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PSYCHOLOGICAL CHARACTERISTICS AND ENTREPRENUERIAL PERFORMANCE IN KADUNA METROPOLIS: MODERATING ROLE OF INSTITUTIONAL SUPPORT

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Abstract

This study examined the influence of psychosocial characteristics on the performance of small and medium enterprises (SMEs) in Kaduna Metropolis, with institutional support serving as a moderating variable. A survey and cross-sectional research design were employed, and data were collected from 301 SME operators using structured questionnaires. The data were analyzed using Structural Equation Modeling (SEM) via SmartPLS version 4 to assess both the measurement and structural models. Findings revealed that psychosocial characteristics significantly and positively influenced SME performance. Similarly, institutional support had a significant positive effect on performance and further strengthened the relationship between psychosocial characteristics and SME performance. These results suggest that entrepreneurs with strong psychosocial attributes, when supported by enabling institutional frameworks, are better positioned to achieve higher business performance. The study highlights the importance of psychological readiness and

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institutional assistance in fostering SME success. It recommends that policymakers and development agencies enhance institutional support mechanisms and promote psychosocial development programs to improve entrepreneurial outcomes and drive sustainable SME growth in Kaduna Metropolis.

Introduction

Small and Medium Enterprises (SMEs) are widely acknowledged as vital drivers of economic growth, innovation, and employment generation across both developed and developing economies. The performance of SMEs determines the extent to which they contribute to national productivity, income generation, and poverty reduction (Olawale & Garwe, 2022). In Nigeria, SMEs account for over 96% of total businesses and employ approximately 77% of the workforce, making them the backbone of the economy (SMEDAN, 2021). Despite this, the performance of SMEs in the country, particularly in Kaduna Metropolis, remains below expectations due to structural, financial, and psychological constraints (Yahaya & Bature, 2024). Weak institutional frameworks, unstable market environments, and entrepreneurs' limited psychosocial resources have contributed to high business failure rates, low profitability, and unsustainable growth patterns (Abubakar & Abdullahi, 2023). This situation underscores the need to understand the psychosocial and institutional factors influencing SME performance in Nigeria's dynamic business environment.

Psychosocial characteristics encompassing psychological and social factors that shape behaviour, decision-making, and interpersonal interactions play a critical role in determining entrepreneurs' capacity to sustain and grow their businesses (Neneh, 2019). Attributes such as self-confidence, motivation, social competence, and adaptability influence how SME owners respond to market uncertainties and exploit opportunities (Ayedun & Igwe, 2022). Entrepreneurs with positive psychosocial characteristics are more likely to persevere through adversity, maintain productive relationships, and manage stress effectively qualities essential for achieving superior business performance. However, in Nigeria, many SME operators lack sufficient psychosocial stability and social support networks, which hinders their ability to cope with competitive pressures and environmental shocks (Olabisi & Adebayo, 2023). Understanding how these psychosocial traits influence SME performance is therefore fundamental to improving their sustainability and competitiveness.

Institutional support has been recognised as a crucial external factor that enhances the operational effectiveness of SMEs. It encompasses formal and informal mechanisms such as government policies, financial institutions, entrepreneurial training programmes, and business development services that create a favourable environment for enterprise growth

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(North, 1990; Agyapong & Acquaah, 2023). In contexts where institutional frameworks are weak, entrepreneurs often struggle to access finance, navigate regulations, and benefit from training or infrastructure support. Within the theoretical lens of the Resource-Based View (RBV), institutional support acts as an enabling external resource that can strengthen the relationship between internal capabilities such as psychosocial characteristics and business performance. Thus, institutional support may moderate how entrepreneurs' psychosocial resources translate into tangible performance outcomes by providing stability, legitimacy, and access to critical resources.

Statement of Problem

Although prior studies have examined the influence of individual and external factors on SME performance (e.g., Neneh, 2019; Agyapong & Acquaah, 2023; Yahaya & Bature, 2024), limited research has explored how psychosocial characteristics interact with institutional support to affect SMEs' performance, particularly within the Nigerian context. This study, therefore, investigates the influence of psychosocial characteristics on SME performance in Kaduna Metropolis and the moderating role of institutional support. The study is anchored on the Resource-Based View (RBV) theory, which posits that the interaction between internal entrepreneurial resources and external institutional conditions determines firm competitiveness and performance. Accordingly, the study hypothesises that:

H_{01}: Institutional support does not have a significant influence on SMEs performance in Kaduna Metropolis.

