

DETERMINANTS OF SME GROWTH: AN EMPIRICAL PERSPECTIVE OF SMES IN THE CAPE COAST METROPOLIS, GHANA

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The high failure rate of small and medium enterprises (SMEs) in Ghana is alarming, despite copious government policy and stimulus schemes directed at SMEs. Hence, this study attempts to find out the consequences of the entrepreneur and firm characteristics on SME growth. The research framework was adapted from [Storey \(1994\)](#). Data were gathered from administering questionnaires to 121 SMEs in the Cape Coast Metropolis. Descriptive statistics and the Cramer's V statistical test were the analytical tools. The findings show that the educational qualification of the entrepreneur and size of the enterprise had the most significant influence on SME growth. This study concluded that owner/managers of SMEs must be educated, even if not by formal schooling; they must periodically attend seminars and workshops to obtain the requisite knowledge and skills to advance their business growth. Entrepreneurs must not be driven solely by financial motives and must also avoid inertia that comes with operating a business enterprise for a very long time. Finally, entrepreneurs must involve very competent people, be it employees or outsiders, to advance the growth of their enterprises.

Keywords: Small and medium enterprises (SME) and SMEs growth (sales).

Introduction

The benefits that small and medium enterprises (SMEs) provide for economic growth have long been recognised and are well documented. Consequently, the performance of the SME sector is closely associated with the economic performance of the nation. SMEs are increasingly seen as playing an important role in the economies of many countries. SMEs are considered the engines of economic growth in developing countries. Along the same lines as this assertion, [Muritala, Awolaja and Bako \(2012\)](#) concluded there is the greater likelihood that SMEs will utilize labour-intensive technologies, thereby reducing unemployment, particularly in developing countries. In developed countries, SMEs have traditionally championed job creation, stimulating innovations and creating new products and services. This realisation of the enormous contribution of SMEs to economic growth has propelled governments throughout the world to put priority on the development of the SME sector to promote economic growth of their respect countries.

In Africa, [Okpara \(2011\)](#) argued that SMEs play a momentous role in the macro economy. There has been an obvious rise in the widespread emergence of SMEs in Sub-Saharan Africa. The [Global Entrepreneurship Monitor \(GEM\) in 2010](#) on Angola, Ghana, South Africa, Uganda and Zambia indicates that the number of small established businesses is high. Also, the [GEM \(2010\)](#) revealed that Ghana recorded the highest (40%) established owned businesses in Africa, followed by Uganda (27%), which are both significantly higher than China and Brazil (under 15%). Conversely, South Africa and Angola registered below 10%. These results show that the increase in established business ownership in Africa is unevenly spread and this outcome confirms [Sacerdoti's](#)

(2002) assertion that SMEs in Africa have generally shown asymmetrical development.

In considering the SMEs' economic contribution in some selected Africa countries, the [Department of Trade and Industry \(DTI\) \(2012\)](#) of South Africa indicates that there are more than 800,000 SMEs and has estimated that total economic output of SMEs in South Africa to be 50% of GDP. It is also estimated that they provide employment to about 60% of the labour force. According to [Mwarari and Ngugi \(2013\)](#), SMEs in Kenya are responsible for about 80% of employment and contribute about 40% to GDP. They argued that these statistics demonstrate that SMEs are an integral part of the economy, critical in spurring socioeconomic development in Kenya. In Nigeria, SMEs are extremely imperative and contribute significantly to economic growth, principally in the manufacturing sector. SMEs constitute about 70% to 90% of the business establishment in the manufacturing sector ([Eniola & Ektebang, 2014](#)). The Global Competitiveness Index (GCI) for 2013 in the [Global Competitiveness Report \(2013-2014\)](#) placed Nigeria in 127th position, a further downfall of seven places from 120th position in 2013. An earlier research by [Tsokar \(2011\)](#) put micro, small and medium businesses across Nigeria in the region of 17.3 million with total employment in the sector put at about 32 million (25% of total employment), contributing about 45% to the GDP. Similarly, the [Ghana banking survey \(2013\)](#) reveals that the bulk of SMEs in Ghana are within the services sector, particularly hotels, restaurants, transport and storage, business and real estate. The services sector contributed 49.3% to GDP in 2012, having grown at an annual rate of 8.8% over its 2011 contribution.

