

The Role of Banking Institutional Services on the Sustainable growth of SMEs in Cameroon

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Abstract

Banking institutions have been very instrumental to the growth of Small and Medium Sized enterprises in many developed economies, and they have been considered as one of the principal driving forces for economic development. The case has not been the same for Cameroon as owner managers of these SMEs have been complaining of the limited presence of banking institutions in solving their problems. Mindful of the fact that Cameroon has a growth vision to become an emerging economy by 2035, the country had to take giant steps to boost the growth of SME in the country. Some of these steps were the introduction of the small business law in 2010. This was all in a drive to ensure that SME contribute to GDP growth, reduce unemployment, alleviate poverty and act as an engine for the country's emergence growth. It is therefore in this light that a study was carried out on the role of banking institutional services on the sustainable growth of SME in Cameroon. A logistic regression model was adopted to examine the impact of banking institutions on the growth of SMEs in Cameroon. The data used in the study was extracted from the 2016 Cameroon Enterprise Survey which was collected from 361 enterprises by the National Institute of Statistics in the country. From the empirical results, it was discovered that 68.4% of the enterprises were growing as opposed to 31.6%. Despite the high growth rate of these SME bank loans were affecting the growth of SME negatively while MFI loans, electronic banking services, internal funds and research and development were positively contributing to the growth of SME in the country. Thus, we concluded the study by emphasising the implementation of relationship lending which will contribute positively to the growth of SMEs and more so fiscal policies should be ameliorated to boost the growth of startups businesses.

Keywords: banking institutions, small and medium sized enterprises, Cameroon

1. Introduction

Small and medium Sized Enterprises (SMEs) are major instrument for economic growth and wealth distribution. In most of the world's economies they are regarded as vectors of job creation (World Bank, 2014). Through their investments, they create value and produce a plethora of goods and services, thereby playing a significant role in funding public services and creating a dynamic local economy (Goudreault and Hébert, 2013). As such they are categorized as growth agents and institutions of wealth distribution in most developed economies of the world. with SME being attributed as the main contributors of economic prosperity in these countries, the world bank is encouraging most of the developing countries to lay more emphasis on the development of their SME sector which they believe will help drive their growth perspectives (World Bank, 2010).

After independence in 1961 the focus of the Cameroonian government had been on large foreign firms which they relied on as the main contributors of growth and development. (Amin, 2002). Over time, this did not yield the expected results as the main economic sectors of the country were not being affected. The was prevalence of poverty and high rate of unemployment which was due to the neglect of the SME sector thus having an adverse impact on the activities of an average Cameroonian. Cameroon is termed Africa in miniature with many potentials for growth. As such the government decided to rely on the SME sector for the economic prosperity and the attainment of their growth vision of emergence over time. Despite government efforts, the SMEs contribution to the GDP of the country has not met the required expectation with SMEs contributing 22% to GDP in 2004 which was far below the expectation of government projections (NIS, 2009). This is because the growth of SMEs in the

country had been staked with numerous challenges. From a survey carried out in Cameroon by the National Institute of Statistics in 2014, the findings showed that SMEs face some significant challenges which were poor organisational structures, inaccessibility of resources, inadequate finance, and limited accessibility to required resources which needed to be addressed. As such emphasis had to be laid on banking institutions who are to act as veritable instruments to promote the growth of SMEs. These SMEs could benefit from some banking institutional services such as loans, payments, savings services, finance contracts for SME businesses, grant profession advice and even bail them out in times of crises which will go a long way to ameliorate the situation of SME in the country.

The government has over time strived to ameliorate the situation by creating the bank for Small and medium sized enterprises as a solution to the problem of inadequate finance faced by SMEs. Also, the government have been organising training seminars for banks and other financial institutions to enable them effectively support the actions of SME, but these have not yielded the perfect expected results as SMEs still complain that the financial service provided by the banking institutions are not sustainable enough in meeting their growth objectives. The rationale for the promotion of SME by the government is to ensure that they become an appropriate growth instrument and a means of making the economy of Cameroon sustainable by attaining emergence by 2035. As such in 2010 the Growth and Employment Strategy paper (GESP) was developed with some growth objectives being to increase growth to an approximately 5.5% within 2010 to 2020. For this to be attainable the government had to lay more emphasis on the SME sector who contribute significantly to the growth of the economy (Growth, 2010).

Some of the services provided by banking institutions to SME are bank loans, contract financing, e-banking services, and bank savings. These services are initially geared to boost the growth of SME and make them veritable instruments for job creation and instruments of poverty alleviation. In sub-Saharan Africa SME employ on average of the labour force in the tone of less than 30% in the manufacturing sector while the proportion in Asian countries is 74%, for Latin American countries and the Caribbean 62% and OECD countries 73% (Ondel'ank, 2010). The situation in Cameroon is even more lean as SMEs are employing 61% of labour force and their contribution to GDP is around 31% (NIS, 2009). The formal minister for SMEs Laurent Serge reiterated that "if SMEs could contribute 50% of the GDP of the country, then Cameroon will become an emerging country. In effect this shows that despite the attention placed on SME by banking institution and the services they provide to these SME, the desired contribution for the SME sector to the economy of Cameroon is not being met.

