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DETERMINANTS OF SMEs GROWTH: CASE STUDY PAYNESVILLE

MONTSERRADO, LIBERIA

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DEDICATION

To my beloved parents, and my lovely wife Mrs. Jerelyn T.K Somwarbi, thanks for preparing me for this mission, thanks for your support, this is for you. May God meaningfully bless you all.

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DECLARATION OF ORIGNALITY

I, Robert Seingbaye Somwarbi, declare that this thesis, titled "Determinants of SMEs growth: case study Paynesville Montserrado Liberia," is the result of my own original research and work. I affirm that this work has not been submitted for any other degree or qualification at any other institution, nor has it been previously published in any form.

Robert Seingbaye Somwarbi   _____   _____

          Signature   Date

Certified by:

Dr. Robert Daoda Korsu   _____   _____

(Supervisor)   Signature   Date

LIST OF ABREVIATION / ACRONYM

SME--Small and Medium Enterprises

MFI---Microfinance Institutions

GOL--Government of Liberia

CBL---Central bank of Liberia

LBR---Liberia Business Registry

SBA---Small Business Administration

LIBA---Liberia Business Association

NGO---None Governmental Organization

GDP---Gross domestic product

SACCO---Saving and Credit Cooperatives

RFI---Rural Finance Institution

LBDI---Liberia Bank for Development &

Investment

RREA---Rural Renewable Energy Agency

EO---Entrepreneur Orientation

ABSTRACT

The growth and sustainability of Small and Medium Enterprises (SMEs) play a crucial role in fostering economic development and reducing poverty around the world, including Liberia. Given the importance of SMEs in Paynesville, we investigated the factors that determine the growth of SMEs in Paynesville including, access to finance, high cost of rent, business training and business plan among others. Primary data was collected through structured questionnaire and administered in the study area to SMEs heads in Paynesville. Total sample of 281 SMEs was randomly selected from the total population of 1038 registered SMEs from the LISGIS 2017 national establishment census. The data was analyzed using frequency distribution and charts. The results indicate that access to finance to SMEs is very poor with more than 65% of the respondents indicating not having access to credit, and considering it as a major constraint to firms' development. Moreover, the study reveals that more than 60% of the SMEs have no business training, although some firms have acquired business-related knowledge and skills during operation. In addition, most firms indicate that collateral and level of training for their business growth are constraints to SMEs. This suggest that majority of SMEs in Paynesville had been managed by SMEs heads without business related training, as well as the absence of collateral. Also, SMEs do not make profit due to many reasons which include among others, high competition, cost of rent and business training. Government and development partners prioritizing the creation of specialized financial products in collaboration with financial institutions to offer collateral-free loans, innovative financing mechanisms for SMEs operators is important. Thus, Liberia development partner needs special product for SMEs in Montserrado. This will improve their access to finance and require engagement with SMEs operators. Offer educational and training programs, that will have a long-term impact on the success of SMEs, which is useful.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The work and involvement of SMEs in monetary improvement have been generally perceived all over the planet (Karadag, 2015). SMEs are fundamental motors and drivers of social-monetary development in emerging countries through work creation opportunity and revenue generation to residents and legislatures (Akugri et al., 2015; Inyang, 2013; Turner et al., 2016). The World Bank shows that formal SMEs contribute up to 60% of absolute business and up to 40% of GDP (Gross domestic product) in emerging economies. Small and Medium Enterprises (SMEs) have been recognized as a crucial source of job creation and economic in many countries (Ayyagari et al., 2011; Beck et al., 2014; Djankov et al., 2002). The growth of SMEs is therefore of paramount importance to policymakers, scholars, and practitioners.

However, the growth of SMEs in Liberia is hindered by various factors, including access to finance, limited market opportunities, and inadequate infrastructure. Access to finance is a significant determinant of SME growth in Liberia, with many SMEs facing challenges in accessing affordable credit from commercial banks. High-interest rates, collateral requirements, and limited credit history make it challenging for SMEs to access formal finance, forcing them to rely on informal sources such as friends and family or microfinance institutions. According to the World Bank, only 10% of SMEs in Liberia have access to formal financial services, leaving a considerable financing gap that hinders SME growth and development (World Bank, 2018).

Poor road networks, limited access to electricity, and weak internet connectivity hinder SMEs' ability to operate efficiently and compete in the market. SMEs that rely on electricity, such as those in the manufacturing and service sectors, face significant challenges due to frequent power outages and high energy costs, limiting their production capacity (Nkoumou, 2019).

The small market size and limited demand for locally produced goods and services make it challenging for SMEs to scale up their operations and generate sufficient revenue. Additionally, SMEs face intense competition from larger firms, including foreign firms that have more resources and established supply chains (Amissah et al., 2020).

The determinants of SME growth in Paynesville are complex, and addressing these challenges requires a multifaceted approach that involves the government, financial institutions, and the private sector. Strategies to address the challenges include creating an enabling regulatory environment, improving access to finance, developing infrastructure, and promoting entrepreneurship and innovation in the SME sector (Braima et al., 2020).

1.2 The Problem

Small and Medium Enterprises (SMEs) are essential for the economic growth and development of an economy, as in the case of Liberia. However, despite their potential, many SMEs are facing challenges in achieving their full growth potential. In Liberia, SMEs play a critical role, its performance eventually impact overall economy performance and poverty reduction. However, SMEs are struggling to flourish in Paynesville, which is a key business area within Montserrado, Liberia. The question then is what determine the growth of SMEs in Paynesville? Many of these businesses experience low growth rates, stagnation, or even failure, which makes some businesses also registered five years ago no longer operate.

According to World Bank (2017), access to finance is a major challenge for SMEs in developing countries and lack of collateral is a major driver for them. This seem to be the case in Liberia, because most businesses are not registered. However, the government and international organizations have been working to increase access to finance for SMEs. For example, the World Bank has launched the Liberia Business Registry and Collateral to make it easier for SMEs to access credit. It remains an empirical there whether access to credit is still a problem or whether there are more critical problems on SMEs growth.

The Liberian government has taken steps to support the growth of SMEs. For example, the government has established the Small Business Administration (SBA) to provide training, technical assistance, and access to finance for SMEs. In addition, the government has created the Liberia Business Association (LIBA) to advocate for the interests of SMEs and create a favorable business environment. Yet, preliminary discussion with SMEs as we did before this study, tend to show there are factors hindering their growth.

1.3 Research Questions

The study was guided by the following questions:

i. What is the impact of internal factors, such as, business registration, gender, age, education, marital status, and business training on SME's growth?

ii. How do external factors, including access to finance, rent, taxes and business plan influence SME's growth?

1.4 Objectives of the study

The broad objective of the study is to investigate the key determinants of SMEs growth in Paynesville, Montserrado Liberia.

The specific objectives are as follows**:**

i.   To assess the effect of internal factors such as business registration, gender, age, education, marital status, and business training on SMEs growth.

ii.   Determine the effect of external factors such as access to finance, rent, taxes and business plan on SME's growth.

1.5 Justification for the study

Small and Medium Enterprises (SMEs) play a crucial role in driving economic growth and development in many developing countries, including Liberia. However, SMEs in Liberia face numerous challenges that hinder their growth and sustainability. A study on the determinants of SMEs is important because non-governmental Organizations (NGOs) and Government can leverage on it to support SMEs. This can aid the growth process and poverty reduction in Liberia. This is because, once we know the problems of the SMEs, strategies to develop them can be easily built, where Liberia can unlock the full potential of SMEs, thereby driving economic growth, reducing poverty and creating sustainable livelihoods for its citizens.

 It provides systematic approach to reviewing polices and designing strategic plan for SMEs development at national and local levels, as a study on an important commercial area can serve as a pride to develop SMEs on a natural basis.

1.6 Scope of the study

This study focuses on Paynesville with concentration on the determinants of SMEs growth. The study also is done only on the registered SMEs within the business environment of Paynesville.

1.7 Organization of the thesis

The rest of the thesis is organized as follows: Chapter Two is the SMEs landscape in Liberia. Chapter three is Literature review. Chapter four is Methodology. Chapter five is Empirical results and Chapter six is Conclusion and Recommendations.

CHAPTER TWO

THE SMEs LANDSCAP IN LIBERIA

2.1 Introduction

Small and medium enterprises (SMEs) play a significant role in the economic landscape of Liberia, employing a large portion of the country's workforce and contributing to economic growth and development. There are several key industries in which SMEs in Liberia are active. Agriculture is a significant industry in Liberia, accounting for 39% of GDP and employing 70% of the population (World Bank, 2020). SMEs are active in the agriculture sector, particularly in the production of cash crops such as cocoa, coffee, and rubber. Services are also an important industry for SMEs in Liberia, including transportation, retail, and hospitality. However, manufacturing is a growing industry in Liberia, particularly in the food processing and textiles sectors (UNCTAD, 2019) and SMEs are growing in this sector.

Research by some authors has found that access to finance is a key challenge for SMEs in Liberia, with many businesses struggling to access the capital they need to start or expand their operations. For example, according to UNDP 2021, only 10% of SMEs in Liberia have access to formal financing, while the rest rely on personal savings or informal sources of credit. To

address this issue, the government has launched several initiatives, including the establishment of the Liberia Credit Union National Association and the Small Business Credit Guarantee Fund, which aim to improve access to finance for SMEs (World Bank, 2020).

In addition, other studies have shown that infrastructure is another major challenge for SMEs in Liberia on the basis that the country has limited road and transportation networks, which can make it difficult for businesses to transport goods and access markets.

This is the case also for electricity, with only 12% of the population having access to electricity in 2019 (World Bank, 2021). The government has launched several initiatives to address these infrastructure challenges, including the National Road Fund, which aims to improve road networks, and the Rural Renewable Energy Project, which aims to expand access to electricity in rural areas.

According to UNCTAD (2019), the regulatory environment in Liberia is challenging for SMEs, with high levels of leakages, bureaucracy, lack of business skill and knowledge among SMEs, making it difficult for businesses to operate.

2.2 A review of Microfinance Service Providers in Liberia

Microfinance services have become a crucial tool for alleviating poverty in many developing countries, including Liberia. The Liberian government, in collaboration with international organizations, has implemented several microfinance programs to provide financial services to low-income households and micro-entrepreneurs.

Microfinance services in Liberia are delivered by various institutions, including microfinance institutions (MFIs), savings and credit cooperatives (SACCOs), and rural finance institutions (RFIs). Some of the notable MFIs in Liberia include Liberia Bank for Development and

Investment (LBDI), and the Rural and Renewable Energy Agency (RREA). The microfinance sector in Liberia has grown significantly in recent years. The number of licensed MFIs in Liberia increased from 14 in 2005 to 50 as of December 2021. Overall, the increase in the number of MFIs in Liberia is a positive development, as it provides the population with access to financial services, particularly those who are unbanked or underbanked.

However, there is still a need for the government and other stakeholders to ensure that the operations of MFIs are regulated to protect consumers and promote financial stability in the country.

2.3 Review of Key Agencies that are involved with the Development of SMEs in Liberia.

An entity must be registered with the Liberia Business Registry (LBR) (www.lbr.gov.lr) in order to commence business activities in Liberia. Businesses are responsible for obtaining approval from applicable sector ministries prior to beginning operations. Depending on the sector, the Ministries of Health, Gender, Agriculture, Finance and Development Planning, Justice, Public Works, and the Ministry of Land, Mines, and Energy can be responsible for granting approval to sectoral activities. Other agencies granting sectoral approval are the Central Bank of Liberia, Environmental Protection Agency, Forestry Development Authority, Liberia Maritime Authority, Liberia Produce Marketing Corporation, Liberia Petroleum Refinery Company, and Liberia Medicines, and Health Products Regulatory Authority. For example, a transport business would need to seek approval from the Ministry of Transport.

Table 2.4 FEES SCHEDULE FOR NEW ENTERPRISE REGISTRATIONS

	Types of business	Fees for Liberian applicant (LD)	Fees for non-Liberian (USD)

1	Sole Proprietors	$2000	$700
2	Limited Liability Companies	4000	900
3	Business Corporation	4000	900
	Articles of Incorporation filling fees		
	100 shares	20	20
	500 shares	100	100
	1000 shares	200	200
4	Branches of Business Corporation or LLC	2000	450
5	Partnerships and Limited Partnership	3000	800
6	Not-For-Profit Corporations, Trusts and Founda	3500	400
	Articles of Incorporation (Where applicable)	3500	50
7	Foreign Companies Applying to do business in Liberia		500

2.5 Characteristics of SMEs in Liberia

Small and Medium-sized Enterprises (SMEs) play a critical role in the economic growth and development of Liberia. SMEs are defined as businesses that employ less than 50 employees and have an annual turnover of less than $250,000. According to the Liberia Business Registry, SMEs constitute over 80% of registered businesses in Liberia, contributing significantly to employment creation, income generation, and poverty reduction in the country. (www.lbr.gov.lr) The characteristics of SMEs in Liberia discussed as follows:

i.   **Limited access to finance**:

SMEs in Liberia have limited access to finance, as commercial banks in the country prefer to lend to established businesses with a proven track record. SMEs rely mainly on personal savings,

family, and friends for capital. This constraint limits their growth potential and hinders their ability to compete effectively in the market.

ii.   **Informal sector dominance**:

A significant proportion of SMEs in Liberia operate in the informal sector, where they are not registered, do not pay taxes, and do not have legal recognition. This makes it difficult for the government to monitor and regulate their activities, which can lead to unfair competition, tax evasion, and low-quality products.

iii.   **Limited human resource capacity**:

Most SMEs in Liberia lack skilled labor due to a shortage of technical and vocational training institutions in the country. This limits their ability to innovate, adopt new technologies, and expand their business operations.

iv.   **Limited market access**:

SMEs in Liberia face challenges in accessing markets due to poor infrastructure, inadequate transportation systems, and limited distribution networks. This makes it difficult for SMEs to reach potential customers outside their immediate communities, limiting their market penetration and revenue generation.

v.   **High level of informality**:

Most SMEs in Liberia operate informally, with a high level of cash transactions, limited record-keeping and no formal accounting practices. This limits their ability to access formal financing and support programs, making it difficult for them to grow and compete with established businesses. However, the Liberian government has initiated various policy interventions to support SME development, including the creation of the National Commission on Small

Business, the establishment of the Liberian Business Association, and the development of SME
support programs.