In spite of the apparent significant consequences, SMEs have on very country's economy and the copious policy schemes introduced by African governments during the past decade to

hasten the development, survival and growth of SMEs in the African region, the performance of SMEs in Africa has been substandard. Government policy towards SMEs is one imperative factor to take into thoughtfulness when looking at the opportunities SMEs have for growth. The mortality rate of SMEs in Africa remains very high; it is posited that five out of seven new SMEs fail within the first year of operation ([Adcorp, 2014](#)). [Tushabomwe-kazooba and Kemeza \(2006\)](#) reported that one-third of the business startups in Uganda do not exist beyond one year and further posited that analytical and practical case studies on appropriate strategies for the competitiveness of SMEs in developing countries such as Uganda are also limited. A recent study by [Fatoki \(2012\)](#) revealed that the SMEs sector in South Africa is characterised by high failure rates, as the creation rate of new SMEs in South African is one of the lowest in the world. In South Africa, the number of SME failures in the first five year ranges between 50% and 95% ([Willemse, 2010](#)) and about 75% of new SMEs do not become established businesses, which has been identified as one of the highest failure rates in the world.

The [World Bank Doing Business Report \(2012\)](#) named Chad as the most difficult Sub-Saharan Africa country in which to conduct business, with a high rate of 65% and particularly bankruptcy regulations that require 60% of the estate value and lengthy processing time. Business laws in Chad make it difficult for SMEs to operate and to make a profit. Along this same line, [Chu, Kara and Benzing \(2010\)](#) opined the most serious and damaging problem threatening the state of entrepreneurship in Nigeria is a lack of government interest and support for micro and small enterprises. Within the Ghanaian context, notwithstanding the extensive economic reforms instituted in the country to encourage SME development and growth, SMEs still face a variety of constraints ([UNECA, 2010](#)). According to [Kayanula and](#)

[Quartey \(2000\)](#), SMEs in Ghana are predominantly owned by one person with limited formal education. Access to and use of new technologies and market information and access to credit from the banking sector is relentlessly restricted. Also, [Mensah \(2004\)](#) indicated that the management skills of owner/managers are weak, thus stalling the development of a strategic plan for sustainable growth of SMEs in Ghana. This alarming rate of business failure or, better still, the stagnation of SMEs growth gives the Ghanaian economy reason for concern; there is therefore urgent need for research on the determinants that may be responsible for influencing SME growth in Ghana. The SMEs in the Cape Coast Metropolis share almost the same characteristics with their counterparts in the other regions of Ghana and therefore the outcome and recommendation of this study can be extended to cover other SMEs. Unfortunately, the scanty research on SMEs in Ghana is focused primarily on the major three cities: Accra, Kumasi and Takoradi. Hence, this research aims at filling this research void by considering the determinants influencing SMEs growth in the Cape Coast Metropolis.

Literature

Measuring SMEs' Growth

Generally, the term “business growth” is used to refer to various things, such as increase in total sales volume, increase in production capacity, increase in employment, increase in production volume, increase in the use of raw material and power. These factors indicate growth, but do not provide a specific meaning of growth. Business growth is typically defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins. [Delmar, Davidson and Gartner \(2003\)](#) posited that various scholars use growth indicators such as assets, market share, physical output and

profits to measure business performance. Yet they argued these indicators are usually not used as sales and employment, because their applicability is limited; thus, market share and physical output vary within different industries and are therefore difficult to compare; total assets value depends on industrial capital intensity and is sensitive to change over time; and, lastly, profits are simply appropriate in measuring size over a long period of time.

Furthermore, [Delmar et al. \(2003\)](#) claimed sales and employment are two important indicators when measuring firm growth. Employment is often used, because it is comparatively easy to access and measure as well as because it lies within interest for policy makers ([Barkham et al., 1996](#)). Sales are also commonly used to measure firm growth, though sales are susceptible to inflation and exchange rates. Besides, it can be difficult to compare sales figures in unlike industries. Therefore, [Delmar et al. \(2003\)](#) concluded that researcher should use multiple growth indicators when studying firm growth.

In the last decade or so, different authors argue that SMEs differ from larger enterprises, because they do have dissimilar growth possibilities. They intimated that large firms witness expansion during recessions/recoveries, whilst SMEs often seems to grow in booms. According to [Huynh and Petrunia \(2010\)](#), firms with a growth objective tend to have higher debt levels than firms that have lower growth inclination. The desire for business growth is the only medium through which SMEs can become larger organisations; business growth is closely linked to employment creation ([Davidsson, Achtenhagen & Naldi, 2010](#)). With regards to the factors influencing SME growth, [Levratto, Tessier and Zouikri \(2010\)](#) identified factors such as the firm's resources, human capital (age, experience), environmental and market characteristics as key influences on SME growth.

