UNIVERSITY OF CAPE COAST

EFFECT OF EQUITY FINANCING OPTIONS ON GROWTH OF SMALL BUSINESSES IN ACCRA METROPOLIS

FELICIA FREDA IDUN-ACQUAH

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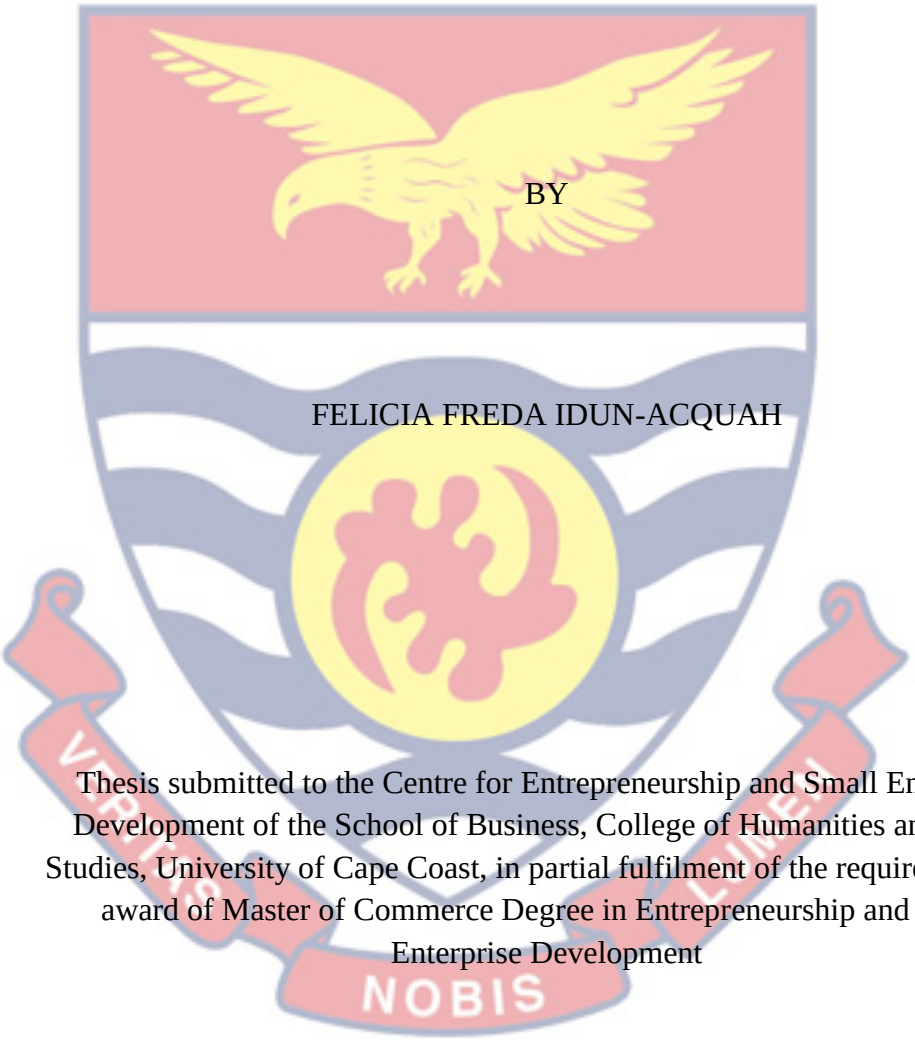

BY

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AUGUST 2022

DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature: ……. Date: ……

Name: Felicia Freda Idun-Acquah

Supervisors' Declaration

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines of supervision of thesis laid down by the University of Cape Coast.

Supervisor's Signature: …….. Date: ……

Name: Prof. Edward Marfo-Yiadom

ABSTRACT

Equity financing is especially critical for businesses with a high risk-to-reward profile and particularly small businesses. The purpose of this study was to find out the effect of equity financing options, specifically internal and external equity, on small business growth in the Accra metropolis. This study used an explanatory research design. The population of the study was 257 small businesses in the Accra Metropolis registered with the Ghana Enterprise Agency. The statistical tools for analysis were the Statistical Product for Service Solution (version 24) and Smart PLS (version 3). The study's findings revealed that, while both internal and external equity had a significant and positive effect on small business growth, external equity options yet to gain much acceptance. The study was consistent with the pecking order theory, which together with the trade-off and financial growth lifecycle theory, guided the study. The study recommends small businesses owners-managers to make great use of internal equity options to expand their businesses and take advantage of external equity financing options like accelerators, angel investors, crowdfunding and venture capitals because they not only supply funds but also provide advisory services and help professionalize the small businesses, making them more appealing to both internal and external capital sources, while the government develops the enabling environment for more equity providers, particularly private equity providers.

KEYWORDS

Equity

Finance

Small Business

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DEDICATION

To my family and friends

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LIST OF ACRONYMS

AGI	Association of Ghana Industries
AVE	Average Variance Extracted
ES	Effective Size
GDP	Gross Domestic Product
GEA	Ghana Enterprises Agency
M&M	Modigliani and Miller
NBSSI	National Board for Small Scale Industries
PE	Private Equity
GAIN	Ghana Angel Investor Network
PLS	Partial Least Square
SEM	Structural Equation Modelling
SME	Small and Medium-scale Enterprise
SPSS	Statistical Package for the Social Sciences
VC	Venture Capital

CHAPTER ONE

INTRODUCTION

This introductory chapter was made up of the background to the study, statement of the problem, the purpose of the study, research objectives and questions, significance of the study, delimitations, limitations and organisation of the work. The chapter ended with a summary.

Background to the Study

Turkson, Amissah and Gyeke-Dako (2020) stipulated that, at the macro level, cross-country data had been used to investigate the relationship between finance and development and concluded that finance does promote growth. Cross-country results on the other hand however failed to capture individual country heterogeneity. Furthermore, they made mentioned the fact that finance and growth in individual countries had also been studied and the focus on countries had the advantage of capturing specific features of those countries.

Notwithstanding, the problem with this approach was that it required a long period to obtain consistent estimates from such studies (Christopoulos & Tsionas 2004). Unfortunately, in African countries, such long-time series were not always available. Firm-level studies had gained popularity due to their ability to provide a clearer understanding of the relationship between finance and growth while still accounting for a variety of factors. In developed countries, firm creation and productivity were two of the most important factors of economic growth (Beck, Demirgüç-Kunt, Laeven & Maksimovic, 2011; 2006). As a result, researchers had shifted their focus to firm-level research to achieve the objective of greater economic growth resulting in

many researchers and policymakers becoming concerned about understanding business growth.

According to Owusu, Osman, Ismail, and Latif (2017), Ghana was yet to witness the tidal wave of development fueled by small businesses. In developing countries, small businesses were known as the engines of economic development. Muritala, Awolaja, and Bako (2012) came to the same conclusion, claiming that small businesses were more likely to use labour-intensive technologies, thereby reducing unemployment by championing job growth, creativity, and the production of new goods and services. However, sourcing finance remains a major hurdle for small businesses which tend to interrupt and hinder their start-up and growth (Njeru, 2013). Also, there was a higher chance of small businesses especially in Africa failing within the first two years of starting a business (Kamunge, Njeru & Tirimba, 2014).

Equity financing looks at business individuals investing their personal or corporate pool of monies into their businesses (Githire & Muturi, 2015). Equity capital may be internally generated in the form of retained earnings, family and friend's support, personal savings, as well as reserves in the financial statements reflecting shareholder's interest in a venture or externally from venture capital, angel investors, and in recent times, crowdfunding, and accelerators (Anglin & Dushnitsky, 2017; Ehigiamusoe & Lean, 2017; Njagi, Kimani & Kariuki, 2017; Drover, Busenitz, Matusik, Townsend, Fraser, Bhaumik & Wright, 2013).

Chadha and Sharma (2015) suggested that equity holding brought about long-term commitment to the firm in anticipation of future growth and stipulated that equity financing was more flexible than debt as investors

potentially tried as much as possible to work and align interest with that of the management for utmost value within their investment period. As a result, equity funding was a preferred method of financing in terms of accelerating growth and, eventually, improving financial efficiency (Achieng, Muturi, & Wanjare, 2018).

Growth, according to Ronninko and Autio (2012), is a change in size from one period to the next. The phrase "growth" refers to a change in sales, profit, personnel, or the number of assets in the case of a company (Chen et al., 2013). Small businesses must choose an adequate source of financing to sell their products and services, increase manufacturing capability, and maintain ample operating cash flow (Grover & Suominen, 2014). Many factors account for small business financing varying from large business financing (Mac & Lucey, 2010; Elaine, Angelo, Ana & Ricardo, 2005; Howorth, 2001).

The study adopted the definition of small business by Amarteifio and Frimpong (2019); as a business that had employees between 0 and 100 persons.

Statement of the Problem

Countries today were demonstrating greater interest in and involvement in improving and developing small businesses because of their importance, as growth of small businesses is thought to be positively linked with social stability, economic prosperity, as well as, political and societal cohesiveness (Kangala, 2016; Matlay, 2008; Hussain & Scott, 2006). The growth of small businesses to an extent depends on financial resources especially with their launch and growth, as the type of financing impacts their

growth (Njeru, 2013). As such, businesses seek long-term corporate investment from equity markets which are critical to sustaining innovation, value creation, and growth (OECD, 2013f).

Equity funding is particularly important for businesses with a high risk-to-reward profile, such as young, innovative, and fast-growing businesses and finance remains crucial for improving small business growth, as per key assumptions of modern economics; however, the debate about which source of finance had a significant effect on small business growth has remained an issue in accounting and finance (Emad, Suhail & Jabbar, 2014). For entrepreneurs to play a critical role in the economy, they ought to be able to obtain external funding in a variety of ways to achieve their growth goals (Harding & Cowling, 2006).

Understanding multiple sources of funding and analyzing cutting-edge innovative financial options as alternative sources of funding to the traditional ones might aid in closing the financing gap for small business growth (Njagi, Kimani & Kariuki, 2017). It was on this backdrop that there was the need to look more at equity funding especially its options (internal and external sources) available and/or in use and its effect on the growth of small businesses in Ghana.

Purpose of the Study

The crux of this research was to ascertain the effect of equity financing options on small business growth, add up to the small business finance literature, as well as provide owners/managers with some implications for practice even as it suggested to policymaker's issues worth addressing concerning small business financing.

Research Objectives

This research examines the effect of equity financing options on small business growth in Accra Metropolis. The following were the specific objectives:

1. Identify the financing options used by small businesses in Accra Metropolis.
2. Examine the effect of internal equity financing options on growth of small businesses in Accra Metropolis.
3. Analyze the effect of external equity financing options on growth of small businesses in Accra Metropolis.

Research Hypothesis

In addressing the research objectives and questions stated above, the study hypothesized that:

H_1: there was a significant effect of internal equity financing options on growth of small businesses in Accra Metropolis.

H_2: there was a significant effect of external equity financing options on growth of small businesses in Accra Metropolis.

Significance of the Study

Small businesses have unquestionably contributed to economic growth in both developing and developed countries and continue to do so. Job generation, economic development, creativity, poverty alleviation, and income distribution are all examples of their contributions (Biney, 2018). According to data available from Ghana's Registrar General, 90 percent of businesses registered were small businesses. These small businesses were a major source of income and jobs in Ghana, and they were dubbed the driving force of the

private sector's production, competition, and economic growth (Bastiat, 2014; Mensah, 2019). Finance has been identified as one of the important determinants of small business sustainability and growth in both emerging and developed countries and such research was here to stay (World Bank, 2019).

Equity financing is said to have a positive link to small business growth as both internal and external finance sources are necessary for small business growth particularly after the Financial Sector Adjustment Programme was implemented (Njagi et al., 2017; Osei, 2013). However, the literature on the impact of different finance sources on small business development has been inconsistent, with some studies revealing varied and often contradicting outcomes (Osei, 2013; Abor & Quartey, 2010). This study filled the literature gap by empirically exploring the broad scope of equity options necessary for small business growth available to entrepreneurs in Ghana by throwing more light on current innovative equity financing means which serves as a financing guide especially for small businesses.

Delimitation of Study

The study was delimited to 257 formally registered small businesses under the Ghana Enterprise Agency in the Accra Metropolis using quantitative research tools and methodologies. This was influenced by the available database by the authority in charge of small businesses in the country, data/records access, the underpinning philosophy (positivism paradigm) and the area being identified with characteristics that were different from other regions in the country.

Limitation of Study

According to Creswell (2013), in quantitative analysis, the researcher begins with a hypothesis, gathers evidence that either supports or refutes the hypothesis, revises the hypothesis, and performs additional studies. The benefits of quantitative research techniques included the ability to draw conclusions about large groups of people, the use of effective data analysis, the examination of possible cause and effect, the control of bias, and the fact that people liked numbers. However, it had drawbacks such as it being impersonal, participants' words not heard, participants' meaning not fully understood, and that it was primarily study based. This study being quantitative was limited to all the aforementioned.

Organization of the Study

There were five (5) chapters in this research. The background to the study, statement of the problem, purpose of the study, research objectives and questions, significance of the study, delimitation and limitations, and the organization of the study were all covered in Chapter One. The second chapter, focused on literature review of small businesses, their financing and growth, which served as the study's conceptual foundation; it was mostly theoretical and empirical. The research methods and design, study location, population, sampling technique, data collection and instruments, data collection procedures, data processing, analysis and management were all covered in the third chapter, Chapter Three. The fourth chapter, Chapter Four, focused on the results and data analysis based on the study's objectives, and findings. Chapter five outlined and recommended well-made conclusions and recommendations, as well as prospective study directions.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter covered the theoretical, conceptual, and empirical review of relevant literature to the study. As part of the theoretical and conceptual review, trade-off theory, pecking order theory and the financial growth life cycle theories were reviewed. The chapter also included an empirical review of small businesses, equity financing options and growth. The Chapter ended with a summary.

Overview of Small Businesses

According to the Global Entrepreneurship Monitor study from 2010, the number of small businesses in Angola, Ghana, South Africa, Uganda, and Zambia was high, with Ghana having the highest percentage of small businesses in Africa (40%) then Uganda (27%), both of which were substantially higher than Brazil and China (under 15%). Angola and South Africa, on the other hand, had less than 10 percent. These findings showed that there had been an increase in existing business ownership in Africa which was unevenly distributed. However, Sacerdoti (2002) asserted that small businesses in Africa had historically experienced asymmetrical growth.

South Africa's Department of Trade and Industry reported in 2012 that there were over 800,000 small businesses in the region, accounting for half of the country's Gross Domestic Product (GDP). It was also estimated that they employed about 60 percent of the workforce. Small businesses in Kenya, according to Mwarari and Ngugi (2013), accounted for roughly 80 percent of employment and contributed roughly 80 percent of GDP. Small businesses

were equally important in Nigeria and played a significant role in economic growth, especially in the manufacturing sector. In the industrial sector, small businesses accounted for approximately 70 to 90 percent of all business establishments (Eniola & Ektebang, 2014).

According to the Global Competitiveness Report (2013-2014), Nigeria was ranked 127th in the Global Competitiveness Index for 2013, down seven places from its previous ranking of 120th in 2013. According to Tsokar (2011), Nigeria had about 17 million small businesses which employed over 32 million people (25 percent of total employment) and contributed about 45 percent of GDP. Similarly, for most small businesses in Ghana, the services sector contributed about 49 percent of GDP in 2012, an increase of about nine percent over 2011.

Small businesses unquestionably still contribute to economic development in both developing and developed countries, as shown by their contributions to job creation, economic growth, creativity, poverty alleviation, and income distribution (Biney, 2018). Small businesses, a catalyst of economic growth in Ghana, are a major source of income and employment (Mensah, 2004). They are also tagged as the driving force of the private sector's development, competition, and economic growth (Bastiat, 2014). The Ministry of Trade and Industry (2019) had it that the business environment was globally heavily encompassed with small businesses accounting for about 70 percent of employment and played an essential role in national development and economic transformation.

The Ministry of Trade and Industry (2019) also had it that small businesses represented about 90 percent of businesses in Ghana and were

significant as they made up for about 80 percent of employment as against 67 percent globally, with over 70 percent private-sector output as against 52 percent globally and contributed to both the local and global economy (NBSSI, SME Support Services Strategy Report, 2015-2020) which is illustrated in Figure 1 below.