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CHAPTER THREE

LITERATURE REVIEW

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3.1 Theoretical Literature

The theoretical literature on SMEs growth considers the determinants to be either external or
internal. Small and Medium Enterprises (SMEs) have been recognized as a crucial source of job
creation and economic growth in many countries (Ayyagari et al., 2011; Beck et al., 2014;
Djankov et al., 2002). The growth of SMEs is therefore of paramount importance to
policymakers, scholars, and practitioners.

i.   **External determinants**:

External determinants of SMEs growth refer to factors that are beyond the control of the firm.
These determinants include macroeconomic factors, industry characteristics, and institutional
factors. Macroeconomic factors such as economic growth, inflation, and interest rates have been
found to have a significant impact on SMEs growth (Beck et al., 2014; Zhang et al., 2020).
Industry characteristics such as competition, technological change, and demand conditions also
influence SMEs growth (Acs and Audretsch, 1990; Binks and Ennew, 1996). Institutional factors
such as the legal and regulatory environment, government policies, and access to finance also
play a crucial role in SMEs growth (Ayyagari et al., 2011; Beck et al., 2014).

ii.   **Internal determinants:**

Internal determinants of SMEs growth refer to factors that are under the control of the firm. These determinants include firm-specific factors, such as the age of the firm, size of the firm, human capital, and innovation. The age of the firm has been found to have a significant impact on SMEs growth, with younger firms growing faster than older firms (Geroski, 1995). The size of the firm has also been found to be positively related to SMEs growth, with larger firms growing faster than smaller firms (Binks and Ennew, 1996). Human capital, in the form of education and training, has been found to be positively related to SMEs growth (Coad et al., 2016). Innovation, in the form of product innovation or process innovation, has also been found to be positively related to SMEs growth (Bartelsman et al., 2006).

Entrepreneurial orientation (EO) is a firm-level concept that captures the extent to which a firm is entrepreneurial in nature (Lumpkin and Dess, 1996). EO has been found to be a significant predictor of SMEs growth (Wiklund et al., 2010). EO is comprised of five dimensions: innovativeness, pro-activeness, risk-taking, autonomy, and competitive aggressiveness. Innovativeness refers to the ability of the firm to develop new products or services. Pro-activeness refers to the ability of the firm to seize opportunities in the market. Risk-taking refers to the willingness of the firm to take risks. Autonomy refers to the degree of independence of the firm. Competitive aggressiveness refers to the willingness of the firm to compete aggressively with its rivals.

In Conclusion, the growth of SMEs is influenced by a variety of factors, including external determinants such as macroeconomic factors, industry characteristics, and institutional factors, as well as internal determinants such as firm-specific factors and entrepreneurial orientation.

3.2 Empirical Literature Review

The empirical literature on the determinants of SMEs growth is wide. Hence, we discuss the literature here under various variables that have been considered in the literature. Over the years, researchers have studied the determinants of SMEs growth to provide insights into how enterprises can overcome these challenges and achieve sustainable growth. In short, access to finance, human capital, innovation, access to market and institutional factors are critical determinants of SMEs growth, according to empirical literature. Other studies have found on the aspect of determinants of SMEs as consider below;

i.   Government taxation

Tax Compliance Costs, one of the significant impacts of government taxation on SMEs is the cost of tax compliance. SMEs often lack the resources and expertise to comply with complex tax regulations. This results in higher compliance costs and a diversion of resources from core business activities. Fjeldstad et al. (2014) in Tanzania found that the tax compliance costs for SMEs were higher than for larger firms, leading to a higher tax burden.

ii.   **Taxation and Firm Performance**:

The impact of government taxation policies on SMEs' performance is another significant area of research. Some studies suggest that high tax rates can hinder SMEs' growth and discourage entrepreneurship. However, other studies suggest that tax incentives and subsidies can promote SMEs' growth and expansion. Andreff and Vranceanu (2015) found that tax incentives had a significant positive impact on SMEs' investment and growth.

iii.   **Informal Economy**:

 Government taxation policies can also impact SMEs' participation in the informal economy. In many countries, SMEs operate in the informal economy to avoid tax obligations. This can result in reduced government revenue and limited access to credit and formal business opportunities. Aterido et al. (2011) in Africa found that formalization of SMEs could increase their productivity and competitiveness.

iv.   **Tax Evasion**:

 Tax evasion is a significant concern for governments and can have a severe impact on SMEs. Tax evasion reduces government revenue, distorts competition, and discourages SMEs from entering formal markets. Aterido et al. (2011) found that SMEs were more likely to engage in tax evasion than larger firms due to a lack of resources and incentives.

 v.   **Business registration**

SMEs business registration has been a topic of interest to scholars and policymakers for many years. Several studies have examined the factors that influence SMEs' registration, the challenges they face during the registration process, and the impact of business registration on their growth and development**.**

vi.   **Institutional Factors**

The regulatory environment refers to the legal and administrative framework that governs business operations. Several studies have shown that excessive regulations, high taxes, and bureaucratic procedures can create barriers to entry and hinder the growth of SMEs (Brixy & Sternberg, 2011; Pfeffermann & Reusswig, 2019; World Bank, 2019).

vii.   **Access to finance**:

Access to finance is critical for SMEs to start and grow their businesses. However, SMEs often face challenges in accessing finance due to their size, lack of collateral, and credit history. Several studies have shown that the institutional framework, including financial sector development, legal and regulatory frameworks, and institutional quality, significantly affects SMEs' access to finance (Beck et al., 2014; Demirgüç-Kunt & Klapper, 2018; Laeven & Woodruff, 2007).

viii.   **Entrepreneurship ecosystem**:

The entrepreneurship ecosystem refers to the environment in which entrepreneurs operate, including the availability of resources, infrastructure, and networks. Several studies have shown that a supportive entrepreneurship ecosystem, including access to networks, mentorship, and training, can significantly enhance SMEs' growth and success (Coad et al., 2014; Stam & Elfring, 2008; Urbano & Guerrero, 2013).

ix.   **Corruption and informal practices**:

Corruption and informal practices can create significant challenges for SMEs, including unfair competition and reduced access to formal markets. Several studies have shown that high levels of corruption and informal practices can hinder SMEs' growth and success (Brixiová et al., 2014; Kaufmann et al., 2019; Sánchez-Cañizares et al., 2019).

x.   **Age of entrepreneurs**

Factors influencing the age of entrepreneurship: Several factors have been identified as influencing the age at which individuals become entrepreneurs. These include personal and contextual factors such as education, work experience, financial resources, and social networks

(Arenius & Minniti, 2005; Audretsch, 2014; Obschonka et al., 2017). For instance, individuals with higher levels of education and work experience are more likely to start their own businesses at a later age (Obschonka et al., 2017). Furthermore, older entrepreneurs are more likely to have access to financial resources, which reduces the barriers to entry into entrepreneurship (Audretsch, 2014).

Characteristics of older and younger entrepreneurs: Several studies have compared the characteristics of older and younger entrepreneurs. Older entrepreneurs are found to have higher levels of experience and education, as well as greater levels of self-confidence, risk tolerance, and resilience (Arenius & Minniti, 2005; Stuetzer et al., 2018). They also tend to have a stronger social network, which provides access to resources and support (Stuetzer et al., 2018). In contrast, younger entrepreneurs are found to have higher levels of innovation, creativity, and technology skills, which enable them to exploit emerging market opportunities (Obschonka et al., 2017).

The impact of age on SME performance is an important area of research. Some studies have found that older entrepreneurs are more likely to start businesses that are less innovative and less likely to grow rapidly (Arenius & Minniti, 2005). However, other studies have found that older entrepreneurs are more likely to start businesses that are more successful in terms of profitability, survival, and employment growth (Stuetzer et al., 2018). This may be because older entrepreneurs have more experience and better management skills, which enable them to navigate the challenges of starting and growing a business.

xi.   Education level of entrepreneur:

Several studies have examined the relationship between the education level of the entrepreneur and the performance of SMEs. For example, Hughes and Morgan (2007) found that entrepreneurs with higher levels of education are more likely to start and run successful SMEs. Similarly, Arasti et al. (2012) found that SMEs owned by entrepreneurs with higher levels of education have higher levels of innovation and performance.

In contrast, some studies have found no significant relationship between education level and SME performance. For example, Alvarez and Urbano (2011) found that education level does not significantly predict SME performance. Likewise, Lerner and Schoar (2010) found that education level is not a significant predictor of the success of start-ups.

xii.   Type of education:

The type of education obtained by entrepreneurs has also been found to play a role in the success of SMEs. Van der Zwan et al. (2014) found that entrepreneurs with vocational education have a higher likelihood of starting a successful SME than those with academic education. The study reveals that vocational education provides more practical and hands-on experience, which is more applicable to the day-to-day operations of SMEs. Similarly, Binks et al. (2010) found that training programs aimed at improving specific skills positively influence the growth and performance of SMEs.

In contrast, a study by Saade and Bahli (2005) found that entrepreneurs with academic education have a higher likelihood of starting and running successful SMEs. The study reveals that academic education provides a more comprehensive understanding of business concepts and management practices, which is crucial for the success of SMEs.

xiii.   **Education level and external financing**:

The education level of the entrepreneur has also been found to play a role in the ability of SMEs to seek external financing. Elert et al. (2015) found that entrepreneurs with higher levels of education are more likely to obtain external financing for their SMEs. The study reveals that education provides the necessary skills and knowledge to navigate the complex financing process.

xiv.   **Marital Status of the entrepreneur**

Several studies have investigated the relationship between the marital status of entrepreneurs and the performance of SMEs. For example, Coleman (2007) found that married entrepreneurs have a higher likelihood of starting and running successful SMEs than single entrepreneurs. The study reveals that the support provided by a spouse may contribute to the success of the business.

In contrast, some studies have found no significant relationship between marital status and SME performance. For example, Boden and Nucci (2000) found that marital status is not a significant predictor of business performance.

The relationship between marital status and SME performance may also be influenced by family dynamics. For example, Minniti and Naudé (2010) found that the presence of children in the household negatively affects the performance of SMEs owned by married entrepreneurs. The study reveals that the demands of parenting may detract from the time and resources available for business activities.

xv.   Entrepreneur gender

Several studies have investigated the relationship between the gender of entrepreneurs and the performance of SMEs. For example, Brush et al. (2009) found that women-led SMEs have a lower likelihood of receiving external funding than men-led SMEs. The study reveals that gender biases may play a role in the access to capital for female entrepreneurs, which can affect the growth and success of their businesses.

Similarly, Marlow and McAdam (2013) found that female entrepreneurs face more significant challenges than their male counterparts in accessing resources such as finance, networks, and mentors. The study reveals that these barriers can limit the potential of women-led SMEs to achieve growth and success.

In contrast, some studies have found no significant relationship between gender and SME performance. For example, Verheul et al. (2005) found that gender does not significantly predict the performance of new SMEs. Likewise, Hart and Levie (2010) found that gender is not a significant predictor of business performance.

The relationship between gender and SME performance may be influenced by the industry in which the business operates. For example, Lerner et al. (2014) found that women-led SMEs in male-dominated industries face more significant challenges than those in female-dominated industries. The study reveals that gender biases in male-dominated industries can limit the potential of women-led SMEs to achieve growth and success.

Similarly, Beckwith et al. (2016) found that gender-based discrimination is more prevalent in industries such as construction and technology, where women are significantly underrepresented.

The study also reveals that gender biases can affect the ability of female entrepreneurs to access resources such as financing and networks, which can impact the success of their businesses.

The relationship between gender and SME performance may also be influenced by entrepreneurial characteristics. For example, Hisrich et al. (2007) found that women-led SMEs tend to be more risk-averse than men-led SMEs. The study discloses that this risk dislike can limit the growth and success of women-led SMEs.

In contrast, Thébaud and Starr (2019) found that women-led SMEs tend to prioritize social and environmental goals more than men-led SMEs. The study reveals that this focus on social and environmental responsibility can contribute to the success of women-led SMEs.

xvi.   Managerial and Experience

Managerial experience, business experience also plays an important role in the success of SMEs. Gimeno et al. (1997) found that entrepreneurs with prior business experience were more likely to succeed in their new ventures. Similarly, Wiklund et al. (2003) found that prior business experience positively affects the performance of SMEs.

However, the relationship between managerial and business experience and SME performance is not always straightforward. For example, Orser et al. (2010) found that while the experience of managers is important, it is not the only factor that determines the success of SMEs. Other factors such as access to finance, and market conditions also play an important role.

Another important finding from the literature is that the impact of managerial and business experience on SME performance may vary depending on the size of the firm.

Bonesso et al. (2016) found that the experience of managers has a greater impact on the performance of smaller SMEs than larger ones.

Business experience is a critical factor in the success of SMEs. Entrepreneurs with prior experience in starting and managing businesses are more likely to succeed in their ventures. Cassar (2014), business experience was found to have a significant positive effect on the survival and growth of SMEs.

Moreover, the type of business experience also matters. Erikson and Kovalainen (2015) showed that entrepreneurs with experience in similar industries were more likely to succeed in their ventures. On the other hand, prior experience in unrelated industries may not be as helpful.

The role of networks in SMEs' business experience has also been studied extensively. Elmuti and Kathawala (2013), it was found that entrepreneurs who had strong business networks were more likely to succeed in their ventures. Networks can provide access to resources, information, and potential customers, which can be invaluable to SMEs.

Studies have also highlighted the importance of government policies and regulations in shaping SMEs' business experience. Policies that create an enabling environment for SMEs, such as tax incentives, streamlined regulations, and access to business support services, can have a positive impact on SMEs' growth and success (OECD, 2019).

xvii. Business training

Training can have a positive impact on SMEs' performance. Studies have shown that business training can lead to improvements in financial management, marketing, and operational efficiency. For example, Abor and Quartey (2010) found that business training improved the

financial management skills of SMEs in Ghana, leading to increased profitability. Moreover, business training can also enhance SMEs' innovation capabilities. Kim et al. (2012) showed that SMEs that received business training were more likely to introduce new products and services and to use new technologies compared to those that did not receive training.

In addition, the delivery method of business training has also been found to influence its effectiveness. Becker and Knudsen (2005) found that hands-on training that involves active participation and practical exercises was more effective in improving SMEs' performance than passive training methods such as lectures.

Furthermore, the impact of business training can also vary depending on the characteristics of SMEs such as size, sector, and level of education of the owners/managers. For example, Madichie and Oguegbu (2008) found that the impact of business training on SMEs' performance was more significant for small businesses than for medium-sized businesses in Nigeria.

xviii.   Financial constraints

A review of the empirical literature on SMEs financial constraints reveals that these constraints can have a negative impact on SMEs' performance. Studies have shown that SMEs that face financial constraints experience lower profitability, reduced innovation, and limited investment in capital expenditures. For example, Beck et al. (2006) found that financial constraints negatively affected SMEs' investment decisions in Eastern Europe and Central Asia.

