

ABSTRACT

In the Lao People's Democratic Republic (Lao PDR), small and medium enterprises (SMEs) are the backbone of socioeconomic development, job creation, and poverty reduction. SMEs account for approximately 99.8% of all registered firms in the country. Consequently, SME development has increasingly become the focus of policymakers to strengthen the national economy. However, SME growth rates remain low, and are subject to challenges. Moreover, research on factors hindering SME growth in the Lao PDR is scant.

To bridge this gap, this thesis explores the influence of credit access, innovation, and knowledge management on SME growth in the Lao PDR. A qualitative method utilizing semi-structured interviews was used to obtain data from 47 participants, varying in terms of expertise, gender, and managerial level. The participants included SME owners/managers, professionals, and experts from the government, the private sector, banks and research and educational institutions. The interviews were conducted between July 2018 and May 2019. Purposeful sampling and thematic analysis were used to analyze the data. Peer debriefing added to the trustworthiness of the research findings.

The findings revealed that pre-credit access and post-credit constraints come from both demand-side and supply-side constraints. For pre-credit access, key demand-side constraints were the nature of SMEs (lack of collateral, informal SMEs, and information asymmetry) and lack of financial literacy, while key supply-side constraint was an underdeveloped financial market. For post-credit constraints, the misuse of loans, lack of specific policies and insufficient support systems were the main causes of non-profit loans and loan defaults. Importantly, the practice of *Souy Dai* was found to be critical in assisting SMEs to access formal credit.

The analysis of non-research and development-based (non-R&D-based) innovation highlighted the role of "know-who" (i.e., strong relationships with government officials) as an essential source of new knowledge, up-to-date information, and support systems (e.g., funding sources, technical

assistance and consultation). The findings also revealed that “imitation innovation”, technology adoption, and marketing innovation are the main non-R&D-based innovation activities used by SMEs to improve product and process of innovation.

Further, social media platforms and traditional knowledge acquisition processes significantly facilitated SMEs’ knowledge acquisition about markets, technology, and internationalization. Interestingly, the findings showed that through knowledge acquisition, SMEs can enhance organizational learning capabilities supporting internationalization.

This study is the first of its kind in the Lao PDR. It identifies key factors influencing SME growth in the Lao PDR as one of the Asian Emerging Economies (AEEs) through the lens of the pecking order theory, the knowledge spillover theory of entrepreneurship, and the knowledge-based view theory. This thesis also contributes to the literature on finance, innovation, and knowledge management and the influence of these factors on SME growth in developing countries generally, and in Lao PDR in particular.