SMEs are more dependent on banks. This is why commercial banks, with their widespread availability and their understanding of local markets, could be the most important source of external credit for those SMEs. Since, it is also found that foreign-owned firms are heavily dependent on internal financing, while state-owned or local firms are much less so (Dong & Men, 2014).

2.7.2. Barriers to SMEs Accessing Bank Loans

First, Finnegan & Kapoor (2023) suggest that lending to SMEs is particularly unattractive due to the fact they tend to be highly opaque when it comes to information, particularly credit information, leading to both moral hazard and adverse selection issues. They also suggest that a more concentrated banking sector is the second reason behind the difficulties in SME financing. This arises because commercial loan interest rates tend to be higher in more concentrated banking markets (Di Patti & Dell'Ariccia, 2004). Moreover, bank loans can result in more than interest, SMEs also have to pay non-price terms which makes it more difficult for them to borrow (Kahn, 1991). Consequently, this creates a barrier to the development of SMEs due to their limited financial resources. The findings on bank concentration say that it mostly contains commercial banks, increases obstacles to obtaining financing, even more in EEs, and that overall the effect of bank concentration on growth is negative (Beck et al., 2004). The authors further explain that the effect of this bank concentration is intensified, in countries (EEs or not) where there are more restrictions on banking activities, where government interference in the banking system is high, and where the share of government-owned banks is greater.

Lastly, company size plays a fairly important role when it comes to understanding these financing patterns. As pointed out earlier, SMEs are less inclined to use external financing, especially from banks, as they are less attractive to banks than large MNEs.

Having read the above, one quickly understands that it is possible but not easy for an SME to obtain these external sources of financing, given that those from development banks and other government sources are used to a greater extent by MNEs. Therefore, the most effective way to improve this access for SMEs would be through institutional reforms to address those weaknesses in the legal and financial systems (Beck et al., 2008), which is why SME financing in EE is determined by economic development and institutions, such as GDP per capita, economic progress, economic freedom, and corruption.

The conclusion to be drawn here is that, even though increasing FDIs would strengthen the local banking system, the banking sector will not be interested in financing local or foreign-owned SMEs for all the reasons already mentioned above but mostly due to the opacity of their credit information, which reduces creditworthiness. Another factor preventing SMEs from accessing credit is the concentration of banks that are more common in EEs because of their higher proportion of state-owned banks. For the time being, this means that foreign-owned SMEs have to rely more heavily on internal sources of financing, or other external financing methods such as subsidies, microcredits, or funding from family and friends rather than getting financial resources through debt.

2.8. Subsidies

Given the likelihood that bank financing will not be available, other options have to be reviewed. In the landscape of financing options available to foreign-owned SMEs, external sources of financing stand out as fundamental support sources shaping their growth trajectory. Among these formal external sources, government subsidies appear to be particularly strong incentives, especially for attracting foreign investors and boosting economic development. The aim here is to explore the various financial incentives provided by governments, with a particular focus on subsidies as an essential tool for encouraging foreign investment and supporting the establishment and expansion of foreign-owned SMEs. By examining both the nuances of this financial incentive and its implication for local and foreign-owned SMEs, the goal is to clarify the versatile nature of domestic financing mechanisms and to highlight the strategic importance of leveraging it for sustainable growth and expansion in domestic and international markets.

2.8.1. Differentiating Subsidies and Tax Incentives

Many countries provide financial incentives such as subsidies to entice foreign investors to invest in their economies. It is important to note that a distinction is made between subsidies or donations and the income tax exemptions used by low-income countries to attract investment (Van Parys, 2012). Nevertheless, even if these incentives are not considered subsidies or donations, they still encourage foreigners to invest in the given low-income country and could thus help set up or develop an SME. An important remark is that subsidies given to foreign investors in the form of tax concessions are not given to local or foreign-owned SMEs, but mostly to foreign MNEs (Hanson, 2001). Moreover, the sectors targeted by these tax incentives are mainly products intended for domestic markets, extractive industries, and export-oriented sectors, but not the hospitality sector. They, therefore, do not apply to SMEs and to firms in this sector, which is the focus of this research.

Today, rather than just being able to reduce their taxes, an alternative option is available to businesses where they can now receive a net subsidy instead of using the previous option. This is a solution imagined and introduced by the government, with the main idea being that the benefit for domestic workers generated by attracting new (foreign) investors and their mobile firms (firms in sectors such as manufacturing or services that expand their operations because of the opportunities offered by these government policies) will outweigh the fiscal cost of this program for the government (Peters & Fisher, 2002). This means that attracting foreign firms, SMEs, or MNEs, into the host country through these government-distributed subsidies will increase the demand for labour, thereby increasing the domestic wage and at last raising the income taxes, which will generate a bigger profit than the cost of the subsidy (Sharma, 2017).

2.8.2. Subsidies for Foreign-Owned SMEs and Export-Oriented Sectors

Suppose the company sets up a subsidiary SME abroad, meaning the foreign-owned SME would be locally incorporated, in that case, these subsidies, granted by the national government of the country in question, will be available to them since it wants to lure foreign investors (Hanson, 2001). Otherwise, if the host country does not offer such subsidies to foreign companies, the subsidiary SME might receive subsidies from its home country if the sector in which it works is export-oriented because it could be exporting its products or services to its home country (Weiss, 2005).

2.8.3. Establishing a Presence in the Host Country to Access Local Subsidies

Returning to the situation where a foreign-owned SME, independent of any MNE, decides to develop itself in a host country. As mentioned in this research, the company must first establish its presence in the host country through various means, to benefit from local subsidies. Reasons for this include the advantage of being perceived by local authorities as local rather than a foreign company, and competitive advantages such as lower costs. Moreover, subsidies can be provided at different stages of a firm's development. For example, when an SME wants to expand its market reach, market development-related assistance programs can play a major role in supporting the company's initial efforts to enter international markets through export activities (Shamsuddoha et al., 2009). Another point that is of particular interest is that subsidies might be handed out by local governments to local or foreign-owned SMEs that promote innovation and R&D within their firms (Mateut, 2018), in sectors such as IT, energy, manufacturing, etc.

In conclusion, subsidies as financial assistance entice foreign investors to invest in the host economy and support the development of local and foreign-owned SMEs domestically and internationally. SMEs implemented in a foreign country will only have subsidies from the host government if they focus on innovation and are in sectors such as export, IT, energy, and similar fields. Moreover, they will not receive any subsidy from their home country if they have no subsidiaries operating in the export-oriented sector. This means, once again, that a foreign-owned SME in the hospitality sector will not attract this kind of financing resources given that this is neither the targeted sector nor a subsidiary export-oriented.

2.9. Microfinance

The formal financing method that will be analysed in this paper is another external financing method: microcredit. This financing method enables foreign-owned or local SMEs to have small loans, which require small administrative procedures and get you a foot in the door when starting or developing their company.

2.9.1. The Broad Impact of Microfinance: Expanding Scope and Supporting Small Businesses

Microfinance is more extensive than microcredit. Indeed, it includes not only loans but also savings and insurance services (Taiwo & Benson, 2016). However, Microfinance Institutions (MFIs) deliver financial services to people with limited access to formal financial institutions

(Conroy, 2003). Microfinance is often described as banking for the underprivileged because it provides them with maintainable revenue through low-interest loans (Rolando, 2010). In response to small business owners' needs and regular banks' reluctance to serve rural areas, microfinance banks were established to provide microcredits and ensure widespread access to reach as many people as possible. These banks are essential for expanding financial services accessibility, ending poverty, and enhancing economic development (Taiwo & Benson, 2016). Microfinance, including microcredit, is crucial in providing financial services to small-scale businesses often overlooked by traditional banks (Yunus, 2008).

By the early 2000s, more than 150 million borrowers worldwide were using MFIs, showing their wide scope (Goenka & Henley, 2013). Small, independent microfinance institutions like Village Credit Institutions contributed significantly to this reach (Charitonenko et al., 2004). These successful MFIs succeed due to good financial management, flexibility, government control, and broad outreach, lending small amounts to individuals instead of groups (Goenka & Henley, 2013).

The analysis of microfinance, specifically microcredit, in EEs reveals both positive and negative aspects. The first positive aspect is that microcredits are available to everyone who wants to start a business whatever the sector, and whether they are a foreigner or a local. Also, MFIs have interest rates at cost-covering levels which shows that their goal is not to make excessive profit. Turning to the negative aspect of these microcredits is that the amount is too small, which is insufficient to develop an SME, as the biggest target of these credits is poor people starting a business.