H_{02}: Psychosocial characteristics do not have a significant influence on SMEs performance in Kaduna Metropolis.

H_{03}: Institutional support does not significantly moderate the relationship between psychosocial characteristics and SMEs performance in Kaduna Metropolis.

SMEs Performance

Small and Medium Enterprises (SMEs) performance denotes the extent to which a firm achieves its operational, financial, and strategic objectives within a given period. Performance is a multidimensional construct that reflects both financial and non-financial outcomes, including profitability, sales growth, market share, customer satisfaction, and overall business sustainability (Spillan & Parnell, 2006; Caliendo et al., 2023). In entrepreneurship research, SME performance is often used as a key indicator of business success and competitive positioning, particularly in emerging economies where SMEs contribute significantly to employment generation and economic development. Scholars conceptualize SME performance from both objective and subjective perspectives. Objective measures include quantifiable indicators such as return on investment (ROI),

profit margins, and revenue growth. However, due to the difficulty of obtaining reliable financial records from small businesses especially in developing countries many studies rely on subjective assessments, where entrepreneurs evaluate their performance relative to competitors or past achievements (Fatoki, 2018). Subjective performance measures have been found to correlate strongly with objective indicators and are widely accepted in SME research. In this study, SME performance is conceptualized as the overall business outcomes achieved by SME operators in Kaduna Metropolis, measured using indicators related to sales growth, goal attainment, competitiveness, and general business success.

Psychosocial Characteristics

Psychosocial characteristics refer to the combined psychological and social attributes that influence an individual's behaviour, decision-making processes, interpersonal relationships, and capacity to cope with environmental challenges. In entrepreneurship literature, psychosocial characteristics are considered critical internal resources that shape entrepreneurial actions and firm outcomes (Neneh, 2019). These characteristics encompass traits such as internal locus of control, need for achievement, risk-taking propensity, self-confidence, resilience, adaptability, and social competence. Internal locus of control describes the belief that outcomes are determined by one's own actions rather than external forces. Entrepreneurs with strong internal locus of control tend to take responsibility for business outcomes and actively pursue opportunities. Need for achievement reflects an individual's desire to accomplish challenging goals and attain excellence, which drives innovation and persistence. Risk-taking propensity enables entrepreneurs to pursue uncertain opportunities that may yield higher returns. In this study, psychosocial characteristics are conceptualized as the internal psychological and social attributes of SME operators that enable them to effectively manage business challenges and exploit opportunities.

Institutional Support

Institutional support refers to the formal and informal structures, policies, and mechanisms that facilitate entrepreneurial activities and business growth. Drawing from institutional theory, institutions provide the regulatory, normative, and cognitive frameworks that shape economic behaviour (North, 1990). Institutional support includes access to finance, government policies, business development services, entrepreneurial training programmes, mentorship schemes, infrastructural provision, and regulatory assistance. In emerging economies like Nigeria, institutional support plays a critical role in reducing transaction costs, enhancing legitimacy, and improving access to resources (Agyapong & Acquaah, 2023). Within this study, institutional support is conceptualized as the extent to

which SME operators in Kaduna Metropolis receive financial, regulatory, infrastructural, and training assistance that enhances business performance and strengthens the impact of psychosocial characteristics on performance outcomes.