[Howard \(2006\)](#) in a study intimated that organisations go through seven stages of growth and concluded the initial three stages are of significant importance and influence on SMEs. The first stage is when a small business is just beginning with markets and products that are being developed. The second stage is expansion, with the focus on increased sales, revenues, market share and employees. Stage three is professionalization and the desire to formalize the operations of the organization; this stage is closely linked to expansion. The fourth stage consolidates the

**Table 1: Management role and style
in the five stages of small business growth**

Stage	Top management role	Management style	Organization structure
1. Inception	Direct supervision	Entrepreneurial, Individualistic	Unstructured
2. Survival	Supervised Supervision	Entrepreneurial, administrative	Simple
3. Growth	Delegation/ co-ordination	Entrepreneurial, co-ordinate	Functional, centralized
4. Expansion	Decentralization	Professional, administrative	Functional, decentralized
5. Maturity	Decentralization	Watchdog	Decentralized functional/ product

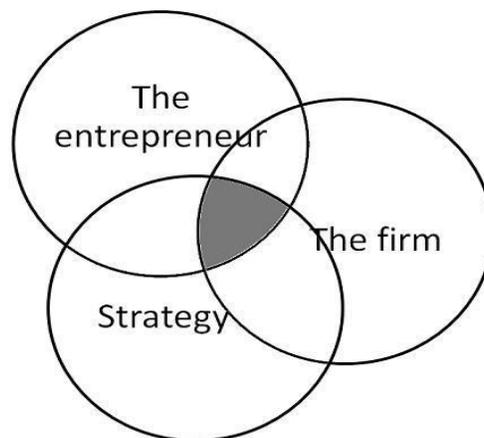
Source: [Scott and Bruce \(1987\)](#).

activities of the organisation and attempts to solve problems faced by the firm. Diversification is the fifth stage, with the focus on developing new products for exiting markets. Stage six is integration, attention on building an infrastructure to sustain

multiple business units. The last stage is decline and revitalization; this stage focuses on rebuilding the entire organization at all levels to guarantee continued survival.

As illustrated in [Table 1](#), [Scott and Bruce \(1987\)](#) posited that a small firm moves from stage 1 (inception) through to stage 5 (maturity). At each of the stages, it is assumed that the role played by top management, the management style and the organization of structure change.

Figure 1: Three components influencing SMEs growth



Source: [Storey \(1994\)](#)

The theory propounded by [Storey \(1994\)](#), as depicted in [Figure 1](#), considers three components influencing SMEs growth. These components are the starting resources of the entrepreneur(s), the firm and the strategy. [Storey \(1994\)](#) argued that these three

components may be considered as overlapping or intersecting circles. They cannot be considered wholly independent influences.

The conceptual framework for this study

The conceptual framework of this study is based on the pioneering works of [Storey \(1994\)](#). However, given the nature and the environment within which SMEs in the Cape Coast Metropolis operate, it was imperative that this study adopt the theory of [Storey \(1994\)](#), in order to achieve the purpose of this study. Therefore, this study employed the entrepreneur and the firm characteristics as the determinants of SMEs growth. Also, sales were used to measure SMEs growth, because this form of growth measurement is mostly used by SME owner/managers themselves ([Carter & Jones-Evans, 2000](#)). [Figure 2](#) depicts the diagram explaining the conceptual framework.

Hypotheses

Several earlier studies established that demographic characteristics of the entrepreneur such, as gender, age, work experience, education and motivation, had an impact on entrepreneurial intent and SME growth ([Storey, 1994](#); [Kolvereid, 1996](#)). Also, the characteristics of the firm, including age, size, legal form, industry type and location, are of paramount importance to the survival and growth of SMEs ([Storey, 1994](#); [Cooper, Gimeno-Gascon & Woo, 1994](#); [Indarti & Langenberg, 2004](#)). Based on the aforementioned arguments, the study stated the following eight hypotheses to achieve the objective of this research paper.

H1: Male-owned/managed SMEs exhibit higher growth than female-owned/managed SMEs.

H2: SMEs run by younger owner/managers tend to have a higher growth.