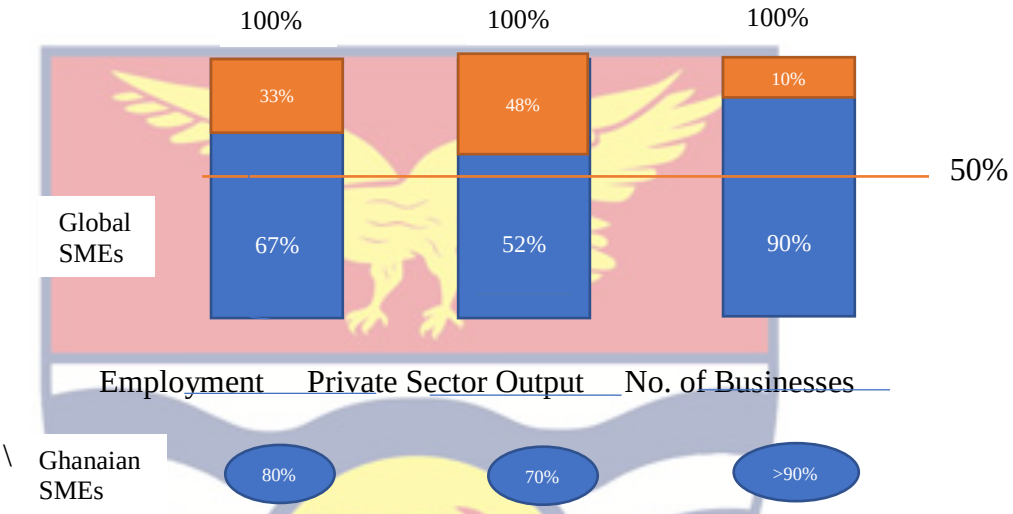

Figure 1: Small Business Contribution to the Ghanaian Economy
Source: NBSSI, SME Support Services Strategy Report (2015)

Furthermore, data on small businesses in Ghana revealed some fascinating insights into how the various divisions, micro, small, and medium enterprises, accounted for about two million businesses in the country, with about two million being micro, employing about three million people, and creating an average of one to two jobs per micro-enterprise. Small businesses accounted for approximately 320,000 businesses representing 23 percent of all small businesses, with approximately two million employees, resulting in an average of six jobs generated per small business. Medium enterprises roughly 85,000 accounted for about four percent of small businesses contributing to about 47 percent of total small business employment which translated into

about four million jobs and an average of 46 jobs created per medium enterprise.

Small business definition

Developmental challenges and limitations of small businesses included the absence of a standard definition (classification) and the absence of complete data and materials on small business formations coupled with limited access to finance (Ministry of Trade & Industries, 2019). Although globally definitions and thresholds for small businesses varied from country to country and institution to institution, some relevant literature in the definition of small businesses in the entrepreneurship space included that of the Bolton Committee (1971) which made the first attempt. However, in their hope to formulate a concept that was more "economic" and "statistical", a business was classified as small under the economic description if it met three criteria:

i. It had a limited market share.
ii. It was run by shareholders or part owners in a customized manner, rather than through a formalized management structure.
iii. It was autonomous, in the sense that it was not part of a large corporation.

The Committee's "statistical" definition looked at three main issues:

a. Quantifying the size of the small business sector and its effect on GDP, jobs, exports, and other factors.
b. Examining how the importance of small businesses to the economy had evolved.

c. Using a statistical description to compare the economic contribution of small businesses across countries. As a result, the Bolton Committee used various descriptions of a small business.

The definition by the committee was criticized for its shortcoming in addressing issues such as owner-management of small businesses in a personalized but not in a formalized management structure. According to some researchers, as a company's size grows, owners no longer make major decisions and instead delegate authority to a team of managers. In simple terms, it argued that as the employees increased and the firm grew, its organizational structure became a bit more complex and decision making was delegated to others (i.e., managers). This may be biased as it seemed to represent a characteristic of sole proprietorship businesses, however, small enterprises could take any form, be it a partnership, company, or the sole proprietorship the definition focused on. Also, the issue of operating in a perfectly competitive market was heavily criticized because many small businesses operated in niches where they offered highly specialized services or products in a geographically isolated region where there was perceived competition (Storey, 1994; Wynarczyk, Watson, Storey, Short, & Keasey, 1993).

For Ghana there may not be a generally accepted definition of small businesses, however, international definitions tend to be based on incorporated entities that were generally bigger than small businesses which was a glimpse of the country's economy. A single accepted definition would be helpful to all stakeholders like private, public, and Non-Governmental Organizations (NGOs) in providing support for the sector. Most concepts in Ghana had

previously concentrated on the size of businesses in terms of jobs. Businesses with 1 to 9 employees were classified as small-scale, those with 10 to 20 employees as medium-scale, and those with more than 20 employees as large-scale, according to the Ministry of Local Government and Rural Development.

Tentatively, some definitions also considered the value of fixed assets of the organization. Micro enterprises, for example, were identified by the Ghana Statistical Service in the 1987 Ghana Industrial Census as businesses in both manufacturing and service sectors with up to 5 employees and fixed assets of less than US$10,000 (excluding land and buildings), small-scale enterprises as businesses with 6 to 29 employees and fixed assets of less than US$100,000, and medium-scale enterprises to be businesses with 30-99 employees and large-scale enterprises with a minimum of 100 employees.

Another noteworthy fact was that the Ghana Enterprises Agency (GEA) formerly National Board for Small Scale Industries (NBSSI) issued the first ‘official' definition by Section 4 of the NBSSI Act 434 of 1981, which mandated the adoption of a single operational definition that would apply to all entities within the country to promote support structures and incentives to track the development of the small business sector. This Act together with the Ghanaian Enterprises Development Act, 1975 (NRCD 330) has been replaced by the Ghana Enterprises Agency (GEA) Act, 2020, (Act 1043) and also known as the “Act”. The then NBSSI now GEA together with the Ministry of Trade and Industry defined based on employment size, enterprise turnover, and asset. However, the categorization of a company, on the other hand, was to be based on the number of employees and any other variable which is shown in Table 1.

Table 1: Small Business Classification in Ghana

Enterprise Category	Employment Size	Turnover (US$)	Assets (US$)
Micro	1-5	≤ 25, 000	≤25, 000
Small	6-30	25, 001- 100,000,000	25, 001- 100,000,000
Medium	31-100	100,000,001 – 3,000,000	US$ 100,000,001 – 3,000,000

Source: NBSSI, SME Support Services Strategy (2015-2020)

Amarteifio and Frimpong (2019) defined small businesses to be businesses that had employees between 0 and 100 which encompassed micro-enterprises with not more than 5 employees, small enterprises with 5 to 29 employees, medium enterprises with 30 to 99 employees. They indicated that small businesses in Ghana had been defined based on the employee base principle as it was relatively easier than valuing the fixed assets of small businesses due to differences in accounting systems used as well as the depreciation of the exchange rate. This definition was adopted for the study which worked with both micro, small and medium enterprises, as such the collective name "small business" was most appropriate.

Characteristics of small businesses in Ghana

According to the Ministry of Trade and Industry's final draft of the National Micro, Small and Medium Enterprises Policy; Ghana, small businesses in Ghana had the following characteristics:

Form of business entity*:* information obtained from the Registrar General, Ghana, suggested that small enterprises in Ghana were predominantly registered as sole proprietorships with most of their employment being their proprietors contributing about half of their workforce. Also, they tend to be more labour-intensive than the larger firms with lower capital costs. Furthermore, for most small businesses the owner's families tend to be

actively engaged in the business often considered as unpaid staff and forming about a quatre of employees with the rest of the workforce being hired workers and trainees or apprentices.

Classification/ categorization*:* small businesses in Ghana were predominantly engaged in retail trading or manufacturing although the majority tend to fall into the retail trading category which often took place either in the rural or urban areas. Most retail trade took place in urban and peri-urban areas, with manufacturing taking place mainly in rural and urban areas. The extent to which a region or area participated in manufacturing was determined by factors such as raw material availability, domestic consumer taste and consumption habits, and the level of development of export markets. Small companies were further classified into formal and informal enterprises, with the former being subdivided into urban and rural enterprises. Formal businesses usually paid workers who were covered by the venture's Social Security and National Insurance Trust and had a registered office. Families, independent artisans, and women engaged in food vending and other related businesses made up most rural enterprises.

Main business activities or operation*:* the main activities of the sector were predominantly: fabrics, clothing and tailoring, garment and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, drinks, food processing, bakeries, wood furniture, electronic repairs, agro-processing, chemical-based goods, and mechanics.

Management*:* most small businesses in Ghana were mostly owner-managed, with more subjectivity in decision-making and the existence of broad informal employer-employee relationships than separate corporate structures.

Constraints of small businesses

Small business mortality remains high in Africa; it was estimated that five out of every seven new small businesses failed within the first year of operation (Adcorp, 2014). According to Tushabomwe-Kazooba and Kemeza (2006), one-third of Ugandan business startups failed after one year, and empirical and practical case studies on successful small business strategies competitiveness in developing countries like Uganda were also scarce. In a report by Fatoki (2012), South Africa's small business sector was plagued by high failure rates and were rated as one of the world's lowest rates of new small business development. Small business failure rates in South Africa ranged from 50 to 95 percent in the first five years (Willemse, 2010), and about 75 percent of emerging small businesses failed to become established businesses, making it one of the world's highest failure rates.

Chad was the most difficult country in Sub-Saharan Africa to do business in, according to the World Bank's Doing Business Report (2012), with a high rate of 65 percent and bankruptcy laws that required 60 percent of the estate value and took a long time to process. Small companies in Chad were unable to operate and benefit due to the country's business laws. In a similar vein, Chu, Kara, and Benzing (2010) stated that the lack of government intervention and support for micro and small businesses was the most important and damaging problem confronting Nigerian entrepreneurship. Despite the country's comprehensive economic reforms aimed at promoting small business development and growth, small businesses in Ghana continue to face a variety of challenges (UNECA, 2010).

Despite changes in Ghana's general business climate, small businesses continued to face challenges, such as restricted access to credit and finance, as well as a poor institutional and regulatory system; a high cost of doing business; a lack of supply chain alignment and interaction; a lack of specific policies targeted at women and youth entrepreneurial growth, business development programs, and a variety of other issues according to the Afro Barometer Study, 2018 by the Association of Ghana Industries (AGI); Ghana Private Sector Development Strategy I & II (PSDS I&II)).

Status of small business financing in Ghana

According to statistics, access to finance, particularly for start-ups, was a potential stumbling block to the small business sector's growth, and for most financial institutions, the sector was unattractive due to the perceived risks associated with lending to them. Weak financial management skills of entrepreneurs, improper documentation for loan applications, and reliance on agro-based business lines that were often dependent on climate conditions and market prices with little value addition (which made it risky for financiers) were all factors that contributed to these perceived risks. The meagre percentage who gained access to such formal and commercial financing got challenged with high-interest rates which turned to eat up their profits and did not help them to repay off the debt in extreme cases (Ministry of Trade and Industry, 2019).

Recent research suggested that the financial products and services available did not factor in the fact that most small businesses were at the start-up stage making them highly undercapitalized, as such, loan repayment terms which were often short term needed to be long term instead. Noteworthy was

the fact that, factors such as collateral requirements representing about 115% of loan size, high-interest cost which was about 30%, lack of long-term loan products and small business internal structural weaknesses limited the access to credits from commercial banks (Ministry of Trade and Industry, 2019).

Section 13 of the Loans Act 1970, (Act 335), for example, allowed the Ghanaian government to offer a government guarantee to any foreign financier wishing to disburse funds to any Ghanaian entity. This act aided many bilateral and multilateral organizations on behalf of several Ghanaian private and public sector businesses, but none had been targeted to small business guarantee. Furthermore, through the Bank of Ghana, the government developed the EXIM Guarantee Facility to provide loan guarantee support to banks for short, medium, and long-term credit requests from viable and well-structured small businesses, despite the guaranteed size being restricted and small in comparison to the sector's size. The Venture Capital Trust Fund was established by the Venture Capital Trust Fund Act, 2004, (Act 608) to specifically provide equity finance for small businesses to address small business financial issues from an equity perspective, even though the government already provided several debt-financing options.

Small Business financing from financial institutions

Financing of small business in Ghana according to Afro Barometer Report (2018), had generally been debt finance; mostly bank loans then microfinance, savings, and loans and then susu, with a meagre section from Venture capitalism as a representation of equity finance. Furthermore, the Afro Barometer Report (2018) also made mention of the fact that banks were noted as the most trusted financing institution with the finance sector being the

biggest in the West African Monetary Zone (from the Bank of Ghana report) with mobile money coming strongly at second place.

There existed the need to look more into alternative financing outside the bank and debt especially for businesses following the financial sector shake-up between 2016 and 2018 which saw the revocation of licenses as well as mergers and closure of several financial institutions. Another major threat to the trust and stability of the financial sector had been from "Ponzi schemes", as well as the percentage of non-performing loans. The above factors influenced debt financiers to be a bit subtle with financing the growth of small businesses especially the micro and small enterprises which were often ranked high risks concerning their credit rating.

Abor and Biekpe (2007) suggested that prior research to their study made known that, although banks could be a major external source of funding it was much harder for small businesses to access bank loans, not because of their size, but issues such as poor record-keeping, information asymmetry, longevity, longer-term lending relationships, collateral, dealings with potential loan investors, and the greater uncertainty of repayment, even as banks have raised interest rates on small business loans. Further empirical studies before that of Abor and Biekpe (2007) into small business access to bank loans had it that, a gap existed between the demand and the lack of feasible and bankable ventures, the lack of collateral, high-interest rates on bank loans, and certain investors behaviour influenced by their risk assessment and attractiveness of alternative investments (Sowa, Baah & Tutu, 1992; Aryeetey 1998; Buatsi 2002).

Theoretical Review

A theory, according to Mugenda and Mugenda (2003), is a collection of concepts or constructs, as well as the interrelationships assumed to exist among those concepts, that serves as a foundation for developing a hypothesis that can be tested in a study. As a result, a theory may simply be described as a series of interconnected statements that explain a set of events. The Capital Structure Theories gave rise to the theories that underpin small business finance.

Capital/ financial structure

Njagi, Kimani, and Kariuki (2017) suggested that businesses aim at increasing their profit margins by improving their production and operations productivity, however, the quality and effectiveness of business activities were affected by a variety of factors including capital structure. A venture's capital structure, on the other hand, is a mix of debt and equity used to finance its operations. As a result, the finance manager's concern is with a capital structure that maximized profit margin while incurring the least amount of cost (Ehrhardt & Brigham, 2013). Previous research on the general capital structure of small businesses hypothesized, according to Chepkemoi (2015), that small businesses in general desired substantial growth and, as a result, desired external funding. The proportionate relationship between different long-term funding options was thus represented by the capital structure (Varaiya, Kerin & Weeks, 2007).

It might appear that making an informed decision on a financing option was easy, but it could take time. The decision to collect funds from internal sources or external sources was frequently faced by management. Every

organization's capital structure shapes the company's governance structure, which has a direct effect on managers' strategic decisions (Mwangi, Makau & Kosimbei, 2014). Management often had several capital structures options from which to choose. The capital structure chosen may not be for value maximization, but the protection of management self-interest, especially in companies where the voting power of the shares they own determines the managers' decisions (Dimitris & Psillaki, 2008).

In addition, Njagi, Kimani, and Kariuki (2017) further stipulated that funds for a venture's operations may come from both inside and outside the business. Firms could choose between equity and debt when raising funds from outside sources. The evaluation of a firm's optimum capital structure took up the bulk of the initiative in the financial decision-making process (Narayanan, 2008). Capital structure decisions influence all businesses, but they vary depending on financial requirements. The finance manager's ability to effectively control the firm's financial capital was vital to its success (Narayanan, 2008).