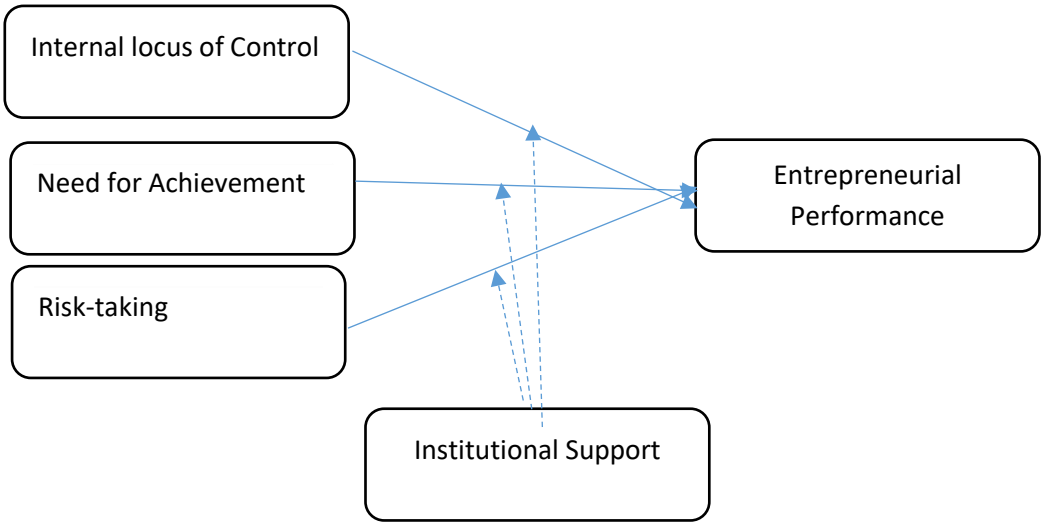

Figure 1: Conceptual Framework

Empirical Review

A considerable body of study supports the argument that entrepreneurs' psychological attributes significantly influence firm performance. Miao, Qian, and Ma (2017), through a meta-analysis, found that entrepreneurial self-efficacy positively predicts firm growth and profitability across multiple contexts. Similarly, Fatoki (2018) recognized that resilience and internal locus of control significantly enhance SME survival in South Africa. These findings suggest that entrepreneurs who believe in their capacity to influence outcomes are more proactive and better positioned to navigate uncertainty.

In the Nigerian context, Ayedun and Igwe (2022) reported that psychosocial traits such as adaptability and confidence positively affect SME competitiveness. Ogbumgbada and Onyemauche (2023) further found that entrepreneurial resilience significantly predicts small business survival during economic instability. These studies collectively suggest that psychosocial characteristics serve as internal capabilities that enhance decision-making, persistence, and opportunity recognition. However, some studies indicate that psychological traits alone may not fully explain performance differences. Messikh (2022) argued that while self-efficacy contributes to entrepreneurial success, its impact diminishes in highly unstable environments where structural constraints dominate. This suggests that internal traits may require external reinforcement to translate into tangible outcomes. Methodologically, most prior studies employed regression-based approaches and focused primarily on direct relationships between psychological traits and performance. Few studies

have examined interaction effects using structural equation modeling, and even fewer have explored psychosocial characteristics as multidimensional constructs within a unified framework. Moreover, limited empirical attention has been given to SMEs in Northern Nigeria, particularly Kaduna Metropolis, thereby creating a geographical and contextual gap.

Institutional support has also been widely recognized as a determinant of SME performance. Akinbola and Ogunnaike (2020) found that access to government-backed financing and business support services significantly enhances entrepreneurial performance in Nigeria. Similarly, Oladipo et al. (2022) reported that institutional mechanisms such as training and policy incentives positively influence SME sustainability. Beyond Nigeria, Agyapong and Acquaah (2023) demonstrated that institutional quality strengthens firm-level competitiveness in Sub-Saharan Africa by reducing uncertainty and improving resource access. These findings align with institutional theory, which posits that supportive regulatory and normative frameworks facilitate business success. However, empirical results are not entirely consistent. Some studies report that institutional support mechanisms in developing economies are often poorly implemented, bureaucratic, or inaccessible to small businesses, thereby limiting their effectiveness (Abubakar & Abdullahi, 2023). This suggests that the presence of institutional frameworks does not automatically guarantee improved SME performance; effectiveness depends on accessibility, transparency, and adequacy.

Caliendo et al. (2023) suggested that entrepreneurial confidence yields stronger performance outcomes in environments characterized by institutional stability. Similarly, Purwanti and Hapsari (2022) found that resilience significantly improves firm growth when entrepreneurs have access to supportive innovation systems. These findings imply that environmental enablers amplify the benefits of internal capabilities. However, empirical evidence on moderation effects remains sparse, particularly in African contexts. Many studies rely on simple regression models that do not test interaction terms. Additionally, few studies employ advanced techniques such as Structural Equation Modeling (SEM) to simultaneously examine direct and moderating effects. In Nigeria specifically, research integrating psychosocial characteristics and institutional support within a moderated framework is limited. Most Nigerian studies focus either on entrepreneurial orientation, financial access, or psychological traits independently. This fragmented approach fails to capture the dynamic interplay between internal and external resources.