2.10. FFF (Family, Friends, Fools)

Having noticed that raising external funds is very complicated because of the sector, the size, and the new environment. Internal financing, such as bootstrapping is an easier way to get funds and is the first financing method used by local or foreign-owned SMEs (Fadil & St-Pierre, 2021). It follows a certain logic because showing commitment, risk-taking, and belief in the project is important to progress in attracting external funds for further development. Following this logic of internal financing as a first step, the next step and the closest to that internal financing method might be seeking informal investment from close connections: family, friends, and fools. Consequently, by granting access to low-cost financing, a tradition of close family and community networks may reduce market failures, such as discrimination in the formal credit market (Irwin & Scott, 2010). According to sociological studies, informal support networks such as connections with friends and family are stronger among ethnic minority migrants. Thus, friendship and kinship networks play a more important part in influencing ethnic minorities' decision to launch their firms (Volery, 2007).

2.10.1. Trust-Based Financing and Reduced Market Frictions

Another argument proving the feasibility of this financing method is that, as seen with the bank's reluctance to give credit to SMEs due to moral hazard or adverse selection, here with close connections, there are no contracting frictions due to information advantages when lending you that money (Mutsonziwa & Fanta, 2021). These relationships based on trust help secure the necessary funds. Entrepreneurs use family finance to reduce moral hazard, making it easier to secure outside cofinancing later if needed. Contrary to formal finance such as bank loans or subsidies which only boost the performance of larger firms, informal finance promotes the growth of SMEs.

2.10.2. Limitations of Informal Financing

However, there is one negative point that has to be mentioned about the informal financing method, which is that it often has insufficient funds and that it may be costly. FFF may require a higher return to justify the opportunity cost of not using their money elsewhere or because of limited available funds. Therefore, the entrepreneur might need to secure multiple small investments, which can be time-consuming and inefficient. Small business advisors encourage entrepreneurs to think twice before borrowing from family and to see family finance as "a last resort, not a first resort" (Lee & Persson, 2016). Another hitch with informal financing is that even though FFF finance increases access to funds it comes at the price of reduced risk-taking from the entrepreneur limiting business growth as he would not want to lose all that family money or he would be limited in his financial resources. For that reason, that informal financing method is called a stifled investment (Pinto-Gutierrez et al., 2023). To avoid this hitch, contracts and third-party intermediaries such as lawyers or financial advisors will help maintain a healthy relationship and prevent entrepreneurs from holding back on their investments. However, the effect of stifled investments is relative because the largest informal financings involve strangers, not relatives or friends. Lastly, in financial practices in EEs, although family finance is the most prevalent and typically the cheapest form of informal finance, it is often not the most preferred option, because, in reality, the preferred and most widely used form of financing is the one involving strangers (Collins et al., 2009).

To conclude, in EEs where formal financing is difficult to secure, informal financing from close connections like family and friends or from strangers who are from the same ethnic minority is a viable option to develop a foreign-owned SME. To avoid the problems of FFF financing, the best option would be to use formal contracts and neutral third parties to reduce the negative effects of combining social interactions with financial transactions.

2.11. Conclusion

In this literature review, the key findings show that the context of EEs is that they are low-income countries that drive their rapid growth through economic liberalisation. For foreign-owned SMEs to succeed in these emerging Asian economies, understanding cultural and operational differences is the first step towards development. In addition, local knowledge and having a network are essential for the growth of SMEs in the hospitality sector, enabling these SMEs to adapt to new trends and regulatory changes. Cooperative networks with local partners and authorities create a supportive environment, helping businesses mitigate risks, seize opportunities, and remain competitive in Asia's diverse and rapidly evolving economies. With the importance of local and network knowledge, other key factors impacting SME development in the hospitality sector include market size, technological infrastructure, cultural adaptability, government support, local market conditions, and political landscapes. These factors are fundamental for the development of SMEs and their attractiveness, making them more appealing for external funds.

Attracting FDIs in the hospitality sector is very complex, therefore SMEs might consider alternative financing methods such as local bank loans. However, these may not always be feasible either because there are strict monetary policies or because of the unattractiveness of SMEs in the hospitality sector, due to the opacity of credit information. Another option could be subsidies, but those are often focused on innovation and sectors like export, IT, and energy, rather than hospitality. Consequently, the hospitality sector faces multiple struggles to attract these financial resources. In EEs, where formal financing is challenging, informal financing from close connections thus becomes a more viable option for developing foreign-owned SMEs. Using formal contracts and neutral third parties will mitigate risks associated with informal financing. This research presents a final option, microfinance, specifically microcredit, an option accessible to anyone starting a business, but on the other hand, the amounts are often insufficient for developing SMEs, as microcredits primarily target poor individuals starting micro businesses.

From this theoretical research emerged a clear research question: “ What financing methods can promote the growth of a foreign-owned SME based in Asian Emerging Economies methods ?”, in an attempt to provide answers to this research question, three specific hypotheses. These focus on the need for foreign entrepreneurs developing SMEs in the hospitality sector within Asian EEs to understand local culture and the legal environment, the difficulties they encounter in getting financing from local financial institutions, and their dependence on personal capital and informal funding sources.

In conclusion, foreign-owned SMEs in emerging Asian economies have to navigate a complex financial landscape. While FDIs and local bank loans present challenges, alternative financing methods such as subsidies, microcredits, and informal financing offer potential avenues for support. Strategically choosing financing methods, is key for the sustainable growth and long-term success of SMEs in the hospitality sector within these dynamic and rapidly evolving markets.

3. Methodology

This chapter will detail the methodology used to carry out this study. First, it will specify the type of research chosen and the reasons that led to this choice in the strategic research. Followed by the explanation of the data collection method, including semi-directive interviews, the main topics covered, and the selection of interviewees, with details of the four categories of interviewees, and the data collection tool used. Finally, a description of the data analysis method will be made.

3.1.Strategic Research

Although foreign entrepreneurs coming to develop SMEs in Asian emerging economies are becoming more and more popular, the subject from a research and studies perspective is still quite niche and even more so in the specific context of the research as several very specific factors come into play: the hospitality sector, EE, Asia and, of course, the size of the company, an SME. This means that there is no extensive quantitative database on the subject, which is the first reason why it is better to opt for the qualitative method.

The second reason for this choice has more to do with the nature of the research: the qualitative method is more appropriate for identifying the cultural and specific reasons that influence the experiences, perceptions and motivations (Harris et al., 2009), in this case, entrepreneurs in the hospitality sector in Asian EEs.

For the qualitative approach, the choice was made to use hypotheses, as hypotheses based on theory can be tested using qualitative methodology to determine the extent to which the empirical data is consistent with the theory and can strengthen or weaken it (Harris et al., 2009). The mix of analyses of several theoretical sources and in-depth interviews with 4 different types of interviewees will provide richer and more nuanced findings in the discussion than quantitative data alone (Miles & Huberman, 1994).

3.2. Data Collection Method

3.2.1. Semi-Directive Interviews

On the one hand, you have structured interviews, which are considered more formal and therefore limited to a series of questions prepared in advance, and on the other hand you have semi-structured interviews which, by definition, are more flexible without being too rigid or too open, as they allow new questions to be asked if necessary during the interview session, depending on the answers given by the participants (Aung et al., 2021)

Semi-structured interviews were conducted to allow this in-depth exploration of the participants' experiences while ensuring a certain structure for the comparability of responses. This approach allowed to collect targeted yet nuanced qualitative textual data (Aung et al., 2021).

These interviews were conducted in person and virtually via Google Meet, using semi-structured guided questions as part of one-to-one interviews. This approach was necessary because of the geographical diversity of the people who had to be interviewed. However, it was possible to conduct three interviews in person in Semarang, Indonesia.

The results obtained from the semi-structured interviews reveal valuable information about the participants' experiences, showing a diversity of viewpoints while highlighting common themes that emerge regularly.

Naturally, as with any research method, the use of semi-structured interviews presents certain limitations, such as potential interviewer bias (Ruslin et al., 2022). One such bias could be the variability of responses depending on the dynamics of the interview; for example, the interviewee may say what they think the interviewer wants to hear, rather than their real point of view. These factors need to be taken into account when interpreting the results.

Many of the contacts were obtained during the first interviews by applying the "snowball sampling method". This consisted of asking all participants if they had any other contacts relevant to this research, which proved the most effective way of obtaining participants relevant to the research, given that their contacts would not normally have been available. (Goodman, 1961).

Ensuring that all possible perspectives were covered in this research was essential, which explains the choice to include four categories of interviewees. Regarding the number of interviews, “data saturation” was reached by the tenth interview, at which no significant new information emerged and interviewees' responses became repetitive (Guest et al., 2006). To ensure greater depth, nevertheless, three additional interviews were conducted. The questions asked to the 13 interviewees were based on a questionnaire of 10 questions, one for the entrepreneurs (see Appendix 2), and one for the institutions (see Appendix 3).