Moreover, the level of financial constraint can vary depending on the characteristics of SMEs such as age, size, and industry. For example, Ayyagari et al. (2011) found that younger and smaller SMEs faced more severe financial constraints than older and larger SMEs in developing countries.

The factors that contribute to financial constraints among SMEs have also been explored in the literature. Studies have identified various factors such as inadequate collateral, high transaction costs, and information asymmetry between SMEs and lenders. For example, Berger and Udell (2006) found that information asymmetry between lenders and SMEs was a significant factor contributing to financial constraints in the United States.

Furthermore, the policy interventions that can mitigate financial constraints among SMEs have also been examined in the literature. Studies have reveals various interventions such as the provision of credit guarantees, the development of credit bureaus, and the improvement of financial literacy among SMEs. For example, Love and Mylenko (2003) found that credit guarantees provided by governments in developing countries were effective in reducing financial constraints among SMEs.

xix.   Location of business

A review of the empirical literature on SMEs location reveals that business location is a crucial factor that affects SMEs' performance. Studies have found that the location of a business can influence its sales revenue, market access, and customer base. For example, Acs et al. (2002) found that SMEs located in urban areas had higher sales revenue than those located in rural areas in the United States.

Moreover, the factors that influence SMEs' location decisions have been explored in the literature. Studies have identified various factors such as proximity to customers, access to markets, availability of labor, and infrastructure. For example, Baptista et al. (2008) found that access to markets was the most important factor influencing the location decisions of SMEs in Portugal.

Furthermore, the impact of policies on SMEs' location decisions has also been examined in the literature. Studies have suggested that policies such as tax incentives, investment in infrastructure, and business development services can enhance SMEs' location choices. For example, Lee et al. (2010) found that tax incentives provided by the government in South Korea were effective in attracting SMEs to certain locations

xx. **Access to Market**:

Access to market is a critical determinant of small and medium enterprises' (SMEs) growth and success. The ability to reach customers, expand distribution channels, and effectively compete in the marketplace is essential for sustainable business development. Market knowledge refers to the understanding of customer needs, market trends, and competitive dynamics. It enables SMEs to identify market opportunities, tailor their products or services, and make informed strategic decisions. Korsgaard and Anderson (2011) found that market knowledge positively influences SMEs' performance and growth. Similarly, Cavusgil and Knight (2015) emphasized the importance of market orientation, including market intelligence gathering and customer responsiveness, in enhancing SMEs' access to market and overall competitiveness.

xxi. **Current liquidity**

SMEs face various challenges in maintaining adequate liquidity, including the availability of working capital, the ability to generate cash flows, and access to external financing. Shan et al. (2017), it was found that cash flow and working capital management were significant determinants of SMEs' liquidity. SMEs with better cash flow and working capital management were found to have better liquidity.

Moreover, access to external financing is also critical for SMEs' liquidity. However, SMEs often face difficulties in accessing financing, particularly in developing countries. Inadequate access to external financing can constrain SMEs' capacity to invest in new technology and equipment, expand their operations, and manage their working capital (Beck et al., 2015).

The COVID-19 pandemic has had a significant impact on SMEs' liquidity. Many SMEs have experienced reduced demand for their products and services, disrupted supply chains, and increased uncertainty. Blanco-Mesa et al. (2021), it was found that the COVID-19 pandemic has had a negative impact on SMEs' liquidity, with SMEs experiencing cash flow problems, reduced sales, and increased costs.

Furthermore, government policies have played an important role in supporting SMEs' liquidity during the COVID-19 pandemic. Bellucci et al. (2021), it was found that government support measures, such as loan guarantees, tax deferrals, and cash transfers, have been effective in supporting SMEs' liquidity during the pandemic.

xxii. Ownership structure

Ownership structure refers to the distribution of ownership among different types of owners, such as individual owners, family owners, institutional investors, and government agencies. Estrin et al. (2016), it was found that the ownership structure of SMEs influences their governance practices, with family-owned SMEs being more likely to have less formal governance structures than non-family-owned SMEs.

Moreover, the ownership structure of SMEs can also affect their financing decisions. Achleitner et al. (2014), it was found that family-owned SMEs were more likely to rely on internal financing, while non-family-owned SMEs were more likely to use external financing sources.

Furthermore, the ownership structure of SMEs can influence their performance. Le Breton-Miller et al. (2017), it was found that family ownership can have both positive and negative effects on firm performance. On the one hands, family-owned SMEs are more likely to have a long-term orientation, which can enhance their performance. On the other hand, family-owned SMEs may also face challenges in attracting external financing and hiring professional management, which can negatively affect their performance.

The role of government ownership in SMEs has also been examined. Lin et al. (2017), it was found that government ownership can have both positive and negative effects on SMEs' performance. On the one hand, government-owned SMEs may benefit from preferential or favored policies and access to resources. On the other hand, government-owned SMEs may also face bureaucratic inefficiencies and political interference, which can negatively affect their performance.

CHAPTER FOUR

METHOLODOLGY

4.1 Study area

Paynesville, which is our study area is located in Montserrado, Liberia. Liberia is bordered by Sierra Leone on the northwest, Guinea to the north east and Ivory Coast to the east. Liberia occupied the land space of 111,369km2(43,00sqmi); 86.5% is land and 13.5% is water. It has a population of 5,248,621 as of 2022 housing and population census (LISGIS).

Montserrado County is a county in the nothwestern portion of Liberia. One of the 15 counties that comprise the first level of administrative division in the nation,Bensonville serves as the Capital of Montserrado with the area of the county being 1,912.7 square kilometers (738.5 sq. mi).

We focused on the determinants of SMEs growth in Paynesville. Paynesville is a suburb east of Montserrado. It is geographically larger than the main commercial area (city) of Monrovia and is expanding eastward along the Robert field Highway and northeastward beyond Red Light Market; one of the largest market areas in Liberia. Paynesville is approximately 11.8km from Monrovia. Paynesville being a commercial area, is congested with an estimated population of 328,117 as of 2008 census (LISGIS). (https://en.wikipedia.org/wiki/Liberia).

4.2 Target Population

A Population is the entire group that a researcher draws conclusion about or a collection of elements from which a sample is drawn (Wahyuni 2012). Thus, the existing registered SMEs in Paynesville were the study's target population. The sampling frame utilized consists of 1038 registered firms from 2017 National establishment census (LISGIS).

4.3 Sample Size

The sampling frame utilized has 1038 registered firms, which is in the database of LISGIS, 2017 national establishment census. The selection was done based on a randomly selected SMEs on a simple random basis. The sample size for the study is 281 firms. This was chosen based on 95% confidence level and a marginal error of 5%.

4.4 Data Collection

We used Kobo Collect software to complete the SMEs questionnaire by interviewing the SMEs, based on randomly sampled on a simple random basis. The questionnaire was organized around two key aspects, the demographic characteristics of manger or owner and business specific characteristics. The interviews were conducted on face-to-face basis. The questionnaires were structured based on demographic features and other specific SMEs qualities. Appendix 1 gives the questionnaires used.

4.5 Data Analysis

The questionnaire was organized around two key aspects, the demographic characteristics of manger or owner and business specific characteristics. The data were analyzed using Statistical Package for Social Sciences (SPSS). The outputs from the analysis were presented in tables and charts, while descriptive statistics were used in cases where it was useful. Discussions of findings were put into different categories consistent with research objectives.

The quantitative data collected through the questionnaire is analyzed using descriptive statistics, while the qualitative data were summarized using charts and frequency tables.

4.5 Ethical Considerations

The study adheres to ethical principles in research, including informed consent, confidentiality, and anonymity or secrecy. Participants are informed about the purpose of the study, their rights as participants, and the use of the data collected. Participants are also assured of confidentiality and anonymity, and their data is stored securely.

CHAPTER FIVE

EMPIRICAL RESULTS AND ANALYSIS

5.1 Demographic Characteristics of Respondents

The respondent's profile was done based on their business registration, gender distribution, age distribution of the respondents, marital status of the respondents, education level of respondents, business training of respondents, and business experience of respondents.

5.1.1 Business registration of respondents

Figure 5.1 show that the percentage distribution of respondents by registered status, all the 281 respondents indicated that their businesses are registered. This confirms that the study focused on only SMEs that are formally registered.
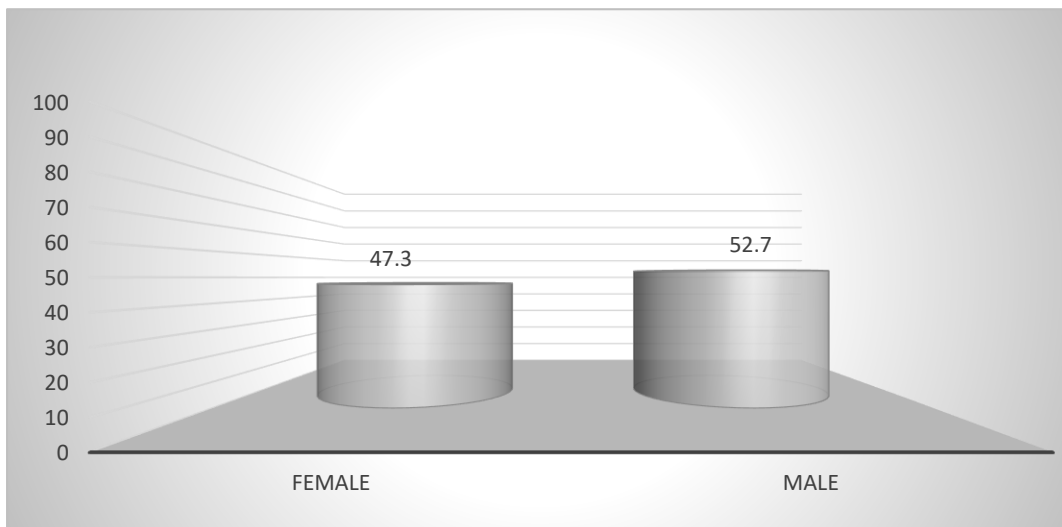
Figure 5.1: Frequency distribution of respondent by Business Registration
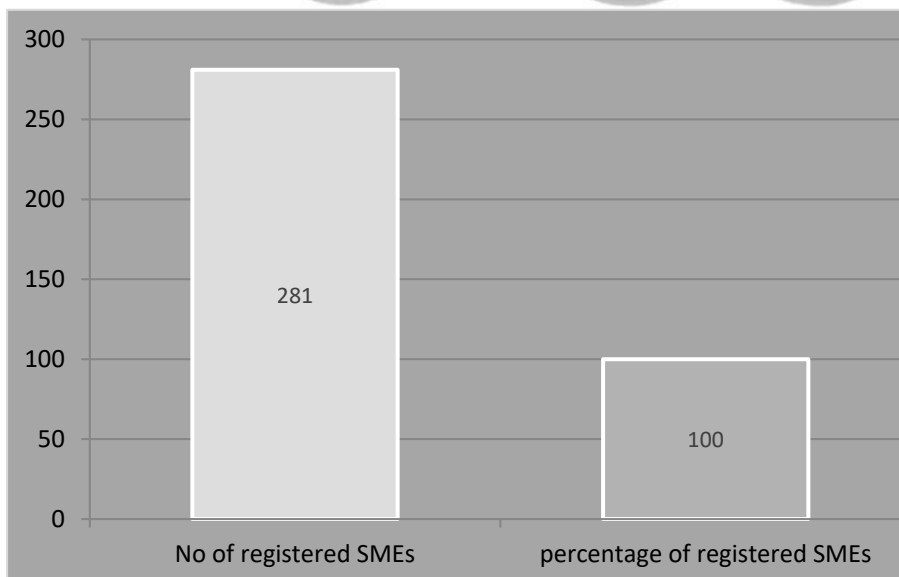
5.1.2 Gender of Respondents

Figure 5.2 shows the distribution of respondents by gender, there is a relatively balance representation of gender in the responses. Efforts were made to collect data from a diverse group of SMEs heads based on gender equity. Hence 52.7% were male and 47.3% were female. This also shows that females are turning up and embracing entrepreneurship in the Paynesville belt.

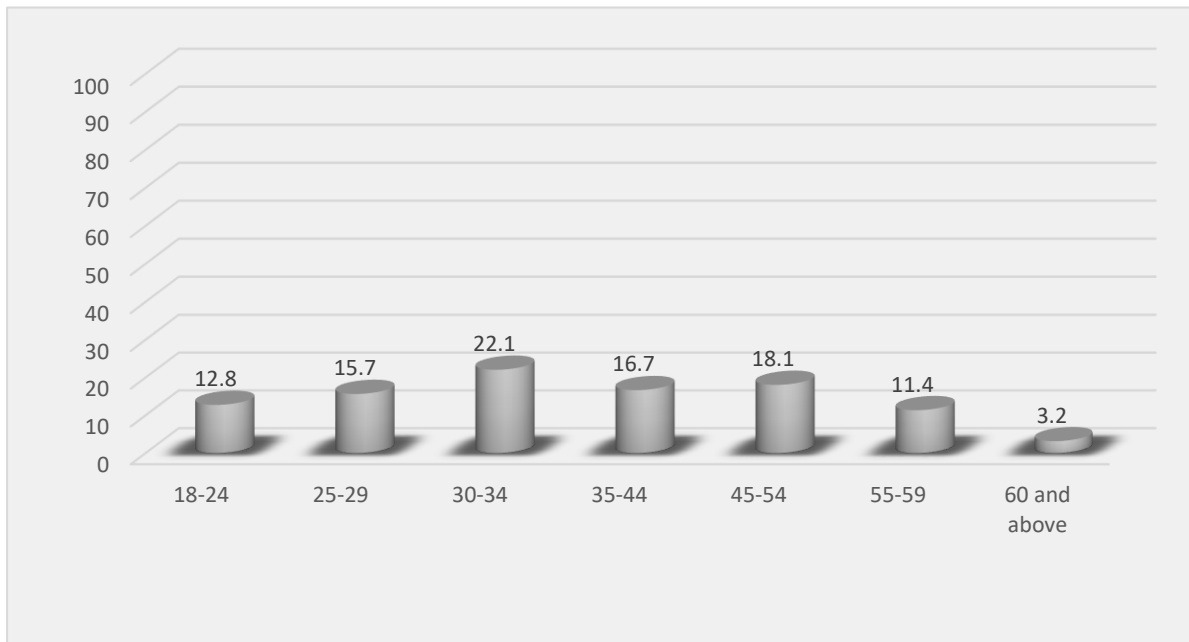Figure **5**.2**:Percentage distribution of respondents by Gender**

5.1.3 Age of Respondents

Figure 5.3 shows the age distribution of respondents. The age group 30-34 years represents the largest proportion of respondents, accounting for 22.1% of the total respondents. This indicates that individuals in their early to mid-thirties were the most active participants in the survey. The data shows that respondents in the age groups 18-24 and 25-29 make up 28.5% of the total participants. Their involvement in the survey reflects their eagerness to explore opportunities for self-improvement and career growth, indicating a strong interest in business training.