Theoretical Framework

This study is anchored on the Resource-Based View (RBV) theory, originally introduced by Edith Penrose (1959) and later developed by Wernerfelt (1984) and Barney (1991). RBV

posits that firm performance differences arise from variations in internal resources and capabilities. The theory assumes that resources that are valuable, rare, inimitable, and non-substitutable (VRIN) can generate sustained competitive advantage and superior performance. Within this framework, psychosocial characteristics such as internal locus of control, need for achievement, confidence, and risk-taking are viewed as intangible human capital resources embedded in the entrepreneur. These internal capabilities influence how business owners identify opportunities, manage challenges, and achieve performance outcomes. SME performance, therefore, is seen as the result of effectively deploying these strategic resources. Although RBV emphasizes internal resources, institutional support can be understood as a complementary enabling resource that enhances the productive use of entrepreneurs' psychosocial strengths.

METHODOLOGY

The study employed a survey and cross-sectional research design to examine the relationship between psychosocial characteristics and SMEs performance, as well as the moderating role of institutional support in Kaduna Metropolis. The population of the study comprised owners and managers of Small and Medium Enterprises (SMEs) within the metropolis, whose exact number is unknown; hence, a sample size of 385 was determined using Cochran's formula for infinite populations. A simple random sampling technique was adopted to distribute 385 questionnaires across three Local Government Areas (Kaduna North, Kaduna South, and Chikun) to ensure fair representation. Point-in-time data were collected over a six-week period using a structured questionnaire designed on a five-point Likert scale. Out of the 385 questionnaires administered, 301 were correctly completed and used for analysis.

The study utilized validated instruments adapted from previous research to suit the context of SMEs operating within Kaduna Metropolis. SMEs performance was measured using the 6-item scale developed by Spillan and Parnell (2006), which reported a Cronbach's alpha of 0.764; an example item is "My sales goals have been achieved." Psychological characteristics were treated as a unidimensional construct and measured using items adapted from established used in prior entrepreneurial behavior studies. The composite scale captured psychological traits such as confidence, adaptability, determination, and creativity, with all items aggregated to represent an overall psychosocial disposition of SME operators. Institutional support was measured using items reflecting the extent of financial, training, and policy assistance available to SMEs, adapted from prior entrepreneurship studies. All items were rated on a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

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DATA ANALYSIS

Data were analyzed using the Structural Equation Modeling (SEM) technique through SmartPLS version 4 to evaluate both the measurement and structural models. The measurement model was employed to assess the reliability, validity, and outer loadings of the constructs, as well as the coefficient of determination (R^2). Also, the effect size (f^2) and predictive relevance (Q^2) were computed to determine the magnitude and predictive strength of the relationships among the study variables.

Measurement Model

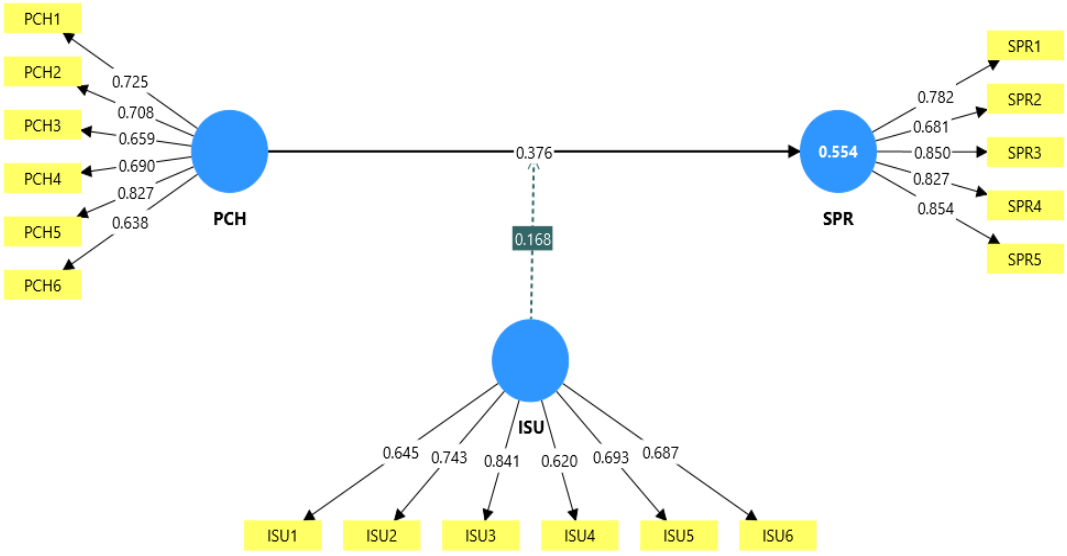

Figure 2: Measurement Model

Table 1: *The Study's Item loading, Composite Reliability (CR) and Average Variance Extracted (AVE)*