3.2.2. Main Topics Covered

The interviews covered several key topics relevant to the research, including; Emerging economies, Asia and more specifically Southeast Asia and ASEAN, culture, environment, growth opportunities, funding methods (such as foreign direct investments (FDI), banks, subsidies, friends, family and fools (FFF) and microfinance) and other funding methods such as crowdfunding.

3.2.3. Selection of Interviewees

To ensure a diversity of opinions and perspectives in this study, a selection process based on four main categories was adopted, including entrepreneurs operating in Asian EEs, as well as institutions active in Asian EEs linked to SME financing. This approach provides information from different sources, for a richer and more nuanced analysis. Of the 13 interviewees, 2 are local entrepreneurs, 5 are foreign entrepreneurs, 3 are representatives from local institutions, and 3 are representatives from foreign institutions (see Appendices 5-6).

1) Local Entrepreneurs in Asian EEs

Local entrepreneurs in Indonesia were interviewed to understand the specific challenges and opportunities they face in their domestic environment and to potentially capture information only available to local players. Being currently based in Indonesia, the focus was thus more on Indonesian entrepreneurs rather than those from other Asian EEs. While entrepreneurs from many different sectors were interviewed, it was important to have a minimum of those active in hospitality to be consistent with this research.

2) Foreign Entrepreneurs in Asian EEs

As this research's topic focuses on foreign entrepreneurs developing their businesses in Asian EEs, it seemed natural to start with these interviews to better understand the challenges and opportunities specific to them. The idea was to interview foreign entrepreneurs from different Asian EEs, but it turned out that the ones with whom contact was finally established were Belgian entrepreneurs in Indonesia and Vietnam. As far as the sector is concerned, the same applies as above.

3) Foreign Institutions in Asian EEs

Ultimately, international institutions were interviewed to understand international support policies and funding opportunities for foreign entrepreneurs in Asian EEs and the hospitality sector. Belgian institutions operating in Indonesia and Vietnam to help Belgian entrepreneurs abroad were therefore interviewed for this purpose.

4) Local Institutions in Asian EEs

It was also important to interview local financial institutions, such as venture capital firms or microcredit organizations based in Asian EEs, to understand how these local financing structures affect the growth of SMEs in the hospitality sector. Those institutions were either based in Indonesia or Vietnam.

3.2.4. Data Collection Tool

All the interviews were recorded using audio software and then transcribed via the 'word transcribe' function in Word, which transfers the audio to the text, to produce a first draft transcription. In some limited cases, some sentences were then rephrased to help the reader's understanding, while remaining faithful to the interviewee's original speech. It is important to stress that the explicit consent of all the interviewees to record them and disclose their names in the research was obtained. Some interviews were conducted in English and others in French. Those were transcribed in their original languages (see Appendix 4).

3.3. Data Analysis Method

The data analysis method chosen for this paper is one described in "Qualitative Data Analysis: An Expanded Sourcebook" by Miles and Huberman (1994). It makes sense to use this method given the volume of data involved, and more precisely here the interview transcripts. This method follows the following three-phase process: data reduction, then data presentation and finally conclusion & verification.

- Data reduction: Data reduction means simplifying the information collected to make it easier to manage. This includes data coding, a process that involves identifying passages of text and attributing them to a specific theme.
- Data display: Data display aims to organise and visualise information clearly and understandably, such as tables where the main themes are summarised for more effective visualisation.
- Conclusion drawing & verification: This final phase consists of concluding by summarising the dominant themes and the results.

4. Results

As stated earlier in the methodology semi-structured interviews were conducted with four categories of participants: local entrepreneurs in Indonesia, Belgian entrepreneurs in Vietnam and Indonesia, local financial institutions in Indonesia and Vietnam, and Belgian institutions supporting entrepreneurs in Asian EEs. The interviews were summarised and carried out the coding ourselves, analysing each of them to extract the main themes. Given that the interviews were conducted based on a common questionnaire, recurring themes were quickly identified and grouped the information under these headings. The 7 key themes have been summarised in tables for more effective visualization (see Appendix 7, theme table). The conclusions were drawn through an analysis of the perspectives provided by each category of respondents on these themes (local entrepreneurs, foreign entrepreneurs, foreign institutions, and local institutions). This broad range of interview sources allowed to ensure a comprehensive analysis of the factors influencing the success of finding financing methods for SMEs in the hospitality sector within Asian EEs, thereby seeking to provide more and more insights to answer the research question.

Theme 1: Local Culture

The local entrepreneur with several businesses and the local entrepreneur of Thrive Studios underlined the importance of cultural understanding for successfully setting up an SME in Indonesia. The serial entrepreneur highlighted the challenges faced by foreigners, such as language barriers and different business practices. He stressed the need for clear communication and proper procedures to align with local norms. He added that cultural knowledge is also vital for dealing with local corruption and networking, where personal connections often outweigh formal qualifications. The local entrepreneur of Thrive Studios agreed with the need for cultural understanding and added that Indonesians are sensitive to brands, which can be exploited to attract customers, an opinion also shared by the serial entrepreneur. She mentioned that crowdfunding is most effective for businesses with a significant social impact indicating that cultural preferences can sometimes play an important role in choosing the right funding methods. Lastly, both agreed on the need to adapt to local practices, with the serial entrepreneur focusing on internal practices and managing corruption, while the owner of Thrive Studios focused more on customer attraction and funding methods.

5 out of 5 foreign entrepreneurs stressed the necessity of understanding local culture to successfully establish an SME in Asian EEs. The foreign founder of Belgo in Vietnam

underlined that his prior experience in Vietnam was crucial in understanding the market. However, he added that in his opinion, while knowledge of the local market is essential, it is not enough to convince investors without relevant industry experience. The foreign founder of TSI Digital Solutions in Indonesia talked about the difficulties that foreigners face in Indonesia, such as inconsistent information from the authorities and the need to navigate through local corruption, advising spending a significant amount of time in the country to understand the cultural differences and business practices, a point on which the foreign owner of Sakapatat in Indonesia echoed, adding that it was precisely because he was already in the country that he decided to set up his business. The interviewee at Ecosteryl highlighted the importance of proximity and understanding of local cultural nuances in Southeast Asia, discussing the challenges posed by language barriers and different business practices, and stressing the need for cultural understanding to develop an SME effectively in Asian EEs. The foreign founder of Belvie in Vietnam pointed out that local investors largely prefer to invest in local businesses, which can pose additional challenges for foreign entrepreneurs. This clearly illustrated the need to adapt to the local culture, as the different standards and ways of thinking of foreigners can make them less trustworthy in the eyes of local investors.

3 out of 3 representatives from foreign institutions reinforced even further the need for local cultural knowledge to succeed in Asian EEs. The CEC for the AWEX in Indonesia pointed out the challenges posed by cultural differences, particularly in terms of the legal and administrative landscape, and insisted on the importance of cultural understanding in building trust and operating a business effectively. The CEC for the AWEX in Vietnam went into more detail, saying that understanding the cultural and political landscapes of the various ASEAN countries is particularly important, as the differences between them can have a profound impact on business processes and investment decisions. Finally, the former AWEX consultant for SMEs in Southeast Asia added that the constant evolution of regulations in the EEs requires constant updating with these changes.

Unanimously, 3 out of 3 local institutions supported the importance of cultural understanding for foreign entrepreneurs. The local VC at Charged Ventures insisted that cultural knowledge is the key to navigating bureaucratic and administrative challenges. The local microcredit institution discussed the importance of understanding the cultural and political landscape noting that different ASEAN countries have unique cultural and regulatory environments requiring tailored approaches for each market. The local VC at BNI Ventures highlighted the importance of cultural understanding for foreign entrepreneurs, he argues that to be successful they need to know the market inside out to effectively differentiate themselves.

The importance of cultural understanding in successfully establishing an SME in emerging Asian economies is unanimously recognised by all categories surveyed, although each sees the reasons and benefits slightly differently. Local entrepreneurs focus on the need to align with local norms and effectively manage challenges such as corruption and networking. Foreign entrepreneurs, on the other hand, cite the importance of prior local experience and a thorough understanding of business practices in overcoming cultural barriers and attracting investors. Foreign institutions emphasised the challenges posed by cultural differences and constantly changing regulations, while local institutions emphasised the importance of cultural knowledge to deal with bureaucratic and administrative challenges.