Of a fact, access to finance according to Ibrahim and Shariff (2016) and Ibrahim and Ibrahim (2015), remained a priority as it affected the survival and growth of the small business sector. Daskalakis, Eriotis, Thanou, and Vasiliou (2014) highlighted that capital structure theory explained how ventures finance their investments with varying sources of funds, such as long-term and short-term debts, common stock, and preferred equity. Rizov (2001) suggested that the capital structure theory primarily looked at how a venture financed its assets; debts and/or equity and that a good structure did not only

reduce the price of capital but also increased the net economic returns and venture value.

Furthermore, two forms of ventures existed; unlevered ventures which used only equity financing and levered ventures which had a mixture of equity and other varying forms of liability (debt). Thus, debt represented creditors or trade payables stake in the venture and took varying forms but crucially, their claims against the venture always came before that of stockholders, whereas equity was the value representing shareholders interest because of economic activities and stockholders being residual claimants.

Also, imperfections existed in the market for which managerial decisions ought to consider when making the capital structure decision. Brav (2009) in analyzing data from private and public ventures came out with a finding that private ventures turn to be much inclined to debt financing because of their wish to have more control over the enterprise with potential information asymmetry making private equity costlier than public equity. Serrasqueiro, Matias, & Salsa (2016) also asserted the fact that when private funds were not sufficient, small businesses turned to go in for debt before considering equity.

Durand (1952) suggested the use of the Net Income approach which allowed a firm to increase its value by way of debt financing by decreasing its cost of capital. Modigliani and Miller (1958) rebuked the need for such in their seminar paper as they believed such was irrelevant. In that, a firm's value was not dependent on its debt-to-equity mix. In other words, the Net Operating Income approach assumed that with a perfect capital market (where there existed no taxes and transactional costs of the firm do not vary), the value of

the firm would remain constant as against the changes in its capital structure. These frictions brought up two schools of thought: the capital structure irrelevance and relevance group.

Theories of financial structure

Financial structure refers to the various types of debt and equity used by a company to grow and expand its operations. It is the basis for a company's use of different forms of financing to obtain and fund capital needed for its operations (Esperanca, Gama, & Gulamhussen, 2003; Riahi-Belkaoui, 1999; Sogorb-Mira, 2005). To support the financial structure of small businesses, literature has proposed the traditional theory, Modigliani and Miller (M&M), the pecking order theory, the trade-off theory, and the agency cost theory.

Traditional theory

The conventional viewpoint, also known as the middle viewpoint, is a balance between the net revenue and net operating income approaches. The conventional view holds that there is an ideal capital structure and that judicious use of leverage will maximize the firm's overall value. It is concerned with a company's financial structure's proper balance of debt and equity. According to this perspective, the cost of funding is the weighted-average cost of equity and debt in a company's financial structure. The cost of debt is lower than the cost of equity because interest on debt is tax-deductible. Furthermore, even though the debt is not tax-deductible, the risk associated with debt is smaller. As a result, incorporating debt into the financial system lowers the overall cost of financing (McLaney, 2000).

However, Samuels, Wilkes and Brayshaw (1999) stated that the debt levels in the financial structure had two implications. For starters, as equity investors realize that the risks associated with their investments were rising, they demand a higher rate of return. Also, lenders recognize the increased risk of their investment because of increased debt levels, and demand higher interest rates. These two key factors erode the benefit achieved by substituting lower-cost debt for equity, ultimately increasing both debt and equity costs (Samuel et al., 1999). As a result, when a business takes on debt, the total cost of financing is initially lowered up to a certain extent. However, if debt continues to rise, the cost of financing will rise as well. As a result, there is a degree of debt for each company at which the overall cost of finance is lowest, and shareholder wealth and firm value were maximized (McLaney, 2000; Samuel et al., 1999).

Debt, on the other hand, is said to have no impact on the firm's cost of capital or valuation. The advantages of using cheaper debt were offset by a rise in the cost of equity due to the higher estimated rate of return on equity, resulting in a constant weighted-average cost of capital (Romano, Tanewski & Smyrnios, 2001; McLaney, 2000). Modigliani and Miller (1963;1958) established the ideal financial framework to support this point.

Capital structure irrelevance theory of Modigliani and Miller

The capital structure irrelevant theory remains the backbone and starting point for modern capital structure theories as per Abeywardhana (2017). Modigliani and Miller (M&M) proposed the Capital Structure Irrelevance theory in 1958, which stated that a firm's capital structure has no bearing on its value. The underlying premise was that shares were exchanged

in a perfect market with no information asymmetry (relevant information accessible to insiders was also available to outsiders), no transaction costs, and no information asymmetry (relevant information available to insiders was also available to outsiders).

As such, the firm's borrowing and lending at the same rate permit home leverage and interest payable on debt which would not save any taxes allowing 100% dividend payout. M&M further argued that the value of a levered firm was the same as that of an unlevered firm, so managers did not have to worry about optimal capital structure. The major criticism of this theory was the fact that its laurels were unrealistic sets of assumptions as there exist no such perfect market in the real world. Modigliani and Miller (1963) updated their work to include the impact of corporate taxes on the cost of capital on firm valuation, as the involvement of corporate taxes increases with leverage due to tax shields, resulting in additional advantages of using debt capital by lowering the firm's capital cost. The assumptions that underpin this principle did not hold for small businesses in Accra as such this theory was not used to support the study.

Trade-off theory

Modigliani and Miller (1958) developed the trade-off principle. It described the concept that a venture chooses as to the degree of debt and equity to use, having weighed the cost and benefit. It explains why venture capital was financed in part with debt and partly with equity, even though debt may provide tax advantages but can also result in financial hardship, including the need for bankruptcy (because a marginal benefit increase in debt decreases

as debt increases). Therefore, there was the need to balance between debt tax shields and bankruptcy.

By balancing debt tax shields against the costs of bankruptcy, Myers (1984) proposed that firm capital should understand the benefits and costs of debts. The trade-off theory purported that increasing the market value of the firm would maximize investors equity, the suggestion remains key to financial leadership (Serrasqueiro et al., 2016; Aabi, 2014). As such, optimal capital structure maximizes the value of the venture. Furthermore, Serrasqueiro et al. (2016) suggested that optimal levels would only be achieved by balancing the benefits and costs of debt. Aabi (2014) suggested that the interests of the agent were valuable and dependable to the owner/manager based on the trade-off theory. However, issues such as lack of information transparency make it hard for external agents to address small business financial issues.

Some firms may prefer external debt over internal debt based on the Trade-off theory which supports that when internal finance is less available because of liquidity constraints, ventures may prefer to rely on external finance because of their low liquidity (Brav, 2009). The importance of this theory was that it helped venture decision-makers make viable funding decisions because every company has a maximum amount of debt that it can deal with in theory. This theory helped in determining the impact of equity funding on small business development in Ghana's Accra Metropolis.

Pecking order theory

Donaldson proposed Pecking Order Theory in 1961, and Stewart Myers and Nicolas Majluf updated it in 1984. The model proposes that firms were constrained financially because of information asymmetry between

owners/managers and investors and most importantly the hierarchy of finance sourcing, as such, ventures ought to rank their sources of finance (Njagi et al., 2017). The theory asserts that ventures prefer first and foremost internal financing (internal equity) like retained earnings, and then debt which has less or no risk mostly in the form of short-term debt and then finally external equity (Njagi, Maina & Kariuki, 2017).

According to Njeru (2013), internal equity financing was preferred by small businesses as its often less costly and easier to arrange for with shorter notification, however, when such financing options fail, external financing may be taken specially to fund investment projects. Furthermore, to minimize costs associated with external finance, debt may be chosen before external equity which brings in external ownership into the venture. It was however argued that this theory may not hold for small businesses regarding information asymmetry.

Also, Wahome (2017) suggested that the theory was important as it indicated to the public concerning the performance of the venture, as such, internally funded ventures may appear strong and portray that the venture can satisfy its obligations. Small businesses in Ghana have been said to be heavily dependent on retained earnings and other internal equity options, as such, this theory was useful in determining the impact of equity funding options on small businesses in Accra Metropolis.

Agency theory

Jensen and Meckling (1976) proposed agency theory, which focused on the conflict of interest that exists between principals and agents. In a business transaction, the agent represents the principal, and there is a high

assumption that the agent will represent the principal's best interests without regard for self-interest; but, in fact, the principal and agents also have different goals and risk tolerances; potentially leading to misinterpretations and poor investing decisions.

Agency theory recognizes the costs incurred because of the diverse interests of principals and agents; as a result, agency costs must be factored into capital structure. According to the theory, the best capital structure emerges from a balance between different financing options (equity, debt, and hybrid securities), allowing conflicts of interest between capital providers (shareholders and bondholders) to be reconciled. Perfect finance is then one which assures the least agency cost, where managers were responsible and guide the venture by maximizing shareholders wealth than achieving their personal satisfaction (Wahome, Muturi & Memba, 2015).

As a result, the ordeal shareholders faced was in ensuring that managers (agents) do not spend free cash flow in unprofitable ventures by increasing debt while equity would ensure a more successful venture. It was based on this that even without tax benefits, debt was mostly used. The belief that individual behaviour was opportunistic self-serving and guided by personal goals was a major criticism of the theory (Wahome, Memba, & Muturi, 2015). Since small businesses were generally owner-managed, this theory would not apply to this study.

The theory supporting small business growth

According to Dobbs and Hamilton (2007), there is no single theory that can explain company growth; hence several theories have been established to explain different aspects of small business growth. The key assumptions

regarding the growth process that these theories make are what distinguishes them (Dobbs & Hamilton, 2007). While theories developed to explain the growth of large corporations were not adapted to explain the phenomenon in small businesses (Davidsson, Achtenhagen & Naldi, 2010), small businesses needed growth to survive (Coad, Frankish, Roberts & Storey, 2013). Creation was a common phenomenon in small businesses. Their ability to compete with other large companies in the market was vital to their survival. As a result of their expansion, small businesses were less likely to close (Rauch & Rijskik, 2013).

The financial growth lifecycle theory

Berger and Udell (1998) proposed the financial growth lifecycle hypothesis. Entrepreneurial projects, according to theory, go through a life cycle for each product: concept stage, prototype stage, rapid growth stage, or maturity stage. As such scholars have acclaimed different types of finances were deemed fit at different stages of firm growth (Njeru, 2013). Since the entrepreneur frequently lacks a viable product, clients, or stable profits in the early stages, funding was often provided by the entrepreneur's financial resources and savings, as well as family and friends; however, as the business develops and the entrepreneur gains more experience, the company starts to produce returns, attracting investment from angel investors and venture capitalists (Onyiego, Namusonge & Waiganjo, 2017).

Furthermore, as the venture becomes profitable and stable, bank loans may become an option (Amidu, 2007), and once the venture has achieved substantial revenues and growth, a sale or an initial public offering may be possible. As a result, funding choices vary depending on the age of the

company, and during the rapid growth period, ventures tend to spend more money than they bring in, necessitating the identification and acquisition of external financing (Namusonge, 2010). The theory has been critiqued to be inappropriate for some small businesses because, during the earliest stages, the venture may have an idea but lack retained earnings and would have to rely on external financing to develop (Caroline &Muturi, 2015). The theories used for this study were summarized in Table 2.

Table 2: Theories of Financial Structure Supporting This Study

Theories	Description
Pecking-Order	Propounded by Donaldson (1961) modified by Myers & Majluf (1984) Businesses prefer first and foremost internal financing like retained earnings, and then debt which has less or no risk mostly in the form of short-term debt and then finally external equity.
Trade-off	Propounded by Modigliani and Miller (1958) Reviewed by Myers (1984) A business chooses the degree of debt and equity to use, having weighed the cost and benefit.
Financial growth lifecycle	Propounded by Berger and Udell (1998) Businesses go through a life cycle: concept stage, prototype stage, rapid growth stage, or maturity stage and different types of finances were deemed fit at each stage of firm growth.

Source: Author's Construct (2021)

Empirical Review

This section focused on the methods and results of previous research studies in the small business finance literature, looking for gaps, convergence, and disputes in studies conducted to identify, characterize, and, like theoretical

review, justify the researcher's work in addressing the study's research questions.

Sources of small business finance

Small businesses undoubtedly are important however per the World Bank Report (2010), their failure was because of limited access to finance. Empirically, documented research on small business showed that there existed a varying financing pattern of small businesses from larger ventures which could be attributed to the existence of fixed costs from external financing, with small businesses generally refinancing less frequently than larger firms since they tend to be much affected by fixed costs causing them to operate at a higher leverage level instead of rebalancing (Elaine, Angelo, Ana & Chepkemoi, 2013; Mac & Lucey, 2010; Ricardo, 2005; Howorth, 2001).

A study by Njagi, Kimani, and Kariuki (2017) also attested to the fact that small businesses preferred contribution from friends as well as plough back profit for equity finance. According to the report, Angel investors were yet to gain acceptance as a source of equity financing in Kenya, even though foreign equity financing could be viewed as a long-term financing choice with no or limited cash outflow in the form of interest. Most significantly, the study found that the funding choice and liquidity position of a small company had a significant impact on its efficiency. As a result, they advised small businesses to seek out angel investors, who provided start-up capital, managerial and bookkeeping skills, and encouraged transparency and efficient use of financial resources. Furthermore, the study equally advocated for financial institutions to expose and educate entrepreneurs to alternative financing options for small businesses.

Abor and Biekpe (2006) suggested for more policies to be enacted, which would fundamentally be geared towards small businesses access to public equity in Ghana through reduced listing requests and subsidizing inauguration costs. This, they claimed, would increase small businesses access to long-term financing, spurring growth because equity capital serves as a foundation for more borrowing, reduces a venture's vulnerability to economic cycles, and offers access to private and institutional venture capitalists.

Mwende, Muturi, and Njeru, 2019 also established that trade credit as well as equity financing, loans and other informal financing affected the functioning of small businesses in Kenya and concluded that no one source of finance can fully be tagged to influence performance or growth based on which they suggested the use of all four sources even as equity finances significantly predicted the performance of small businesses in Kenya. Another research by (Mwende, Muturi, & Njeru, 2019) asserted that a large population of small businesses relied on personal savings to finance their venture although that method of financing potentially would take longer for one to generate enough finance for his/her venture. According to a study conducted by Njagi, Kimani, and Kariuki (2017) on the equity financing performance of small and medium enterprises in Embu Town, Kenya, most small businesses prefer equity from friends and plough back profits over angel finance, which has yet to gain acceptance.

According to Quartey, Turkson, Abor & Iddrisu (2017), there are two main alternatives to formal small business financing in the ECOWAS sub-region: official schemes (where the government and/or other international bodies provide funding to small businesses) and informal sources of finance.

Many small businesses in Sub Saharan Africa (particularly in Nigeria and Ghana) have depended on informal sources of finance such as owner's savings, money lenders, friends and relatives, credit, and savings associations, very informal "Susu" collectors, and so on, even though official schemes were often established with the primary goal of increasing the flow of finance and credit to local small businesses.

However, their research confirmed that equity funding had a positive impact on small business performance because it provided long-term financing with low or no interest. Most importantly, their study revealed that the source of funding greatly affected the performance of small businesses and their liquidity and as such recommended that small businesses consider other equity options like angel investors even as financial institutions are pushed to educate and help create awareness on other financing options for the small businesses.

The choice between debt and equity financing by the owner/manager must be made early in a company's life cycle, according to Logenecker, Moore, Petty and Palich (2008), and can have long-term financial consequences. According to several reports, even the least control-averse owners/managers will prefer debt external financing to equity external financing to pursue growth, largely because debt causes less disruption and reduces the risk of losing control of the business (Daskalakis, Jarvis & Schizas, 2013; Luukkonen, Deschryvere & Bertoni, 2013).

Equity financing options

All financial resources supplied to businesses in exchange for a share of ownership are referred to as equity finance. Because the investee company provides no protection and the investment return is solely determined by the

firm's success, equity investors share in the entrepreneurial risk. Investors may sell their shares in the company if there is a market for them, or they may receive a portion of the sale proceeds if the company is sold (OECD, 2009). In short, equity is any stake in a venture's ownership where an investor puts money into a business with no set repayment date, and the owner/manager was required to give up a portion of his or her ownership interest in exchange (Daskalakis et al., 2013).