Ayyagari et al. (2011) examined the impact of various factors on firm growth across 80 countries. The outcome of the survey was that finance, crime and political stability have a direct impact on firm growth. But finance was revealed to be the most critical. However, financial resources have been considered as the major constraint to SMEs growth (Beck, 2007; Beck and Demirguc-Kunt, 2006; Klonowski, 2012; Rajan, 2002; Petersen and Wagnvoort, 2003; Woldie et al., 2012; Wuetal, 2008). This comes as a paradox as SME are too small to profit from loans from financial institutions unlike large companies do and on the contrary, they find it challenging benefiting from loans from micro financial institutions which are too small in capital. Abor and Quartey, 2010, Beck et al. (2008) reiterated in their argument that the contribution of SMEs to economic growth had been staked due to limited access of financial services which proceed primarily from standard financial institutions. This is due to limited data from the SMEs businesses and their inability to meetup with the requirements of these financial institutions. A significant number of studies have shown that financing is a greater obstacle for SMEs than it is for large firms, particularly in the developing countries and that access to finance adversely affect the growth of the SME sector more than that of large companies (Schiffer and Weder, 2001; Beck et al, 2005; Beck et al, 2006). It is to no surprise therefore that the international community and its development partners have listed SME access to finance as an important policy priority which is very essential and paramount for the growth of developing economies. According to Ngaruiya, 2014, they outlined that financial liquidity and banking services are not sufficiently provided by commercial banks to SMEs due to inadequate bookkeeping system, lack of collateral and their viability is often questionable by financial institutions. Information and regular control problems arises which are vital for financing SMEs. This makes it difficult to finance their activities since information asymmetry which may result to adverse selection and moral hazard (Stiglitz and Weiss 1981). As such on few banks are having loan products for SMEs with most of the SMEs being donor funded. Thus, very few banking institutions have SME departments (Mensah, 2004). Electronic banking services is an area where not much literature has been expounded upon in Cameroon. Which stipulates that very little research has been carried out in the country on factors influencing the consumer's adoption of e-banking services (Dobdinga, 2012). Most governments and development partners have been encouraging the adoption and the promotion of ICT within small and medium sized enterprises sector in an attempt to propel economic prosperity in low-income countries (Lopez-Nicolas & Soto-Acosta, 2010; Sen & Taylor, 2007). ICT contributes at a lower cost will be a medium that can reduce information asymmetry

between banking institutions and SMEs (Akhavain et al. 2001). As such to effectively explore this area the following research questions were being designed which are;

- i. What is the impact of banking institutional loans on the growth of Small and Medium Sized Enterprises in Cameroon?
- ii. What is the impact of electronic banking on the growth of Small and Medium Sized Enterprises in Cameroon?

We discovered that the significance of SMEs request of financial assistance from banking institutions without the interference of owner managers is scarce in literature. With more focused being placed on owner managers who act as SMEs in many instances. Mindful of the fact that very little research has been carried out in the country on factors influencing the consumer's adoption of e-banking services (Dobdinga, 2012) with very little on electronic banking services as a product, Consequently, the objectives of this paper are,

- i. To assess the impact of banking institutional loans on the growth of Small and Medium Sized Enterprises in Cameroon.
- ii. To assess the impact of electronic banking on the growth of Small and Medium Sized Enterprises Cameroon.

2. Literature

The growth of SMEs is faced with a proportionate number of challenges including lack of managerial skills, inadequate finances, poor access to capital market, lack of equipment and limited technology (Abor & Quartey, 2010). However, many scholars have expounded different literature relating to the study area. Looking at some literature on SME development, it can be emphasised that inadequate finances are the main drawbacks for the growth of SMEs (World Bank, 2014). A study carried out by the world bank shows that access to finance go a long way to improve the performance of firms and their growth by reducing risk, promoting innovation, facilitating market entry, and encouraging entrepreneurial activities in less developed countries. (World Bank, 2013). Beck and Demirguc-Kunt (2006) argue that access to finance allows SMEs in developing economies to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness, and fostering innovation, macroeconomic resilience and GDP growth. A similar suggestion also comes from Kevane and Wydick (2001) who expounded on the provision of credit to SMEs. From the later the provision of credit will improve economic growth in the informal sector through an increase in the capital in their businesses, reducing poverty, increase employment and thus contribute to growth. This is related to the work of Aghion and Bolton (1997) who agued that the availability of credit to SMEs will mean more entrepreneurship activities and more firm formation.

Kevane and Wydick (2001) also suggest that provision of credit to micro enterprises encourages economic growth in the informal sector through promoting increased capitalization of business, creating employment opportunities and long-term income growth. The provision of low interest rate loans to low-income families for investment purposes will contribute to poverty reduction and create more employment opportunities. (Davidsson et al., 2010). Scholars such as De Mel et al. (2012) argued that the acquisition of financial literacy through conducting business activities is a positive determinant to the growth of SMEs and positively contributes to an increase in productivity. As such individuals who are more literate will find it easier to interact with banks for financial services.