Theme 2: Local Network

The two local entrepreneurs both highlighted how important a local network is for foreign entrepreneurs. They particularly insisted that working with a local partner operating under their name simplified administrative processes and reduced taxes. The serial entrepreneur mentioned that foreigners have to deal with more complicated and costly procedures and that having a local partner can greatly facilitate these steps. He explained that foreign companies have to deal with much higher minimum capital requirements and different tax treatments than local companies. The local owner of Thrive Studios also pointed out that having a local partner facilitates compliance with government regulations and provides access to established networks. Thrive Studios added that foreign status can offer potential privileges, especially in large cities, such as Jakarta's strong expatriate community, which is an attractive networking option for foreign entrepreneurs, hence the importance of choosing the right location. The serial entrepreneur added that an effective way of building a solid local network quickly is through the local Chamber of Commerce. He also pointed out that connections can often surpass qualifications and documentation in business. As he said, it is not just what you know, but who you know that counts.

The five foreign entrepreneurs also agreed on the need to create a local network to successfully establish their business in Asian EEs. This can be in the form of partnerships, as the foreign founder of Belvie in Vietnam pointed out how a minority partnership has sped up the administrative process. Moreover, the foreign founder of Belgo in Vietnam recommended starting under a local name through a nominee before moving to a foreign entity. This strategy has enabled his company to better navigate the complexity of administrative procedures and corruption in Vietnam, particularly with institutions such as the local AFSCA. The foreign owner of Sakapatat in Indonesia and the interviewee at Ecosteryl also stressed the importance of surrounding themselves with local partners for these operational reasons, as well as to deal with other cultural challenges. Some also added the need for a local network to go beyond partnerships to include local consultants. Additionally, the foreign founder of Belgo in Vietnam referred to the complex administrative procedures in Vietnam and the management of corruption, an opinion shared by the foreign founder of TSI Digital Solutions in Indonesia, which nevertheless highlighted the Indonesian government's current efforts to reduce corruption. Both the foreign founder of TSI Digital Solutions in Indonesia and the foreign owner of Sakapatat in Indonesia recommended living locally for a few years to build up a network and understand the culture before setting up, a view confirmed by the foreign founder of Belgo in Vietnam, who stated that the three years he spent working in Vietnam before launching his business made it much easier to build up his existing network. A good example to mention is how, the foreign founder of Belgo in Vietnam and the foreign owner of Sakapatat in Indonesia both found their partners within their local expat networks, which significantly facilitated their business establishment.

The 3 representatives from foreign institutions shared similar perspectives. The CEC for the AWEX in Indonesia spoke of the importance of local networks in dealing with the legal and administrative complexities, given that local laws can often be interpreted in different ways, creating uncertainty. The CEC for the AWEX in Vietnam agreed, highlighting, in particular, the need to surround themselves with local lawyers to understand the intricacies of local regulations and to protect themselves against corrupt practices, which they feel are very common in Asian EEs. The former AWEX consultant for SMEs in Southeast Asia supported this perspective by saying that local networks are essential for managing administrative and legal challenges, building credibility and trust, and accessing information and market opportunities. He explained that registration processes are often long and complex, requiring a local partner to advocate or lobby regulators. He explains that companies also use local partners to receive subsidies from the local government, which are crucial for financing joint ventures.

The 3 representatives of the local institutions all highlighted the importance of establishing a local network. The local VC at Charged Ventures recommended appointing a local director or general manager to facilitate operations. On the other side, the local microcredit institution described the difficulties encountered during the initial establishment of a network in Vietnam, where the associative culture was non-existent and local associations were rare. Despite these initial challenges, the formation of a core group of committed people enabled a chaotic start to be transformed into a solid and effective organisation. The local VC at BNI Ventures went on to say that understanding local dynamics and therefore establishing a local network is crucial to overcoming bureaucratic and administrative challenges such as regulations that can often be influenced by corruption at various administrative levels as mentioned by the local microcredit institution, or complications related to foreign ownership as mentioned by the local VC at Charged Ventures. The importance of establishing a local network for foreign SMEs in emerging Asian economies is unanimously recognised by the four categories, although they see the reasons and benefits slightly differently. Local entrepreneurs such as the serial entrepreneur focus on working under a local name and the tax advantages for local businesses. Foreign entrepreneurs such as the foreign founder of Belvie in Vietnam and the foreign owner of Sakapatat in Indonesia recommend living locally before starting a business to better understand the culture and create a strong network. The foreign founder of Belgo in Vietnam mentioned the use of nominees to simplify the initial steps. Local institutions represented by VCs advise appointing local directors and engaging with chambers of commerce, while foreign institutions such as the CEC for the AWEX in Indonesia urge the need to surround themselves with local lawyers to protect against corrupt practices and understand the subtleties of local regulations. So although each group has its specific approach, there is no real difference of opinion on the importance of local networks, and all recognize their crucial role in succeeding in emerging Asian economies.

Theme 3: Bank Loans

The local entrepreneur with several businesses said that getting a loan is very difficult because it requires collateral such as land, and that without those assets getting a loan would be impossible. He added that the interest rates are high and that for foreigners it is even harder to get a loan compared to locals because banks trust locals more. Lastly, he said that SMEs are less likely to get loans compared to MNEs because they are more risky, which leads banks to put high interest rates. The local entrepreneur of Thrive Studios had no specific information on bank loans because she developed her SME with her own funds and family money.

When interviewing foreign entrepreneurs, 2 out of 5 working in Vietnam, stated that it is hard to get loans because the company must have a certain turnover, with an even higher one for foreigners, making it difficult for foreign-owned SMEs. They said that the interest rates for these loans are around 10% which is way higher than in Europe. Moreover, the interviewee at Ecosteryl said that if banks hand out loans, this means those are development banks lending to governments and MNEs, not SMEs. Lastly, the two foreign entrepreneurs working in Indonesia did not say something about bank loans as they had not explored this option.

Considering the statement of foreign institutions, the CEC for the AWEX in Vietnam said that banks will ask for high interest rates and collateral but that they have no prejudice against SMEs or specific sectors. He, along with the CEC for the AWEX in Indonesia, stated that foreign-owned businesses would not get loans. The last foreign institution interviewee said that none of his clients had to turn to Asian banks.

The local VC at BNI Ventures, a local institution, stated that banks prefer to give loans to local companies rather than foreign-owned ones due to trust issues. He adds that banks will not invest in the hospitality sector due to its limited growth potential, focussing more on tech and export industries. The other interviewees in this category had no specific information on the subject.

Both local and foreign entrepreneurs agreed that foreign-owned SMEs struggle more to have loans because banks prefer local SMEs and banks require more collateral from foreign-owned SMEs. Moreover, they both said that local and foreign-owned SMEs will have high interest rates due to their size. This is confirmed by the interviewee at Ecosteryl, who said that MNEs and governments are the ones receiving loans from development banks rather than SMEs. The only difference in statements made during the interviews was related to the hospitality sector, with 1 local institution saying that banks would not invest in the hospitality sector due to the riskiness of the sector, while 1 foreign institution said that there is no discrimination against that sector.

Theme 4: Microfinance

Local entrepreneurs stated that there are a lot of microcredit institutions. In addition to that, the serial entrepreneur said that microcredit institutions offer small amounts and small interest rates. Moreover, the local entrepreneur of Thrive Studios said that these microcredit institutions are more famous in rural areas and that they will indeed give microcredits to the hospitality sector as it creates a lot of employment, something that is also confirmed by the serial entrepreneur.

3 out of 5 foreign entrepreneurs did not mention anything about microcredits. However, the foreign founder of Belgo in Vietnam said that these credits are not available to foreigners and that to this day these institutions have not evolved. The other one, who is the owner of Sakapatat in Indonesia said that these credits were too small to help develop an SME in general and were made for even smaller businesses.

The foreign institutions did not know how local microcredit institutions work and had no clients who had ever taken microcredit over the years.

The 2 local VCs said that microcredit could be an option for SMEs but stated that these credits have higher interest rates than banks. Additionally, the local microcredit institutions in Vietnam said that the goal of their microcredit is to reduce poverty with small loans and that they are mostly present in rural areas. There are no interest rates in the first year of the loan and a very low interest rate in the following years compared to banks. The institution hands out small amounts because the local borrowers from the rural areas are scared to commit to larger amounts due to the risk of losing their limited resources.

Both the serial entrepreneur and the local microcredit institution stated that microcredit is, in practice, available to everyone, as they aim to hand out small repayment amounts with low interest rates, with the local microcredit institution adding it is to reduce poverty that these loans are handed out. However, this is a different statement than the one from the 2 VCs and the foreign owner of Sakapatat in Indonesia, who stated that the microcredit interest rates are higher than those of banks. A possible explanation behind this difference of opinion is that microcredit interest rates vary between urban and rural areas. Both local entrepreneurs and the local microcredit institution said that microcredit institutions are widespread, especially in rural areas, as the local microcredit institution mentioned those are mainly aimed at very small businesses and poor people living in these areas, which is why they are more likely to be found in places where this population lives. Something that is also stated by the foreign founder of Belgo in Vietnam is that this ecosystem of microcredit is not available for everyone but only for locals. The last similarity is that both 1 local and 1 foreign entrepreneur, along with the local microcredit institution stated that the amounts handed out are too small to develop an SME.

