

Dynamics of Firm's Growth: Evidences from Micro Enterprises in Haryana

Manisha Goyal

Research Scholar,
Department of Management Studies,
J. C. Bose University of Science
& Technology,
Faridabad.
E-mail: minigoyal351@gmail.com.

Dr. Renu Aggarwal

Assistant Professor,
Department of Management Studies,
J. C. Bose University of Science &
Technology, Faridabad.
E-mail: renuymcaust@gmail.com

Dr. Savita Bhagat

Head, Dept. of Commerce and Economics,
DAV Centenary College, Faridabad.
E-mail: savibhagat2002@yahoo.com

Abstract

Microenterprises (MEs) are very important for the generation of employment opportunities and the expansion of many economies. In responsiveness of their fundamental functions, many regulatory changes have been made to improve the growth of these firms. The objective of present research is to identify the dynamics/determinants impacting the growth of MEs. Through random sampling method, the data have been collected from 157 MEs in Haryana, India. The data have been analyzed with the help of SPSS. The results of one way ANOVA revealed that age, education, location of enterprise and experience of entrepreneurs were significant predictors to the growth of MEs. Gender was not found to be significant factor to firms' growth.

Keywords: Growth; Micro –enterprises; firms.

Introduction

The great majority of businesses around the world are microenterprises (MEs), which are the smallest, in terms of scale when measured by investment, employees, or total assets of the business (Kushnir, 2010). There are around 131.4 million MEs across the world of which an approximate of 77 million MEs are operating in emerging economies. In less developed countries, median share of MEs accounting for 91.5% and 89.4% in high income economies. According to recent data, as income levels grow, MEs have larger densities; as income levels fall, they have higher proportions of employment (MSME country indicators, 2014). As per IBEF report on MSME (2021), a total number of 2.2 million MEs are registered in India in 2020 comparing to the previous year which was 1.87 million in 2019.

In developing countries, the number of MEs must increase as they contribute in employment creation and output generation. Because they possess special relevance in economic development and poverty alleviation, understanding their growth dynamics is becoming increasingly important in academic, policy, and business practise domains. As a result, a convivial and productive environment for MEs is necessary for their growth to the economic development. Therefore, the

current research aims to uncover the characteristics which contribute to MEs growth in Haryana. Demographic considerations have a favourable impact on firm success and make entrepreneurs contented with their overall results (Welsh, et al, 2014; Zahra, 2013).

Further, the paper is arranged as: Section 2 lists the works of literature that were used to create and frame the hypotheses. The research methodology and study findings are described in Section 3. Section 4 presents a results analysis and interpretation. Section 5 concludes and offer suggestions for policy-makers.

Theory Building and Hypotheses Development

Literature reviews give scholars the opportunity to comb through the existing literature in order to formulate a problem that has yet to be solved. The research's robust foundation is divided into two components for this investigation (1) Growth indicators (2) Demographic dynamics affecting the growth of businesses.

Growth of firms

Entrepreneurs are critical to the economy's growth and development. In past studies, the term 'firm growth' has been used interchangeably with 'firm success' (Isaga, 2018; Mensah, et al., 2007). The argument about firm success metrics has largely been confined to two basic concepts: financial and non-financial growth. Financial indicators include sales growth, increase in profits, increase in assets, return on assets, employees' growth and survival rates whilst, non-financial indicators embrace satisfaction of customers, personal development, enriched goodwill of the firm, firm's achievements and rise in market share of business (Islam, 2011; Walker & Brown, 2004). Blackurn et al. (2013) measured the performance of firms based on turnover, employment growth, and profits. Papadaki et al., (2002) divided the factors that influence MEs growth into three categories: (a) owner-manager traits, enterprise practise traits, and firm traits. Nichter and Goldmark (2005) categorize the probable variables into four categories: business environment contextual elements, social aspects, business characteristics, and entrepreneur characteristics.