Private equity and public equity are the two main types of equity financing. Private equity investors contribute funding to unlisted companies, whereas public equity investors focus on companies that are quoted on a stock exchange. Private equity financiers also provide advice or assistance to the owners or managers in the development of the company, whereas public equity investors are generally not involved in the operation of the company. There are other unofficial equity financing sources, such as family and friends. Indeed, even in nations with a well-developed equity capital market, such as the United States, the amount of money raised through these informal channels for start-up enterprises far outnumbers that raised through other avenues (Mac an Bhaird, 2010).

Equity capital may be internally generated in the form of share capital or common stock, preferred stock, share premium, capital surpluses, as well as reserves in the financial statements reflecting shareholder's interest in a venture or externally from venture capital, corporate venture capital, angel investors, and in recent times, crowdfunding, and accelerators when it comes to innovation and development (Ehigiamusoe and Lean, 2017; Choi, 2014).

Chadha and Sharma (2015) suggested that equity holding brought about a long-term commitment to the firm in anticipation of future growth.

The benefit of equity funding was that it allowed small businesses to maintain complete ownership while the equity investors ensured that resources were distributed efficiently to improve financial performance and development (Githire & Muturi, 2015). Njagi et al., (2017) put it that small businesses using equity financing were seen as having good performance even as equity was less risky, with the absence of fixed monthly loan repayments, even though, it may give direct control to equity holders who were the last claimers of dividends but ensured that the resources of the venture were allocated efficiently (Githire & Muturi, 2015).

In comparison to the above, it has been acknowledged that many small companies become family businesses, which do not typically follow growth strategies (Githire & Muturi, 2015). As such, they would ordinarily go for debt financing in other to retain control and independence of the business instead of going for external equity (Njagi et al., 2017). Kepha and Muturi (2013) had it that small businesses were predominantly financed by their owners and relatives and shy from external finance as it reduces the freedom in managing venture by keeping control and individuality. However, equity financiers did not expect an immediate return on their investment, because, unlike loans, the company was not required to repay the money invested, so equity funding absorbed all the venture's losses if it fails (Njagi et al., 2017).

Retained profits, contributions from board members, contributions from investors and associates, deferred revenue, and cash flows of the company, according to Kongmanila and Kimbara (2007), represented equity

support for a variety of small businesses. Ibrahim (2008) also had it that angel investors (wealthy individuals) invest equity in potentially high growth ventures and support the entrepreneur. Many larger ventures who had attracted venture capitalists had often relied on angel investors first. Caroline and Willy (2015) affirmed the fact that equity funding was a key source of funding even as it positively affected the performance of the venture, as equity holders stayed as residual claimants for efficient allocation of funds.

Bell and Vos (2009) raised a concern that many family business establishments by small ventures did not do well with growth strategies as many as they were, they tend to focus much on retaining control and independence which was seen from their choice of financing, as such, owners of small businesses often showed much preference for funding options (such as retained earnings and personal savings) which allowed little or no intrusion into the venture.

According to Timmons (1994), capital needs differ depending on the stage of a venture's development. For example, young ventures may use capital from internal sources such as retained earnings and informal sources such as family and friends; however, as the venture expands, more capital would be needed, and they would need to look to external sources.

Internal Equity:

Internal equity funding comes from within the company and can include retained earnings, owner savings, contributions from relatives, contributions from partners, deferred income and cash flow of the company, personal investments, gifts from board members, contributions from partners and associates, and deferred income and cash flows (Marfo-Yiadom, 2017;

Njagi et al., 2017; Kongmanila & Kimbara, 2007). Internal equity was described as the difference between a company's assets and liabilities, with most of the funding coming from personal savings or the selling of personal assets (Njeru, 2013). Because of moral hazard and knowledge asymmetry, start-up small businesses were forced to rely on personal savings as they look for alternative sources of funding for expansion (Abdulaziz & Andrew, 2013).

Small businesses would opt for internal capital due to a desire to preserve power and independence, even as, owners may have a strong preference for financing alternatives that have little to no impact on the venture like in the use of retained incomes and individual reserves (Bell & Vos, 2009). The outcomes of the research by Njagi et al., (2017) showed that small business owners/managers accepted that donations from friends and benefit plough back were used to support their operations. They also accepted that retained profits were used to support long-term market growth and had an impact on the venture's financial results. It however had it that angel investors were not a viable choice for equity financing.

This meant that using internal equity as a source of capital enabled entrepreneurs to keep control of their businesses. It also carries no additional financial responsibility or duty to notify the venture of its interest. As a result, the entrepreneur was able to use the funds to support other business projects. This affirms the fact that there exists direct ownership with internal equity and the fact that equity investors were residual claimants, and companies that use equity finance were able to boost their growth (Caroline & Willy, 2015). Nonetheless, previous research has found compelling evidence that having access to internal finance will improve business efficiency. For example,

Ayyagari, Demirgüç-Kunt & Maksimovic (2010) concluded that internal sources of finance had a greater ability to foster small business growth than external sources and that they could serve in the same capacity as angel investors in the financing and creation of fast-growing start-ups in developing countries.

Before that, there was a consensus in the literature that the finance gap that small businesses faced could be bridged by accessing internal resources which could have a major effect on their results (Mason and Harrison, 2004). Data from the Panel Study of Entrepreneurial Dynamic indicated that new entrepreneurs preferred internal financing to external financing (Reynolds, 2011). Indicatively, funding small businesses during their early stages of growth was important. Owner managers relied on their savings for self-financing, as well as the financial help of those close to them, such as family members or friends.

In contrast to large companies, start-up small businesses faced major obstacles in securing external funding from banks and other financial institutions (OECD, 2006). Even for entrepreneurs in the United Kingdom, the dependence on internal sources of financing small businesses was critical (Mason and Harrison, 2004). External sources of finance were usually postponed until internal sources of finance had been depleted (Daskalakis et al., 2013). This aligned with the pecking order principle to a large degree, since they tend to pursue capital from inner sources first, before turning to equity and debt (Kumar & Rao, 2015).

Internal equity sources

Internal equity constructs used in this study were explained in this section based on a thorough review of literature.

Bootstrapping

Bootstrap finance is a collection of cash management practices frequently cited as a solution to small businesses' financial problems. While financial bootstrapping tactics may provide a short-term lifeline for small businesses, empirical evidence on the characteristics that enable their adoption and whether they contribute to long-term business performance is mixed. Winborg and Landström (2001) defined bootstrapping as "the application of solutions for addressing resource needs without relying on long-term external financing from debt holders and/or new owners".

Grichnik, Brinckmann, Singh and Manigart (2014) and Ebben and Johnson (2006) divided bootstrapping approaches into six categories: owner financing methods, such as a loan from relatives or friends; third-party financing methods, such as a loan from a bank; fourth-party financing methods, such as a loan from a bank; accounts receivable minimization, such as using interest on late payments; joint utilization, such as sharing equipment with others; delaying payments, such as delaying payment to suppliers; capital invested in stocks minimization, such as offering discounts to customers who pay in cash; and subsidy finance, such as government subsidies. Krisztina Horvát (2018) had it that there were no crystal-clear arguments in the scholarly literature about how and under what conditions this link occurs. It might be claimed that different sorts of bootstrapping procedures have varied effects, as well as the type of performance metric.

In brief, bootstrapping is a form of self-financing set to reduce costs from operations and usually overlooked overheads which could take the form of no or low rent techniques like using one's garage as was the case of Hewlett-Package to avoid extra payments to the landlord (Marfo-Yiadom, 2017). Furthermore, renting or leasing of equipment or the purchase or use of used equipment often at scrap value, or the access to expensive equipment, by universities and the government is a smart bootstrapping technique relating to equipment acquisition. Another technique could be supplier's help with the hope of having the firm as a loyal customer by providing it with access to experts, supply of materials, technical support, and the sharing of market data and reports. Yet another is customers' help by way of prepayment, co-operative purchases, and Outsourcing.

Personal financing

Personal financing has to do with existing cash resources which was the very first option an entrepreneur could use at start-up (Marfo-Yiadom, 2017). Gowthorpe (2003) stated that this form of equity could take the form of savings or windfalls. However, it was most appropriate to have about 50 percent of startup contribution by the entrepreneur to avoid having to go and borrow so much to finance the business properly as huge repayment cuts could drain the business' cashflow. Cornwall, Vang and Hartman (2004) stipulated that aside from the use of personal assets like one's savings account, investment, and retirement accounts, "sweat equity" which looks at the effort and time invested in the business which is not rewarded or compensated in monetary form as a form of personal investment.

Family members and friends

Family and friends support could be in the form of loans but care and clarity on the terms of the loan and repayment must be in place to save or preserve the relationship already existing that usually comes after personal savings, as the owner could contact friends and family who may be more patient than outsiders to invest or support the business (Marfo-Yiadom, 2017). Katz and Green (2007) posited that gifts, as well as common sense and clear communication, were essential, however, Cornwell, Vang and Hartman (2004) noted that entrepreneurs provide family, members, and friends with "full, accurate and honest information" concerning the business, and these should be made available before the funding to avoid possible conflicts to avoid the ruin of friendship or the tearing apart of families.

Retained Earnings, deferred income and cashflow

Retained Earnings (ploughed back profit), as well as donations by the board of directors, contributions from partners (either general partners who may be responsible for debts of the business or limited partners who may have limited liability over their personal assets against the debt of the business and associates) and deferred income and cashflow, may equally be classified as a form of internal equity (Marfo-Yiadom 2017). Puja Verma had it that, the backbone of the financial structure of the small businesses was Retained Earnings, which reflected the portion of divisible profits that were not given out as dividend. Because retained earnings do not have a fixed maturity like term loans and debentures, they are a long-term source of funding for a business. Furthermore, the use of retained earnings, unlike other sources of funding, helps prevent issue-related expenditures, prevents the charge/dilution

of current shareholders' control that might occur when fresh shares are issued and can be used without having to follow any legal requirements.

External Equity Sources

Venture capital

One popular external equity source is Venture Capitalist financing, where professional investors who were often risk averters, very sensitive and choosy invest in well managed and highly prospective businesses with a high-level competitive advantage in their industry, providing such ventures with financial support. They are still deeply involved in the management of the ventures they participate in and have a strong desire to maximize the return on their investment, even though they are mainly interested in investing in a non-public company to eventually convert it into a public company by selling shares on the stock exchange market (Memba, 2011).

Venture Capitals fundamentally invest in young or startup firms which show or have a high growth potential in exchange for an equity stake (ownership) with funds often coming from a limited set of partners such as pension funds, insurance companies, etc. (Gompers & Lerner, 2006). The great thing about Venture Capitals remains that, aside from financial support, they offer their firms with a bundle of value-added activities such as support in the form of administrative, marketing, management, and strategy through coaching for its portfolio ventures (Sørensen, 2007; Lerner, 1995; Sapienza, 1992; Sahlman, 1990; Groman & Sahlam, 1989;). They were also able to reduce information asymmetry in several ways through thorough screening processes before investing, contract signing to oversee and incentivize the ventures managers, and the close monitoring and supervision of the ventures

after the investment stage (Sørensen, 2007; Kaplan & Strömberg, 2003; Amit, Brander & Zott, 1998; Mitchell, Reid & Terry, 1997; Lerner, 1995; Admati & Pfeiderer, 1994; Sahlman, 1990; Tyebjee & Bruno, 1984; Chan, 1983).

Marfo-Yiadom (2017) stipulated that Venture Capitals could take the form of Traditional partnerships often created by families seeking high profit and aggressive investments, Professionally-managed pools from banks and other financial institutions or joint ventures, manufacturing companies who invest in a smaller business to get them to do research and development to aid them to be technologically advanced, small business investment companies either publicly or privately owned and finally state-sponsored venture capitals which are often aimed at emphasizing job creation rather than returns on investment.

Unfortunately, the financial crisis had coerced Venture Capitals to become more risk-averse and focus a lot on later-stage investments limiting its access to a smaller subset of entrepreneurs. In addressing the challenge especially regarding early-stage ventures which may not be attractive for Venture Capitals, alternative sources like Business Angels and equity crowdfunding have come up in the last decade allowing entrepreneurial firms the opportunity to access funds from individual investors directly either using the internet (online through crowdfunding) or offline Business Angels (Reverte & Badillo, 2019).

Venture Capital in Ghana as reported by World Bank Group (2016) in its study to evaluate Ghana's private equity/venture capital (PE/VC) ecosystem and make recommendations for establishing strong private equity and venture capital environment that could offer risk financing for competitive small

businesses had it that in Ghana, venture capital was first established in 1991. In response to the emergence of a new asset class, the Ghanaian government established a legislative regulatory framework for venture capital funds in the early 1990s, which was overseen by the Bank of Ghana. In late 1991, USAID and the Commonwealth Development Corporation co-sponsored a venture capital fund in Ghana. The Ghana Venture Capital Fund was established as a non-bank financing business to retain funds, as a separate management firm, Venture Fund Management Company, and to make investments.

This endeavor sparked the creation of a legal/regulatory framework for venture capital funds, which was established by the Financial Institutions (Non-Banking) Law of 1993 and the Bank of Ghana's 1995 publication of "Draft Operating Guidelines for Venture Capital Funding Companies." Because of its stable administration and relatively solid economic environment, Ghana is widely regarded as a desirable investment destination on the continent. However, there are several market barriers in Ghana that are unique to private equity and venture capital. PE/VC firms are investment managers who aggregate fixed funds to invest in a wide range of businesses, sometimes across multiple industries. Through their network of intermediaries and the development of business links and capabilities in specialized areas, these firms often scour the market for high-potential investment possibilities.

Apart from providing capital, Private Equity or Venture Capital funds typically employ a "capital plus" approach, in which they assist their portfolio firms in improving management ability, increasing market focus and presence, strengthening governance, and managing growth. Even though Private Equity investing techniques differ, many firms seek financial returns by assisting and

financing the growth of the companies in their portfolios. As a result, these businesses are inextricably related to job generation.

In Summary, the Venture Capital Trust Fund was established by the Venture Capital Trust Fund Act of 2004, (ACT 680), to offer funding to small businesses by providing financial resources for the development and promotion of venture capital financing to those in priority sectors of the economy, as indicated from time to time. Venture Capital Finance Companies, i.e., banks, insurance companies, and development finance institutions, invest in fund managers who are in the business of assisting small businesses in specific segments of the economy. Fund managers engage in small businesses via stock (share purchases), loans, or a combination of equity and debt instruments, with additional working capital support to ensure smooth operations (Ghana Venture Capital Trust Fund, 2021).

Business angels

Another external equity choice is Business Angel investors, who are affluent individuals or friends of business owners or groups of individuals who provide financial support for small companies with strong growth and return expectations, typically investing less than $500, 000 and being a key component of the venture's management (Njagi et al., 2017). According to Harrison and Mason (2010) and Sohl (1999), Business Angels were gaining popularity when it came to equity financing for startup ventures. These were often very wealthy and highly experienced business folks, who may be put in between informal investors; founders, family and friends, and formal investors.

A key disparity between Business Angels and Venture Capitals can be the motivation, Venture Capitals tend to focus much on financial benefits, unlike Business Angels which tend to focus more on mentoring and coaching entrepreneurs and as such they placed much stress on the entrepreneur's characteristics when appraising them. The impact of Business Angels had been much felt in the last few years by forming networks and Business Angels putting themselves into online platforms for collective investment. Unfortunately, there were fewer empirical studies on Business Angels which were attributed to the paucity of financial data, resulting from high opaqueness of the market and the limited representativeness of survey-based samples (Levratto, Tessier & Fonrounge, 2018; Capizzi, 2015; Harrison & Mason, 2010) which has resulted in the reliance on anecdotal or case-based research when studying the performance of angel-backed ventures (Mason, Botelho & Harrison, 2016; Hellman, Schure & Vo, 2013).

The Ghana Angel Investors Network is the country's first angel investor organization. The Ghana Angel Investor Network (GAIN) is a Venture Money Trust Fund initiative that seeks to make capital more accessible to Ghana's early-stage businesses. On September 6, 2011, the then Minister of Trade and Industry, Madam Hannah Tetteh, launched GAIN. The Network provides a platform for high-net-worth individuals and successful entrepreneurs to collaborate with new and aspiring entrepreneurs to take advantage of attractive business possibilities that are emerging around the country. Currently, their network has 25 Angel Investors from a variety of industries providing young entrepreneurs with quick access to cash to enable them to turn their dream ideas into businesses that solve issues, create jobs,

and wealth for all. GAIN's main goal is to encourage angel investing as a means of delivering long-term, lower-cost funding to help early-stage enterprises in Ghana get started and grow (Ghana Venture Capital Trust Fund, 2021).

