By law and by custom: Factors affecting small and medium-sized enterprises during the transition in Lithuania

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The main aim of this study is to investigate the development of entrepreneurship and small- and medium-sized enterprise (SME) in Lithuania. Since legal and productive forms of entrepreneurship are relatively new phenomena in Lithuania, this study begins by exploring the unique characteristics of entrepreneurship in a transition setting. An institutional approach is used based primarily on the work of Douglass North which highlights the effect of formal and informal rules on economic performance. Following institutional theory, quantitative and qualitative data were collected in order to gain insight as to the perceptions and attitudes of both SME owners and related officials towards private business development. This study explores not only the general barriers to SME development in Lithuania but also the experiences of specific groups of SME owners such as micro-entrepreneurs trading at the open-air market in Gariunai. Also the gendered differences between male and female SME owners are examined. In addition, an analysis of the attitudes of SME owners and SME related officials towards barriers to private business development are compared. The results suggest that though the formal institutional environment has been changed, informal norms and practices, based on outdated Soviet principles and values, continue to exert a negative influence. As a consequence, SME development occurs in a less than ideal environment. Some policy recommendations are provided at the end of this study specifically targeting SME development.

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