Eminent researchers gauged the growth of MEs on the basis of revenue growth, profit growth (McPherson, 1996;

Fairlie & Robb, 2009) and employment growth (Bigsten & Gebreeyesus, 2007; Storey, et al., 2016). Besides these indicators, the entrepreneurs' comprehensive opinion of business advancement is also critical (Lumpkin & Dess, 1996). However, present study focuses on four financial indices of growth i.e., sales growth, assets growth, profits growth and growth in number of employees.

Demographic characteristics

Individuals' practical traits change based on experiences, abilities, and demographic characteristics. Demographic dynamics of entrepreneurs such as gender, age, education and experience are the foundations that influence the growth of a firm (Islam, et al., 2011).

Gender

Gender may play a role in the growth of MEs. This is generally claimed that male-run enterprises grow faster than female ones since women are thought to be less risk-taker (Mead & Liedholm, 1998; McPherson, 1996), however, Du Rietz & Henrekson (2000) found no evidence of importance of gender in the growth of firms. Kepler & Shane (2007) argue that men have greater business experience than women prior to starting a business.

Male business owners had greater success than female business owners, according to Mazzarol et al. (1996). Female entrepreneurs have weaker entrepreneurial goals than their male counterparts, which is one of the main reasons for their underperformance. Gebreeyesus, (2007) also reported male-owned firms grew faster than female-owned businesses.

HI- Gender influences the growth of firms.

Age of entrepreneur

Age of the entrepreneurs is the most crucial factor of firms' growth. It is argued that when entrepreneurs are young, they are unsure of their abilities and hence take greater risks in order to expand their businesses, leading to the idea of an adverse link between age and growth of firms (Munoz, et al., 2015; Papadaki et al., 2002; Cortes, et al., 1987). Bonn et al. (2004) found that age is negatively associated to Japanese firms' profitability. Similarly, Nakano & Nguyen (2011) argued that age is inversely related to the firm's performance. Kristiansen et al., (2003) evidenced a positive

link between age and firm success of the firm. According to Sorensen and Stuart (2000), older business owners may gain from previous experiences and outperform their younger competitors in terms of long-term growth. As per Shergill & Sarkaria (1999) the older enterprises have better business experiences and are expected to perform better than the younger ones. Because it has positioned itself in the marketplace and has some basic abilities and experiences that its younger rivals may not have, an older firm may expand quicker and generate a higher rate of return.

H2- Age of entrepreneurs influences the growth of firms.

Education-

Human capital investments boost an individual's chances of achieving success as a businessperson (Davidsson, & Honig, 2003; Becker, 1964). Various research groups have found that sufficient education, i.e., technological and specialised qualifications, is necessary for effective business management (Nair & Pandey, 2006; Welsh & Kaciak, 2018). Entrepreneurial education and training have a substantial favourable influence on the success of businesses (Millan, et al., 2014; Simpson, et. al, 2004). Educated entrepreneurs have been found to have a favourable impact on their firm's success (Dahl & Reichstein, 2007; Baum, 1994; Kim, et al., 2008; Cooper, et al., 1992; Mamun, 2016). Irwin, et al., (1998) also evidenced that higher education increases the production of new products, makes people more innovative, and makes it easier to embrace high technology for profitable businesses.

The level of education of MEs was explored as a predictor of a firm performance because well-educated owner-managers of businesses are assumed to be more effective decision makers than others (Read et al., 2009). Chirwa (2008) exhibited that education is a significant variable in improving the performance of female MEs in Malawi. According to studies by Blumberg and Letterie (2008), education promotes management competency. Quartey (2003) indicated a statistically significant impact of education on firm's ability to grow. As a result, entrepreneurs must be educated, particularly in the area of record keeping.

H3- Education of entrepreneurs influences the growth of firms.