Theme 5: Subsidies

The local serial entrepreneur stated that subsidies were available in the form of tax reductions, regardless of the sector, size or ownership, as long as the company's turnover does not exceed a certain threshold. He also said that foreign subsidiary SMEs might receive subventions from the host country, although not as tax reductions if they bring to the host country new technologies and are in the export sector. The local entrepreneur at Thrives Studios did not mention subsidies, as she never looked into it, because she believed her sector would never attract them.

2 out of 5 foreign entrepreneurs stated that the tax concessions from the government are given to MNEs rather than SMEs. The foreign founder of TSI Digital Solutions in Indonesia added that the Indonesian government was actively and mainly promoting the IT sector. The interviewee at Ecosteryl said that SMEs operating as subsidiaries in the export sector may receive subsidies from their home country as they essentially bring back money to them. Alternatively, the foreign founder of Belvie in Vietnam and the foreign founder of Belgo in Vietnam both said that the host country only gives subventions to local businesses. The foreign founder of Belvie in Vietnam added that the Vietnamese government handed out a subvention for the hospitality sector.

Both the former AWEX consultant for SMEs in Southeast Asia and the CEC for the AWEX in Indonesia said that the help provided by AWEX is for foreign subsidiary SMEs and is available to every sector without discrimination. Additionally, the former AWEX consultant for SMEs in Southeast Asia also mentioned Sofinex, another Walloon government agency that gives funds to foreign businesses, but only to MNEs or their subsidiaries. The CEC for the AWEX in Vietnam said that the Vietnamese government will not give any subventions to a company without a head of office in Vietnam. He added that while tax concessions are available, they depend on the sector rather than whether the company is local or foreign-owned.

The local VC at BNI Ventures said that government incubator programs can help SMEs but that they are for specific sectors such as IT. The local VC at Charged Ventures mentioned that every local SME benefits from tax reduction, which is a form of government subsidy in Indonesia. Lastly, the microcredit institution had no specific comments regarding subsidies.

The differences in the statement are that the local serial entrepreneurs said that the government tax concession did not depend on the size, ownership or sector of the company.

On the contrary, 1 local VC and 2 out of 5 foreign entrepreneurs argued that local SMEs are favoured over foreign-owned ones. Moreover, the CEC for the AWEX in Vietnam, like the foreign founder of TSI Digital Solutions in Indonesia and the local VC at BNI Ventures stated that the host government does not care about the ownership but that they care about the sector, as previously mentioned, that the government subventions will be handed out to SMEs in IT sector. Moreover, The foreign founder of TSI Digital Solutions in Indonesia and the foreign owner of Sakapatat in Indonesia both stated that the size also matters and that host governments are more likely to invest in MNEs rather than in SMEs. On the other hand, similarities were found among the local serial entrepreneur, the interviewee at Ecosteryl, and 2 out of 3 foreign institutions, who all stated that subsidiary SMEs receive subventions from their home countries no matter the sector.

Theme 6: Partnerships (FDIs and BAs)

The main takeaway from the 2 local entrepreneurs was that developing an SME in an ASEAN country presents multiple opportunities and attracts FDI. However, they both stated one negative aspect of FDI, which is that it depends heavily on the sector, which is why they both never experienced any. Additionally, excluding FDI, the founder of Thrive Studios said that a local BA is a better option for both groups of entrepreneurs as repaying them in the same currency avoids currency fluctuations.

For 4 out of 5 foreign entrepreneurs interviewed, mentioned that attracting FDI (excluding FFF funds from the home country of the foreign entrepreneur) or BAs in ASEAN was not even considered a possibility for their SMEs, as they do not expect attracting them. However, the fifth interviewee at Ecosteryl pointed out that the BAs that might invest in her business whether it is local or foreign-owned are usually originating from other ASEAN countries and as they want to develop the region and they can do it thanks to the opportunities ASEAN presents with its EEs. Yet, she also added that BAs coming from ASEAN nations might prefer to invest in their own country rather than in other ASEAN members if it is in the healthcare sector for example.

The CEC for the AWEX in Vietnam stated that foreign entrepreneurs only make plans for 3 to 6 months when starting a business abroad and do not inform themselves about the local market and the sector within which they will develop. He added that specifically, in the hospitality sector, which is the fourth sector receiving the most FDIs after manufacturing, real estate, and energy, in Vietnam, which can be generalized for Asian EEs, this lack of information can obstruct their future financing opportunities. Moreover, the former AWEX consultant for SMEs in Southeast Asia stated that joint ventures can help get funds. Because of their position as an institution, these 3 interviewees are more aware of partnership opportunities and claim that entrepreneurs do not inform themselves enough about the available financing methods. The last foreign institution did not say anything on the subject.

The local VC at Charged Ventures firm interviewee out of 3 said that the firm only cared about the scalability and credibility of the project, not the sector or whether the company is local or foreign-owned. The other 2 interviewees of the category had nothing specific to say about FDIs.

The difference between the 2 local entrepreneurs and 4 out of 5 foreign entrepreneurs is that the local entrepreneurs see ASEAN as a hotspot for opportunities to attract FDIs and BAs, which is also mentioned by the interviewee at Ecosteryl, while the other foreign entrepreneurs find it unthinkable that they will invest in their SMEs. The similarity between the local entrepreneurs and the interviewee at Ecosteryl versus the 4 foreign entrepreneurs is that the sector will not attract FDI or foreign BAs. This opinion is also shared by the CEC for the AWEX in Vietnam, which mentions that the hospitality sector, contrary to what one might think, is the fourth sector receiving the most FDI. However, the local VC at Charged Ventures nuances these statements by saying that local institutions only care about the scalability and credibility of the project, not the sector.

Theme 7: FFF

The local serial entrepreneur stated that Indonesian people borrow from each other, while the other local entrepreneur of Thrives Studios only mentioned that she started her business with family money.

4 out of 5 foreign entrepreneurs said that locals-only lend money to each other, never to foreigners. They prefer to invest in local companies rather than foreign-owned ones. The foreign owner of Sakapatat in Indonesia added that locals will join as partners but that in the meantime there is support among the ethnic minorities between, in his case the expat community of entrepreneurs. The only one mentioning FFF is the foreign founder of Belgo in Vietnam who developed his business with FFF funds.

2 out of 3 foreign institutions stated that a way to have partners and as a consequence additional money was by creating a joint venture with local companies. The CEC for the

AWEX in Vietnam added that a lot of local and foreign entrepreneurs use FFF funds as they distrust banks. The third one working as a CEC for the AWEX in Indonesia had no information on the subject.

Local institutions and more precisely the local VC at BNI Ventures said that locals will not lend any money to foreigners and suggest it is better to do fundraising in the foreigner's own country. The two others stated that local and foreign entrepreneurs used capital from friends and family to develop their businesses.

The statement about locals borrowing money from each other and not from foreigners, meaning foreigners will thus develop partnerships within their community, is shared by 1 out of 2 local entrepreneurs, 4 out of 5 foreign entrepreneurs and 1 out of 3 local institutions. Something different stated by foreign institutions due to more knowledge and experience than others on the subject of partnerships is that their clients formed joint ventures with local companies, which is another form of accessing capital different from partnerships among foreigners or locals only. The reason why they are the only ones to highlight this method is probably because they have more knowledge and experience of partnerships than the other categories of interviewees. Lastly, a similarity across all categories is that at least one member in each group has experienced FFF funding either for themselves or their clients.

5. Discussion

In this chapter, the theoretical findings from the literature review will be compared with the conclusions drawn from the perspectives of the four categories of interviewees on each recurring theme, as presented in the results. This analysis aims to test three hypotheses derived from theoretical foundations. These hypotheses focus on the necessity for foreign entrepreneurs developing SMEs in the hospitality sector within Asian EEs to understand local culture and the legal environment, the challenges they face in securing financing from local financial institutions, and the reliance on personal capital and informal funding methods. The discussion section will offer evidence supporting or refuting the hypotheses, providing insights into the broader implications for foreign entrepreneurs in these emerging markets, and ultimately helping us answer the research question.