Construct	Items	Loadings	CA	CR	AVE
Institutional support	ISU1	0.645	0.817	0.851	**0.502**
	ISU2	0.743			
	ISU3	0.841			
	ISU4	0.620			
	ISU5	0.693			
	ISU6	0.687			
Psychosocial characteristics	PCH1	0.725	0.802	0.813	**0.505**
	PCH2	0.708			
	PCH3	0.659			
	PCH4	0.690			
	PCH5	0.827			
	PCH6	0.638			

Construct	Items	Loadings	CA	CR	AVE
SMEs Performance	SPR1	0.782	0.859	0.867	**0.642**
	SPR2	0.681			
	SPR3	0.850			
	SPR4	0.827			
	SPR5	**0.854**			

Source*:* The Researcher, 2026

The outer loadings for the retained indicators range between 0.620 and 0.854, which meet the acceptable threshold suggested by Hulland (1999) and Hair et al. (2021) that loadings of 0.5 and above can be retained when construct reliability and validity are not compromised. Consequently, items with loadings below 0.5 were removed to enhance the model's overall quality. The results further indicate that the AVE values for all constructs Institutional Support (0.502), Psychosocial Characteristics (0.505), and SMEs Performance (0.642) are above the recommended minimum of 0.5, confirming adequate convergent validity (Hair et al., 2021). Similarly, the composite reliability (CR) values for Institutional Support (0.851), Psychosocial Characteristics (0.813), and SMEs Performance (0.867) exceed the 0.7 benchmark proposed by Hair, Page, and Brunsveld (2020), demonstrating that the constructs are internally consistent and reliable. In addition, the Cronbach's Alpha (CA) values, which range from 0.802 to 0.859, further affirm that the measurement items consistently represent their respective constructs.

Table 2: Heterotrait-Monotrait (HTMT)

Construct	ISU	PCH	SPR
Institutional Support			
Psychosocial Characteristics	0.503		
SMEs Performance	0.628	0.746	

Furthermore, the discriminant validity was evaluated using the Heterotrait-Monotrait ratio (HTMT) as recommended by Henseler, Ringle, and Sarstedt (2015). The HTMT criterion was preferred over the Fornell–Larcker and cross-loading methods due to its superior ability to detect discriminant validity issues among constructs with moderately high correlations. Following the guidelines of Kline (2011) and Henseler et al. (2015), two thresholds are generally accepted: values below 0.85 for conceptually distinct constructs and below 0.90 for conceptually related constructs. Given that the constructs in this study Institutional Support, Psychosocial Characteristics, and SMEs Performance are conceptually distinct, the 0.85 threshold was applied. As shown in Table 2, all HTMT values fall below this benchmark, with the highest correlation being 0.746 (between

Psychosocial Characteristics and SMEs Performance), followed by 0.628 (between Institutional Support and SMEs Performance), and 0.503 (between Institutional Support and Psychosocial Characteristics).

Structural Model

This section examines how institutional support affects the exogenous and endogenous factors, both directly and indirectly. Coefficient of determination (R^2), predictive relevance (Q^2), and effect size (f^2) were also examined.