The survey carried out by the National Institute of Statistics in the country showed that there are 93,969 enterprises in Cameroon among which 99.2 percent of them are SMEs. The evidence of this study shows that these SMEs are contributing to 62 percent to employment and have a turnover of 31 percent when tax has not yet been deducted (NIS, 2009). Given that SMEs have different categories, the study also has a categorization of these enterprises which were very small enterprises, small enterprises, medium sized enterprises, and large enterprises. From the survey 65,986 of the enterprises were discovered to be very small enterprises, 16,937 of them found to be small enterprises, 4,499 were also found to be medium enterprises while 722 could be gotten as large enterprises. With this enriching statistical data, laying more emphasis on the activities of these enterprises will propel growth. As such cumulating these numbers, it could be found that 87,422 of enterprises in Cameroon fall within the definition for SMEs. Thus, making SMEs a veritable growth tool for the country. In terms of employees and turn over before tax, very small enterprises could be defined in the country as enterprise that employ a maximum of 5 persons with a yearly turnover of less than a million francs. The case of small enterprises is a little different as they have a staff base of 6 to 20 employees with a yearly turn over before tax of 15 million to 100 million francs. For SMEs they have a staff base of 21 to 100 employees with an annual turnover before tax of 100 to 1 billion francs.

A survey from St-Pierre et al., 2011 on more than 100 SMEs in Cameroon was aimed at examining the challenges of SMEs in the country. Using a questionnaire which was distributed to more than 200 business owners in the country, their findings suggested that the business environment and ecosystem in which Cameroon's SMEs must operate exhibit a lot of resources necessary to develop entrepreneurship, but also several deficiencies that may have a significant negative impact on growth. In a similar study carried out by Beck and Maksomovic (2002) further clarify how financial constraints affect firms of different sizes. Their study of 4,000 firms in 54 counties offers evidence that large firms internalise many of the capital allocation functions carried out by financial markets and financial intermediaries which are needed for sustained poverty reduction. The World Development Report (World Bank, 2004) indicates that small firms obtain only 30 percent of their financing from external sources, whereas large firms meet up to 48 percent of their financing needs through external financing.

The banking industry is growing with a new dynamism tailored on technological advancement. As such online banking is gaining steam in many parts of the world (Aladwani, 2001) and influencing customers choice to significantly accept these services (Sadiq Sohail & Shanmugham, 2003; Prakash & Malik, 2008, Al-Somali et.al, 2009). Electronic banking services allow people to easily access and manage their own financial transactions from any location they fine themselves. It could be noted by Pyun et al., 2002 that 120 of the top largest banks in the United States of America were offering this service which he emphasised contributed to the growth in the financial sector. The case is not very different with Malaysia as it is mandated for all the banks who are licensed to operate the e-banking service. They offered this service to their customers which does not mandate them to go physically to the banks to carry out transactions manually. (Mansor, Shariff and Manap 2012). Proctor 2000 internet banking is the core section financial industry which is under high demand on internet banking as a means of facilitating customers transactions and enabling them carry out withdrawals at will (Berger et al., 2001) with the benefits more evident to customers who use these services. Many writers have given their thoughts on e-banking services with a majority emphasising the premise that e-banking services help builds relationship between customers and their banks (Mols et al., 1999) which is a means for them to better know and understand their customers better. Adopting this tool to work efficiently for SMEs will be an added advantage for these SMEs.

Even though Akinboade and Kinack (2012) focused their study on regulation, awareness, compliance and SME performance in Cameroon's manufacturing and retail sectors, their main aim was to assess the contribution of SME in the alleviation of poverty and hunger in the country. They looked at the contribution of SME in eradicating poverty. They emphasised that to achieve the millennium development goal of poverty alleviation, SME will need to be put in the spotlight for this to become a reality. As such SME growth and poverty has an inverse relationship which implies an increase in SME growth will lead to a reduction in poverty and vice versa.

3. Method

The Data used in this study is extracted from the 2016 Cameroon Enterprise Survey Data collected on 361 enterprises by the National Institute of Statistics (NIS, 2016). However, given that the focus of this study is on Small and Medium Sized Enterprises, the sample size used in this study involved the 275 small and medium sized enterprises found in the survey. Thus, the data is cross sectional in nature collected in Cameroon from a sample of 3 regions (including Centre, Littoral and West Regions which are the industrial zones of the country). This implies that the main source of data used in this study is secondary. From the total sample of 361 enterprises, 188 of them were small enterprises which makes up a majority, while 87 of them were medium sized enterprises, 69 of them were large enterprises and there was no information on the size of 17 others. Since this study is centered on SMEs, the 69 large enterprises used in the study are excluded in the inferential analysis.