Crowdfunding

Crowdfunding emerged recently as an innovative equity funding form which may be seen as a more democratic investment process as it allowed access to more potential investors who invest mostly in early-stage ventures in exchange for shares or ownership stakes in that venture. This remains great for entrepreneurial ventures who may not be able to access funds from banks and may not need larger pulls of funds by Venture Capitals or Business Angels (Tuomi & Harrison, 2017). Unfortunately, research on this alternative financing option remains limited because of recent developments and regulations of such markets and most importantly, data gathering challenges even as it was gaining popularity with relative research potentials (Agrawal, Catalini, & Goldfarb, 2016; Vulkan, Åstebro & Sierra, 2016; Ahlers, Cumming, Günther & Schweizer, 2015; Allison, Davis, Short & Webb, 2015).

According to the Europeans Union's Internal Market, Industry, Entrepreneurship and SMEs, Crowdfunding is a method of obtaining funding for ventures and companies. It allows fundraisers to raise funds from many people using online platforms. Crowdfunding is most often used by startups and rising enterprises as a means of raising funds. It is a novel way to raise money for new ventures, companies, or ideas. It can also be used to develop a following for your product or service. By using the power of the online community, you will also gain valuable market insights and access to potential

customers. Websites that link fundraisers and the public are known as crowdfunding platforms. Financial pledges can be made and received through crowdfunding sites.

If a fundraising campaign is successful, crowdfunding platforms typically charge a fee to the fundraiser. Crowdfunding sites are supposed to have a stable and user-friendly service in exchange. Many sites have a one-size-fits-all funding model. This means you get the money if you hit your goal; if you do not, you get your money back-no bad feelings or financial penalties. Crowdfunding comes in a variety of forms, which are described below. Profitable small companies and startups mostly use three types of crowdfunding: peer-to-peer, equity, and rewards crowdfunding.

Peer-to-peer lending is when a group of people lend money to a business with the expectation that the money will be returned with interest. It is close to conventional bank borrowing; except you are borrowing from a group of investors. The selling of a part of a business to a group of investors in return for capital is known as equity crowdfunding. The idea is like buying and selling common stock or investment capital on a stock exchange. Individuals donate to a project or organization in the hopes of receiving a non-monetary payout, such as goods or services, in return for their contribution later through rewards-based crowdfunding.

Individuals contribute small amounts to support a charitable project to meet its larger fundraising target while receiving no financial or material gain through donation-based crowdfunding. Profit-sharing/revenue-sharing crowdfunding, in exchange for financing now, businesses will share potential profits or sales with the crowd. Debt-securities crowdfunding, individuals buy

bonds, which are a type of debt protection issued by a corporation. Models with a hybrid design allow businesses to combine elements from various types of crowdfunding.

In Ghana, Bank of Ghana (2021) acclaimed that, crowdfunding had developed from a localized gathering of cash to help business endeavours or individuals in communities to a global platform where funds were requested with a similar purpose of sponsoring projects via the internet and social media. However, the notion of crowdsourcing, also known as "susu," "nnoboa," or "ntoboa" in Ghana, was not new. It had long been used by families, groups, and communities to raise funds to meet their members' needs. Market women, fishmongers, farmers, and traders, among other groups, had used this informal system to gather funds for their companies, medical bills, burial costs, and their children's education, among other things.

Furthermore, Bank of Ghana (2021) recognizes these four (4) primary models of crowdfunding products available in Ghana: Crowdfunding for donations, crowdfunding for rewards, Equity Crowdfunding and Peer-to-peer lending/debt crowdfunding (regulated by both the Bank of Ghana and the Securities and Exchange Commission, and would require their approval). The ability to receive, hold, and disperse contributions is required for both donation and reward crowdfunding models. These activities are regulated by the Bank of Ghana under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the Payment Systems and Services Act, 2019 (Act 987) respectively. Banks, Specialised Deposit-Taking Institutions, Dedicated Electronic Money Issuers, and Enhanced Payment Service

Providers are all eligible financial institutions for reward and donation crowdfunding.

Payment Systems and Services Act of 2019 (Act 987), Data Protection Act of 2012 (Act 843), Banks and Specialised Deposit-Taking Institutions Act of 2016 (Act 930), Securities Industry Act of 2016 (Act 929), Anti-Money Laundering Act of 2008 (Act 749), Deposit Protection Act of 2016 (Act 931), and Cybersecurity Act of 2020 offer a legal foundation for the digital delivery of crowdfunding products and services, on which the Bank of Ghana's crowdfunding policy is based.

Accelerators

This term "accelerators" did not exist until 2005, when Paul Graham launched Y Combinator, the first accelerator in the United States. The Y Combinator has a lot in common with traditional incubators, but it also has some distinct characteristics (Miller & Bound, 2011). Many accelerators are related to business "angels" and are often referred to as "seed accelerators," reflecting an emphasis on helping ventures become "investor-ready" (Hoffman & Radojevich Kelley, 2012). Nonetheless, according to Lall, Bowles and Baird (2013), accelerators can help projects at “any level of development”.

Hochberg and Kamath (2012) used a six-factor study to ‘score' accelerators in the United States. By extension, their rating of accelerators based on these variables implies that they are efficiency indicators. Professional financial activity, qualified exit, credibility with venture capitalists, alumni network, percentage of equity taken by the accelerator in return for services, and a sum of money given to entrepreneurs as a stipend were among the factors they consider. Nonetheless, according to Lall et al

(2013), accelerator efficiency is often calculated in terms of ‘success' and ‘survival.' Accelerator data suggests that this is right, as programs often publish "success rates" in terms of post-accelerator investment – and "survival rates" in terms of percentages of participating projects still in business.

Lall et al (2013, p 106) stipulated that in many communities, business accelerators and incubators play an important role not only in the growth of small businesses but also in the development of human resources and human capital. Business accelerators and incubators help early-stage entrepreneurs by offering “business development support (e.g., consultancy, technology assistance); infrastructure support (e.g., access to office space, shared back-office services); network support (e.g., access to potential clients, investors, mentors); and financial support”.

Accelerators are significant contributors to the success rates of new businesses by providing entrepreneurs with support, mentoring, and, most importantly, industry connections during their boot camps (Dempwolf & D'Ippolito, 2014). As such, business accelerators provide training, mentoring, networking, and investment opportunities to help young entrepreneurs gain access to mentorship, investors, and other resources that will help them grow into stable, self-sustaining businesses (Hoffman & Radojevich-Kelley, 2012). As a result, business accelerators are companies that provide resources to start-up businesses so that they can emerge and thrive in their society. According to Ojo (2009), encouraging entrepreneurial development schemes is one of the responses to the challenges of development, particularly in emerging countries.

Miller and Bound (2011) has it that Company accelerators place a premium on fast growth and a good product launch, designed to assist entrepreneurs in getting their businesses off the ground quickly. Furthermore, accelerators provide established businesses with a good idea and a viable business plan to develop. Also, accelerators do spend a certain amount of money in startups in return for a share of the company's ownership. In addition to the above, accelerators have a bigger role to play in a startup's growth especially because accelerators work for a fixed amount of time, typically three to four months with startups being awarded after the program.

Although there are thousands of early-stage innovators looking to launch businesses that can drive social change around the world, only a small few can establish the teams, find the customer bases, and/or raise the funds needed to grow (Azih & Inanga, 2014). Business incubators and accelerators are now known as "important instruments for fostering entrepreneurship growth and technical advancement at the small and medium enterprise" in both developed and developing countries (Adegbite, 2001). Business incubators and accelerators provide financial assistance to young and aspiring entrepreneurs. As a result, incubators and accelerators fill the void created by government financial institutions with too strict financial policies for small companies to access.

Ihuoma (2020) has it that, accelerators share some of the characteristics of incubators and both have become critical components of industrialization, economic development, and growth even as the world grapples with the issue of supporting sustainable growth, business accelerators and incubators play a key role. This is because business incubators and

accelerators shape and assist many business startups in achieving their goals more quickly than they would if they were left to their own devices. As a result, businesses that use business incubators or accelerators are usually start-ups that have progressed past their infancy and are now in their adolescence (Lalkaka, 2006). This means that they can stand on their own, but that they will need encouragement and peer reinforcement to grow stronger.

Both incubators and accelerators help businesses expand. They both assist businesses in growing by advising startups, helping them advance their business models and plans, and training them to become valuable in the eyes of investors (Zajicek, 2017; Riggins, 2016; Sepulveda, 2012). In addition, both incubators and accelerators have a collaborative and mentoring atmosphere (Zajicek, 2017). This allows startups to share office space while still gaining access to a wealth of capital and peer reviews.

The distinction between business accelerators and incubators by Ihuoma (2020)

Incubators assist entrepreneurs in their early stages of development by nurturing them, offering shared office space, networking opportunities, mentoring services, and access to shared equipment to new businesses. The support programs of incubators are not time-stamped. As a result, participants will scale and evolve at their speed. Incubators help entrepreneurs bring their products to market by providing a business model and guiding them through the process of turning an ambitious concept into a reality. Traditionally, incubators have not provided funding to entrepreneurs. They also do not normally own any stock in the businesses they sponsor. Incubators rarely ask for a percentage of a company's ownership. Incubators work on a flexible

schedule. They are less concerned with a startup's short-term viability and are more concerned with its long-term viability.

Accelerators on the other hand are designed to assist entrepreneurs in getting their businesses off the ground quickly. They deal with start-ups who can show they are investible and quickly scalable, as well as willing to move for at least the length of the program to the town where the accelerator is located. Also, they provide established businesses with a good idea and a viable business plan to develop and spend a certain amount of money in startups in return for a share of the company's ownership. Furthermore, they have a bigger role to play in a startup's growth as such, they work on a fixed timetable and for a fixed amount of time, typically three to four months. Startups will be awarded after the program.

Acceleration by Miller and Bound (2011)

Accelerator programs are a new phenomenon, and more structured quantitative research on their impact on founders and companies is needed so that founders can make better decisions and the entire community of organizations that support new businesses can learn. Classifying accelerators for analysis:

i. A competitive application process that is both transparent and competitive.
ii. Provision of pre-seed capital, typically in exchange for stock.
iii. An emphasis on small groups rather than people.
iv. Time-limited assistance, including scheduled events and extensive mentoring.
v. Cohort batches or ‘classes' of startups are sponsored.

The core business model of accelerators is simple: investors invest in the accelerator programme which acts as a small fund. Some part of the fund goes on the costs of running the programme while some of the funds are invested into startups that are accepted onto the programme. The accelerator programmes take equity in the startups and hope to make a return on those shares. Some programmes take ordinary shares, others prefer what is called a 'convertible note' which offers a discount on stock should the company raise further funding, others have a clause that invests a soft loan to be returned if certain conditions are met.

Limitations of acceleration include the amount of office space, they have available, or the number of mentors and operating personnel required to accommodate larger numbers as some accelerators have a cap on the number of startups they will fund in each cohort. Pre-seed investment is then made available. The amount of money invested by accelerator programs varies, but it is typically based on an estimate of how much it costs per co-founder to survive during the program and for a short time afterwards. There is also an emphasis on small groups rather than individuals. Unless there are special situations, most accelerator programs will not accept lone entrepreneurs. "A startup is too much work for one person," says the Y Combinator FAQ.

Accelerator programs rarely accept teams larger than four participants because the expenditure required to support the costs of larger groups is higher. Support that is only available for a limited amount of time, such as scheduled activities and intense mentoring. Accelerator programs aid with a fixed period, usually three to six months. This deadline is partially related to the shorter time it takes to launch a web startup, but it is also about creating a

high-pressure atmosphere that encourages rapid development. While several programs provide ongoing assistance to successful businesses, there is often an initial period of more direct engagement with the program. The creation of a large network of high-quality mentors is critical for an accelerator program.

Structured events are common in accelerator programs. Legal and tax guidance, as well as pitch practice, are among the topics covered. Demo days are a popular characteristic in accelerator programs. This is the program's conclusion and the focus of frantic planning. They are intended for angel and venture capital investors to come to see what has been created during the programs. Cohort batches of startups are supported. Accelerator programs are distinct from other early-stage investments in that they invest in cohorts or "batches" of businesses at the same time. Some compare this to the impact of students graduating together from business schools. Companies' cohorts are often referred to as a 'class of...' to indicate that they collaborated with other businesses.

Alternatives to acceleration

For already existing businesses they may potentially be exposed to some of the networks that an accelerator offers whether the startup succeeded or failed. And if you have the money yourself, it is only better to go through an accelerator if you think you might buy in the expertise you need for less equity than accelerators want to take (typically 5-10 per cent).

1. Bootstrapping or not taking any investment at all is an option. Some first-time entrepreneurs work as freelancers in addition to running their businesses. Some startups are funded by the founders' investments or loans from friends and family.

2. Bank loans are an option, but they typically require collateral or an established revenue stream. Accelerator programs value the businesses they invest in at a low level for seed investing; however, most companies applying for accelerators will be classified as "pre-seed," with no traction or revenue.

3. Business schools and university programs have also been a source of early-stage funding for startups, and many engineering and business degrees provide business plan competitions that offer seed funding at a similar level to accelerator programs.

Table 3: Alternatives to Equity Investment as A Route to Growth

Route to Growth	Pros	Cons
Bootstrapping	Do not lose equity or take on large debts	Growth can be slow Can be more difficult to get external advice
Bank loans	Do not lose equity	Difficult to obtain pre-revenue or without security
Soft start (using consulting projects for early-stage funding)	Do not lose equity Can lead to new intellectual property	No direct customers so difficult to get feedback Can be distracting from overall aims
Government funding	Do not lose equity	Often reliant on match with subject areas in calls for proposals Slow approval process May require relocation or come with other strings attached Often bureaucratic reporting procedures
Friends and family investment	Can be quick	Emotional pressure

Source: Miller & Bound (2011, pg.29)

Operationalization of equity measurement for the study

Internal and external equity financing options were looked at. The options under internal equity included bootstrapping, retained earnings, personal savings, family and friends and other sources including donations from members of the board, contributions from associates and partners, deferred income and cashflow. External equity financing options for this study were venture capitals, angel investors, crowdfunding, and accelerators. Both internal and external equity options were measured using a five-point Likert scale.

Small business growth measurement

Founded companies, according to Haltiwanger (2006), can potentially survive indefinitely, rising and shrinking to meet changing market conditions. Firms, on the other hand, do not last forever; only handfuls survive for 100 years or longer. The need for theoretical discussions of the firm's life cycle to be aligned with empirical results is highlighted by such contradictions. To conduct significant research on firm creation, growth, survival, decline, and closure over the last thirty years, researchers have concentrated on industry and firm characteristics.

The phenomenon of small business growth has been extensively studied in entrepreneurship. One explanation is that most companies do not expand over time (Davidsson et al., 2010; McKelvie & Wiklund, 2010), and small enterprises do not grow (Doern, 2009). Brush, Ceru, and Blackburn (2009) say that some companies do not want to expand, while others tend to grow slowly, even though they were just as successful as those who grow quickly. Except for the so-called "gazelles" (Julien, 2002), or young

enterprises with very rapid growth, most new enterprises do not advance beyond the stage where they started their activities (Headd & Kirchhoff, 2009; Sims & Regan, 2006).

Growth is a product of a mixture of firm-specific capital, skills, and routines resulting in an organizational outcome (Nelson & Winter, 1982). The word "business growth" is used to describe several things, including an increase in overall sales volume, increased production capacity, increased jobs, increased production volume, and increased raw material and power usage. These growth indicators lack a consistent definition of growth. To characterize and measure business growth, absolute or relative changes in sales, properties, employment, productivity, profits, and profit margins were commonly used.