H3: SMEs owned/managed by entrepreneurs with higher formal education experience higher growth.

H4: SME growth is influenced by the owner/managers' motivation for going into business, particularly with regard to finance.

H5: SME growth decreases with firm age.

H6: SME growth increases with firm size.

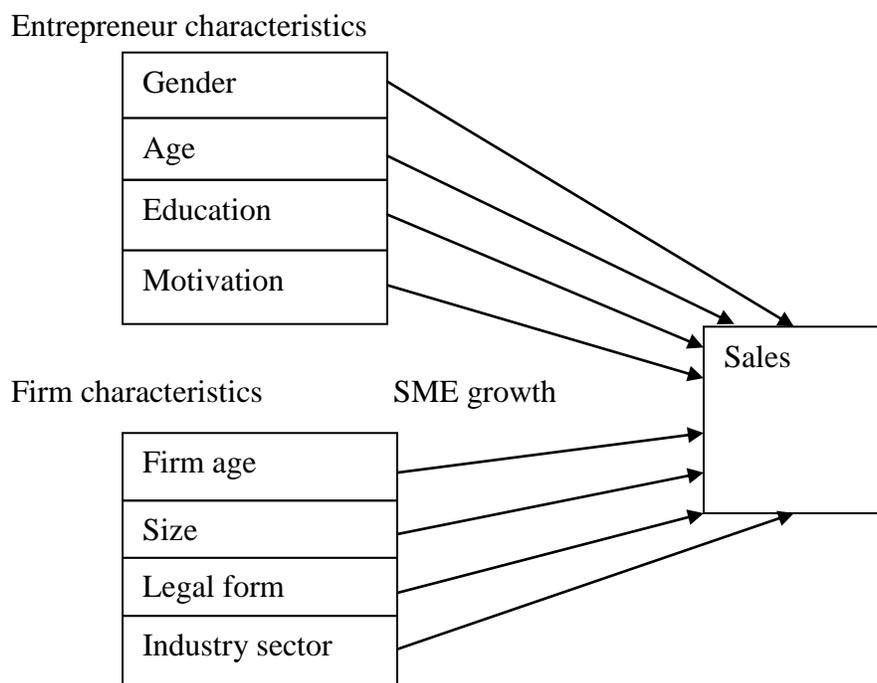
H7: Incorporated SMEs have higher growth rate than unincorporated SMEs.

H8: SMEs industry sector significantly influences their growth.

Methodology

The target population for this study was SMEs that have continuously operated business activities for at least 3 years and also have at least one employee. A list of 201 registered SMEs was obtained from the Cape Coast Metropolitan Assembly. However, 25 of the SMEs were located outside the Cape Coast Metropolis and therefore these SMEs were excluded, making the population size of 176 SMEs used for this study. A sample size of 123 SMEs out of the population size was obtained using the formula developed by [Krejcie and Morgan \(1970\)](#).

Figure 2: The Framework of the influence of entrepreneurs and firm characteristics on SME growth



Adapted from: [Storey \(1994\)](#)

This study used a self-administered questionnaire. The questionnaire was structured with eight items, which made it easy for the respondents to indicate their responses. Also, SME owner/managers were asked to indicate their sales in the last three

years in three categories, specifically: increased, remained the same and decreased. Descriptive statistics, mainly on frequency distribution and percentage value, were used to analyse the data. In testing the hypotheses, Cramer's V statistical test was used to examine the influence of the characteristics of owner/managers and the firm on SMEs growth.

Results

Data collection

A total of 121 questionnaires was used for the study out of the 123 questionnaires self-administered, because two of the questionnaires were incompletely filled and so were excluded. Hence, the response rate generated was 98.37%.

Descriptive Analysis

Most of the respondents, specifically 92%, doubled as owners and managers of their business enterprises. The female respondents constituted 51%, putting them marginally ahead of their male counterparts. The age profile indicated that 73% of the respondents were below 45 years, suggesting an arguably not very old adult population of SMEs operators in the Cape Coast Metropolis. Regarding education, 64.4% of the respondents, representing the majority, had their highest educational qualification at the senior high school level. But 2.9% revealed that they have never been to school or had any formal education. In terms of their motivation for starting their business venture(s), 36.5% and 33.8% of the respondents indicated they desired self-fulfillment and financial reward, respectively. Also, 24.2% claimed they wanted independence and 5.4% opined they wanted to create jobs.