Table 1. Sampling Size

Sampling Size	Freq.	Percent	Cum.
Small	188	52.08	52.08
Medium	87	24.10	76.18
Large	69	19.11	95.29
No Information	17	4.71	100.00
Total	361	100.00	

Source: Author's computation

Also, the Cameroon Enterprise Survey used three regions as sample and this was made up of 149 enterprises in the Center Region, 143 of the enterprises were in the Littoral Region and 69 of the enterprises were in the West Region. These are the three main regions in the country which make up the industrial zone.

Table 2. Sampling Region

Sampling Region	Freq.	Percent	Cum.
Center	149	41.27	41.27
Littoral	143	39.61	80.89
West	69	19.11	100.00
Total	361	100.00	

Source: Author’s computation

3.1 Model Specification

The model adopted for the study is the logistic regression model. Logistic regression is the commonly used statistical method in empirical studies involving categorical dependent variables. As Allison (1999) demonstrates, a dichotomous dependent variable violates the assumptions of homoscedasticity and normality of the error term for linear regression model. Consequently, the estimates of the standard error will not be a consistent estimate of the true standard errors, and the coefficient estimates will no longer be efficient. In addition, estimating a linear probability model with the ordinary least square technique will lead to predicted values that are outside the plausible range of the probability (0,1). For these reasons, the logistic regression model is used when the dependent variable is dichotomous thus the reason for its adoption in this study. Thus, paving the way for the adoption of variables in this study which are bank loans, bank savings, electronic banking, micro financial institutions loans, loans from others, credit purchase, internal, fund, research and development, age of firm and age of firm square.

The dependent variable is the sustainable growth of small and medium sized enterprise (SGSME) and the independent variables bank loans, bank savings, electronic banking, micro financial institutions loans, loans from others, credit purchase, internal, fund, research and development, age of firm and age of firm square. The basic functional equation takes the following form:

$$\text{Sustainable Growth of SMEs} = f(\text{Financial services}) \text{-----} (3.1)$$

$$\text{SGSME} = f(\text{BankL} + \text{MFIsL} + \text{E-Banking})$$

Introducing the control variables, the model is specified as;

$$\text{SGSME} = f(\text{BankL}, \text{MFIsL}, \text{OthersL}, \text{E-Banking}, \text{BankS}, \text{CreP}, \text{IntF}, \text{RD}, \text{AgeF}, \text{AgeFSq}) \text{---} (3.2)$$

The empirical transformation of the functional model (equation 3.2) is presented in figure 3.3 as follows;

$$\text{SGSME}_i = \beta_0 + \beta_1 \text{BL}_i + \beta_2 \text{MFL}_i + \beta_3 \text{OtherL}_i + \beta_4 \text{EB}_i + \beta_5 \text{BS}_i + \beta_6 \text{CredP}_i + \beta_7 \text{IntFu}_i + \beta_8 \text{RD}_i + \beta_9 \text{AgeF}_i + \beta_9 \text{AgeFSq}_i + \epsilon_i \text{---} (3.3)$$

Apriori Expectations

$$\beta_0 > 0, \beta_1 > 1, \beta_2 > 1, \beta_3 > 1, \beta_4 > 1, \beta_5 > 1, \beta_6 > 1, \beta_7 > 1, \beta_8 > 0, \beta_9 > 0$$

Where:

SGSME (sustainable growth of small and medium sized enterprises), **BankL**= Bank Loans, **MFIsL**= Micro Financial Institutions loans, **OtherL**= Loan from others, **E-Banking**= Electronic banking, **BankS**= Bank savings, **CreP**= Credit purchase, **IntF**= Internal fund, **RD**= Research and development, **AgeF**= Age of firm, **AgeFSq**= Age of firm square, **β0**= intercept, **β1- β9**= coefficients to be estimated and **ε**= error team. (See appendix for definitions.)

3.2 Analysis

To examine the role of banking institutional services on the growth of SMEs in Cameroon, binary logit model analysis is employed. Binary logit model analysis is preferred over other techniques of data analysis especially the traditional Ordinary Least Square technique due to the fact that the dependent variable is dichotomous or binary in nature. That is a growing (1) or not growing (0). Thus, those are the only two possibly forms that the dependent variable can take. Binary logit is also preferred over the Linear Probability Model analysis because of its limitations such as: Non normality of the disturbance term, heteroskedastic variance of the error term, non fulfilment of the range of probability since it can give probability values of even less than zero or greater than one, low R², unrealistic linearity. However, the choice between binary logit and binary probit was arbitral since both were appropriate and there was no need of using the two.