Hypothesis 1: *Foreign entrepreneurs developing SMEs in the hospitality sector within ASEAN EEs need to understand the local culture, the legal environment, and establish a strong local network.*

To answer this hypothesis, the importance of understanding the local culture for foreign entrepreneurs will be discussed first. Next, the importance of establishing a strong local network and the financing methods that can promote the growth of foreign-owned SMEs in Asian EEs will be examined. Finally, the discussion will carry out an analysis of the impact of the legal environment and the challenges it presents.

The literature review reveals the importance of understanding the local culture to successfully develop an SME in the hospitality sector in ASEAN EEs. Understanding local dynamics plays an important role in overcoming bureaucratic and administrative problems and in understanding the intricacies of local regulations (p.7 in Literature Review). This statement is confirmed by the empirical results. Indeed, 2 out of 2 local entrepreneurs, the serial entrepreneur and the local entrepreneur of Thrive Studios, both emphasised the need to align with local norms and to effectively manage challenges such as corruption and networking. In addition, 5 out of 5 foreign entrepreneurs underlined how having prior local experience is important in overcoming cultural barriers and attracting investors, as mentioned by the foreign founder of Belgo in Vietnam, the foreign founder of TSI Digital Solutions in Indonesia and the foreign owner of Sakapatat in Indonesia.

The cultural and legal differences between ASEAN member countries can be quite significant, requiring a nuanced understanding of local specificities to minimise legal risks (p.7 in Literature Review). However, regional integration within ASEAN also provides significant benefits, including export facilitation and the reduction of trade barriers through the ASEAN Free Trade Agreement (AFTA) (p.23 in Literature Review). Empirical results showed that 1 out of 5 foreign entrepreneurs claimed to have had to adapt to different cultural and legal practices to successfully export within ASEAN. On the other hand, 3 out of 5 foreign entrepreneurs said that being part of ASEAN makes it easier to export products thanks to regional integration and trade agreements.

A strong local network is also more than essential for understanding legal and cultural nuances, reducing operational friction and accessing valuable information and market opportunities (p.7 in Literature Review). Indeed, local knowledge is often best acquired through established local networks and partnerships (p.7 in Literature Review). Empirical results showed that 7 out of 7 local and foreign entrepreneurs unanimously recognised the importance of a solid local network. For example, the foreign founder of Belvie in Vietnam mentioned that a minority partnership speeded up his administrative processes. The foreign founder of Belgo in Vietnam recommended starting under a local name using a nominee to avoid the complexity of administrative procedures and corruption. In addition, the local entrepreneur of Thrive Studios pointed out that having a local partner facilitates compliance with government regulations and provides access to established networks. She also added that, in her view, foreign status can even grant potential privileges, especially in large cities such as Jakarta's strong expatriate community, which is an advantageous network for foreign entrepreneurs. This perspective is also supported by the foreign founder of Belgo in Vietnam and the foreign owner of Sakapatat in Indonesia, both of whom found their current partners in the expatriate networks of their respective cities, a theory that is supported by sociological studies. These statements are also validated by the theory, which states that informal support networks such as connections with friends and family are stronger among migrants from ethnic minorities. Thus, friendship and kinship networks play a more important role in influencing ethnic minorities' decisions to start their businesses (p.31 in Literature Review).

The legal environment in EEs is often more vulnerable and risky. Legal frameworks change rapidly and are sometimes unpredictable, making it all the more imperative for foreign entrepreneurs not only to have an in-depth knowledge of local regulations before setting up a business but also to surround themselves with locally competent people to obtain effective legal support and navigate regulatory challenges (p.7 in Literature Review). Empirical results highlighted the importance of having local partners to simplify administrative processes and reduce taxes. The local VC at Charged Ventures, 1 of the 3 representatives of local institutions, recommended appointing local directors to facilitate operations. The local microcredit institution and the local VC at BNI Ventures also highlighted the importance of knowledge of local regulations and support from local authorities. For their part, 3 out of 3 representatives of foreign institutions (The CEC for the AWEX in Indonesia, The CEC for the AWEX in Vietnam, The former AWEX consultant for SMEs in Southeast Asia) stressed the need to surround themselves with local lawyers to protect themselves against corrupt practices.

Still on the subject of legality, corruption is a key aspect of the legal environment in the Asian EEs, since it can be either beneficial or detrimental to the entrepreneur, so a good understanding of local dynamics is essential to managing it effectively (p.14 in Literature Review). For instance, in the case of the foreign founder of Belgo in Vietnam, he knew that if he set up his restaurant directly under a foreign name, the local AFSCA would force him in one way or another to pay bribes to obtain his accreditations quickly. So he decided to use a nominee at the beginning to avoid these problems. He understood the local culture and used it to his advantage.

When comparing the literature review and the empirical results, it is clear that this hypothesis is confirmed. This research shows indeed that understanding the local culture, building strong local networks, and navigating the legal environment is essential for the success of foreign entrepreneurs developing SMEs in the hospitality sector within Asian EEs. Understandably, it is when this lack of knowledge about the culture, networks and adapting to local practices arises that foreign entrepreneurs have to turn to banks and microcredit institutions.

Hypothesis 2: *Foreign-owned SMEs in the hospitality sector within ASEAN EEs face challenges in securing financing from local financial and government institutions.*

This hypothesis is divided into two parts: the financial institutions, which provide credit to entrepreneurs when they want to develop, and government institutions, which hand out subventions to help the economic development of the country. It is important to divide both because, even though they use the same criteria, their goals are different: government institutions focus on public welfare and national development, while banks if they are not state-owned will prioritize their interest. The following sections compare the statements from the literature review with the empirical findings to either confirm or disprove this hypothesis.

Hypothesis 2A): Foreign-owned SMEs in the hospitality sector within ASEAN EEs find it difficult to secure money from banks and microfinance institutions.

Based on the findings in the results, foreign entrepreneurs need to comply with certain requirements set by banks and credit institutions to get these external funds. These requirements are related to the sector, ownership and the size of the company.

In the literature review (p.25), it is stated that banks will not invest in SMEs from every sector. Indeed, banks avoid high-risk sectors such as food and beverage (F&B), a part of the hospitality sector, which is a tertiary sector, and prefer investing in less risky sectors such as the gas and oil industries. As mentioned in the results, there is a difference in opinion between local and foreign institutions. Local institutions said that hospitality is a risky sector, which is why banks will not want to invest in it, whereas the foreign institutions said banks do not discriminate based on the sector. Although the statement made by the literature review above cannot be confirmed due to a lack of responses on this subject, the remarks about the sector made by the local VC at Charged Ventures and the CEC for the AWEX in Vietnam suggest that local banks may use the same risk-based criteria similar to those of VCs and that local institutions know more about the subject than foreign institutions.

Another key factor that banks consider is the size of the company. The theoretical approach (p.26 in Literature Review) confirms that bank loans for SMEs involve not only high-interest loans but also non-price terms, which makes it difficult for SMEs to borrow due to their limited resources. Empirical findings indicate that both local and foreign entrepreneurs confirm that SMEs, whether local or foreign-owned, will have to pay higher interest rates than MNEs due to their higher risk. Moreover, foreign-owned SMEs are even less likely to get these loans because the banks do not trust them, compared to the local SMEs. This is why, those foreign-owned SMEs will have to provide even more collateral than local ones. Due to these requirements, which foreign-owned SMEs usually have a hard time fulfilling, they are disadvantaged compared to MNEs and local SMEs, making it less likely for them to receive a loan.

As said before, MNEs are preferred over SMEs by banks and this is also the case for development banks, as stated in the theoretical approach (p.26 in Literature Review). The results confirm this theoretical statement, as the interviewee at Ecosteryl said that MNEs and governments are indeed the ones receiving loans from development banks, rather than SMEs.

An additional remark stated by the foreign founder of Belvie in Vietnam that is worth mentioning is that getting a loan from your home country to invest abroad is not possible, because banks cannot track where that money goes. Lastly, he also mentioned that obtaining a loan as an SME is already difficult in a developed economy such as Belgium, and thus even more so in Asian EEs.

The conclusion for bank loans as an external financing method for foreign-owned SMEs is not unexpected. According to the theoretical approach (p.25), banks avoid handing out loans to risky sectors such as the hospitality sector. Although this statement cannot be confirmed due to insufficient information, the arguments of both local and foreign institutions suggest that local banks may use the same risk-based criteria as VCs, giving their deeper understanding of the local context. Concerning what is said on p.26 in the Literature review, SMEs, whether local or foreign-owned, have more trouble securing bank loans due to their size. It is confirmed in the empirical findings that both local and foreign entrepreneurs state that banks impose higher interest rates for SMEs than MNEs. Moreover, foreign SMEs face additional barriers, such as banks' preference to lend to local SMEs, which makes it more difficult for them to access loans compared to local SMEs and MNEs. Finally, the statement about MNEs receiving loans from development banks (p.27 in Literature Review) is confirmed by the interviewee at Ecosteryl, who confirmed that SMEs will not be able to borrow from these development banks. This conclusion further confirms the hypothesis that foreign SMEs have a lot of difficulty accessing bank loans in EEs.