Area /location of business firms

Location is thought to have an impact on how firms achieve growth. Locational advantages are related to comparative advantages in terms of costs, expenses, or market locations. In that regard, business growth might be strengthened, and as a result, more jobs might be created in these regions (Giner, et al., 2017). Kala et al. (2010) stated that area is the decision regarding, where a firm will be located, including small, medium, and large cities or in rural or urban settings. The domestic enterprises' strategic position has helped them accomplish the successful performance. Here, it may be claimed that geography has given domestic businesses a powerful force to flourish and achieve success in their business. They also observed that the enterprises in the region had benefited from the site performance while also implying sustainability. Orloff (2002) has therefore offered proof of the impact of entrepreneurship's emergence and, in turn, its impact on performance. His research indicated that location plays a critical role in the growth of entrepreneurship.

H4- Area/ location of business enterprise influence the growth of firms.

Experience of entrepreneurs

Experience is explained as the period of time a person has had access to employment following the completion of his or her education. This variable must be based on two presumptions: (1) Most people will having engaged in useful activities since finishing their education, such as finding employment or self-employed and (2) persons typically acquire knowledge through those fruitful endeavours.

Robinson & Sexton (1994) evidenced the positive association of entrepreneurs' experience on the success of the business venture. But they found this as weak association than education counterparts. Additionally, empirical data consistently demonstrates that experience is linked to better performance (Mikhail, et al, 1997). Dimov (2010) stated that entrepreneurs with business expertise learn about new business opportunities and procedures, which all help to lower the risk associated with the appraisal of new ventures. Practical experience enables the entrepreneur to more accurately assess business opportunities (Ronstadt, 1988).

H5- Experience of entrepreneurs influences the growth of firms.

Research Methodology

Research design

The data have been collected from the MEs in Haryana state of India through random sampling method. The questionnaire was sent to 300 MEs but the response rate was 62% i.e., 186 and 28 responses were rejected due to irrelevance. Thus, the analyses have been carried on 157 responses.

In order to analyze the data, we employ both descriptive and inferential statistical methods, such as independent and

one-way ANOVA. In order to perform a parametric test, the data must be measured at least on an interval scale (Field, 2009). The growth of MEs have been assessed on a five-point scale, where strongly disagree =1, Disagree =2, Neutral=3, Agree =4, Strongly Agree =5.

Measurement of variables

The growth of MEs has been considered as independent variable which is measured by four statements adopted from previous studies, such as improvement in sales, profits, assets and the number of employees. Entrepreneur characteristics such as gender, age, education, area and experience of MEs are taken as dependent variables. These characteristics have been measured on nominal scale.

Analyses and Interpretation

Table 1: Descriptive details

		N	Average	Std. Deviation
Gender	Male	106	3.61	0.938
	Female	51	2.72	0.954
	Total	157	6.33	1.030
Age	Below 29	24	2.84	0.902
	30-39	62	3.28	1.116
	40-49	46	3.46	0.902
	Above 50	25	3.62	1.029
	Total	157	3.32	1.030
Education	10 th	39	2.59	0.848
	12 th	59	3.19	0.784
	Under graduate	35	3.66	1.029
	Post graduate	24	4.31	0.861
	Total	157	3.32	1.030
Area/location	Rural	44	2.88	0.947
	Semi-urban	66	3.33	0.983
	Urban	47	3.72	1.022
	Total	157	3.32	1.030
Experience	Less than 1	6	2.46	0.534
	1-2	24	2.48	0.847
	2-5	29	2.74	0.724
	5-10	42	3.38	0.939
	More than 10	56	4.03	0.822
	Total	157	3.32	1.030

Source: SPSS Output

Table 2 shows the results for independent sample t-test where, gender was found insignificant since the p value is

more than 0.05 ($t=0.039$, $p= 0.844$). Hence, the H1 is rejected which implies gender has no significant influence on the growth of MEs.

Table 2: Results of Independent sample t-test for gender

	Levene's test	
	t	Sig
Equal variances assumed	0.039	0.844
Equal variances not assumed	-	-

Source: Authors' compilation from SPSS output

For the purpose testing the homogeneity of variance, levene test was applied. The levenetest values for age (levене statistic = 1.066, sig. = 0.365), education (levене statistic = 0.982, sig. = 0.403), location (levене statistic = 0.379, sign. = 0.685) and experience (levене statistic = 1.144, sig. = 0.338) were found insignificant which implies equality of variances is assumed.