As such the Binary Logit is a form of dichotomous dependent variable model which is based on the cumulative distribution function of logistic distribution. The model states that:

$$p_i = E\left(y = \frac{1}{x_i}\right) = \frac{1}{1 - e^{-Z_i}} = \frac{e^{Z_i}}{1 + e^{Z_i}} .$$

Where $Z_i = a_0 + a_i X_i$ (3.4)

$-\infty \leq Z_i \leq +\infty,$

$0 \leq p_i \leq 1$

p_i is normally related to Z_i or X_i

$$\rightarrow 1 - p_i = 1 - \frac{e^{Z_i}}{1 + e^{Z_i}} = \frac{1}{1 + e^{Z_i}}$$

And

$$\frac{p_i}{1 - p_i} = \frac{e^{Z_i}}{1 - e^{-Z_i}} = e^{Z_i} = e^{a_0 + a_i X_i} \dots\dots\dots (3.5)$$

Here, $\frac{p_i}{1 - p_i}$ is the odd ratio in favour of the favourable outcome (SME firm growing in the case of our study).

That is the ratio of the probability of the SME firm growing as against the probability of the SME firm not growing.

Now, let $L_i = \ln\left(\frac{p_i}{1 - p_i}\right) = Z_i = a_0 + a_i X_i$ (3.6)

Then L_i , the log of the odd ratio, is not only linear in X but also linear in the parameters.

Hence, L_i is called the Logit and model (3.6) is named Logit Model.

In the logit model, a_i measures the change in L_i for a given change in X_i . That is, it tells us how the log odds in favour of the SME firm growing changes because of a change in the level of access to finance. Also, a_0 is the log odds in favour of the SME firm growing as all the independent variables are zero. However, this interpretation may not have any physical meaning. Once the a_0 and a_i are estimated from the model, we can estimate the probability of say the SME firm growing from equation (3.1) above.

To test for the significance of the parameters estimated, the t-statistics is used. However, if the sample size is reasonably large, then the t-distribution converges to normal distribution. Thus, we use the standard normal distribution (Z-statistics) instead of the t-statistics to evaluate the statistical significance.

The conventional R^2 is not a meaningful measure of goodness of fits for binary regressand models and they are called Pseudo R^2 . Popular measures of goodness of fits in binary regressand.

4. Results and Discussion

Table 3 shows the summary of descriptive analysis of the study and it shows the observations which is the number of responses on the various question items, means which are the average values for the variables, the standard deviations which shows the extent to which the data points deviate from the mean values, the minimum values and the maximum values for each of the variables used in the study.

Table 3. Summary of Descriptive Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
GSMES	275	.6842105	.4654747	0	1
Internal_fund	275	68.16343	35.63376	0	100
BankL	275	10.30748	20.9618	0	100
Credit_Purchase	275	6.484765	16.43676	0	100
MFI Loans	275	1.562327	7.233189	0	60
Loan_Others	275	6.67867	17.78988	0	100

BankS	275	.7313019	.4438978	0	1
E-Banking	275	1.717452	1.315696	0	1
RandD	275	1.623269	1.727848	0	1
Age_Firm	275	18.57064	14.11938	0	86
Age_firm_Square	275	543.6731	857.1941	0	7396

Source: Author's computation

In all 361 enterprises we used in the survey, among which 69 were large enterprises and there was no information about the size of 17 others and so the study considers only the 275 SMEs found in the survey and the mean for SMEs growth of 0.6842105 reveals that 68.4% of the enterprises were growing while the remaining about 31.6% of them were not growing with a standard deviation of 0.4654747, a minimum value of 0 for those not growing and maximum value of 1 for those growing.

Table 4. Logit Regression Analysis

VARIABLES	(Log Odds) GSMEs dum	(Odds Ratio) GSMEs dum	(Marginal Effects) GSMEs dum
Internal_fund	0.00562* (0.00319)	1.00563* (0.00321)	0.00116* (0.00066)
BankL	-0.000658 (0.00460)	0.99934 (0.00460)	-0.00014 (0.00095)
Credit_Purchase	0.00129 (0.00503)	1.00129 (0.00504)	0.00027 (0.00104)
MFI_Loans	0.0563*** (0.0138)	1.05788*** (0.01464)	0.01167*** (0.00284)
Loan_Others	-0.00445 (0.00462)	0.99556 (0.00460)	-0.00092 (0.00096)
E-Banking	0.124* (0.0641)	1.13257* (0.07255)	0.02581* (0.01333)
BankS	0.0673 (0.170)	1.06963 (0.18165)	0.01404 (0.03564)
RandD	0.00749 (0.0399)	1.00752 (0.04015)	0.00155 (0.00826)
Age_Firm	-0.0619*** (0.0128)	0.93996*** (0.01203)	-0.01284*** (0.00267)
Age_firm_Square	0.000600*** (0.000197)	1.00060*** (0.00020)	0.00012*** (0.00004)
Constant	0.988*** (0.383)	2.68639*** (1.02804)	
Observations	275		
Wald chi2(10)	71.02		
Prob > chi2	0.0000		
Pseudo R2	0.0569		
Count R2	0.681		