Achtenhagen, Naldi and Melin (2010) reviewed studies on growth published between 1997 and 2008 and found 56 publications, most of which endeavoured to understand why companies grow (growth as a dependent variable); however, other articles dealt with growth strategies or on growth intentions and desires. According to Delmar, Davidson, and Gartner (2003), various researchers use growth indicators including assets, market share, physical output, and profits to evaluate business growth. Despite this, they claimed that these metrics were rarely used as revenue and job indicators due to their limited applicability. As a result, market share and physical production differed across sectors, making comparisons difficult. Shifts in industrial capital intensity over time affected the valuation of total assets; and, finally, profits were suitable for calculating size over time.

Delmar, Davidsson and Gartner (2003) also reported that sales and jobs were two important indicators in determining firm growth. Employment was often used because it was relatively easy to access and quantify, as well as because policymakers are interested in it (Barkham, Hardy & Startup, 1996). While sales were susceptible to inflation and exchange rates, they were a common way to measure firm growth. Furthermore, comparing revenue figures in various industries can be difficult. Therefore, Delmar et al. (2003) concluded that researchers can use a variety of growth metrics when assessing firm growth, and firms with a growth target have higher debt levels than businesses with a lower growth tendency.

Penrose (2006) described growth as the result of an internal process in the creation of an enterprise, as well as an increase in quality and/or expansion. “Growth is characterized as a gradual increase in size over time” (Dobbs & Hamilton, 2007, pg. 313). Among the ideas for growth found by Achtenhagen et al. (2010) were an increase in revenue, an increase in the number of staff, an increase in earnings, an increase in assets, a rise in the firm's valuation, and internal development. Internal growth involves improving expertise, establishing effective management practices, and establishing a skilled sales process. This was the most critical metric for the entrepreneurs who took part in the study. However, an increase in the number of workers was not always regarded as a sign of expansion.

Concerning diversification, Davidsson et al. (2010) stated that growth may be linked to new markets, particularly in the case of technology firms. They also believe that growth will occur because of the integration of a portion of the supply chain, a type of vertical growth, or when a company

enters a market that is unrelated to the technology in which it operates, will be a different form of diversification. Another form of growth is market entry, which is linked to a combination of demand and product. Brush, Ceru and Blackburn (2009, p. 482) define geographic expansion as “an increase in the number of branches, the addition of new markets and customers, the increase in the number of goods and services, fusions and acquisitions”.

Growth is primarily the result of some dynamics developed by entrepreneurs to constantly build and rebuild based on their assessments of their firms and the market. Clients, kin, vendors, and others were not the only agents involved, so entrepreneurs were not the only vectors. In truth, growth is a "socially constructed element" (Leitch, Hill & Harrison, 2010, pg. 250). According to Penrose (2006), environmental frontier creation, or expansion, was the result of constant dynamism, because growth intentions change because of the constant assessments and re-evaluations that entrepreneurs make as agents. It is what is known as the "development problem" (Davidsson et al., 2010, pg. 128). Nevertheless, it was important to stress the challenge of evaluating a company's growth at a particular point in time (Mckelvie & Wiklund, 2010). It used to be easier to figure out what factors drive growth and what consequences growth has (Leitch et al., 2010), but it is becoming more difficult to figure out how businesses develop in terms of growth dynamics (Mckelvie & Wiklund, 2010).

The need for business growth was the only way for small businesses to expand into larger organizations; business growth was inextricably linked to the development of jobs (Davidsson, Achtenhagen & Naldi, 2010). According to Levratto, Tessier, and Zouikri (2010), several factors influence small

business development, including the business's revenues, human resources (age, experience), environmental factors, and business characteristics. Venture growth according to Lee and Tsang (2001), was the perception the owner/manager had of the business performance as against the objectives set and measurement which included growth in sales, profit, and capital. For small businesses, growth determinants could be grouped into individual, venture, and environmental determinants (Zhou &Wit, 2002).

Venture growth looked at organizational resources, competencies of human resources, organizational culture, and structure (Covin & Slevin,1991; Li, 2005). Owner/manager determinants included the characteristics of the owner/manager, entrepreneurial competence which informs strategies (Sarwoko, 2014; Nimalathasam 2003). Sarwoko and Frisdiantara (2016) argued that several studies have primarily looked at small business growth considering only venture and owner/manager determinants separately (Delmar, Davidson & Garner, 2003; Baum, Locke & Smith, 2001; Covin & Slevin, 1991), however, environmental determinants like competitive conditions and changing market dynamics significantly determined small business growth due to the changing environmental conditions.

Studies have shown that that demographic characteristic of the entrepreneur, such as sex, age, job skills, literacy, and motivation, influenced entrepreneurial intent and small business growth (Kolvereid, 1996; Storey, 1994). Furthermore, the firm's age, size, legal form, industry type, and location were all important factors in its survival and growth (Indarti & Langenberg, 2004; Cooper, Gimeno-Gascon & Woo, 1994; Storey, 1994). In a nutshell, the

findings of Yeboah (2010) showed that when it comes to raising revenue, male and female entrepreneurs have almost equal market acumen.

Yeboah (2010) had it that, small business owners and managers must be eager to learn; even if it is not through formal education, they must attend seminars and workshops to gain the necessary knowledge and skills to improve their company's efficiency. Additionally, small businesses owners/managers must work to avoid the inertia that comes with the ageing of their companies, as well as bring on more skilled people to help them expand. Their study also had it that, environmental determinants had no impact on firm growth and individual entrepreneurs differ in their willingness to engage in firm development. As such those with a strong need for accomplishment were less likely to do so, while those with a strong need for growth and technical competence were more likely to do so.

A firm's growth prospects were closely linked to its existing operational production activities (Coad, 2009). Therefore, path-dependency was a significant theme in firm growth (Coad, 2009). External factors such as competition and market dynamics also affect firm growth. Organizational determinants were the most significant determinants of firm growth: the older a business was, the less likely it was to expand. The availability of financial capital has been discovered to be crucial to the growth of a business. Finally, it was discovered that scalability (the ability to expand) had a positive impact on firm growth.

Small business development was also driven by an entrepreneur's ambition. For example, not every entrepreneur wants to expand his/her company. According to Mosselman, Frederiks, and Meijaard (2002), only 16

percent of small business owners in the Netherlands wanted to expand. While some studies (Baum, Locke, & Smith, 2001; Covin & Slevin, 1997; Lumpkin & Dess, 1996) attempted to connect determinants from different perspectives or dimensions, their explanatory power was poor due to the limited number of variables (Davidsson, Delmar, & Wiklund, 2006).

Growth is a product of a mixture of firm-specific capital, skills, and routines resulting in an organizational outcome (Nelson & Winter, 1982). The latest organizational production practices have a direct impact on a company's growth prospects (Coad, 2009). As a result, path-dependency is a significant theme in business growth (Coad, 2009). Business growth is also influenced by external factors such as competition and market dynamics. In a report, Howard (2006) suggested that organizations go through seven stages of growth, with the first three stages having a major effect on small businesses. The first stage was when a small company was only getting started with new markets and goods. The expansion stage focused on increasing profits, revenues, market share, and employee numbers. Professionalization and the need to formalize the organization's activities were stage three, and this stage was closely linked to growth.

The fourth stage brings the organization's operations together and tries to address the firm's problems. The fifth phase was diversification, which focuses on producing new goods for existing markets. Integration was the sixth level, which focuses on developing an infrastructure that can serve several commercial elements. The final phase was collapse and renewal, which stresses restoring the entire enterprise at all levels to ensure its long-term sustainability. At each step, it was assumed that top management's

position, management style, and organizational structure would shift (Scott & Bruce, 1987).

Hall (2004) has it that although growth can be measured about sales, high growth firms tend to have higher debt ratios mainly from borrowing because of the inadequate internally generated funds. For such firms, they need more external financing for their growth although they have the prospects including goodwill to bank concerning the firm's ability to defray its loan obligation (Barton & Hewitt 1989; Titman & Wessels, 1988; Kester, 1986). Operational output measures revenue and market share growth, and it offers a broad concept of success since it focuses on the factors that eventually contribute to financial success. The most used efficiency proxies were the gross profit margin, net profit margin, and operating ratios (Munyuny, 2013).

Equity financing and small business growth

Some market surveys have established finance as one of the key factors determining small business sustainability and growth in both developing and developed countries, and such research was here to stay (World Bank, 2019). Onyeiwu, Muoneke and Nkoyo (2020) had it that, the lack of resources limits small businesses' ability to resolve macroeconomic problems, and the failure to raise sufficient funds from financial institutions was a major obstacle. Small businesses' ability to access funds remains a topic of concern to business owners, analysts, government parastatals, commercial banks, and trade associations, to name a few.

Financial constraints have been described as having the most direct and significant impact on firm growth, and Ghanaian firms were no exception (Beck & Cull 2014; Ayyagari, Demirguc-Kunt & Maksimovic 2008; Beck,

Demirguc-Kunt & Maksimovic 2006; Quartey 2003). Even though Africa's financial system was underdeveloped, research has shown that it was crucial to the continent's economic growth (Beck & Cull 2014; Levine 2005). Turkson (2010) claimed that the growth of informal small businesses laid the groundwork for self-sufficient indigenous industrial production as well as a forum for indigenous entrepreneurship development (Yankson, 1985). Indeed, if Ghana is to meet its medium-term goals of increasing jobs, boosting economic development, and reducing poverty, it will have to unpack the factors that are currently impeding the growth of such businesses (Turkson, Amissa & Gyeke-Dako, 2020).

Studies on the significance of capital structure on venture performance or growth have been conducted both locally and globally. In a study of the relationship between capital structure and profitability of industrial Jordan businesses, Shubita and Alsawalhah (2012) discovered that firms with high profits rely heavily on equity as their primary source of funding. Kihinde (2012) investigated the relationship between small business capital structure mix and overall firm performance in Nigeria and discovered that most small businesses use an all-equity financing scheme with less debt financing than equity financing. It was also discovered that the capital structure combination has a direct effect on small business earnings sustainability and success.

Njagi et al., 2017 concluded that Equity financing had a favorable relationship with small business financial performance, according to their report, friendship contributions were preferred by small businesses. This was because entrepreneurs tend to share risks with less risk-averse partners while preventing any unwanted ownership changes. However, entrepreneurs in

Embu town have not yet accepted angel investors. This was because most companies were sole proprietorships, which were owned and run by the owners. Furthermore, friendship contributions and gains ploughed back have little to no financial impact on small businesses. Small companies should consider angel investors as equity financiers, according to the study, because they provide start-up capital.

Small businesses in Ghana have been rewarded for pursuing their growth agenda by both internal and external financing sources, especially after the Financial Sector Adjustment Programme was introduced (Osei, 2013). However, the literature on these financing sources has been inconsistent in terms of their effect on small business development, with some studies reporting mixed and often contradictory results. Furthermore, recent studies in Ghana have thoroughly reviewed the literature on finance and small business growth, as well as the relations between the two (Osei, 2013; Abor & Quartey, 2010).

Measurement of Growth

One significant metric that offers useful means of describing and evaluating business growth is the use of accounting measurements of profitability, assessments of variables like earnings, sales growth, revenues, and return on investment (Arshad et al., 2014; Santos & Brito, 2012; Rauch et al., 2009; Rowe & Morrow, 2009; Johansson et al., 2008). Indicators of growth are frequently used to assess how well businesses are performing financially and shows a firm's prior capacity to expand its size. Even at the same level of profitability, growing in size will boost absolute profit and cash

flow. Additionally, greater growth can result in economies of scale and market dominance, boosting future profitability (Santos & Brito, 2012).

However, the use of financial performance alone to convey business growth has received much criticism as being insufficient for the efficient management of enterprises, particularly in the present-day markets that are rapidly changing and competitive (Emeakponuzo, 2014; Kennerley & Neely, 2003). This is especially true now that businesses must meet rising expectations from a wide range of stakeholders (Emeakponuzo, 2014). Financial measures are frequently criticised for not giving the full picture and giving little insight into how growth is achieved or can be improved (Kennerley & Neely, 2003). As a result, it is viewed as being of little value because it conceals aspects that are responsible for long-term success and the maximisation of shareholder capital.

According to Rowe and Morrow (2009), the approach frequently undervalues intangible assets. According to this reasoning, changes in non-financial elements frequently have an impact on financial growth and performance (Kaplan & Norton, 1996). Leading indicators for future growth that are not always included in typical accounting measurements are non-financial measures (Emeakponuzo, 2014; Hofmann, 2001). Non-financial growth places more of an emphasis on a company's long-term success. Many firms today employ a combination of financial and non-financial indicators to assess their success due to increased levels of globalisation, fierce rivalry, and technology advancements (Attiea et al., 2014). This approach is frequently known as the balanced scorecards approach (Kaplan & Norton, 1996).

The utilisation of a balanced combination of financial and nonfinancial measurements, according to Attiea et al. (2014), can act as a focal point that helps an organisation to identify and express its priorities to various groups of stakeholders. Growth in this study was measured over the lifespan of the enterprises looking at both financial and non-financial measures. Financial measurement of growth objectively based on profit, sales, and return on assets records as non-financial measurement based on lifestyle, job security and independence records.

Conceptual Framework

The fundamental idea behind conceptual system design was to logically combine all relevant aspects of a description to come up with a process that could provide the best possible explanation for the problem at hand (Brown, Renwick, & Raphael, 1995). The most influential determinants of small business growth have been identified as internal and external sources of equity finance. According to Young (2009), a conceptual structure is a diagrammatical representation of a study's relationship between dependent and independent variables. This study had equity financing options as its independent variable and venture growth as the dependent variable.

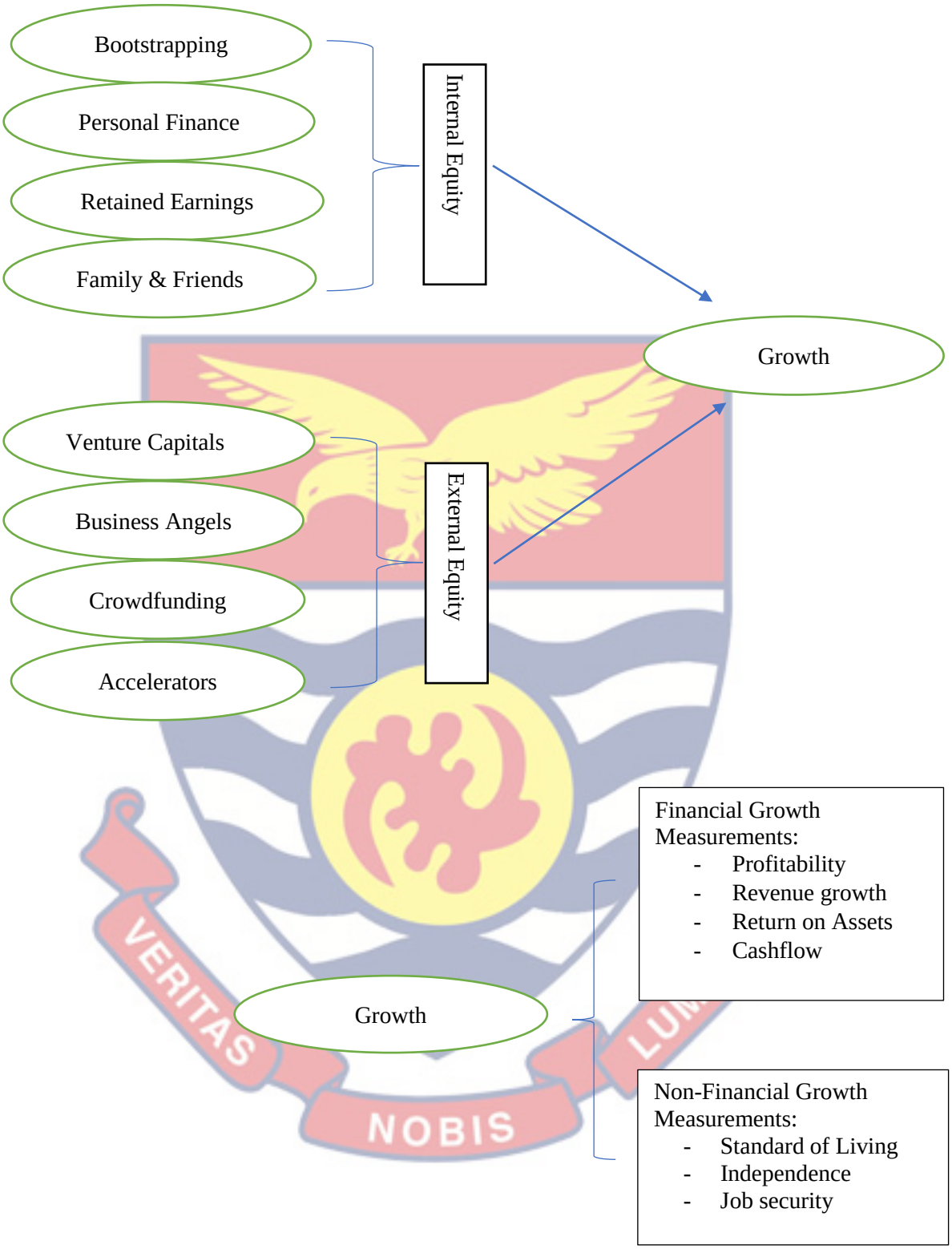

Figure 2: Conceptual Framework

Source: Author's Construct (2021)

Chapter Summary

This section offered the literature review of this research. This study's literature review was structured under four headings, namely theoretical review, conceptual review, empirical review, and conceptual framework. The theoretical review explained the theoretical foundation of this study. The conceptual review defined and explained the variables used in the context of this study. The chapter spelt out its dependent, independent and control variables and finally presented its conceptual framework, which showed how the various variables used in this study are linked.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter explained the research philosophy, population, sampling and sampling technique, description of the structural equation model as well as the measurement of variables used in the model, and finally data processing, and ethical consideration. The chapter ended with a chapter summary.