The characteristics of the respondent's firms indicated an overwhelming preference for the sole proprietor form of business ownership. In particular, 86.5% operated as sole proprietors,

10.6% operated as partnerships and fewer than 2.9% ran their business enterprises as limited liability companies. Furthermore, 65.3% of the respondents had operated their businesses between 2 years and 10 years. The inference is that most of the SMEs in the Cape Coast Metropolis had existed at most for 10 years. The nagging question about this outcome is: does it suggest SMEs in the Cape Coast Metropolis discontinue to exist after 10 years? With respect to the type of industry, 43.3% were wholesalers and retailers, 17.3% were manufacturers, 16.3% were into arts, entertainment and recreation, 12.5% engaged in accommodation and food services, while 10.6% were into transportation businesses. The majority of the SMEs, 78%, employ between 1 to 5 people and 22% employ 6 to 9 people. This result indicates that there are more micro enterprises than small enterprises in the Cape Coast Metropolis.

Hypothesis testing

The first hypothesis posited that “*Male-owned/managed SMEs exhibit higher growth than female-owned/managed SMEs.*” The results from the cross tabulation in [Table 2](#) depict that the male-owned/managed SMEs experience not only a lesser decrease in sales, but also a significant increase in sales growth compared with their female counterparts. However, more female-owned/managed SMEs had stability in their sales growth than the males. This result agrees with the opinion expressed by [Kantor \(2001\)](#) and [Chell \(2001\)](#) that failure rates for female-owned firms are higher than those for male.

Table 2: Gender of owner/manager and its influence on SME growth

Gender	Sales			
	Decreased	Remained the same	Increased	Total
Male	10 40.0%	11 35.5%	39 60.0%	60 49.6%
Female	15 60.0%	20 64.5%	26 40.0%	61 50.4%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

Hypothesis two stated that “*SMEs run by younger owner/managers tend to have a higher growth.*” The results from [Table 3](#) show that SMEs owned/managed by people between the ages of 30 to 39 experienced the highest increase in sales, with 35.4%, followed by 40 to 49, with 20% sales increase. Also, owner/managers between the ages of 40 to 49 had the most decrease in sales despite placing second in terms of sales growth. The age bracket with the greatest decrease in sales was 60 years and above. The concluding pattern of these results indicates that owner/managers of SMEs that fall between the ages of 30 to 39 experience significant sales growth. This confirms the assertion by [Sinha \(1996\)](#) that younger entrepreneurs tend to be more successful than the older entrepreneurs.

**Table 3: Age of the owner/manager
and its influence on SME growth**

Age	Sales			
	Decreased	Remained the same	Increased	Total
20-29	7 28.0%	6 19.4%	15 23.1%	28 23.1%
30-39	3 12.0%	10 32.3%	23 35.4%	36 29.7%
40-49	11 44.0%	9 29.0%	13 20%	33 27.2%
50-59	4 16.0%	6 19.4%	11 16.9%	21 17.3%
60 and above	0 .0%	0 .0%	3 4.6%	3 2.5%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

Table 4: Owner/managers' education and its influence on SME growth

Owner/managers' level of education	Sales			
	Decreased	Remained the same	Increased	Total
never been to school	0 .0%	1 3.2%	2 3.1%	3 2.5%
primary school	0 .0%	0 0%	4 6.2%	4 3.3%
JHS/middle school	10 40.0%	7 22.6%	18 27.7%	35 28.9%
senior high school	7 28.0%	14 45.2%	19 29.2%	40 33.1%
commercial/vocational/technical	3 12.0%	7 22.6%	6 9.2%	16 13.2%
post secondary diploma	4 16.0%	0 .0%	0 .0%	4 3.3%
bachelor degree	1 4.0%	2 6.5%	9 13.8%	12 9.9%
post graduate	0 .0%	0 .0%	7 10.8%	7 5.8%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

The third hypotheses posited that “*SMEs owned/managed by entrepreneurs with higher formal education experience higher growth.*” [Table 4](#) reveals that owner/managers with senior high school education experience high sales growth, but at the same time recorded the highest decrease in sales. However, SMEs operated by owner/managers with university degrees and post-graduate degrees recorded sales increases with no or minimal decrease in sales figures. This suggests that owner/managers with university education experience less decrease in sales (see [Carter & Jones-Evans, 2000](#)).