The age groups 35-44 and 45-54 constitute a combined 34.8% of the respondents. This age range represents experienced professionals who may be seeking further skill development to enhance their leadership abilities. The survey received relatively lower participation from older age groups. Respondents aged 55 and above, including those above 60, account for only 14.6% of the total participants, this might indicate a lower interest in the survey topic.

**Figure 5.3: Percentage distribution of respondent by Age**

5.1.4 Marital Status of Respondents

Figure 5.4 shows the distribution of respondents based on their marital status. Single SMEs heads represent the largest proportion of respondents, comprising 50.2% of the total participants. This suggests that a significant portion of the respondents are unmarried and potentially younger professionals who may be in the early stages of their careers. Married individuals make up 45.6% of the respondents. These respondents may have additional responsibilities and commitments, such as family obligations and financial considerations, while the Other specify

category, which accounts for 4.3% of the respondents, include respondents that are divorced, widowed, or in a domestic partnership.

Figure 5.4: Percentage distribution respondent by Marital Status
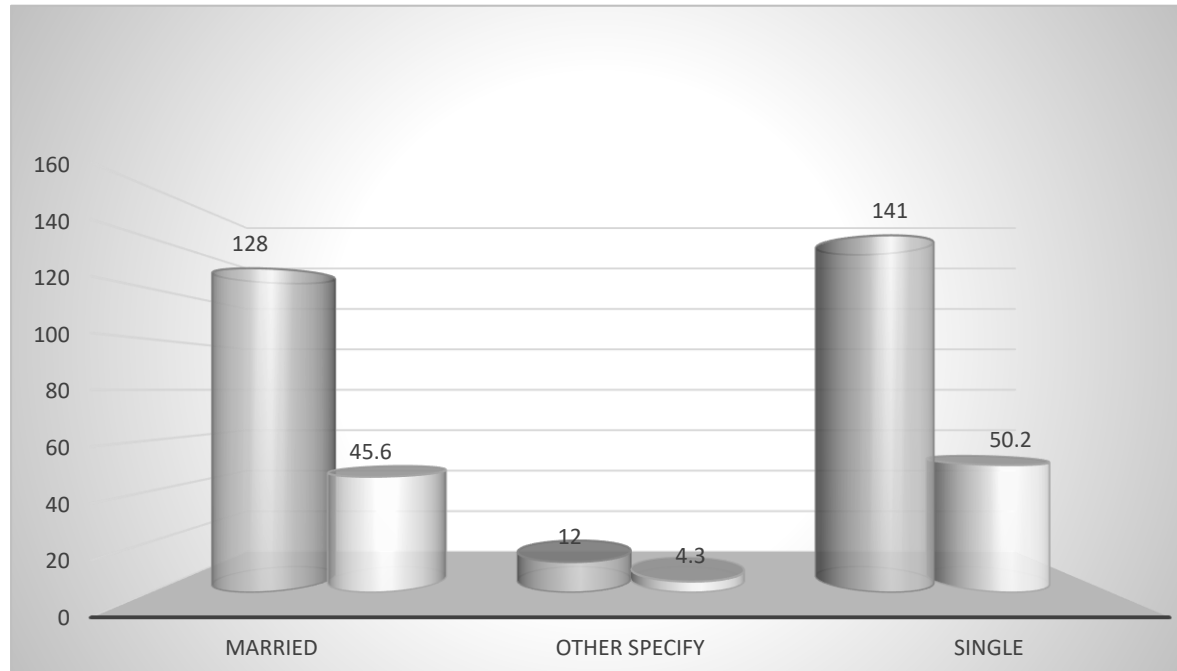
5.1.5: Education Level of Respondents

Figure 5.5 shows that majority of the SMEs heads in the sample have completed their education up to high school (46.9%) or have a diploma (23.5%). Higher education levels, such as Bachelor's (10.3%) and Master's (3.2%), have fewer representatives in the sample. The "Other - Specify" category includes 15.7% of the sample, indicating a diverse range of educational backgrounds beyond the clearly listed options, along with 1 SME head in primary making up to 0.4% of the total. This category represents SMEs heads that might have completed only their primary education or are currently in high school.

Figure 5.5: Percentage distribution of respondent by Education
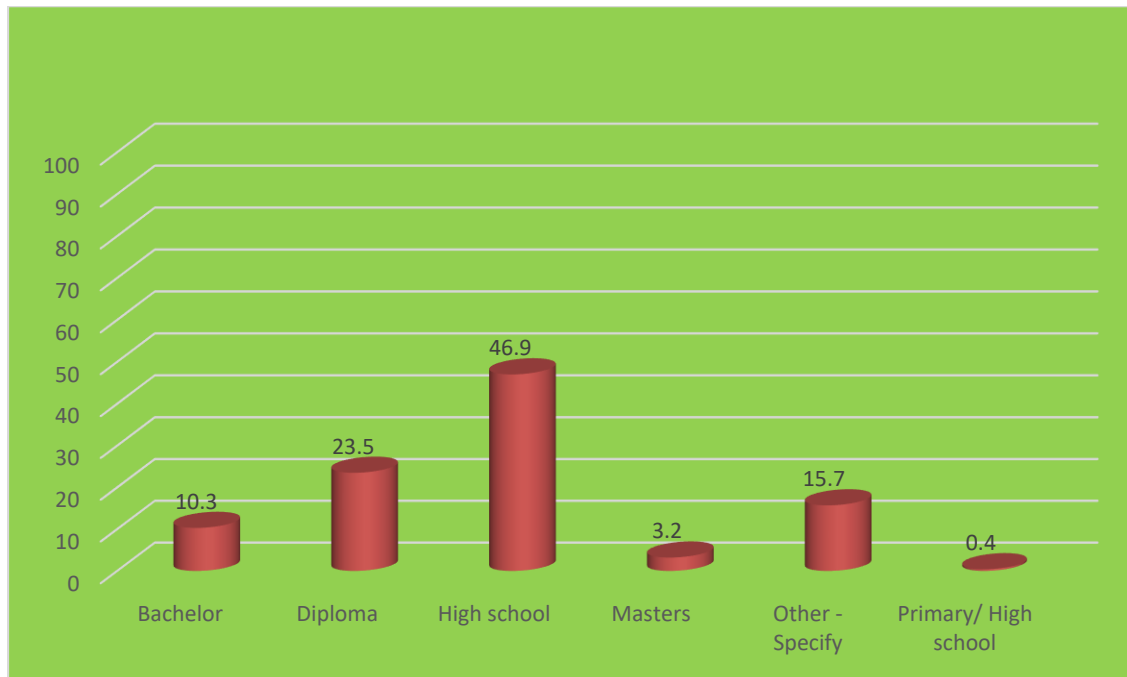

5.1.6 Business sector

Figure 5.6 show the distribution by type of businesses. From the information obtained,8 respondents (2.8%) are involved in small timber industries. Also 31 respondents (11%) are in the hardware sector. Hardware businesses typically sell tools, equipment, and building materials, with 31 respondents (11%) operate small garage shops. These shops may offer vehicle repairs, maintenance services, or automotive products. While 34 respondents (12.1%) are engaged in the spare parts sector, followed by 45 respondents (16%) run small food processing factories. These businesses are likely involved in processing and selling of food products. Moreover,46 respondents (16.4%) fall into other form of trading, and with 86 respondents (30.6%), are selling textiles, clothing, footwear, and cosmetics. This suggests that a significant portion of the respondents are engaged in the retailing of attire and beauty products.

Figure 5.6 Distribution by type of businesses
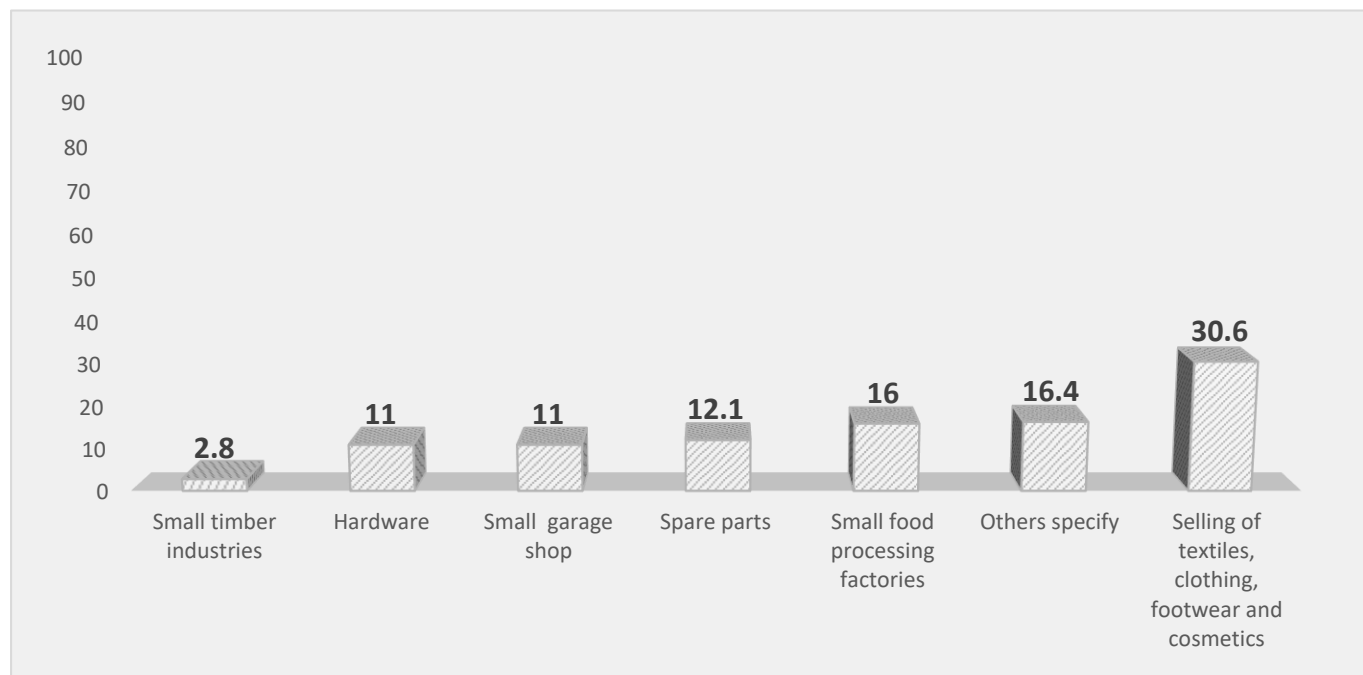
According to the System of National Account arrangement, firms by SNA account sector, we observed that 250 firms are in trade while 31 are in services. This implies that SMEs in Paynesville are strongly into trade and services, with 89% in trade and 11.0% in services. Figure 5.7 shows the distribution of firms by SNA sector.

Figure 5.7 Percentage distributions of firms by SNA sector.
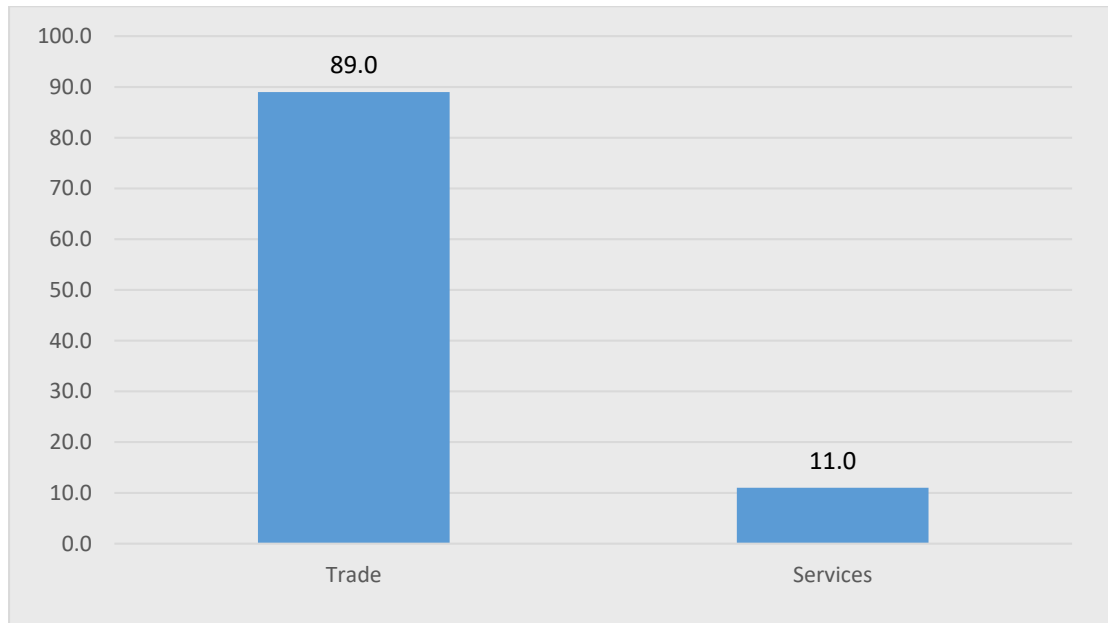
5.1.7 Business Training of Respondents

Figure 5.8 shows that 62.3% (that is 175) of the respondents do not have any business training, while 106 SMEs making up 37.7% of the SMEs heads have undergone some form of business training. This suggests while some respondents have acquired business-related knowledge and skills, a large portion of them are without such training. This sample does not align with other studies such as, Abor and Quartey (2010) who found that business training improved the financial management skill in Ghana, leading to increased profitability

Figure 5. 8: Percentage distribution of respondent by Business Training

5.1.8 Business experience of respondents

Figure 5.9 show that significant portion of the respondents 58.7% have 1 to 5 years of business experience with 1-3 years: having 29.2% equivalent to 82 SMEs and 4-5 years: having 29.5% equivalent to 83 SMESs respondents. The rest of the respondents are distributed among those with less than a year of experience 9.3%, 6 to 10 years of experience making up 21%, and 10 or more years of experience making up 11% of the respondents. This indicates that there is a diverse range of business experience levels among the respondents, with a notable proportion having gained some experience in the past 1 to 5 years.