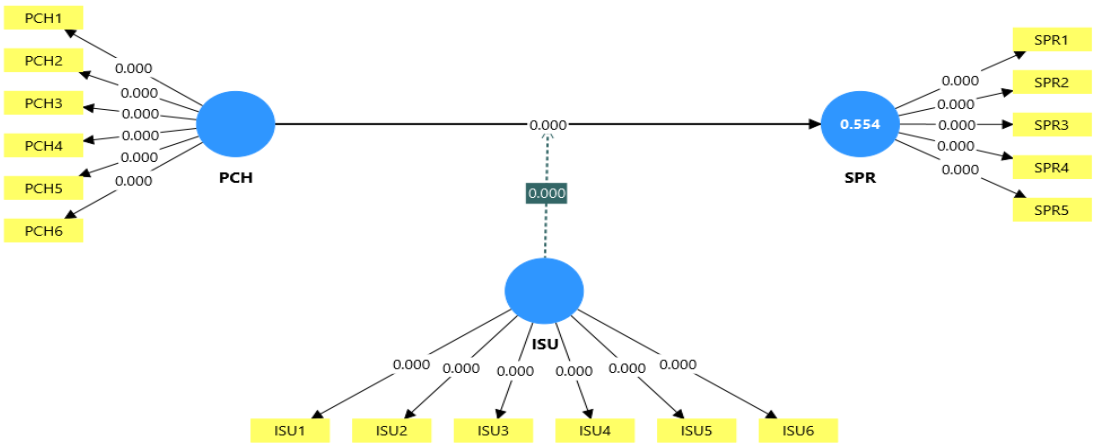

Figure 3: Structural Model

Table 3: Test of Direct and Moderating Hypothesis

Relationship	Beta	Standard Deviation	T Statistics	P Values	Decision
Institutional Support -> SMEs Performance	0.470	0.032	14.781	0.000	Rejected
Institutional Support*Psychosocial Characteristics -> SMEs Performance	0.168	0.034	4.866	0.000	Rejected
Psychosocial Characteristics -> SMEs Performance	0.376	0.034	11.067	0.000	Rejected
R^2=0.554		Q^2 =0.533			

Source: Authors' Systemisation of SmartPLS Output (2026)

As presented in Table 3, the path coefficient between Institutional Support and SMEs Performance (β = 0.470, t = 14.781, p = 0.000) indicates a positive and statistically significant relationship, suggesting that access to institutional resources such as funding, training, and government support significantly enhances SMEs performance in Kaduna Metropolis. Therefore, H01, which stated that institutional support does not have a

significant influence on SMEs performance, is rejected. Similarly, the path linking Psychosocial Characteristics and SMEs Performance (β = 0.376, *t* = 11.067, *p* = 0.000) is positive and significant, implying that SME operators with stronger psychosocial attributes such as confidence, resilience, and adaptability tend to perform better than those with weaker psychological dispositions. Hence, H02 is also rejected. Furthermore, the moderating effect of Institutional Support on the relationship between Psychosocial Characteristics and SMEs Performance (β = 0.168, *t* = 4.866, *p* = 0.000) is statistically significant, confirming that institutional mechanisms strengthen the positive influence of psychosocial characteristics on business performance. This result leads to the rejection of H03, establishing that institutional support enhances the effect of psychosocial characteristics on SMEs performance. The model's explanatory power, represented by an R^2 value of 0.554, indicates that approximately 55.4% of the variance in SMEs performance is explained by the predictors psychosocial characteristics, institutional support, and their interaction while the remaining 44.6% is accounted for by factors outside the model. The Q^2 value of 0.533, which is greater than zero, demonstrates that the model possesses strong predictive relevance and practical utility.

Table 4: *Effect Size (f^2)*

Constructs	PER(f^2)	Effect Size
Psychosocial Characteristics	0.358	**Large**
Institutional Support*SMEs Performance	0.055	**Small**
Institutional Support	**0.229**	**Medium**

Source: Authors' Systemisation of SmartPLS Output (2026)

As shown in Table 4, Psychosocial Characteristics recorded an f^2 value of 0.358, indicating a large effect size and signifying that psychosocial characteristics make a strong and meaningful contribution to SMEs performance in Kaduna Metropolis. Institutional Support had an f^2 value of 0.229, which represents a medium effect size, implying that institutional support moderately influences SMEs performance. Conversely, the interaction term (Institutional Support × Psychosocial Characteristics) produced an f^2 value of 0.055, reflecting a small effect size and suggesting that while institutional support strengthens the relationship between psychosocial characteristics and SMEs performance, the magnitude of this moderating influence is modest.

Discussion

The findings revealed a positive and significant relationship between psychosocial characteristics and SMEs performance in Kaduna Metropolis, indicating that entrepreneurs'

psychological and social attributes play a crucial role in shaping business outcomes. This aligns with earlier studies (e.g., Miao et al., 2017; Fatoki, 2018; Chidi & Fatoki, 2021; Ogbumgbada & Onyemauche, 2023; Messikh, 2022), which established that self-belief, resilience, and social adaptability enhance business success. Entrepreneurs with strong psychosocial characteristics tend to exhibit higher confidence, optimism, and perseverancequ alities that foster innovation, proactive decision-making, and effective management of market challenges, thereby improving performance (Caliendo et al., 2023; Purwanti & Hapsari, 2022).