The results of one way ANOVA have been presented in table 3. Since the p value of age is less than 0.05 which is

0.040, hence H1 is accepted at 5% level of significance. It implies age of MEs has influence the growth of the firms in Haryana, where $F = 2.840$, $p = 0.040$. Similar results have been found for education ($F= 21.774$, $p<0.001$), area of operating enterprise ($F= 8.323$, $p<0.001$) and experience of entrepreneurs ($F= 21.384$, $p<0.001$) which are statistically significant at 1%. Hence, it could be interpreted that age, education, area of operating business and experience of entrepreneurs significantly impact the growth of MEs.

Table 3: Results of one-way ANOVA

		Sum of squares	df	Mean square	F	Sig.
Age	Between groups	8.729	3	2.910	2.840	0.040
	Within groups	156.751	153	1.025		
	Total	165.479	156			
Education	Between groups	49.511	3	16.504	21.774	<0.001
	Within groups	115.968	153	0.758		
	Total	165.479	156			
Area	Between groups	16.143	2	8.071	8.323	<0.001
	Within groups	149.337	154	0.970		
	Total	165.479	156			
Experience	Between groups	59.588	4	14.897	21.384	<0.001
	Within groups	105.891	152	0.697		
	Total	165.479	156			

Source: Authors' compilation from SPSS output

The results revealed that older MEs achieve more growth as they become experienced than younger ones. More educated MEs shepherd higher growth of firms as they can manage and predict the business opportunities to make viable progress. Similarly, higher experience of entrepreneurs leads to great success and growth of the business than less experienced counterparts. MEs in rural areas find difficulty in getting the resources for maintaining the business firms as businesses in urban area get the necessary resources easily. However, the study revealed that gender is not the significant predictor of the growth of firms.

Conclusion and Recommendations

MEs are thought to be the main forces behind socioeconomic growth. Given that MEs make up the bulk of businesses in every nation, it may not be possible for national development by ignore their contribution. Therefore, recognising the elements that affect MEs' success is crucial in the academic world of MSME. Thus, the aim was to identify any probable elements that may have an impact on the growth of MEs in Haryana.

Using a random sample of 157 MEs, the present research evidenced the variables that impact the growth of MEs. With the help of statistical analysis, findings revealed that demographic factors have a great influence over the growth of MEs. Five hypotheses were developed after a rich literature review and these were tested using descriptive and inferential statistics i.e., one-way ANOVA. Hypotheses 2,3,4 and 5 were accepted which implies that age, education, location and experience of entrepreneurs significantly influence the growth of MEs, but hypothesis 1 was found insignificant and hence rejected. It revealed that gender is not the significant factor in determining MEs growth. The results offer guidance to practitioners and policymakers on how to foster an environment that is conducive to the development of MEs. The development of MEs will be aided by elements like knowledge, training, transparent dealings, simple credit policies, rural development and an adequate supply of capital. Young businesses should receive more attention as they have a greater chance to succeed and advance the development of the national economy.

References

- Baum, J. R. (1994). The relation of traits, competencies, vision, motivation, and strategy to venture growth (Doctoral dissertation, University of Maryland, College Park).
- Becker, G. S. (1964). Human capital theory. Columbia, New York, 1964.
- Bigsten, A., & Gebreeyesus, M. (2007). The small, the young, and the productive: Determinants of manufacturing firm growth in Ethiopia. *Economic Development and Cultural Change*, 55(4), 813-840.
- Bruhn, M., & McKenzie, D. (2014). Entry regulation and the formalization of microenterprises in developing countries. *The World Bank Research Observer*, 29(2), 186-201.
- Calvo, J. L. (2006). Testing Gibrat's law for small, young and innovating firms. *Small business economics*, 26(2), 117-123.
- Cooper, A. C., Folta, F., Gimeno-Gascon, F. J., & Woo, C. Y. (1992). *Entrepreneurs, Process of Founding and New Firm Performance*. u: Sexton D., Kassandra J.[ur.] *The State of the Art in Entrepreneurship*.
- Cortes, M., Berry, A., & Ishaq, A. (1987). Success in small and medium-scale enterprises: the evidence from Colombia.
- Dahl, M. S., & Reichstein, T. (2007). Are you experienced? Prior experience and the survival of new organizations. *Industry and Innovation*, 14(5), 497-511.
- Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of business venturing*, 18(3), 301-331.
- Dimov, D. (2010). Nascent entrepreneurs and venture emergence: Opportunity confidence, human capital, and early planning. *Journal of management studies*, 47(6), 1123-1153.
- Du Rietz, A., & Henrekson, M. (2000). Testing the female underperformance hypothesis. *Small Business Economics*, 14(1), 1-10.
- Fairlie, R. W., & Robb, A. M. (2009). Gender differences in business performance: evidence from the