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's computation

The logistic regression analysis in table 4 shows the result from the analysis. We measured the goodness of fit using the McFadden's Pseudo R2 and given that Pseudo R2 is large with a value of 0.0569 it means it is better and well fitted to the model. The findings show that, controlling for other effects, bank loans negatively affect the growth of SMEs in Cameroon which is contrary to our apriori expectation. The marginal effects of -0.00014 shows that a percentage increase in banks financing of SMEs reduces the likelihood of the SMEs growing by 0.00014 compared to not growing and this effect is statistically insignificant. In effect we conclude that bank loan does not

significantly affect the growth of SMEs in Cameroon. This is in line with the findings of Obamuyi (2009) who carried out a study in Ondo state of Nigeria and reveal that many factors were responsible for banks inability to increase their loan portfolio with SMEs, the key ones being low creditworthiness, insufficient collateral protection, and insufficient bank capital base. The negative effect of bank loans on the growth of SME is because most of these SME are run and controlled by the owners called owner managers who turn to take all major decision about the enterprise. Thus, due to inappropriate follow up from the banks, most of these owner managers divert the funds to other activities which is out of the investment of the enterprise. With this the expected result of the loan from the bank on the investment is not being felt by the SME. The high interest rates, exorbitant loan study fees and high mortgage cost for collateral securities from the owner managers acts as disincentives for growth and the success of the loan.

But this is not always the case as MFIs loans positively affect the growth of SMEs. The marginal effects of 0.01167 shows that a percentage increase in access in MFIs loans increases the likelihood of the SMEs growing by 0.01167 compared to not growing and this effect is significant at 1% level of significance. Based on the above we conclude that MFI loans positively and significantly affect the growth of SMEs in Cameroon. This is in line with the earlier findings of Augusto de la Torre, Maria soledad, Martines Peria, Sergio L. Schukler (2010) who in their study found out that large and foreign banks generally are not interested in serving SMEs and rather small and niche banks like micro financial institutions. This is because they can overcome SME opaqueness through relationship lending. This is an area where micro financial institutions have strives given that their loan policy is done through relationship lending. They prefer to give out loans to owner managers of SME who they know and have a good recommendation for. In this case MFIs have been able to carry out effective follow up for the loans granted and have enabled them in their recovery process of delinquent loan facilities. This follow up process give the owner managers a sense of control and enable them to put their best into the enterprise and achieve more results on the project they are undertaking. This worked best for SME who took loans from MFIs to finance contracts which they have been awarded.

The MFIs using e-banking services compared to not using it positively affect the growth of enterprises. The results reveal that using e-banking services compared to not using increases the likelihood of the firm growing compared to not growing by 0.02581 and this effect is significant at 10% level of significance. Thus, we conclude that the use of e-banking services significantly affects the growth of SMEs in Cameroon. This is in line with the findings of Ammar & Ahmed (2016) who wrote on the impact of mobile banking in Sudan. Their results showed that the existence of E-banking regulations can pave the way for e-banking services. The digitalisation of banking services has gone a long way to facilitate the activities of SMEs in Cameroon and overcome the difficulties of delays in carrying out business transactions.

The control variables like internal fund and credit purchase positively affects the growth of SME. This is because of the failure of the mainstream banks in meeting up with the needs of SME thus necessitating the owner managers to sought for internal fund as a means of financing their business activities and using credit purchase which they prefer to get their goods of credit from their suppliers. Loans from others like ton tins negatively affect the growth of SME while bank savings had a positive effect on the growth of SME even though it was not statistically significant. The SMEs who struggled to make savings used it for the repayment of their loans at the banks, the salary of their employees at the end of the month and for purchasing their goods. Research and development had a positive effect on the growth of SMEs even though most of these SMEs do not use this service in the country. The age of firm negatively affected the growth of SME because in Cameroon most startups do not make it. They shut down before reaching maturity which is because of tight government regulations and stringent fiscal policies which they cannot bare at such levels. But the age of firm square had a positive impact on the growth of SME because most of the firms who succeed to pass through the infancy stages turn up to be sustainable in the long run. The older the firm the more stable it is to growth.

5. Policy Recommendation and Conclusion

The paper examines the Role of Banking Institutional Services on the Sustainable growth of Small and Medium Sized Enterprises in Cameroon and from our results, we find that firms maintaining longer relationships with their banks have greater access to debt, but at the same time they bear higher financial charges. Our results also show that there is a limit to the degree of concentration of bank relationships. SMEs that maintain two bank relationships have the lowest interest charges, followed by firms borrowing from only one bank, while firms working with more than two banks have the most expensive debt. When the relationship between firms and banks is based on trust (in a house banking relationship), we find that SMEs improve their access to bank financing and reduces the cost of debt, but firms must pledge more guarantees.