Hypothesis four stated that “*SME growth is influenced by the owner/managers’ motivation for going into business, particularly with regard to finance.*” As the results in [Table 5](#) indicate, owner/managers with the motivation for self-fulfillment witnessed the most sales increase. Financial/money motivation placed second. However, people running SMEs with the motivation for job creation experienced the least increase in sales. This outcome corroborates the position of [Robichaud, McGraw & Roger \(2001\)](#) that SMEs owner/managers are primarily motivated by self-fulfillment and financial rewards.

The fifth hypothesis stated that “*SMEs growth decreases with firm age.*” The results in [Table 6](#) show that SMEs experience sales increases from 2 years to 10 years of existence. Specifically, sales soar between 6 and 10 years of SMEs in operation. After 10 years, as depicted in [Table 6](#), sales begin to fall. This outcome confirms extant research arguing that firm sales is a function of age (see [Hannan & Freeman, 1989](#); [Kristiansen, Furuholt & Wahid, 2003](#)).

Table 5: Motivation of the owner/manager and its influence on SME growth

Motivation to start business	Sales			
	Decreased	Remained the same	Increased	Total
Independence	5 20.0%	6 19.4%	12 18.5%	23 19.0%
self fulfillment	8 32.0%	14 45.2%	26 40.0%	48 39.7%
financial/ money	6 24.0%	11 35.5%	17 26.2%	34 28.1%
job creation	6 24.0%	0 0%	10 15.4%	16 13.2%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

Hypothesis six stated that “*SME growth increases with firm size.*” [Table 7](#) indicates that small enterprises grow faster in sales than the micro enterprises and also small enterprises enjoy sales stability. However, the contrasting observation is that micro enterprises have less sales decrease. Nonetheless, the general conclusion based on this outcome is that enterprises with more employees are likely to experience rapid sales growth. (See [Honhyan, 2009](#); [Dun & Girma, 2012](#)).

Table 6: Firm age and its influence on SME growth

Firm age	Sales			
	Decreased	Remained the same	Increased	Total
2years	0 0.0%	3 9.7%	6 9.2%	9 7.4%
3-5years	10 40.0%	6 19.4%	17 26.2%	33 27.3%
6-10years	5 20.0%	11 35.5%	21 32.3%	37 30.6%
11-16	5 20.0%	9 29.0%	8 20.0%	22 16.5%
17 years and above	5 20.0%	9 29.0%	8 12.3%	22 18.2%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

Table 7: Firm size and its influence on SMEs growth.

Employee Size	Sales			
	Decreased	Remained the same	Increased	Total
1-5	5 20.0%	2 6.5%	22 33.8%	29 24.0%
6-9	20 80.0%	29 93.5%	43 66.2%	92 76.0%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

The seventh hypothesis stated that “*Incorporated SMEs have higher growth rate than unincorporated SMEs.*” Conversely, the results from [Table 8](#) reveal that owner/managers that ran their SMEs as sole proprietors experienced significant sales increases, despite also having the highest decrease in sales. However, SMEs that operated as limited liability companies had the least decrease in sales. This outcome could be due to the fact that majority of SMEs in the Cape Coast Metropolis are solely owned and managed. The descriptive statistics corroborate this assertion, by revealing that just 2.5% of these SMEs operate as limited liability companies. But other researchers have contended that limited liability companies rather experience rapid sales growth ([Stiglitz & Weiss, 1981](#); [Reynolds & Miller, 1988](#)).

Table 8: Firm legal form and its influence on SMEs growth.

Legal form of business	Sales			
	decreased	remained the same	increased	Total
sole trader	22 88.0%	30 96.8%	50 76.9%	102 84.3%
Partnership	2 8.0%	0 .0%	1 1.5%	3 2.5%
limited liability company	1 4.0%	1 3.2%	14 21.5%	16 13.2%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

The eighth hypothesis stated that “*SMEs industry sector significantly influences their growth.*” The results in [Table 9](#) indicate that owner/managers of SMEs operating as wholesalers and retailers had the highest association with sales increase. This revelation is not odd, because the majority of SMEs in the Metropolis are predominantly into wholesale and retail businesses. The manufacturing sector witnessed the next largest sales increase. However, the transport sector had the lowest sales increase; this could be partly explained by the frequent hikes in fuel prices, which cause transportation charges to soar. And since the Cape Coast Metropolis occupies a small land space, residents nowadays prefer to commute walking to boarding a commercial vehicle.