Figure 5.9: percentage distribution of respondents by experience
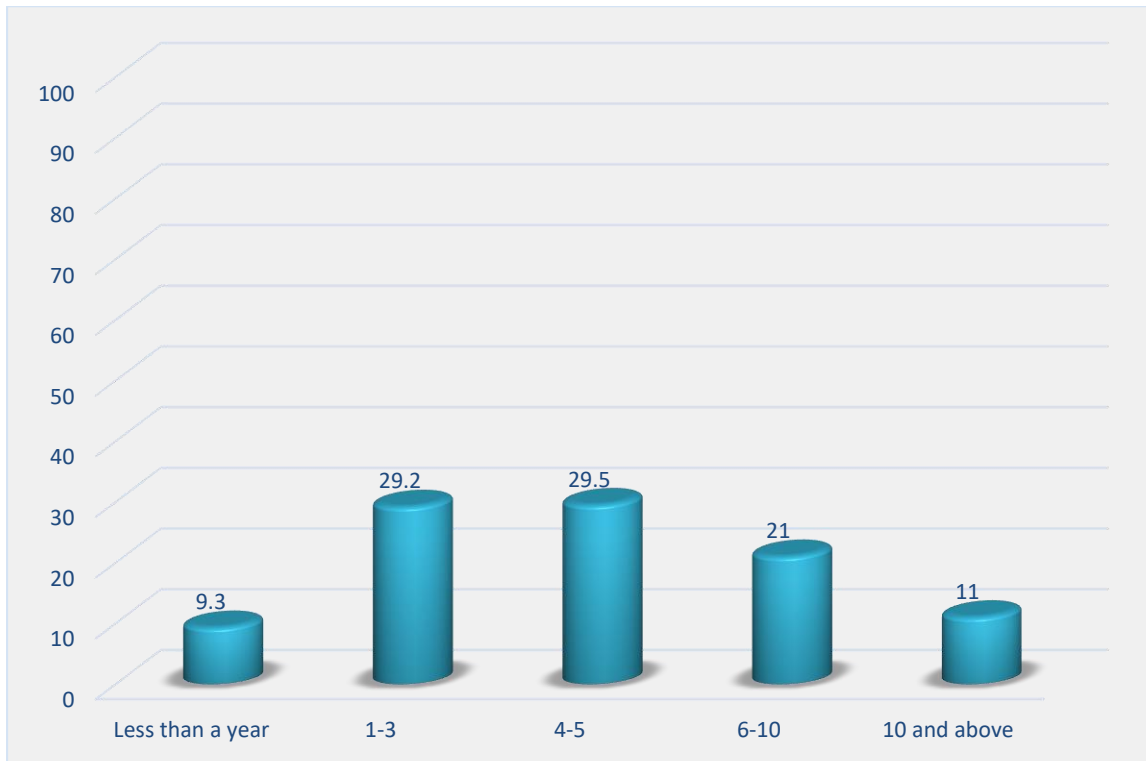
## 5.2 Business Specific Characteristics

The business specific characteristics was assessed in this study, the researcher examined the SMEs characteristics by focusing on the following, as access to finance, taxes, location, business operation, business plan and access to markets on the determinants of SME's growth.

5.2.1 Business location

The businesses analyzed in this study were all located in Paynesville, but considering those that are at the extreme, as being in the rural area. The study reveals 85.1% of the respondents have businesses in urban part of Paynesville, which is equivalent to 239 respondents, while 14.9% are base in the rural part of Paynesville. This concentration may be driven by the various advantages enjoyed when businesses are located in the urban areas.

This indicates better infrastructure, access to a larger population, and a diverse customer base. These factors often make urban areas more attractive for businesses to establish and operate in the urban areas.

Figure 5.10. Percentage distribution of respondent by business location
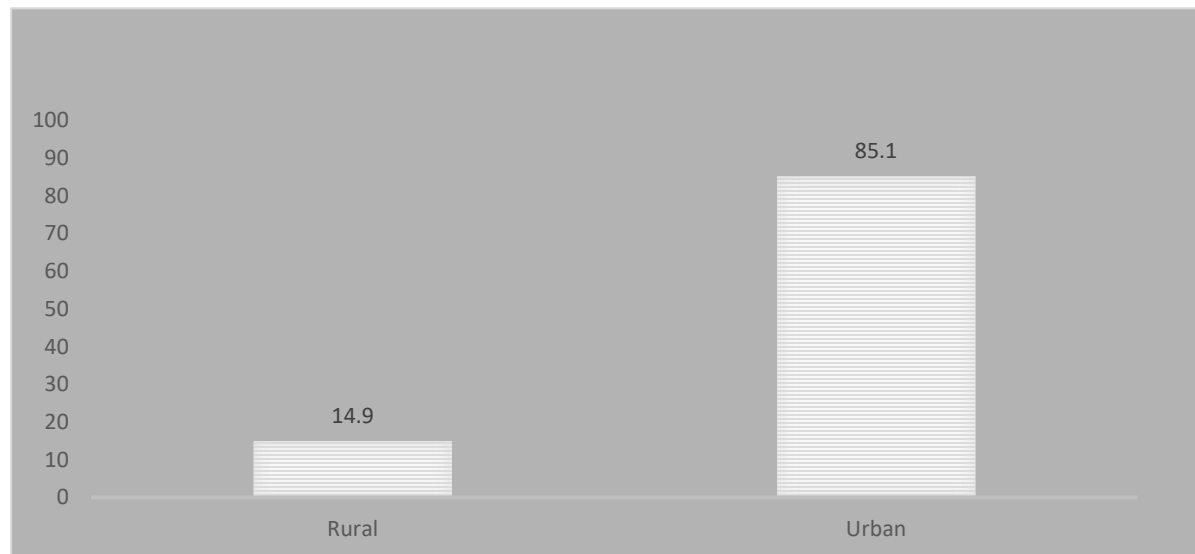
5.2.2 Business Operation

Table 1 shows the respondent statistics of the years of operation of businesses surveyed. It shows the mean of operating is 55.70 months, which is about 4.58 years. The median operating month is 41 and standard deviation of 52.20 months.

Table 1. Statistics distribution of business year of operation

Mean	55.7
Median	41
Standard deviation	52.2
Sum	15651
Number of SMEs	281

5.2.3 Business Structure

Figure 5.11 shows that 72.2% surveyed are operating sole proprietorship ,16.7% are operating family businesses, 7.1% are operating partnership,2.5% are operating Incorporated company and 1.4% of them are operating other type of businesses. This implies that most of SMEs are operating on a sole proprietorship basis within the study area.

**Figure 5.11 Percentage distribution of respondent by business structure**
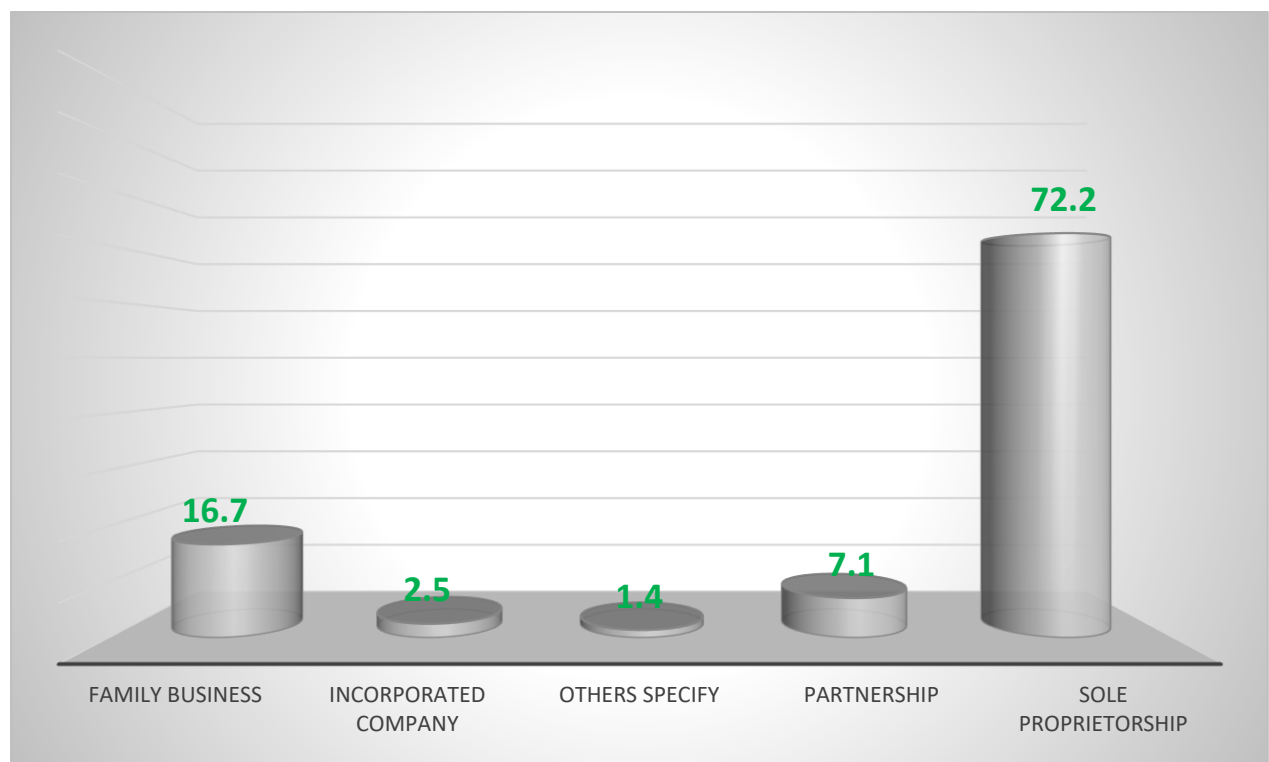
5.2.4 Business Employment

Figure 5.12 shows the distribution of SMEs firms by employment status. The figure shows that across all SMEs surveyed there are 183 employees implying an average of 0.65 employees per SMEs or firm. Since their number less than one, it means that there are firm that has no employee apart from the manager / owner of SMEs.

This collaborating with the evidence that most SMEs are sole proprietorships. In addition, out of the total of 183 employees in all survey respondents, there are 117 male employees and 66 female employees. This is equivalent to 63.9% male employees and 36.1% female employees in the SMEs industry. Hence male employees dominate the SMEs industry.

Figure 5.12 Frequency distribution of SMEs firms by employment status
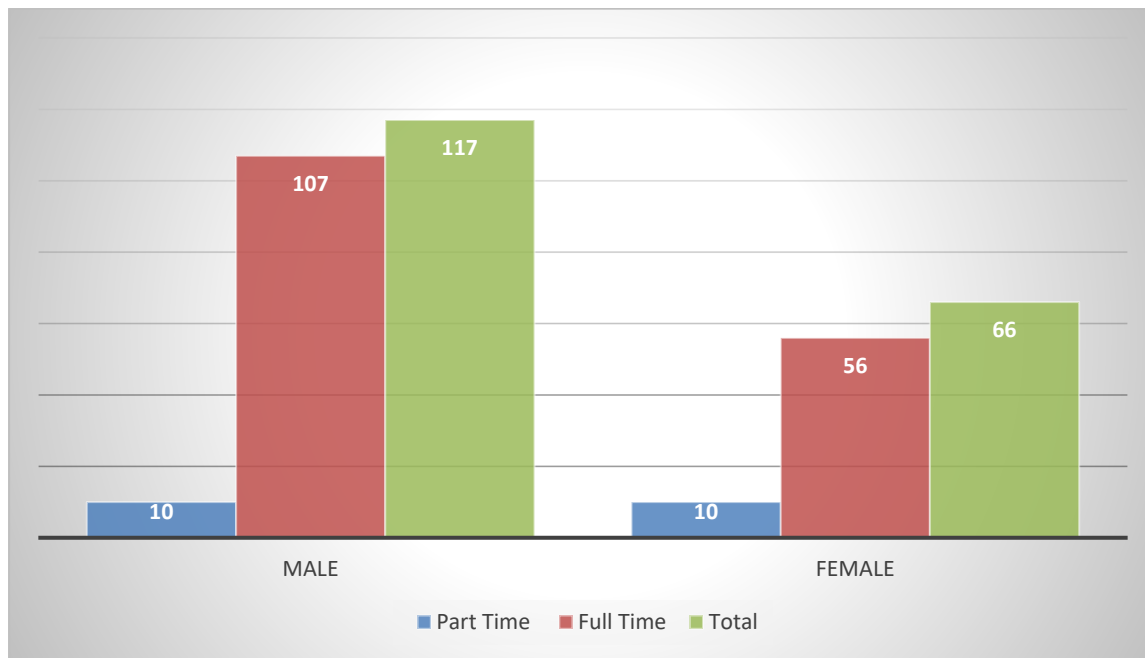
5.2.5 Total main Income and Expenditure surveyed firm in the last 12 months before the survey.

The table shows that during the period June 2022 to June 2023 the total main income of the firm was LD$ 276,937.45 with an industry total of LD$77,819,435. The average expenditure of the surveyed firm for the same 12 months was LD $ 303,313.02 with total of LD $ 85,230,960 for the industry. This review that the average firm experience a loss in the period June 2022 to June 2023, equivalent to LD$ 26,375.57, while the sum of LD $7,411,525 was the total loss of the

industry in the sample. The fact that driving the period June 2022 to June 2023 the surveyed SMEs generally made loss instead of profit is consistent with the slow growth observed in Liberia in 2022 among the higher prices of major imports, especially fuel and food, are mainly in the Russia and Ukraine war and the weak economic performance observed in the 2023.

Table 2. Statistic distribution of the Total and the main income, expenditure and surplus / deficit of surveyed firms in the last 12 months before the survey

|	Total	Mean
Income (LD)	77,819,435	276,937.45
Expenditure (LD)	85,230,960	303,313.02
Surplus/Deficit (+1-)	-7,411,525	-26,375.57

5.2.6 Business Plan

Figure 5.13 show that most of the surveyed firms do not have a business plan, especially 63.7% indicates they do not have business plan, while 36.3% indicates that they do have a business plan. As indicated in figure 5.14 out of those who do not have a business plan most of them indicate that they do not have business plan, because it is expenses, representing 68 of them, while 60 indicated that they don't have to get a business plan for the business to grow, 35 also indicated that they do not have to have a business plan, because it difficult to have one. The category for other reasons accounts for 16 of those who do not have a business plan. This implies that respondents have multiple reasons for not having a business plan, though the cause of business plan and belief that it is expenses dominate these multiple reasons.