Consequently, the first recommendation will be the continuous growth of credit operations which continues to be obstructed by the institutions inability to acquire vital information about the borrower's solvency even though high taxes and a 15 percent interest ceiling rate for SMEs in the country are causing them to shy away from these facilities. This recommendation is inline with the findings of Wagenvoot who showed that longer relationships increase credit availability with information opaque SMEs staying with the same creditors (Wagenvoort, 2003). He suggests that even though it maybe costly for small firms to trigger competition among their lenders by maintaining multiple relationships which can destroy their long-term build information stream with their existing banks, SMEs can still break this scenario by switching to other banks. Which explains why SMEs and banks usually a short relationship duration when information opaqueness exists. Thus, to encourage their access to credit, the state might create a well formal tracking information flow and offer tax incentives such as reductions to banks willing to lend to the SMEs at a lower interest rate. In addition, other accessible funding's sources such as the African Guarantee Fund for SMEs (AGF), GICAM and a consortium of banks should be told to the SMEs who might take advantage of their numerous programs and incentives they provide.

Secondly, we recommend that the fiscal policy on SME should be ameliorated. Fiscal policies are very significant for the general development of all countries, (Jusufo and Gashi-Sadiku, 2020) and from their findings, they suggested that the exist a positive relationship between SME growth and fiscal packages which proves to the accurate. The productive tax rate in Cameroon stands at 57.7 percent according to the 2018 report on doing business in Cameroon. A corporate tax imposed at a rate of 35 percent plus a 10 percent local tax are some other taxation policies of the government. They all have a negative effect on the development of SMEs, provided that these high tax rates raise the price of different commodities and services offered by these SMEs, thus resulting to high production, distribution, and sales cost. Therefore, higher costs of finished goods result in changes in the purchasing behaviour of customers. By consuming less of a commodity or lower quality products, people begin to react to the high prices imposed on them. We thus recommend that the tax should be re-examined and lowered to the degree that the tax enforcement will co-exist with the survival of the SMEs.

Finally, we recommend that relationship lending should be encouraged and given utmost relevance in the country. The maintenance of long relationship between firms and the banks grants more access to debt and SMEs that maintain a good banking relationship have lower interest rates. (Hernández-Cánovas and Martínez-Solano, 2012). Consequently, with relationship lending the loan delinquency ratios in banks will reduce given that it will be easier to trace the owner managers of SME during loan defaults and the banks can easily accompany them to reschedule their loans in times of business failure and difficulties. More so the financial institutions will easily carry out follow up modalities for these SME and ensure that the loans obtained is being put in the appropriate investment projects. Thus, the bank for SME enterprises could work with these financial institutions who better understand the customers.

In conclusion relationship lending should be used as a tool to encourage the growth of SME. Petersen and Rajan 1995 affirmed in their findings that relationship banking may create value as it can stimulate the channelling of information on the borrower to the lender. Given that a well-structured data base for SME in the country is absent which gives financial institutions limited information about SME and inappropriate follow up mechanisms. Using the standing practice will not contribute to growth of these SME and as such they will not meet government objective as the main contributor to the GDP which will enable the country becoming an emerging nation by 2035. SME where not effectively playing their roles which was why the government could not meet up their growth objectives being to increase growth to an approximately 5.5% within 2010 to 2020. Thus, leading to the implementation of a 3-year emergency plan by the government. The government will have to come out with a clear-cut growth strategy for SME and make policies which will affect their growth positively. The bank for SMEs should be well established and branches opened in different regions of the countries so that they can facilitate the financial needs for these SME. A good data base for SME should be developed to effectively monitor their activities.

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Appendix

NIS-CM (National Institute of statistics Cameroon): It is a legal administrative organ which was created in the year 2000 and is placed under the supervision of the ministry of statistics. They provide reliable data on entities of the country and try to provide valid data sources that reflect the true state on economic activities of the country Cameroon. They provide structural data on areas like agriculture, finance, unemployment, and mining.

OECD (Organisation for economic cooperation and development): This organisation was founded in 1962 with a total of 37 member countries. Their main goal is to foster trade and economic progress of the world. Most of the member states of this organisation are high income economies which are regarded as developed countries. Their collective GDP sum up to about 62.2% of worlds nominal GDP which is high and makes the organ very strange and financially viable

Growth of SMEs (GSME)

Regardless of the sizes, expanding and growing SMEs are indeed the creators of new jobs and of a healthy economy (Vaillancourt et al, 1995). Consequently, it is important to examine the determinants of business growth, and the measurement of growth in new ventures and small businesses presents a significant challenge for scholars. Accurate and appropriate measurement of growth is of central importance to many businesses. To accumulate knowledge about the processes and variables that affect business growth, we must understand how the choice and construct of the dependent variable of growth will affect the resulting model. Without adequate understanding of the importance of the construct of the dependent variable, theory development will be impeded, results will conflict with each other and will have little practical relevance. The growth of SMEs captured as growing = 1, not growing = 0. This variable measure growth in sales and it looks at the difference between sales 3 years back and the current sales. If the difference is positive, then the firm is growing and if the difference is not positive, then the firm is not growing.

Bank Loans (BankL)

The data will be limited to loans originated from banking institutions which SMEs acquire for investment purposes. First, although there have been several studies that focus on small business credit accessibility (Scott and Dunkelberg 2003; Berger et al 2002; Cole et al 1996; Peek and Rosengren 1996; and Berger and Udell 1995), data availability problems have limited research on the performance of small-business firms receiving loans. The data from banks then allow us to examine the default behavior of SMEs in relation to their loan acquisition rates. Banks loans will be captured in the study by the percentage of capital of the enterprise financed by bank loans.