Having concluded that bank loans for foreign SMEs are very hard to obtain, microfinance institutions might have fewer requirements and offer a more accessible alternative. As described in the theoretical approach (p.30 in Literature Review), microfinance is important in providing low-interest loans to small-scale businesses. According to the empirical findings, both local entrepreneurs and the microcredit institution confirm these low interest rates for SMEs. However, 2 VCs and the foreign owner of Sakapatat in Indonesia said that interest rates are higher than that of banks. Therefore, the argument that microcredits are given at low interest rates to SMEs cannot be confirmed by the empirical findings due to this divergence of statements.

Another statement from the theoretical approach (p.30 in Literature Review) related to the first statement made on microcredits, is that microfinance banks were established to provide microcredit and to ensure wide access to as many people as possible, with Village Credit Institutions contributing to this reach. Empirical findings confirm this, as all local entrepreneurs confirm the presence of plenty of microcredit institutions all across the countries. The local entrepreneur of Thrive Studios in Jakarta added that microcredit institutions are not famous in the city but are more common in rural areas. Additionally, the local microcredit institution working in Vietnam confirmed that these microcredits are for very small businesses and poor people in these rural areas. However, the foreign founder of Belgo in Vietnam stated that this microcredit ecosystem does not exist for foreigners and that it has not developed in the meantime. As a result, the theoretical approach is confirmed by the empirical findings saying microcredits are accessible. However, this statement is limited by the fact that these microcredits serve local micro SMEs rather than foreign SMEs, which is the focus of this research.

The theoretical approach also mentions that one negative aspect of microcredit is that the amounts are too small to develop an SME (p.30 in Literature Review). As mentioned in the results, this is confirmed by the local serial entrepreneur who mentioned that in Indonesia, microcredit institutions offer small, manageable repayment amounts. Additionally, the foreign owner of Sakapatat in Indonesia said he never explored this development option due to the limited loan amounts. The local microcredit institution also confirmed that these amounts are very small and more suitable for local micro SMEs.

The conclusion that foreign-owned SMEs will have difficulties securing loans from microfinance institutions is confirmed. First, as stated in the theoretical review, microfinance institutions hand out loans to small-scale businesses at low interest rates (p.30 in Literature Review). However, this cannot be 100% confirmed due to a balanced divergence of arguments. While many microfinance institutions (p.30 in Literature Review) make availability easier, their primary target is poor local people living in rural areas rather than foreign-owned SMEs. Moreover, the theoretical approach says that the loan amounts handed out are too small to help develop SMEs (p.30 in Literature Review), which is confirmed by the empirical findings. Consequently, despite the hospitality sector not being an unattractive factor to microcredit institutions compared to banks, foreign SMEs will be unable to secure these loans because the institutions focus on local, micro SMEs.

Hypothesis 2B): The government in ASEAN EEs will be less likely to give subsidies to foreign-owned SMEs in the hospitality sector.

The granting of subsidies, whether as tax concessions or direct funding, to foreign or local SMEs helps them develop in local and international markets, which can contribute to the growth of the ASEAN EE. According to the results, foreign entrepreneurs will have to conform to government policy criteria, similar to those used by banks, based on ownership, size and sector to get access to these subventions.

The initial finding about subventions showed that tax incentives handed out by the host government target specific sectors, such as export-oriented industries, rather than the hospitality sector (p.28 in Literature Review). This is complemented by another finding in the literature review (p.28), which states that subsidies in the form of tax concessions are not given to local or foreign-owned SMEs but to MNEs. However, there is the local serial entrepreneur who is refuting this statement by saying that size and sector do not matter. In opposition, several other interviewees confirm the theoretical approach, with 1 local VC, 1 foreign entrepreneur, and 1 foreign institution saying that sectors like IT are going to receive these subventions rather than the hospitality sector. Additionally, against that former statement of the local entrepreneur, 2 foreign entrepreneurs said that governments will emphasise helping local or foreign-owned MNEs rather than SMEs. This is no longer a secret and has already been said several times in this paper, both size and sector play a role in the allocation of subventions. Another finding in the theoretical approach, which complements the statement about the tax concession based on the sector, is that direct funding subsidies from the host government may be available to promote local or foreign-owned companies operating in sectors such as IT and export (p.29 in Literature Review). As mentioned in the results, 1 local VC and 1 foreign entrepreneur confirm that statement by emphasizing the importance of the IT sector nowadays.

The literature review emphasizes that a company must be first established in the host country to benefit from local subsidies (p.29 in Literature Review). Based on the findings in the results, that statement is being confirmed by 2 foreign entrepreneurs and 1 local VC, who said that only local SMEs will receive tax concessions, whereas foreign-owned SMEs, that are not established in the host country, will not receive any government support. The final statement made in the theoretical approach concerning subsidies is that if host countries do not offer subsidies to foreign-owned SMEs, as confirmed earlier, alternatively the home government could potentially give subventions to subsidiary SMEs operating in the export sector (p.28 in

Literature Review) but for that to happen the SMEs need to have a head office in the home country. However, this is not entirely confirmed by the interviewees. 1 local entrepreneur, 1 foreign entrepreneur, and 2 out of 3 foreign institutions said that subsidiary SMEs would receive subsidies no matter the sector.

To conclude, despite the diversification of statements from the local serial entrepreneur compared to the rest, it can still be confirmed that size, sector, and ownership play an important role in the host country handing out subventions to companies. Furthermore, the statement that home countries hand out subsidies exclusively for the export sector cannot be confirmed because the only ones answering this question refuted this statement. Thus, it can be concluded that a foreign-owned SME in the hospitality sector within ASEAN EEs will not get subventions from the host government due to issues related to size, sector and ownership. However, foreign-owned SMEs may get some help from their home country if they are subsidiaries, regardless of the sector, otherwise, they will not receive any support.

Hypothesis 3: *For foreign entrepreneurs in the hospitality sector within ASEAN EEs, funds from friends, family, and fools (FFF), and partnerships are essential funding methods to develop their SMEs.*

In light of the results of the previous hypothesis confirming the difficulty of obtaining financing from local financial institutions, this third hypothesis is quite coherent. Indeed, it is logical that entrepreneurs, when developing a business, do not want to go into debt from the very start and prefer to, instead, try to attract funds from FFF or partnerships, because they want freedom and by definition, FFF trust them and allow them to control all business related decision. By accessing these financing methods, they will not have to comply with rules or constraints set by banks or selection criteria put by governments to have subventions and get access to these external finances. The bottom line is that with support from friends, family, and other partners, entrepreneurs can have a solid foundation and sufficient resources without having to rely on other, more restrictive, external financing methods for assistance. The next step will be to analyse how foreign entrepreneurs rely on FFF funds, followed by an evaluation of the challenges they face in attracting FDIs and BAs, comparing theoretical perspectives with empirical findings.

According to what is said in the theoretical approach about FFF (p.31 in Literature Review), ethnic minority expatriates are close-together communities where mutual support, including business partnerships and networking assistance, is very present. This community support is considered the same an entrepreneur would receive in his country from friends and family. Along with the partnerships within the community, FFF funds that come from the home country of the entrepreneur are a very famous financing method even when developing a business abroad. This theory is confirmed based on the findings in the results, which are that both local and foreign entrepreneurs collaborate within their community, as stated by both categories of entrepreneurs, as well as local institutions. Locals are reluctant to lend money to foreigners in the early stages of their business, leading foreigners to form partnerships with other foreigners. However, several foreign institutions, with more experience and information, stated that partnerships with locals are possible as joint ventures. Overall, based on the statements from the different categories of interviewees there is a clear pattern that emerges. The majority of entrepreneurs local or not started and continued to develop their businesses with money from FFF, and other partners. Additionally, both categories of institutions interviewed, confirmed that many of their clients or people they invested in, started with these financing methods, sometimes using one, or both.