Furthermore, the study found that institutional support had a significant positive effect on SMEs performance, consistent with previous findings (Akinbola & Ogunnaike, 2020; Oladipo et al., 2022) that highlight the importance of supportive policies, access to finance, and training facilities in enhancing enterprise growth. The moderating analysis further showed that institutional support strengthens the relationship between psychosocial characteristics and performance, though the effect size was modest. This suggests that while personal psychological and social resources are critical drivers of SME success, their effectiveness can be enhanced when reinforced by enabling institutional structures.

The moderating function of institutional support in the relationship between psychosocial characteristics and SME performance carries both practical and theoretical implications. Practically, the findings suggest that governments, business development agencies, and entrepreneurial support organisations should prioritise the creation of an environment that strengthens psychosocial capacities while enhancing institutional structures that sustain entrepreneurial growth. Entrepreneurship development programmes should not only focus on building entrepreneurs' confidence, resilience, adaptability, and social competence but also provide enabling support systems—such as access to finance, training, infrastructure, and mentorship that enhance the practical expression of these psychosocial strengths. Recognising this linkage can help SME owners appreciate that institutional support amplifies the positive influence of their psychosocial capabilities on business outcomes. Consequently, targeted interventions such as capacity-building initiatives, inclusive funding policies, and innovation hubs can be strategically designed and implemented to leverage this interaction, thereby improving the overall performance, competitiveness, and sustainability of SMEs in Nigeria.

From a theoretical standpoint, and in line with the Resource-Based View (RBV), the moderating effect of institutional support in the relationship between psychosocial characteristics and SME performance offers critical insights into how internal and external resources combine to produce superior outcomes. RBV posits that valuable, rare, inimitable, and non-substitutable resources contribute to sustained competitive advantage. In this context, psychosocial characteristics represent internal human resources such as

motivation, confidence, and emotional stability while institutional support functions as an external, enabling resource that transforms these internal strengths into strategic advantages. This interaction demonstrates that institutional support not only complements but also enhances the productive capacity of entrepreneurs' psychosocial resources, thereby improving firm performance. Consequently, the study broadens the RBV perspective by emphasising how the interplay between internal psychological resources and external institutional mechanisms can drive sustainable SME success in emerging economies like Nigeria.

CONCLUSION AND RECOMMENDATIONS

The study examined the interaction between psychosocial characteristics, institutional support, and SME performance among entrepreneurs in Nigeria. The findings revealed that psychosocial characteristics encompassing traits such as confidence, resilience, adaptability, and motivation significantly influence the performance of SMEs. Moreover, institutional support plays a crucial moderating role, strengthening the relationship between entrepreneurs' psychosocial capacities and business performance. This demonstrates that while personal attributes are vital for entrepreneurial success, the existence of strong institutional structures such as funding access, training opportunities, and regulatory support enhances the effectiveness of these internal traits. The study underscores that SME growth in Nigeria depends not only on entrepreneurs' internal capacities but also on external environmental enablers. Therefore, policies that integrate psychosocial development with institutional empowerment are essential to achieving sustainable entrepreneurial outcomes and long-term competitiveness in the SME sector.

Based on the study's findings, the following recommendations are made:

1. Government agencies and entrepreneurship development institutions should design training and mentorship programmes that enhance entrepreneurs' confidence, adaptability, and motivation, as these psychosocial attributes are key predictors of SME success.
2. Policymakers should improve access to finance, business infrastructure, and training facilities, as these supports amplify the positive impact of psychosocial characteristics on SME performance. Strengthened institutions will help translate entrepreneurs' internal strengths into measurable business growth.
3. Development agencies and financial institutions should align entrepreneurial support programmes to simultaneously build psychosocial competencies and provide institutional backing. This integrated approach will foster resilient, innovative, and high-performing SMEs capable of sustaining growth in competitive markets.

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Suggestions for further Studies

This study provides valuable insights into the relationship between psychosocial characteristics, institutional support, and SME performance in Kaduna Metropolis, it has certain limitations. The cross-sectional design restricts the ability to establish causality among the variables and may not capture changes over time. The reliance on self-reported data could also introduce response bias. Also, focusing on institutional support as a moderator limit understanding of other contextual influences. Future studies should therefore adopt a longitudinal design to observe changes over time, expand the geographical scope to enhance generalisability, and consider other moderating or mediating factors such as government policies, access to finance, innovation capability, or networking intensity.

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