Research Philosophy

A Research philosophy refers to the belief about how a phenomenon's data should be gathered, analyzed, and used (Jackson, 2013). Fundamentally, what constitutes acceptable knowledge in a field becomes the question to seek answers to, as such, Ihuah and Eaton (2013) suggested that the main research philosophies included: positivism, epistemology, and constructivist. The positivist philosophy has been a guide for social science researchers. Quantitative research approaches are those that rely on numbers to interpret results (Kowalczyk, 2016) where experiments and quasi-experiments are used in the study, with the obtained data being statistical (Creswell, 2003; Maxwell & Delaney, 2004). The technique defined by Maxwell and Delaney (2004) has been suggested to be followed in a good quantitative method study where near ended questions are used, and the researcher is not a part of the test instruments. This empirical approach, supported by "positivists" has thus been referred to as the "scientific method" and in the social sciences, such a research approach was used to test theories. (Creswell, 2003).

Positivism philosophy ultimately seeks facts about a social phenomenon without the subjective status of an individual (Ihuah & Eaton,

2013), in that, reality exist external to the researcher and must be investigated through the rigorous process of scientific enquiry even as the world is viewed as being independent of our knowledge of it. The study adopted the positivist philosophy which emphasises an objective interpretation of reality using hard data from surveys that are structured, formal, and have a specific and detailed plan (Antwi & Hamza, 2015). Data collection with this philosophy focused on gathering hard data evidence in quantitative form explaining in quantitative terms how variables interact, shape events and cause outcomes even as the research and researcher are independent of one another (Ihuah & Eaton, 2013).

Research Design

Kombo and Tromp (2006) likened research design to a glue that bonds all components of the research together. A research design is appropriate for answering questions on the current situation (Stangor, 2011). According to Akhtar (2016), explanatory research design had a goal of investigating or exploring a new world that has not been investigated before. As such, it is primarily concerned with the causes or the "why" component of an event and does not include comparisons or changing considerations. Explanatory research design is frequently used to establish an issue for a specific investigation or to formulate research questions.

In an explanatory study, the hypothesis indicates the relationship between two or more variables, i.e., not just that A is related to B, but that A has a specific effect on B. in addition, the explanatory investigation is always accompanied by a set of concepts that direct the researcher's quest for data (Akhtar, 2016). An Explanatory research design was used for this study as it

sought to evaluate the specific effect equity options (both internal and external) had on growth.

Study Area

The research was conducted in Ghana's capital, Greater Accra Region, primarily in the Accra Metropolis, which, according to the Ghana Statistical Service, was the country's most developed region. According to Kasinitz (1995), metropolis was initially a term used to define the relationship existing between various settlements and a particular city (the metropolis) or a particular type of city that serves as a reference point for a global urban system or even "a centre and symbol of times". In Ghana, the Greater Accra region whose capital is Accra (also the capital for the country) is the most urbanized region having 87.4% of the population residing in urban centres (Songsore, 2016).

The Metropolis was established in 1898 by the Local Government Act of 1993 (Act 462) and Legislative Instrument 1615, which established six (6) Sub-Metropolitan District Councils, but the metropolis was modified with L.I. 1615 in 2012. The La Dadekotopon Municipal Area was established in the year 2014. Ten sub-metropolitan district councils, 72 communities, and 76 electoral areas make up the metropolis. According to the 2021 Population and Housing Census, the Greater Accra region had a population of about 5,455,692 with 2,679,063 being males and 2,776,629 being females. The region accounted for 17.7 percent of the population having 49.1 males and 50.9 females. The region occupies a total land area of 3,245 square kilometers with population density around 1,681.3 persons per square kilometers. It also

has 1,702,160 households and 71,424 non-household population and 5,384,268 3.2 household population.

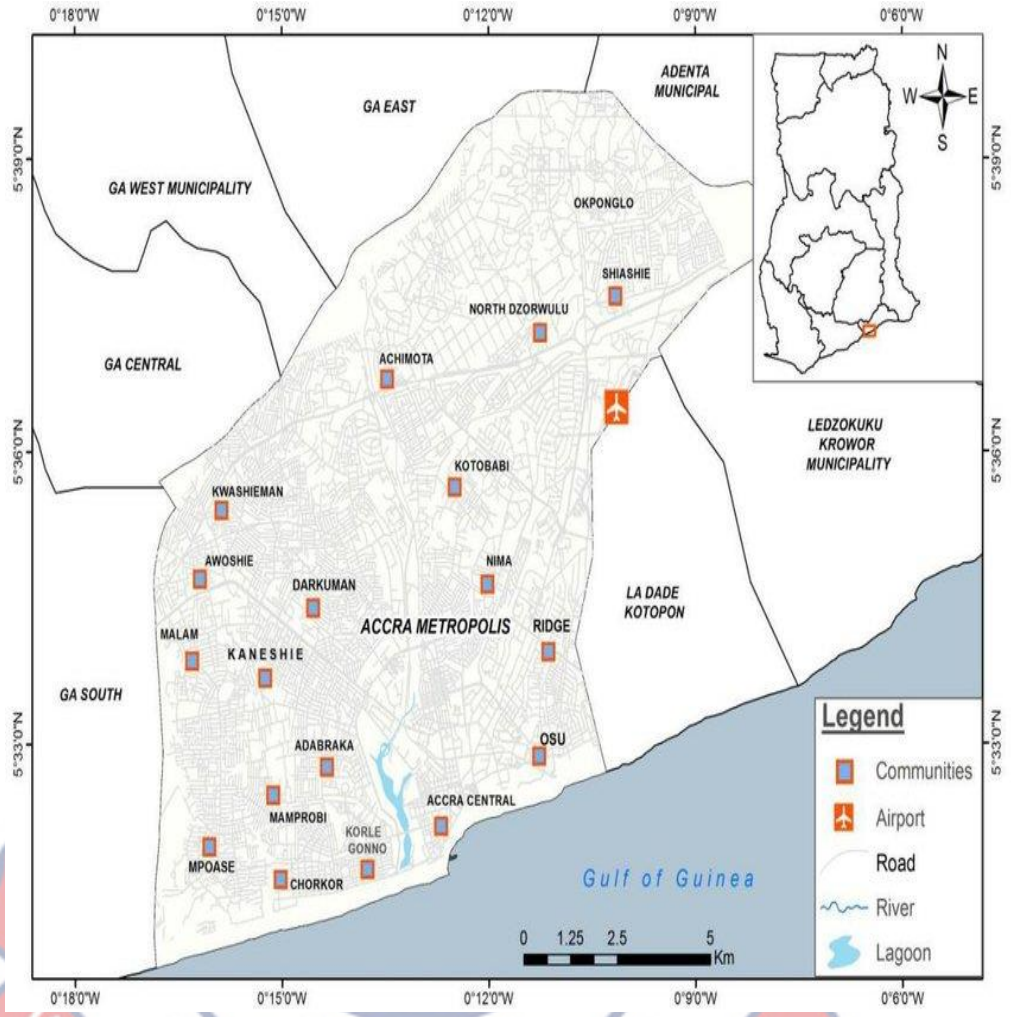

Figure 3: Map of Accra Metropolis
Source: Accra Metropolitan Assembly

Population

A population is made up of all persons, events, or artefacts that share similar observable characteristics (Kombo & Tromp, 2006). The database made available for the study's data collection by the Ghana Enterprise Agency in February 2021, for formally registered small businesses in the Greater Accra Metropolis was 257.

Sampling Procedure

The study did not sample the 257 small businesses provided by the GEA for the study's data collection. The study instead used all the 257 small businesses for its data collection. This was much appropriate as sampling the limited number would not give a number statistically sound for a higher degree research work. The targeted respondents are all small business owners/managers provided by GEA as they possess critical knowledge about the company's growth and financial resources and management information. GPower, which conducts statistical power analyses with high precision for the most popular statistical measures used in behavioural science, such as t-tests, F tests, and X2 tests, was also used to check and validate the statistical power for 257 population (Faul, Erdfelder & Lang, 2007).

Data Collection Instrument

Designing, creating, pilot testing, validation, and compilation of the final instrument are the stages data collection instruments go through. According to Mugenda and Mugenda (2003), questionnaires enable researchers to collect a wider range of data at a lower cost. For this study, self-administered questionnaires were used for data collection. The self-administered questionnaires had 47 questions, comprising of six sections (A, B, C, D, E, F). Section A solicited five responses relating to the demographic characteristics of participating small businesses using closed-ended questions and a few open-ended questions when necessary. Section B solicited ten information on the personal details of owners/managers, who had a blend of open and closed-ended questions and one question using a Five-Point Likert

scale where: 1=Not at All Important, 2=Somewhat Important, 3=Moderately Important 4=Important, 5=Very Important.

Section C had a blend of eleven closed and open-ended questions on the Financing Options of small businesses participating. Section D had six questions on the Internal Equity Financing Options on Growth, with a blend of open and closed-ended questions and four Five-Point Likert scaled questions measuring the importance of the internal equity options on growth of small businesses. Section E had six questions: two closed-ended questionnaires and open-ended questionnaires and four Five-Point Likert Scale questions measuring the importance of External Equity Financing on Growth of small businesses. Finally, Section F had five questions with one being a Five-Point Likert scale question measuring the degree of satisfaction of Growth of participating small businesses and four closed-ended questions also on their growth.

Validity is a measure of how well the findings of data analysis reflect the phenomenon being studied, and its rational is to ensure that the test instruments are measuring what they are intended to measure whereas reliability on the other hand looks at the degree to which a research instrument produces the same results after repeated trials (Mugenda & Mugenda, 2003; Chimaleni et al., 2015). First and foremost, the researcher went through the questionnaire with the supervisor and the pilot tested it to increase the reliability and validity of the questionnaire. The pilot test included the testing the study's research tool. Generally, successful pilot study uses 1% to 10% of the study sample size (Mugenda & Mugenda, 2003). As such, the questionnaire upon finalization was pre-tested on registered small businesses

in Cape Coast which had similar characteristics to the actual participants in the Accra Metropolis.

The study's questionnaires were pre-tested with a sample of 13 respondents, making up 5% of the total sample of 257, to identify potential issues such as instrument consistency, correct terminology, and appropriateness of the language used in the data collection methods. This informed some changes to the content and analysis of the questionnaire such as simplifying the language, taking out ambiguous and unnecessary questions which helped reduce the number of questions and bulkiness of the questionnaire and most importantly to check how well the analysis was to be run using the analytical tools the study intended to use. Having made the necessary changes, the questionnaires were updated for actual data collection. The respondents who took part in the pilot study were not included in the main study. This allowed the researcher to make very insightful observations.

Data Collection Procedure

The method of collecting data to prove evidence is known as data collection (Kombo & Tromp, 2006). Data collection began when the university provided an introduction letter approving data collection, which facilitated access to small business databases as well as the businesses of owners-managers. Ethical clearance was sought and received from the Institutional Review Board which is mandated to safeguard the dignity and rights of research respondents as well as determine the suitability of research studies and take remedial actions on allegations of misconduct by investigators in the university.

Voluntary involvement, the right to privacy, anonymity and security of information are these main ethical problems. As such, all efforts were aimed at ensuring that the questionnaire design solved all these ethical problems. Regarding voluntary participation, every respondent of his/her own free will was permitted to participate in the data collection exercise. In addition, the potential concerns of the right to privacy were resolved by encouraging respondents to answer the questionnaires on their own and with an acceptable medium communicated to resolve unanswered questions.

Furthermore, the issue of anonymity was resolved by preventing respondents from supplying the questionnaire with specific details about themselves about names, contact numbers and personal addresses. Respondents were also guaranteed that none of their identities would be leaked to or used for any reason other than this study in the public domain. Finally, by assuring respondents that all information given was to be kept confidential, the study ensured the confidentiality of information. Questionnaires were dropped and picked up a week later to afford respondents enough time to reason their responses thoroughly. The drop and later pick method essentially allowed data collection from a large representative sample of small businesses (Chimaleni, Muganda & Musiega, 2015).

Before the submission of questionnaires to the respondent, informed consent was sort from respondents via phone call to seek their acceptance to participate. This was done at least a day or two before sending them the questionnaire in person. The respondents of the study provided by the authorizing body were literate and could mostly read and write in English as such, there was no required interpreter. However, questionnaires were

explained to them, and the contact of the researcher was given to them so they could reach the researcher in case there was the need for further clarification as they filled the questionnaire.

A total of 257 self-administered questionnaires were given to the small business owner-managers authorized by the GEA for the study. Out of these 257 questionnaires distributed, 218 completed questionnaires were received which is a representation of about 85 percent response rate. Edwards, Clarke and Kwan (2012) recommended an 80 percent response rate for a good study which the study met.

Data Processing and Analysis

Data analysis is the process of examining data obtained in a survey or experiment to draw conclusions and inferences (Kombo & Tromp, 2006). According to Mugenda and Mugenda (2003), raw data is difficult to interpret unless it is washed, coded, and analyzed. The study made use of the Structural Equation Model software specifically the use of the Partial Least Square (SMART PLS 3.2.8). The SMART PLS application is well noted for modelling in marketing-oriented studies (Hair, Black, Babin, & Anderson 2018; Jung & Park, 2018), and particularly for estimating hypothesized model (Ahrholdt, Gudergan, & Ringle 2019; Ringle, Wende & Becker, 2015) as well as for handling complex predictive-models (Hair, Harrison & Risher 2018).

SMART PLS 3.2.8 was used for data processing although coding and data entry (data preparation) was done with the Statistical Package for Social Sciences (SPSS version 25.0). The prepared data file was then converted into "comma-delimited" format "CSV" before the final file was imported into the SMART PLS application for the model configuration (Browne, O'Reilly,

Hutchinson & Krdzavac, 2019; Kumar & Kumar Baradiya, 2019; Lew, Lau & Leow, 2019).

Partial Least Square (Structural Equation Modelling) Analysis

When using PLS-SEM, researchers must go through a multi-stage procedure that includes defining the inner and outer models, collecting, and examining data, estimating the model, and evaluating the results. Hair, Sarstedt, Hopkins and Kuppelwieser (2014) gave a thorough overview of each level of PLS-SEM application. The inner model, also known as the structural model, depicts the links between the constructions under consideration. The outer models, also known as measurement models, are used to assess the links between the indicator variables and the constructs they correspond to. According to Hair et al. (2014), creating a route that connects variables and constructs should be based on theory and logic which is the first stage in applying Structural Equation Modelling (SEM). Exogenous constructs behave as independent variables and do not have an arrow pointing towards them and endogenous constructs are explained by other constructs.