Regarding the partnerships for developing SMEs, entrepreneurs could get funds from FDIs or BAs interested in investing in their firms. Unfortunately, as stated in the theoretical approach (pp. 20-21 in Literature Review), the hospitality sector, particularly SMEs in this sector, does not attract FDIs as much as other sectors. Unfortunately, as mentioned in the results, the majority of the foreign entrepreneurs did not mention anything about attracting FDI (excluding FFF funds from the home country of the foreign entrepreneur) or business angels. In contrast, all the local entrepreneurs interviewed, acknowledged the opportunities for developing SMEs within ASEAN, a statement that is also confirmed by the theory (p.31in Literature Review). Nevertheless, they agreed on the sector issues concerning FDI. The CEC for the AWEX in Vietnam added that foreign entrepreneurs make insufficient or inadequate local market, sector, and financing methods research. An exception to the previous statement is a local equity firm interviewee, who said that their firm only cared about the scalability and credibility of the project, not about the sector or ownership of the company. Therefore, partnerships with a local VC, which could bring funds to develop an SME, is possible, though this was the only positive or unbothered statement about the sector issues. Additionally, the theoretical approach (p.21 in Literature Review) states that ASEAN’s reduced trade barriers positively influence FDI inflows. This is confirmed in the empirical findings from the Ecosteryl interviewee (foreign entrepreneur), who said that those likely to invest in her business come from ASEAN countries given all the opportunities that ASEAN present with these EEs. However, she added that BAs coming from ASEAN nations might prefer to invest in their home country rather than in other ASEAN nations, depending on the sector.

It is worth noting that, even though this method is not mentioned in the literature review, 100% of the interviewees, despite being in different categories, state that funds from FFF or partnerships are all added to the capital of the entrepreneur he injected himself first into his project. They all state that the capital to develop their businesses abroad came from the earnings they made from previous work experience in the countries they worked in. It makes sense that an entrepreneur who wants to grow his SME will inject his money to show potential partners, investors, or institutions that he is willing to take risks.

The conclusion that goes along with what is said (p.31) in the Literature Review about foreign entrepreneurs relying on FFF is confirmed by the empirical findings. interviewees. All respondents, except for foreign institutions, stated that foreign entrepreneurs often form partnerships with other foreigners initially due to reluctance from locals which confirms the theoretical findings. Regarding FDI and BA investments, only the interviewee at Ecosteryl mentioned having considered this possibility, which differs from local entrepreneurs who both know the strength of being in an ASEAN EE and who said that BA and FDI are possible thanks to reduced trade barriers within ASEAN. Therefore, as confirmed by the majority of the responsive interviewees and as stated in the literature review (pp.20-21 in Literature Review), FDIs and BA investments depend heavily on the sector and the fact that it is an SME within that sector makes it even more unattractive.

All of this goes along with what has been said in the theoretical approach and confirms the hypothesis that for foreign entrepreneurs in the hospitality sector within ASEAN EEs, funding from friends, family, and fools (FFF), and partnerships are the essential funding methods to develop their SMEs. However, FDIs and BAs investment, are limited due to sector and size unattractiveness. Last but not least, the entrepreneur's lack of knowledge, mentioned in some interviews is also something that has to be pointed out, as this leads to poorly informed decision-making and as a result limited sources of funding.

6. Recommendations

After evaluating the multiple interviewees and the theoretical approach stating all the difficulties foreign entrepreneurs might encounter when developing an SME in an EE in a specific sector, some recommendations can be made. These are based on patterns observed in the interviews, findings in the literature review, or a combination of both.

As mentioned previously, foreign institutions such as AWEX could help these foreign entrepreneurs by addressing their lack of knowledge about the local fields, economic climate, sector opportunities, and so on. Moreover, several interviewees said they would not have started their business without spending several years in the country where they developed their SME. This local experience helps them avoid legal problems, makes legal incorporation easier, and attracts local partners interested in starting a business together. That kind of partnership, such as having a nominee or registering the company under the name of a local partner, is also important. To conclude, establishing these partnerships from the start will increase the availability of their financing options as they have way more barriers compared to local entrepreneurs.

Based on observed trends, a further recommendation emerges regarding the fact that the majority of entrepreneurs started with FFF money and their funds, due to their desire for flexibility and freedom and the reluctance of conventional institutions to lend them money. The recommendation concerning this matter would therefore be to research alternatives such as Belgium's BIO Invest state fund, which is a fund that supports Belgian or local entrepreneurs in developing countries, focusing mainly on sectors like agricultural development and the environment. Through this institution, entrepreneurs will be able to gain credit. However, it also points out that, despite its large market in EEs, the hospitality sector does not attract funding, which, once again, underscores the importance of doing an in-depth analysis of the environment in which to develop an SME. Moreover, most of the foreign interviewees have not shown any interest in finding other funding options. This suggests that entrepreneurs do not often think to look for alternative funding methods and often stick to classic methods, hence the recommendation here would be to think outside of the box and try out funding methods that may seem unconservative.

7. Conclusion

7.1 General Conclusion

The aim of our thesis was to understand the financing methods that can promote the growth of foreign-owned SMEs in Asian EEs, particularly in the hospitality sector. Through a literature review and interviews with SMEs and other related institutions, this research highlights the challenges and opportunities faced by foreign-owned SMEs as they attempt to grow in different dynamic economic environments. To tackle our research question as accurately as possible, 3 hypotheses were formulated to drive the research: the need for foreign entrepreneurs to understand the local culture and legal framework, the difficulties in accessing finance from local financial institutions, and the dependence of entrepreneurs on personal capital and informal sources of finance. A qualitative methodology was used to address these hypotheses, based on semi-structured interviews with various stakeholders: local and foreign entrepreneurs in Indonesia and Vietnam, local financial institutions and Belgian institutions supporting entrepreneurs in these regions.

The results show that local networks and local knowledge enable entrepreneurs to deal with political and institutional complexities, build relationships of trust and minimise legal risks. This hypothesis is confirmed by the experiences of the interviewees, who emphasised the importance of these factors in accessing the necessary resources and support. In terms of access to finance from local financial institutions, research has shown that those are often reluctant to lend to foreign-owned SMEs due to perceived high risks and opaque credit information. There are many criteria to consider, including the fact that this research focuses on foreign-owned SMEs in a Southeast Asian emerging economy in the hospitality sector, which reduces the possible methods of financing as these factors may easily scare off credit institutions such as banks and microcredit. In addition, FDI and BAs will not be interested in investing in that sector either. Moreover, the government is going to offer subsidies to large foreign-owned companies rather than small SMEs, which is another barrier for entrepreneurs. Lastly, the fact that they are foreigners does not help either in terms of having a local network and making partnerships with locals. This is why external financing methods are limited for foreigners. For that reason, they will rely on partnerships with other foreign entrepreneurs in the same town, use their funds and ask for FFF funding. Finally, as far as dependence on own capital and informal sources of finance are concerned, results show that financing from family, friends and fools (FFF) are a sustainable option for foreign entrepreneurs, especially in a context where formal finance is difficult to obtain. Although this method presents challenges, notably the limited funds available and the risks of relational tensions, it remains a highly useful alternative for the set-up and development of SMEs.

Overall, this thesis shows that to have access to financing sources which will help the growth of foreign-owned SMEs in the hospitality sector in emerging Southeast Asian economies, it is essential to understand and adapt to the local culture and have a local network to be able to navigate the complex legal framework and explore alternative financing methods when access to traditional credit and other external methods are limited due to previously mentioned factors. The main challenge for entrepreneurs, as this research has shown, is often misinformation and haste. They must take the time to become well-informed and consider all the options available before making any decisions. Entrepreneurs must therefore adopt a strategic and varied approach to mobilise the financial resources needed for long-term success.

7.2 Limitations

The most important limitation was the limited knowledge of respondents for certain questions. Indeed due to the very specialized topics studied in this research such as SMEs, ASEAN, and the hospitality sector, combined with a diverse range of opinions, this made it difficult to generalise the findings or to draw a general conclusions from their responses.

Another limitation may be the absence of interviews with representatives of Chambers of Commerce in Asian EEs, particularly in Indonesia. Indeed this would have been very interesting as many interviewees suggested that these representatives could provide valuable information regarding the specific nature of the research. This limitation is because none of the Chambers of Commerce responded to the multiple email requests.

7.3 Future Research

In future research, it would be interesting to include quantitative data, alongside the qualitative method, to reveal how many entrepreneurs developed their businesses with FFF funds, how many succeeded how many failed using that method, and so forth. This would have allowed a broader analysis of the wide range of financing methods mentioned in this research. Adding a quantitative method will also provide more visual and impactful results for the reader, such as statistics and graphs.

In the future, it could also be interesting to explore additional financing methods that were either not mentioned such as venture capital, revenue sharing or even pre-order financing, or were barely mentioned methods such as crowdfunding, which has gained importance due to the rise of online platforms. Investigating new and emerging financing methods as they develop and evolve would be a valuable complement to this existing research on the financing methods for the development of SMEs in EE for future research.

Finally, given the significant impact organisations like Chambers of Commerce in Southeast Asian EEs have, it may be useful to visit them in person or leverage more personal relationships to reach their representatives.

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