- Characteristics of Business Owners survey. *Small Business Economics*, 33(4), 375-395.
- Field, A. (2009). *Discovering statistics using SPSS*, 3rd Edn London. UK: SAGE [Google Scholar].
 - Gebreyesus, M. (2007). Growth of micro-enterprises: Empirical evidence from Ethiopia. *Ethiopian Development Research Institute (EDRI)*, 1-21.
 - Giner, J. M., Santa-María, M. J., &Fuster, A. (2017). High-growth firms: does location matter?. *International Entrepreneurship and Management Journal*, 13(1), 75-96.
 - Grimmer, L., Miles, M. P., & Grimmer, M. (2016).The performance advantage of business planning for small and social retail enterprises in an economically disadvantaged region. *European Journal of International Management*, 10(4), 403-421.
 - Huria, N. (2013). Women empowerment through entrepreneurship: A way for economic development. *International Global Research Analysis*, 2(12), 2277-8160.
 - Irwin, J. G., Hoffman, J. J., & Lamont, B. T. (1998). The effect of the acquisition of technological innovations on organizational performance: A resource-based view. *Journal of Engineering and Technology Management*, 15(1), 25-54.
 - Isaga, N. (2018). The relationship of personality to cognitive characteristics and SME performance in Tanzania. *Journal of Small Business and Enterprise Development*.
 - Islam, M. A., Khan, M. A., Obaidullah, A. Z. M., &Alam, M. S. (2011). Effect of entrepreneur and firm characteristics on the business success of small and medium enterprises (SMEs) in Bangladesh. *International Journal of Business and Management*, 6(3), 289.
 - Kim, K. S., Knotts, T. L., & Jones, S. C. (2008).Characterizing viability of small manufacturing enterprises (SME) in the market. *Expert Systems with Applications*, 34(1), 128-134.
 - Kristiansen, S., Furuholt, B., & Wahid, F. (2003). Internet cafe entrepreneurs: pioneers in information dissemination in Indonesia. *The International Journal of Entrepreneurship and Innovation*, 4(4), 251-263.
 - Kushnir, K. (2010). How do economies define micro, small and medium enterprises (MSMEs). *Companion Note for the MSME Country Indicators*, 66.
 - Kushnir, K., Mirmulstein, M. L., &Ramalho, R. (2015). *Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count? MSME country indicators 2010*
 - Lumpkin, G. T., &Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of management Review*, 21(1), 135-172.
 - Mazzarol, T., Volery, T., Doss, N., & Thein, V. (1999). Factors influencing small business start-ups: a comparison with previous research. *International Journal of Entrepreneurial Behavior& Research*.
 - McPherson, M. A. (1996). Growth of micro and small enterprises in southern Africa. *Journal of development economics*, 48(2), 253-277.
 - Mead, D. C., &Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World development*, 26(1), 61-74.
 - Mensah, J. V., Tribe, M., & Weiss, J. (2007). The small-scale manufacturing sector in Ghana: A source of dynamism or of subsistence income?. *Journal of International Development: the Journal of the Development Studies Association*, 19(2), 253-273.
 - Mikhail, M. B., Walther, B. R., & Willis, R. H. (1997). Do security analysts improve their performance with experience?. *Journal of Accounting Research*, 35, 131-157.
 - Millan, J. M., Congregado, E., Roman, C., Van Praag, M., & Van Stel, A. (2014).The value of an educated population for an individual's entrepreneurship success. *Journal of business venturing*, 29(5), 612-632.
 - Mothibi, G. (2015). The effects of entrepreneurial and firm characteristics on performance of small and medium enterprises in Pretoria. *International Journal of*