Figure 5.13: Percentage distribution of respondents by Business Plan
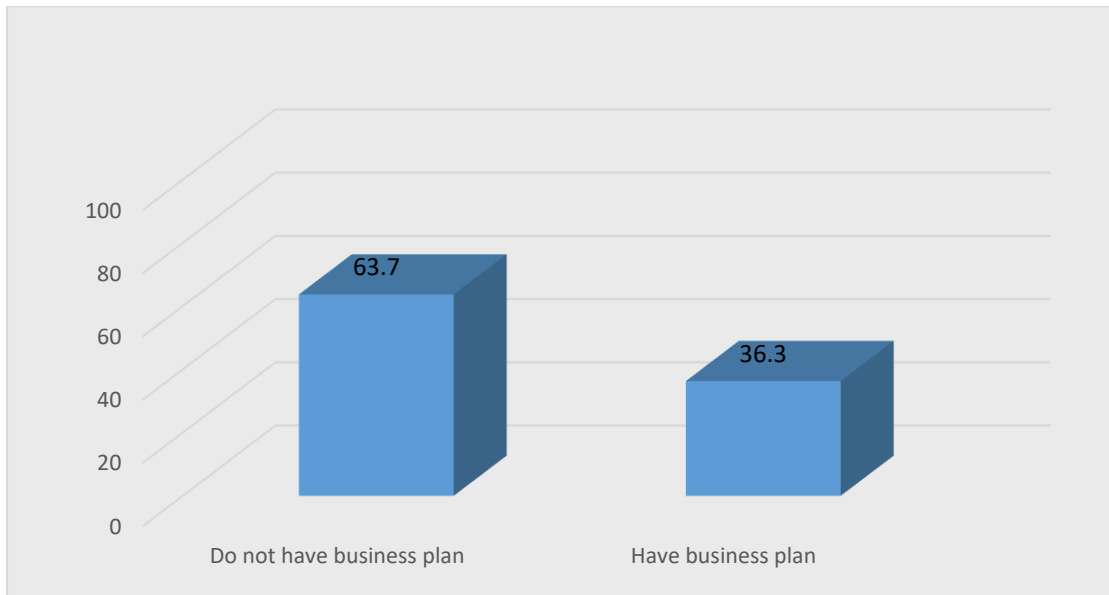

Figure 5.14: frequency distribution of firm by business plan
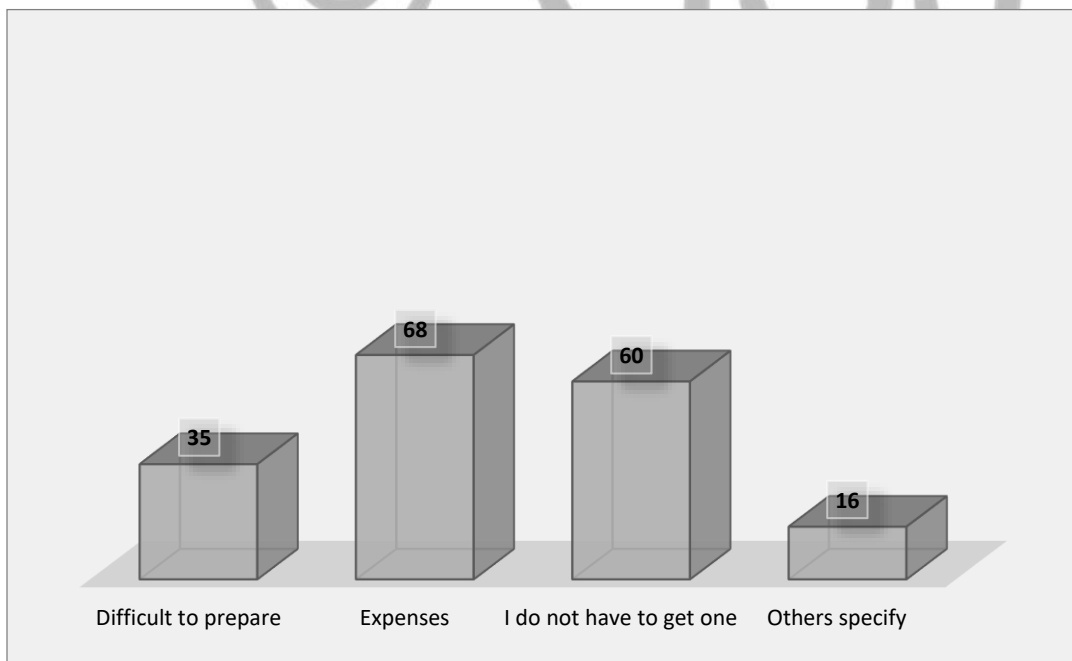
5.2.7: Sufficiency's of Business Capital

Figure 5.15 below shows the distribution of surveyed SMEs by sufficiency of business capital. The figure shows that 226 of the firms surveyed (80.4%) are those with insufficient business capital, while the rest (19.6%) are those with sufficient business capital. This implies that strong growth of firms in   Paynesville require boosting capital of the SMEs.

Figure 5.15 Distribution of surveyed SMEs by sufficiency of business capital.
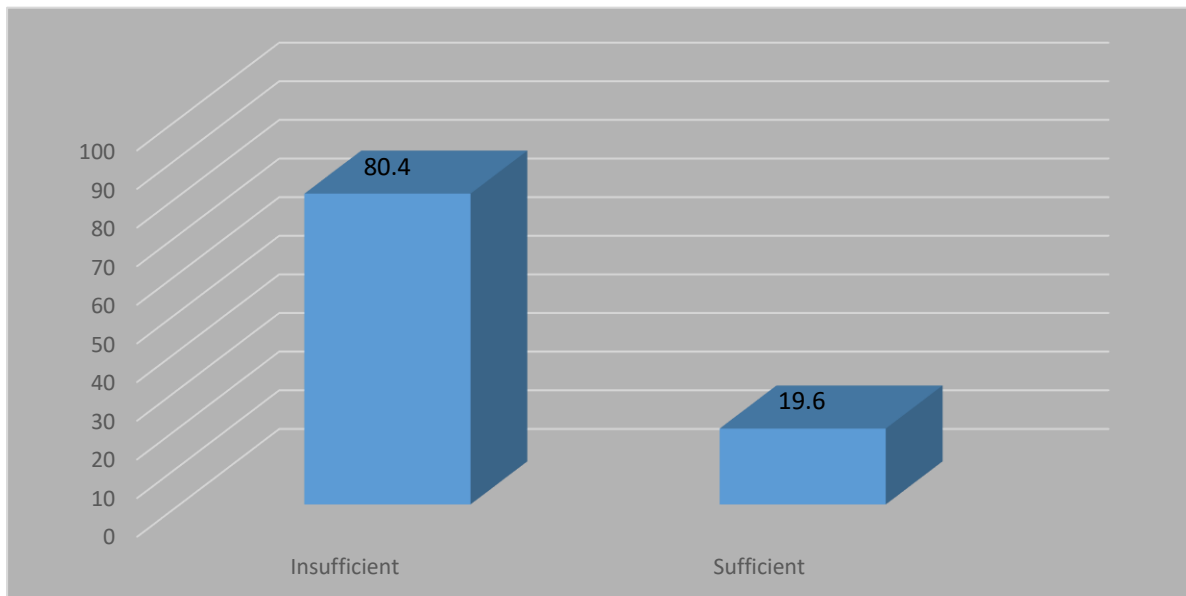
The average business capital of the surveyed firms is LD $1,184,879.00, which is equivalent to US$ 6,582.66 while the median is LD$ 510,000.00, equivalent to US$2833.3. Hence, about 50% of the surveyed firms have a business capital equivalent to US$2,833.3. The average working capital of the SMEs surveyed is LD$ 514,512.76 with a median of LD$ 230,000.00. These are equivalent to US$ 2,858.40 and US$ 1,277.7 respectively. Table 3 gives the descriptive statistics of the business capital and working capital.

Table 3: Descriptive statistics of the business capital and working capital

	Business capital (LD$)	Working capital (LD$)
Mean	1,184,879.00	514,512.67
Median	510,000.00	230,000.00
Standard deviation	1,717,005.51	790,471.56

5.2.8: SMEs and Advertisement

Figure 5.16 shows that the percentage distributions of firms by advertisement practice. The figure shows that (81.9%) of the firms surveyed do not have any form of advertisement, while the rest (18.1%) do advertise their products.

Figure 5.16: Percentage distributions of firms by advertisement practice
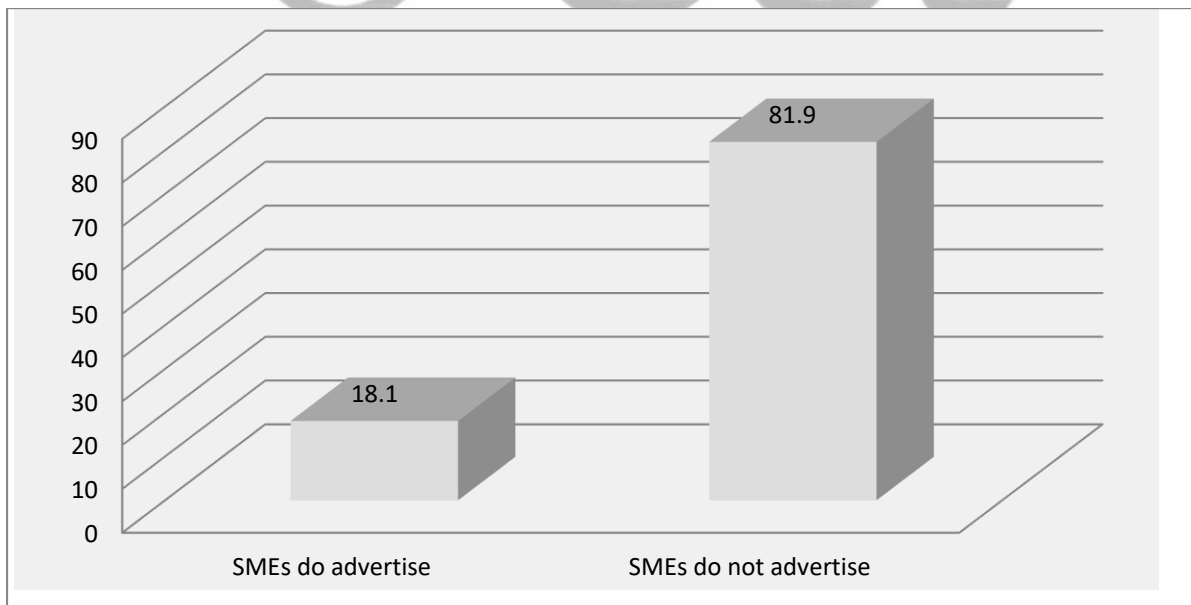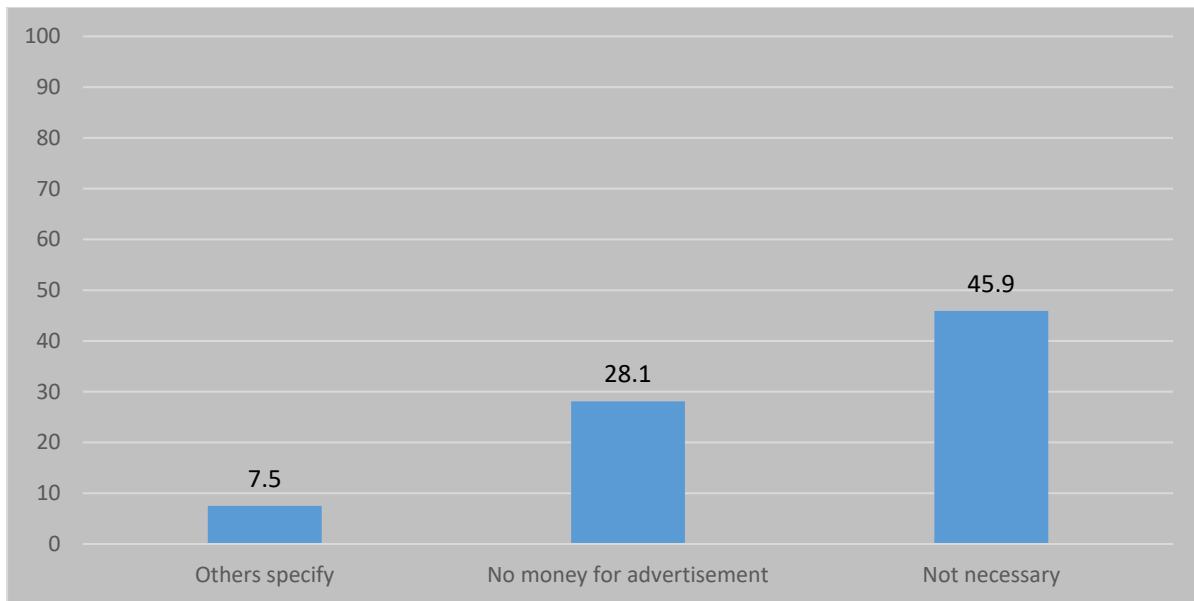
Figure 5.17 shows reasons why firms who do not do advertisement actually do so. The firm shows that 45.9% of them consider advertisement not to be necessary, while 28.1% indicate that there is no money for advertisement.

Figure 5.17 percentage distributions of firms who do not do advertisement

5.2.9: Ownership of Bank Account.

Figure 5.18 shows the distribution of surveyed firms by ownership of bank account. The figure shows that out of the 281 firms in the sample, 53% of them do not have a bank account. This implies that while SMEs are contributing to economic output and welfare, their contribution to financial inclusion is low as less than half of them are included in the formal financial sector, which may create a financial constraint for them. This is important as access to capital for business depends among others on ownership of a bank account.

Figure 5.18: Percentage distribution of surveyed firms by ownership of bank account.

Among the firms without bank accounts, 75 of them indicated they do not need a bank account, 40 of them indicated it takes time to have a bank account,10 indicate that they do not have a bank account because banks are far from their location and 25 of them indicate other reasons. However, firms have multiple reasons for not having bank accounts. The large number being in favor of I do not need a bank account indicate the need for strong financial education among Paynesville SMEs. Figure 5.19 shows the frequency distribution of firms without business accounts by reasons.