Micro Financial Loans (MFIL)

Loans from MFIs would be measure by evaluating the amount of their capital which they use to finance the activities of SMEs in Cameroon. From Khan et al (2010) their studies focused on SMEs in terms of increased sales, acquisition of asset and technology while household studies focused on increased income from firms as profit or wages and salaries to establish a link between the availability of microfinance lending and overall wellbeing of the poor. Thus, both research and practice have seen an increasing concern about the microfinance Institutions lending

and SMEs performance. MFIs loans in the study will be captured by the percentage of capital of the enterprise financed by MFIs loans.

Other Loans (OtherL)

These are the loans obtained from other sources like tontines, informal borrowings, and other unorthodox sources. This will be measured by the amount gotten by some owner managers of SMEs to finance their activities and how the invested capital impacted their business. Thus, loan from other sources captured by the percentage of the capital of the enterprise gotten from other sources notably money lenders, local tontines, family, and friends.

Electronic Banking (E-Banking)

During the last few years, the usage of e-banking services has led to the development of simple banking web sites into comprehensive e-banking portals offering a great variety of services in addition to traditional bank products and thereby enabling customers to gain financial advice from merely one source. Thus, the user ideally no longer needs to make use of several different web sites. The great variety of portal resources available also creates incentives for longer site visits (stickiness) during each use. Offering a broad range of financial services and features at one single site has been noted as the most important development in e-banking (Jun and Cai, 2001; Strieter et al., 1999). Thus, searching from these portals makes it easy and convenient to access the number of users of the service within a given point in time. Electronic banking which is a dummy for the SMEs using electronic banking (1) and no use of electronic banking (0).

Bank Savings (BankS)

Savings by a business could be measure using hard savings and soft savings indicators. "Hard savings" refers to monetary savings directly impacting the bottom line (Dmytrenko, 1997) and due specifically to the actions of the purchasing department. Conversely, "soft savings" refers to savings that could eventually be converted into monetary savings, but which are usually not, since they are more difficult to measure (Keen, 1997). At first glance, hard savings seem easy to measure. However, in attempting to do so, organisations could get dragged down into a system that is too detailed or ignores important aspects of the measurement. We will measure the savings from SMEs to banking institutions using the financial data provided by these savings institutions. Savings is a dummy for have a checking/saving account (1) and not having a checking/saving (0).

Credit Purchase (CredPur)

The total amount of the good the SMEs are buying from credit from their suppliers. This will be measured by analyzing the amounts of the good these firms have taken on credit for a three-year period in percentages. If the result is positive, then credit purchase is worth adopting but if the effect is negative then we will not advice the firms to use this method of financing for their goods. Thus, credit purchase in the study will be captured by the percentage of enterprises' goods purchased on credit.

Internal Fund (IntFun)

This will be measured by taking the sum total of all the invested capital from owner managers of the firms on a yearly basis (for three years) and analyse. These funds must be the private income of the owner managers which they have used to further invested into the business. We will measure the sum total of all the invested capital of the owner managers and analyse if the impact on the investment was positive or negative. If positive, then internal fund will be a good means of financing and if negative this means will not be encouraged for businesses. Internal fund from the data will be captured by the percentage of enterprises' capital raised through internal fund.

Research and Development (RD)

Research and development will be measured by analyzing the growth of SMEs who carried out research and development before establishing their businesses. This variable is a dummy and as such if the impact is positive then we will advocate for SMEs to carry out research and development before engaging into their business setups and investment venture but if negative, SMEs should go ahead with their business ventures without investing in research and development. Given that research and development is a dummy for spending on research and development (1) and not spending on research and development (0)

Age of Firm (AgeF)

We identify and contribute to unresolved debates, such as the relationship between age and organizational mortality that is a significant topic in recent entrepreneurship and strategy research. For instance, age is sometimes thought to enhance stability and legitimacy (Hannan & Freeman, 1984), yet in other instances is thought to lead to inertia and decreased competitive responsiveness. Our review collates a set of moderators and boundary conditions that more clearly delineate specific circumstances under which purported relationships are likely to

hold. This contribution is important, particularly because the measurement of a firm's performance may be increasingly more nuanced than simply whether the firm continues to exist (Josefy, Harrison, Sirmon & Carnes, 2017). We will group firms by their decade of birth and then calculates the percentage of firms that remain alive a specified number of years later the trends suggest that the odds of surviving 5 years from the year of entry into the data set. Age of the firm captured by the number of years the firm have been existing.

Age of Firm Square (AgeFSq)

Square of the age of the firm.

ε : The Error term

β_0 : The Intercept parameter (the constant term)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9$: The coefficients of the independent variables to be estimated.

i : The individual enterprise revealing the cross-sectional nature of the data.

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