- Economics, Commerce and Management, 3(3), 1-8.
- MSME Country Indicators 2014, Towards a Better Understanding of Micro, Small, and Medium Enterprises DECEMBER 2014
 - Munoz, J. M., Welsh, D. H., Chan, S. H., & Raven, P. V. (2015). Microenterprises in Malaysia: a preliminary study of the factors for management success. *International Entrepreneurship and Management Journal*, 11(3), 673-694.
 - Nair, K. R. G., & Pandey, A. (2006). Characteristics of entrepreneurs: an empirical analysis. *The Journal of Entrepreneurship*, 15(1), 47-61.
 - Nichter, S., & Goldmark, L. (2005). Understanding micro and small enterprise growth. *Micro Report*, 36.
 - Orloff, A. (2002). Social Venture Partners Calgary: emergence and early stages. *Canadian Centre for Social Entrepreneurship*. Retrieved April, 18, 2004.
 - Papadaki, E., Chami, B., & Branch, S. B. P. (2002). Growth determinants of micro-businesses in Canada. Ottawa: Small Business Policy Branch, Industry Canada.
 - Parvin, L., Jinrong, J., & Rahman, M. W. (2012). Women entrepreneurship development in Bangladesh: What are the challenges ahead?. *African Journal of Business Management*, 6(11), 3862-3871.
 - Quartey (2003) found that locating enterprise in urban area has insignificant positive impact on growth of firms.
 - Robinson, P. B., & Sexton, E. A. (1994). The effect of education and experience on self-employment success. *Journal of Business Venturing*, 9(2), 141-156.
 - Ronstadt, R. (1988). The corridor principle. *Journal of Business Venturing*, 3(1), 31-40.
 - Shergill, G. S., & Sarkaria, M. S. (1999). Impact of Industry Type and Firm Characteristics on Firm-level Financial Performance—Evidence from Indian Industry. *The Journal of Entrepreneurship*, 8(1), 25-44.
 - Simpson, M., Tuck, N., & Bellamy, S. (2004). Small business success factors: the role of education and training. *Education+ Training*.
 - Sørensen, J. B., & Stuart, T. E. (2000). Aging, obsolescence, and organizational innovation. *Administrative Science Quarterly*, 45(1), 81-112.
 - Sridhar, K. S., & Wan, G. (2010). Firm location choice in cities: Evidence from China, India, and Brazil. *China Economic Review*, 21(1), 113-122.
 - Storey, D. J., Keasey, K., Watson, R., & Wynarczyk, P. (2016). *The performance of small firms: profits, jobs and failures*. Routledge.
 - Walker, E., & Brown, A. (2004). What success factors are important to small business owners?. *International Small Business Journal*, 22(6), 577-594.
 - Welsh, D. H., & Kaciak, E. (2018). Women's entrepreneurship: A model of business-family interface and performance. *International Entrepreneurship and Management Journal*, 14(3), 627-637.
 - Welsh, D. H., Kim, G., Memili, E., & Kaciak, E. (2014). The influence of family moral support and personal problems on firm performance: The case of Korean female entrepreneurs. *Journal of Developmental Entrepreneurship*, 19(03), 1450018.
 - Zahra, N. (2013). Implications of demographic antecedents in determining the motivational drives among women entrepreneurs: A case study of women entrepreneurs venturing in Lahore, Pakistan. *Asian Journal of Business Management*, 5(1), 163-173.
 - Zhou, H., & De Wit, G. (2009). Determinants and dimensions of firm growth. *SCALES EIM Research Reports (H200903)*.