Figure 5.19: Frequency distribution of firms showing reasons of not having business

accounts
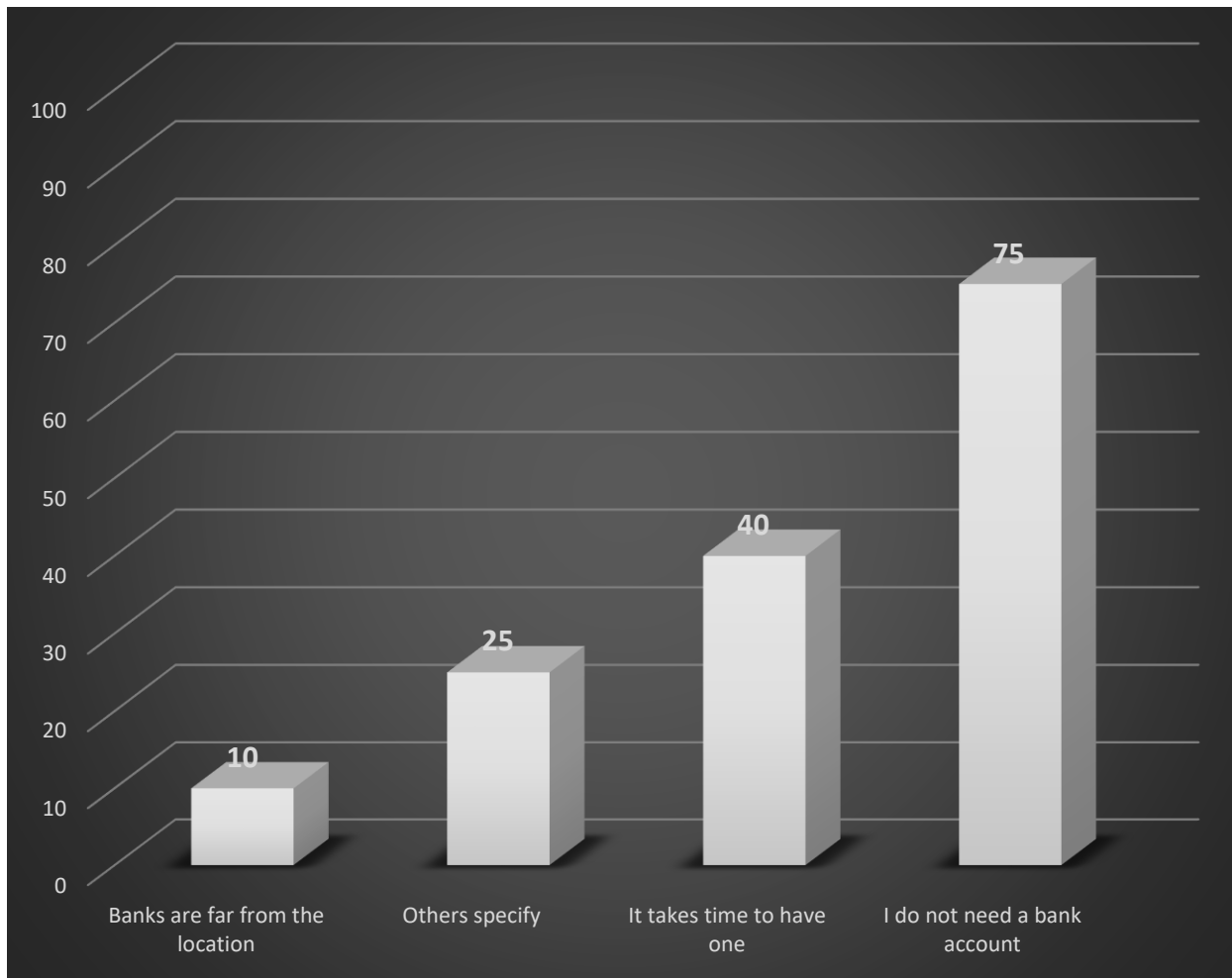
5.2.10: Access to Bank Credit.

Figure 5.20 shows the distribution of firms by access to bank credit. The figure shows that 33.1% of the surveyed firms have access to bank credit, while 66.9% of them do not have access to bank credit. Thus, the use of bank credit to support growth of firms is low in Paynesville. This respondent's information agreed with past studies that SMEs often face challenges in accessing finance due to other reasons like size, lack of collateral, and credit history (Beck et al., 2014; Demirgüç-Kunt & Klapper, 2018; Laeven & Woodruff, 2007)

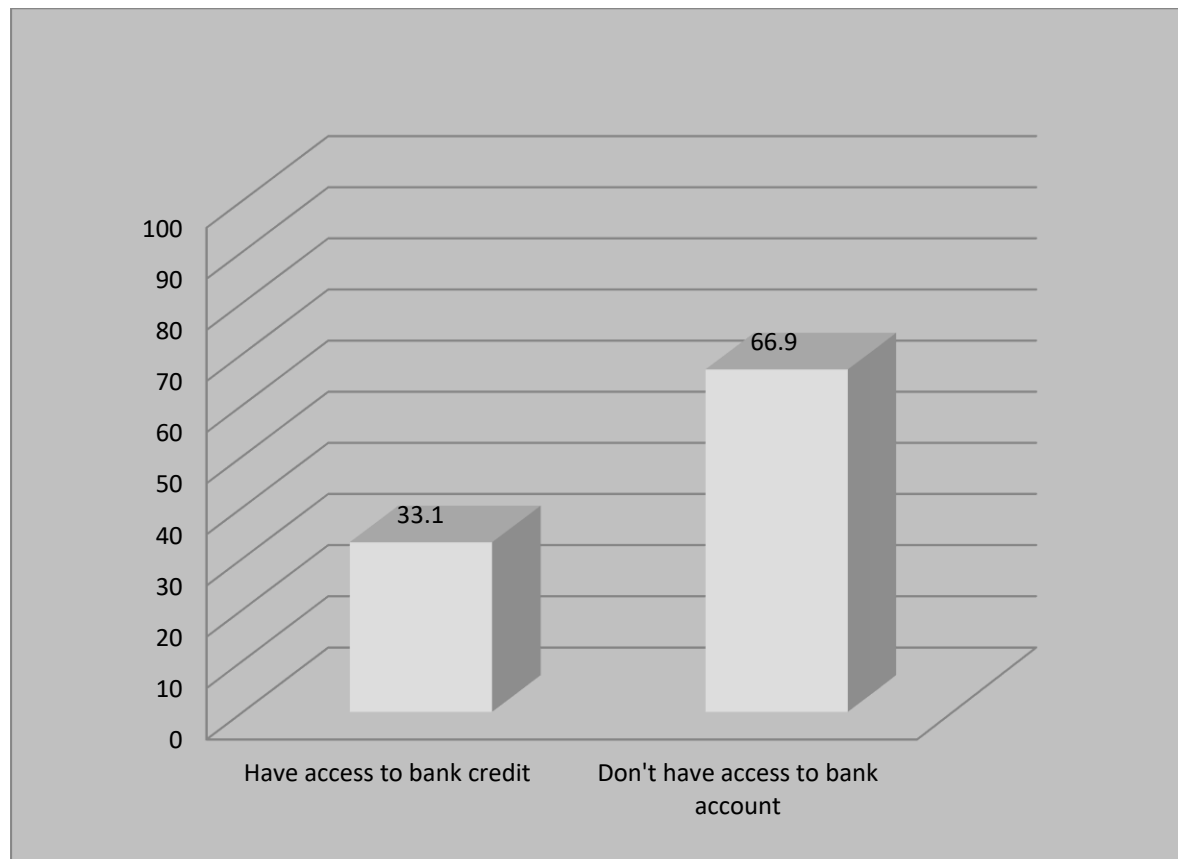**Figure 5.20 Percentage distributions of firms by access to bank credit**

Figure 5.21 shows the distribution of firms surveyed by bank credit application in the last three years. It shows that 70.8 % of the firms had made bank credit application in the past, while only 29.2% had not made bank credit application. This implies that week access to bank credit in Paynesville is done due to lack of application by the firms.

Figure 5.21 Percentage distributions of firms surveyed by bank credit application in the
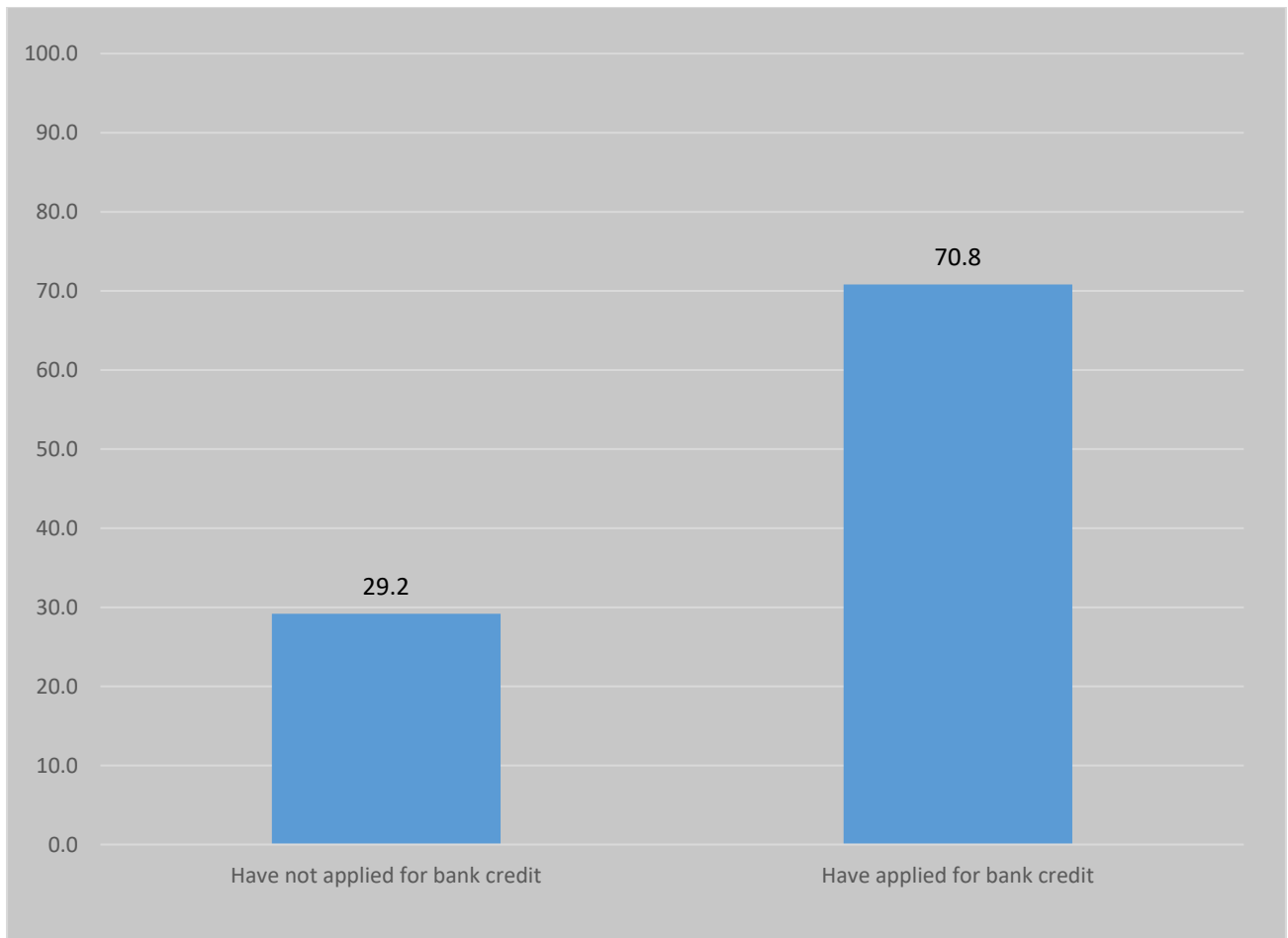
      last three years

Figure 5.22 shows that among the firms which had made loan application in the three years,71 of them indicated it is because they do not have a collateral, 43 indicate that it is because it is difficult to succeed in such application,41 of them indicate that the process is long, and 34 indicated it is due to high interest rate, while only 10 indicated other reasons. This implies that lack of collateral is the main constraint for SMEs failure to make loan application, while their notion of difficulty to succeed and the long processing times are also important among the firms.

Figure 5.22: Frequency distribution of firms that have not made any loan application.
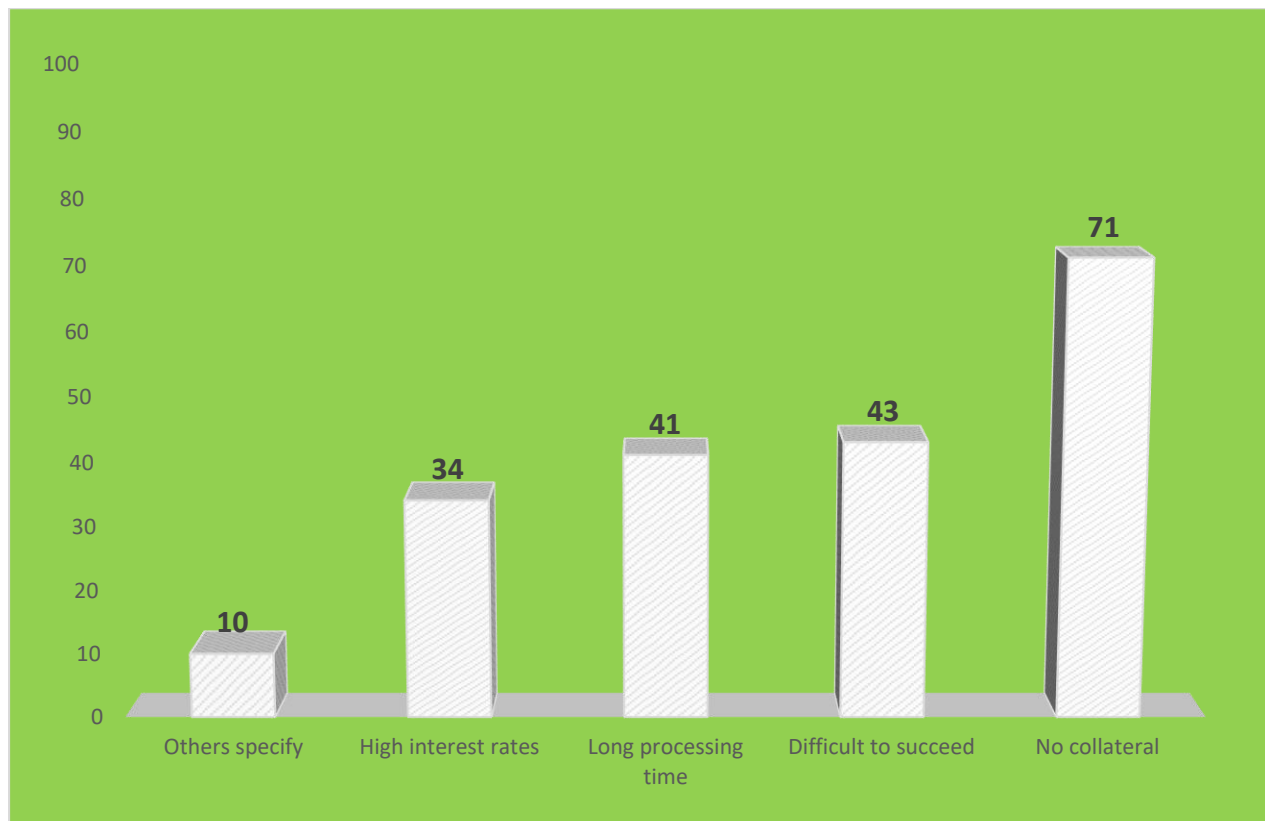
Figure 5.23 shows the distribution of firms who had applied for credit by success in bank credit.