Table 9: Industry sector and its influence on SME growth

Type of industry	Sales			
	Decreased	Remained the same	Increased	Total
Manufacturing	4 16.0%	3 9.7%	13 20.0%	20 16.5%
Accommodation and food services activities	3 12.0%	3 9.7%	9 13.8%	15 12.4%
Arts, entertainment and recreation	6 24.0%	6 19.4%	7 10.8%	19 15.7%
Wholesalers and retailers	6 24.0%	18 58.1%	31 47.7%	55 45.5%
Transport	6 24.0%	1 3.2%	5 7.7%	12 9.9%
Total	25 100.0%	31 100.0%	65 100.0%	121 100.0%

Discussion

The study found that those SMEs owned/managed by males experienced greater increases in sales growth than their female counterparts. Nevertheless, the female-owned/managed SMEs had a relatively steady sales growth. This outcome supports the previous argument by [Kantor \(2001\)](#) and [Chell \(2001\)](#) that the mortality rate for female-owned/managed SMEs is comparatively high. Also, this study maintains the proposition that SMEs owned/managed by younger people have a higher sales growth propensity than those SMEs operated by older people. This finding confirms an earlier conclusion made by [Storey \(1994\)](#). Although the SMEs operated by persons with a university degree did not experience the most sales increase, this study showed that such SMEs experience very low decrease in sales. In other words, these SMEs enjoy relatively stable sales growth. Owner/managers of SMEs with the motivation of self-fulfillment recorded the most significant increase in sales. Several authors, including [Robichaud, McGraw and Roger \(2001\)](#), have concluded that financial drive is not the top-most motivation for most SMEs owners/managers going into business.

Regarding the firm characteristics, this study revealed that SMEs experience sales growth at most for 10 years of existence and afterwards their sales begin to have a nosedive. The majority of these SMEs witnessed significant sales growth between the ages of 6 to 10 years in business operation. This revelation falls in line with the views of [Kristiansen, Furuholt & Wahid \(2003\)](#), who argued that SMEs that have existed relatively for longer years are more successful than those SMEs that are nascent. Also, this study supports the assertion by [Dun and Girma \(2012\)](#) that SMEs with more employees do better in business than their counterparts with fewer employees. Contrarily to previous research works, which affirmed that SMEs running as limited liability companies

experienced significant sales increases, this study posited that SMEs operating as sole proprietorships had the most sales increases. In effect, this outcome does not corroborate earlier findings. The association between industry type and sales growth indicated a strong relationship, with the wholesale and retail sectors witnessing the highest sales growth.

Table 10: The entrepreneur characteristics and their influence on SME growth

Characteristics	Chi square	d.f.	Cramer's V	P
Gender	6.205	2	.226	.045
Age	15.975	16	.257	.455
Level of Education	34.135	14	.376	.002
Motivation	7.997	6	.182	.238

Conclusion

Based on the foregoing discussion, out of the eight hypotheses that were stated for this study, four were accepted and four were not accepted. Specifically, hypotheses one, two, five and six were accepted, whilst hypotheses three, four, seven and eight were not accepted. As regards the influence of entrepreneurs' characteristics and SME growth, [Table 10](#) shows that the level of education of the entrepreneur had the most significant influence on the firms' growth, followed closely by the gender of the entrepreneur. Also, the influence of the firms' characteristics on SME growth, as depicted in [Table 11](#), revealed that firm size had the most significant influence on SMEs growth. The firm's legal status had the next influence.

Table 11: The firm characteristics and their influence on SME growth

Characteristics	Chi square	d.f.	Cramer's' V	P
Firm age	11.646	8	.219	.168
Firm size	8.916	2	.271	.012
Firm legal status	12.457	4	.227	.014
Industry sector	14.435	8	.244	.071

Source: [Storey \(1994\)](#)

In a nutshell, this study finds that male and female entrepreneurs have almost equal business acumen to increase their sales growth. Furthermore, owner/managers of SMEs must desire to be educated; even if it is not formal education, they must endeavour to attend seminars and workshops to acquire the needed knowledge and skills to boost their business performance. SME operators must not be too money conscious in their business activities. This study confirms this stance, by revealing that the motivation for self-fulfillment can increase sales growth significantly. Additionally, owner/managers of SMEs must strive to avoid inertia that comes with business enterprise ageing and also bring more competent people onboard to assist in growing the business enterprises.

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