Out of those who had applied for credit (29.2%) indicated that they have succeeded in getting a bank credit and a large proportion of them (70.8%) indicated they have not succeeded. This implies failure to get bank credit by SMEs is more common than success in the application, suggests the need for reforms and actions that support access to credit by SMEs to have expansion of businesses and reduction of poverty through finance.

Figure 5.23: Distribution of firms who had applied for credit by success in bank credit.
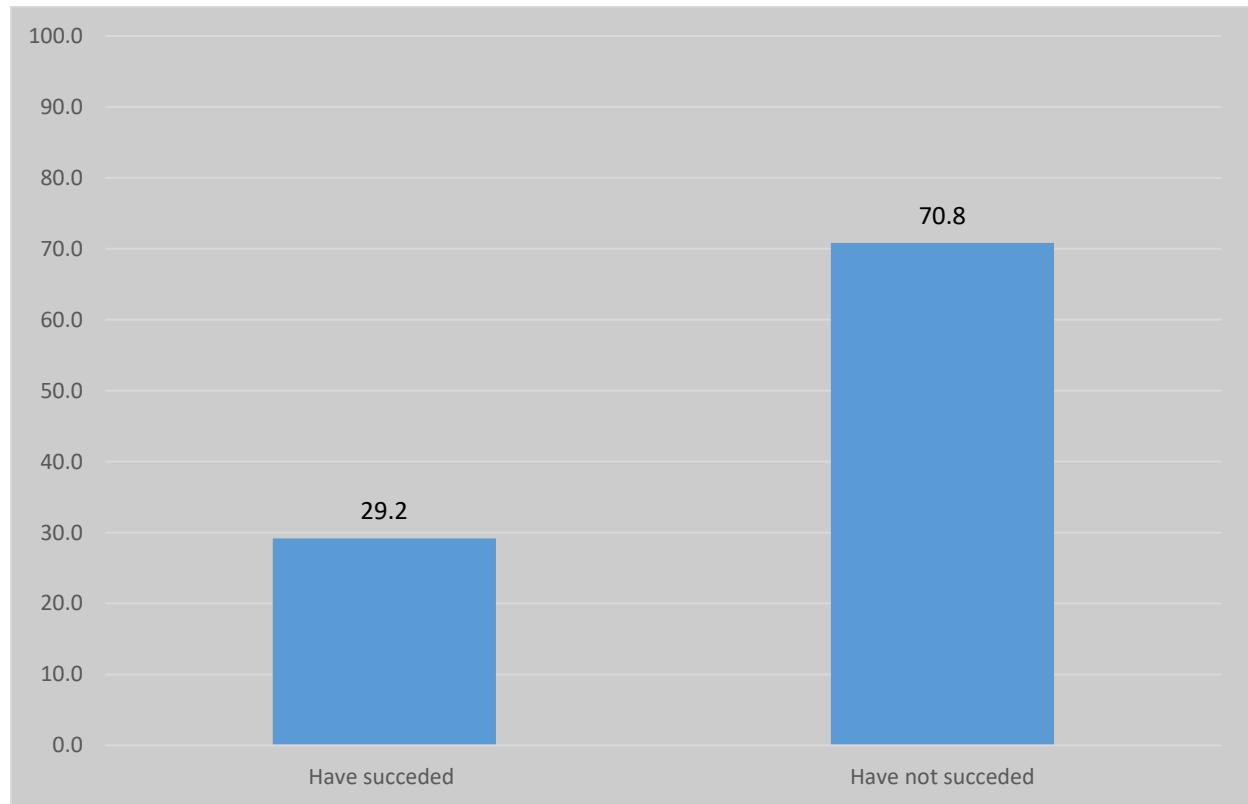
5.2.11 SMEs constraint

❖ Figure 5.24 gives the distribution of SMEs in the sample by factors considered to be constraining the growth of firms. The most common factors considered to be constraining firms is existing high competition, which is the case for 210 of the 281 firms (74.73%). High cost of rent and access to finance are the other factors that are observed to be constraint high by more than 50% of the surveyed firms, with high cost of rent being a constraint by 179 of the (63.7%) and access to finance being a constraint by 164 of the 281 firms (58.36). This implies that access to finance, cost of rent are important constraints for policymakers in order to support the link from SMEs operation to income and poverty reduction. This concurs with other studies like Beck et al. (2006) that says

financial constraints negatively affect SMEs' investment decisions in Eastern Europe and

Central Asia.

Figure 5.24 Distribution of SMEs in the sample by factors that constraint SMEs
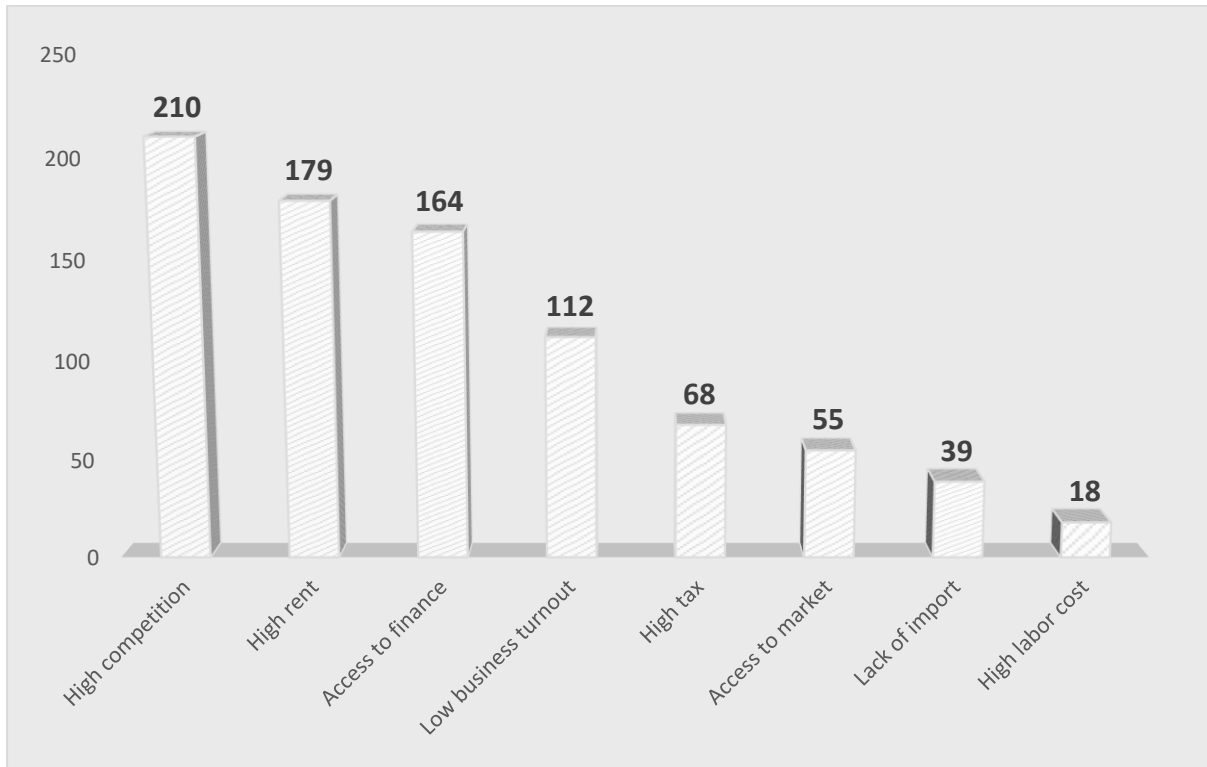
CHAPTER SIX

CONCLUSION AND RECOMMANDATIONS

6.1: CONCLUSION

Small and medium enterprises (SMEs) are businesses that have a small moderate scale of operations and a limited number of employees. In the case of Liberia, SMEs are businesses that employ less than 50 employees and have an annual turnover of less than $250,000. In Liberia, SMEs play a critical role, its performance eventually impact overall economic performance and poverty reduction. However, SMEs are struggling to flourish in Paynesville, which is a key business area in Montserrado, Liberia. An understanding of the determinants of SMEs growth in Paynesville is therefore a significant to entrepreneurs, policymakers, and development partners around the world, governments and international organizations are interested in fostering the growth and development of SMEs, given their importance in poverty reduction. This is also the case in Liberia.

This thesis sought to investigate the key determinants of growth of Small and Medium Enterprises (SMEs) in Paynesville, Liberia, with a focus on both internal and external factors, which include among others, gender, education, marital status, and the presence of a business plan, as well as access to finance, rent and business training respectively.

Both quantitative and qualitative techniques were utilized in the process. Through the study plan; we used Kobo Collect software to interview the SMEs, based on randomly sample on a simple random basis. The sampling frame utilized was 1038 registered firms from 2017 national establishment census (LISGIS). The sample size for the study is 281 firms. This was chosen based on 95% confidence level and a marginal error of 5%.

The questionnaire was organized around two key aspects, the demographic characteristics of manger or owner and business specific characteristics. The data were analyzed using Statistical Package for Social Sciences (SPSS). The outputs from the analysis were presented in tables and charts, while descriptive statistics was also used in cases where it was useful.

The findings from the study revealed valuable insights with respect to factors that determine SMEs growth in Paynesville. The analysis of internal factors indicate that most SMEs do not have training, while external factors, access to finance emerged as a crucial determinant of SME growth, because most SMEs indicated lack of access to finance as a constraint. Thus, limited access to capital was found to be a significant barrier hindering SMEs from expanding their operations and investing in innovative technologies. Among the obstacles to the growth of SMEs, collateral, rent and business plan were also recognized by most firms.

6.2: Recommendations:

Based on the findings of the study we present in what follows recommendations to enhance the prospects of SMEs in Paynesville, Liberia.

i.   Collateral is found to be a key constraint to SMEs growth. Hence, Policymakers and financial institutions should collaborate to create specialized financial products tailored to the unique needs of SMEs. This could involve offering collateral-free loans, lower interest rates, and innovative financing mechanisms to improve access to finance. However, mechanism should be put in place to adequately substitute for absence collaterals. This requires engaging the SMEs operators in the process.

ii. Invest more in entrepreneurial education and training programs to equip SMEs heads and aspiring entrepreneurs with essential business skills and knowledge. These programs can be

organized by government agencies, educational institutions, and private organizations with interest in poverty reduction through promotion of SMEs. This is because most SMEs are found not to have engaged in SMEs training, which is important for their growth.

iii. Most SMEs do not have business plan. Encouraging and assisting SMEs in developing comprehensive business plans can foster strategic thinking and enhance their ability to attract investors and secure funding. Hence, it is important for Government agencies and business support organizations to support SMEs growth through workshops and mentorship.

iv. Most of the SMEs in Paynesville are operating as traders or small informal sectors services such as, servicing vehicles and tailoring. In this regard government support to SMEs or the poor engaged in income generations in Paynesville should consider prioritizing trades and these services operators.

By implementing these recommendations, policymakers, government agencies, and relevant stakeholders including entrepreneurs can create an enabling environment for SMEs to flourish in Paynesville. Nurturing SME growth will not only contribute to job creation and poverty reduction but also enhance overall economic development in the society.

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APPENDIX I

QUESTIONNAIRE
SCHOOL OF POST GRADUATE STUDIES

NJALA UNIVERSITY, Institute of Social Sciences, Administration, and Management.

PROJECT MANAGEMENT.

ROBERT SEINGBAYE SOMWARBI,

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Questionnaire for MBA research **Title of the research:** DETERMINANTS OF SMEs GROWTH: CASE STUDY PAYNESVILLE MONTSERRADO, LIBERIA.

Survey of some randomly selected SMEs in Paynesville

A. Demographic Characteristics of Manager or Owner (Circle the one that best suit you)

1. Is your business registered?

   01) Yes

   02) No

2. Gender?

   01) Male

   02) Female

3. Age

   01) 18 – 24 yrs.

   02) 25 – 29 yrs.

   03) 30-34 yrs.

   04) 35-44

   05) 45-54

   06) 55-59

07) 60 and Above

4. Marital Status

   01) Married

   02) Single

   03) Others / specify. _____

5. Education Manager/ Owner

   01) Master

   02) Bachelors

   03) Diploma

   04) High school

   05) Others / specify_____

6. Business sector (Type of business)

   01) Small food processing factories

   02) Hardware

   03) Small timber industries

   04) Selling of Textiles, Clothing, Footwear & cosmetics

   05) Spare parts

   06) Small garage shop

   07) Other (Specify) _____

7. Do you have any business training?

    01) Yes

    02) No

8. Business experience of Manager / Owner

    01) Less than a yr.

    02) 1---3 yrs.

    03) 4—5 yrs.

    04) 6---10 yrs.

    05) 10 and above

B. **Business specific characteristics**

9. Business location

    01) Urban

    02) Rural

10. How long your business been operating (in months) _____

11. Business Structure

    01) Sole proprietorship

    02) Family business

    03) Partnership

    04) Incorporated company

    05) Other /Specify _____

12. Business employment

	Male	Female	
Part Time			
Full Time			
Total			

13. Revenue of business (in LD) last one year _____

14. Do have a business plan?

01) Yes

02) No

15. If no to question 13 why?

01) Expenses

02) Difficult to prepare

03) I don't how to get one

04) Other / Specify _____

16. What is the capital of your business (in LD)? _____

17. Your business capital, is it sufficient for your business?

01) Yes

02) No

18. What is the value of your working capital (in LD)? _____

19. What is your expenditure in the last one year? _____

20. Do you do advertisement?

    01) Yes

    02) No

21. If no to question 19 why?

    01) Not necessary

    02) No money for advertisement

    03) Others/Specify _____

22. Do you have a bank account?

    01) Yes

    02) No

23. If no to question 21 why?

    01) It takes time to have one

    02) I don't need a bank account for the business

    03) Banks are far from the location

    04) Others (specify) _____

24. Do you have access to bank credit?

    01) Yes

    02) No

25. Have you ever applied for a bank credit for the last three years?

    01) Yes

    02) No

26. If no to question 24 why?

    01) High interest rates

    02) Difficult to succeed

    03) No collateral

    04) Long processing time

    05) Others (specify) _____

27. Have you ever succeeded in getting a bank credit?

    01) Yes

    02) No

28. What is the main factor that constraint your business? (Tick all that apply)

    01) Access to finance

    02) High lobar cost

    03) High rent

    04) High tax

    05) High competition

    06) Low business turnout

    07) Lack of import

    08) Access to market

Thanks so kindly for your contributions