However, the SEM method can only handle models with no circular relationships between the constructs in its most basic version. The next step is to specify the outer models which necessitate numerous options like employing a multi-item or single-item scale after the core model has been created (Diamantopoulos, Sarstedt, Fuchs, Wilczynski & Kaiser 2012; Sarstedt & Wilczynski, 2012). The validity and reliability of the outside models are critical since the relationships hypothesized in the inner model are only as good as the outer models.

Reflective indicators are a representative set of all potential elements within a construct's conceptual scope which are interchangeable, highly correlated, and may be eliminated from the construct without changing its meaning (Diamantopoulos & Winklhofer, 2001). Loadings, which are bivariate correlations between the indicator and the construct, are used to link reflective indicators to a construct. The reliability and validity of reflective outer models are to be checked when evaluating them. The first stage is to assess the construct measurements' internal consistency dependability using composite reliability.

Composite reliability, rather than Cronbach's alpha (Cronbach & Meehl, 1955), is a more relevant measure of internal consistency reliability for at least two reasons. To begin with, unlike Cronbach's alpha, composite reliability does not assume that all indicator loadings in the population are equal, which is consistent with the SEM algorithm's operating premise of prioritizing indicators based on their individual reliabilities during model estimation. Second, Cronbach's alpha is sensitive to the number of items on the scale and overestimates internal consistency dependability in general. SEM may accept varied indicator reliabilities (i.e., variances in indicator loadings) by employing composite reliability, while also avoiding the underestimate associated with Cronbach's alpha.

The examination of validity is the second step in analyzing reflective indicators. The convergent and discriminant validity of a construct was used to assess its validity. When each item's outer loadings exceed 0.70 and each construct's Average Variance Extracted (AVE) is 0.50 or above, convergent validity is supported. The AVE is the grand mean value of the squared

loadings of a set of indicators and is comparable to a construct's commonality (Hair et al., 2014). Simply put, an AVE of 0.50 indicates that the construct explains more than half of the variation of its indicators.

The extent to which the construct is empirically distinct from other constructs, or, in other words, the construct measures what it is designed to measure, is known as discriminant validity. The Fornell and Larcker (1981) criterion is one approach for determining if discriminant validity exists. The construct shares more variance with its indicators than any other construct, according to this technique. To verify this, each construct's AVE must be greater than the highest squared correlation with any other construct. Examining the cross-loadings of the indicators is the second technique for ensuring discriminant validity.

The loadings of each indicator on its construct must be higher than the cross-loadings on other constructs under this method, which is frequently considered more liberal (Henseler, Ringle & Sinkovics, 2009). Evaluation of the internal model. After the outer models' reliability and validity have been verified, additional procedures must be followed to evaluate the inner model's hypothesized links. PLS-SEM uses sample data to find parameters that best predict endogenous components, rather than estimating parameters that minimize the difference between the observed sample covariance matrix and the model's estimated covariance matrix. As a result, PLS-SEM lacks a standard goodness-of-fit statistic, and previous attempts to develop one have proven to be extremely difficult (Henseler & Sarstedt, 2013). Instead, the model's ability to predict endogenous constructs is used to determine its quality.

The coefficient of determination (R^2), cross-validated redundancy (Q^2), path coefficients, and effect size (f^2) are all useful metrics for this examination. The researcher must first check the inner model for potential collinearity difficulties before proceeding since the inner model estimates are based on a series of regression analyses and their values and significance might be skewed if the constructs are highly correlated for a discussion and demonstration (Hair et al., 2014).

The coefficient of determination (R^2) is a metric for how well a model predicts the future and can also be thought of as the exogenous variable's combined effect on the endogenous variable (s). This effect has a range of 0 to 1, with 1 signifying total prediction accuracy. However, scholars must rely on a "rough" rule of thumb to determine what degree of predictive accuracy is acceptable, with 0.75, 0.50, and 0.25 characterizing considerable, moderate, and weak levels of predictive accuracy, respectively (Hair, Ringle & Sarstedt, 2011; Henseler et al., 2009). Though R^2 is a useful tool for evaluating the quality of a PLS model, relying on it too much can however be hazardous as it may lead to the researcher adopting a less efficient model. The adjusted R^2 should be used to make model decisions, as it penalizes rising model complexity by lowering the (adjusted) R^2 as more constructs are added to the model.

The Q^2 is a metric for determining the predictive accuracy of the inner model. The measure is based on the sample re-use method, which omits a portion of the data matrix, guesses the model parameters, then forecasts the omitted part using the estimations. The smaller the difference between anticipated and original values, the higher Q^2 and consequently the predictive

accuracy of the model. A Q^2 value greater than zero for an endogenous construct suggests that the path model's predictive significance for that construct is greater than zero. However, while comparing the Q^2 value to zero indicates whether an endogenous construct can be anticipated, it says nothing about the quality of the prediction (Rigdon, 2014; Sarstedt, Ringle, Smith Reams & Hair, 2014).

The route coefficients, which indicate the hypothesized links linking the constructs, are estimated when a PLS model is run. The values of path coefficients are standardized on a scale of 21 to 1, with coefficients closer to 1 denoting strong positive associations and coefficients closer to 21 denoting strong negative relationships. Although values near 1 or 21 are usually always statistically significant, to test for significance, a standard error must be determined via bootstrapping (Helm et al., 2009). Many research, according to Hair et al. (2014), skip this stage and rely solely on the importance of impacts. If this crucial stage is skipped, researchers may focus on a relationship that, while relevant, isn't significant enough to warrant managerial attention.

The size of the effect (f^2) by Cohen can be used to calculate the effect size for each path model. When a certain construct is removed from the model, the f^2 is calculated by noting the change in R^2. The researcher must estimate two PLS path models to determine the f^2. The whole model, as stated by the hypotheses, should be the first path model, providing the R^2 of the full model and the second model identical to the first except that one exogenous construct should be removed from the equation, providing the reduced model's R^2. The effect size of the omitted construct for a certain endogenous construct can be calculated using the f^2 value, with 0.02, 0.15, and 0.35 representing modest,

medium, and large effects, respectively (Cohen, 1988). If an exogenous construct makes a significant contribution to explaining an endogenous construct, the difference between R^2 included and R^2 excluded will be large, resulting in a large f^2 value. f^2 is calculated as:

$$F^2 = \frac{R^2\text{included} - R^2\text{excluded}}{1 - R^2\text{included}}$$

When evaluating PLS path models, variations arising from unobserved variability can prevent the model from being accurately estimated. Researchers must use complementary strategies for response-based segmentation (latent class procedures) that allow them to identify and treat unobserved heterogeneity because they never know if it is generating estimation issues. A variety of latent class strategies have recently been proposed, including finite mixture (Sarstedt et al., 2011; Hahn, Johnson, Herrmann & Huber, 2002), genetic algorithm (Ringle et al., 2013), and hill-climbing v early overview of latent class methods. Recent research has urged for the routine deployment of latent class strategies for evaluating PLS path models considering the significant biases that come from overlooking unobserved heterogeneity (Rigdon, Ringle, Sarstedt & Gudergan, 2011; Ringle, Sarstedt & Mooi, 2010; Sarstedt and Ringle, 2010).

Chapter Summary

The chapter looked at the research methodology, which was organized under research design, study area, population, sampling procedures, data collection instruments and procedures, as well as data processing and analysis, structural equation modelling measure model and ethical considerations.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

Results obtained from the field survey were reviewed and discussed in this chapter. It included both descriptive statistical outcomes and the regression analysis carried out to explain the effect of internal and external equity on small business growth. The chapter ended with a chapter summary.

Characteristics of Small Business

The results of the field survey showed that sole proprietorship was the major registered form of business ownership representing about 76 percent of registered businesses of respondents. About 71 percent of the businesses had one to five employees, with family members constituting about 60 percent of the employees. Regarding the number of years that the respondent had been operating their businesses 54 percent indicated that they had been operating for less than five years, 39 percent had been operating for five to ten years even as seven percent had been operating for more than 10 years. Table 4 contains the respondent businesses' form of business ownership, number of employees, type of employees and age of business.

Table 4: Characteristics of Small Businesses

Business Characteristics	Frequency	Percentage
Form of Business Ownership		
Sole Proprietorship	169	77.5
Partnership	20	9.2
Company	29	13.3
Total	**218**	**100.0**
Number of Employees		
1-5	155	71.1
6-30	60	27.5
31-100	3	1.4
Total	**218**	**100.0**
Type of Employees		
Family	130	59.6
Apprentice/ Trainee	76	34.9
Hired	12	5.5
Total	**218**	**100.0**
Age of Business		
Below 5yrs	117	53.7
5-10yrs	85	39.0
beyond 10yrs	16	7.3
Total	**218**	**100.0**

Source: Field Survey (2021)

The results of the field survey were in line with Ministry of Trade and Industry (2019) which had it that small businesses were predominantly

registered as Sole Proprietorships, which make up more than half of small businesses per their information from the Registrar General. Service-related activities were concentrated in urban and peri-urban areas, whereas manufacturing was concentrated in rural and urban areas. This was equally emphasized in Ghana banking survey (2013), that in urban areas like Accra, small businesses were mostly found in the service sector, specifically hotels, restaurants, transportation and storage, industry, and real estate.

The economic activities of respondents as shown in Figure 4 was in line with the aforementioned, service-based activities which included retailing was the topmost business activity accounting for 20 percent of respondent business activities. This was followed by manufacturing especially in the form of agro and food processing which had a percentage of 15 and 13 respectively.

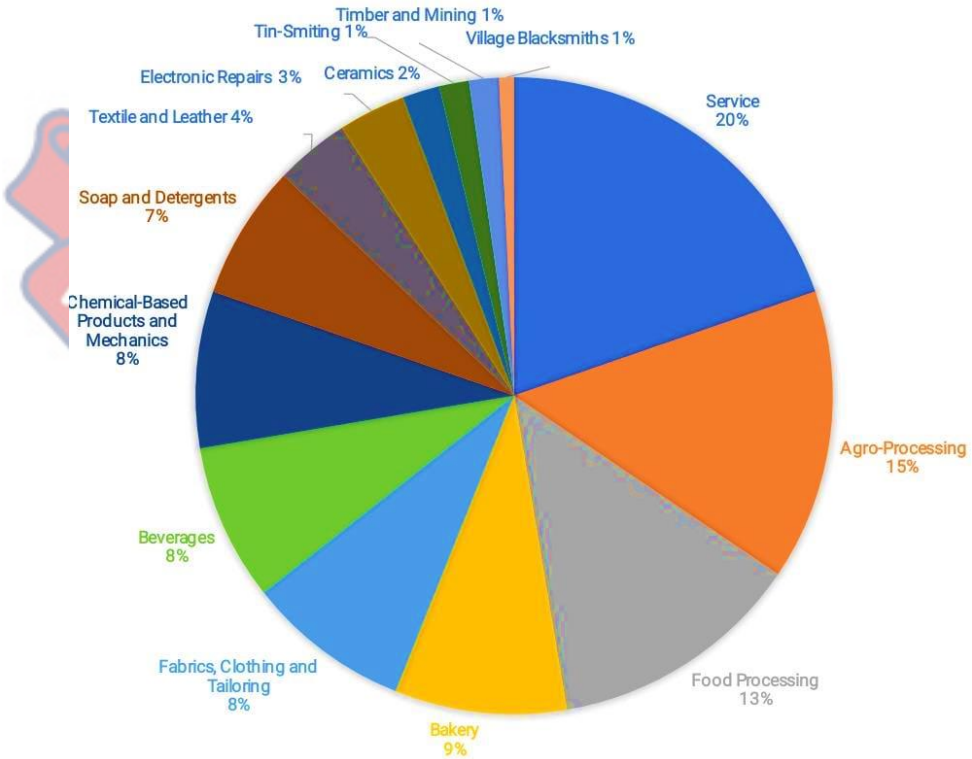

Figure 4: Economic Activities of Small Businesses

Source: Field Survey (2021)

Characteristics of Owner(s)/Manager(s)

The characteristics of respondents were summarized in Table 5. Out of 218 respondents, 114 were females (representing 52 percent of total responses). Also, about 34 percent of respondents (73 out of 218) were aged between 40 and 49 with the others falling between 30 to 39 (about 32%), 20 to 29 (23%), and 50 to 59 (11%), with less than a percentage above 59 years. In addition to the above characteristics, the number of respondents who were married accounted for 53 percent of the total respondents. With regards to the highest level of education, about 45 percent had received tertiary education, however, seven out of the 218 respondents had received no education. Also, about 61 percent of respondents had no formal business or financial education and out of this number, 102 respondents had not sought any financial or business training to fill in their business/financial education deficit. Finally, 61 percent of respondents had below five years of experience before starting or running their current business.

Table 5: Characteristics of Owners/Managers

Characteristic	Frequency	Percentage
Sex of Owners/Managers		
Male	104	47.7
Female	114	52.3
Total	**218**	**100.0**
Age of Small Business Owners/Managers		
20-29yrs	51	23.4
30-39yrs	69	31.7
40-49yrs	73	33.5
50-59yrs	24	11.0
above 59yrs	1	.5
Total	**218**	**100.0**
Marital Status		
Single	81	37.2
Married	116	53.2
Divorced	13	6.0
Widowed	8	3.7
Total	**218**	**100.0**
Highest Level of Education		
No education	7	3.2
Junior High School	29	13.3
Senior High/Technical/Vocational	82	37.6
Tertiary	97	44.5
Other	3	1.4
Total	**218**	**100.0**
Had Formal Business/Finance Education		
Yes	86	39.4
No	132	60.6
Total	**218**	**100.0**
Sought Formal Training in Finance		
Yes	30	22.7
No	102	77.3
Total	**132**	**100**
Years of Experience		
Below 5yrs	133	61.0
5-10yrs	74	33.9
beyond 10yrs	11	5.0
Total	**218**	**100.0**

Source: Field Survey (2021)

The owners/managers financial and non-financial motives for running their businesses were tabulated in Table 6. Financial motives included

profitability, revenue growth, return on assets, and cashflow, whereas, non-financial motives included lifestyle, independence, job security, business stability, income to look after family, job creation, and contributing to community development. The top six motives from the field survey were business stability with a mean of 4.38, followed by the desire for independence (4.37), profit (4.37), job security (4.35), generation of revenue (4.34), and employment (4.34).

Table 6: Motives for Running the Business

Motive	N	Mean	Std. Deviation
Profit	218	4.372	.8058
Revenue	218	4.344	.7893
Assets returns	218	4.229	.8813
Cashflow	218	4.124	.9048
Standard of Living	218	4.321	.8301
Independence	218	4.367	.8221
Job Security	218	4.353	.8197
Business Stability	218	4.381	.8015
Income Motive	218	4.298	.8523
Employment	218	4.335	.8494
Community Development	218	4.326	.8848

Source: Field Survey (2021)

Financing Options of Small Businesses

In comparing the financing options of small businesses used in the study, it was noticeable that at startup, personal savings were heavily used representing 51 percent of startup finance of respondents, followed by family and friends (about 20%) and then bank loan/overdraft (10%). This suggested that equity makes up 77 percent of small businesses start up (see Table 7). The respondents were asked about their current financing options. Personal

saving accounted for 41 percent, whereas, retained earnings/plough back profit and family and friends constituted 33 percent and 19 percent respectively. Furthermore, 65 percent of respondents had more than 50 percent of total finance as equity.

Table 7: Financing Options at Start and Currently used

At Start	Frequency	Percentage	Currently Used	Frequency	Percentage
Business Financing			*Equity as a Percentage of Total Finance*		
Debt	20	9.2	Below 50%	38	17.43
Equity	168	77.1	50%	38	17.43
Both Debt & Equity	30	13.8	above 50%	142	65.14
Total	**218**	**100.0**	**Total**	**218**	**100**
Sources of Finance			*Sources of Finance*		
Accelerators	4	1.14	Accelerators	5	1.11
Angel financing	2	0.57	Angel financing	5	1.11
Bank loan/ Overdraft	36	10.26	Bank loan	2	0.45
Board members/Partners	12	3.42	Crowdfunding	3	0.67
Crowdfunding	4	1.14	Family and friends	86	19.15
Family and friends	70	19.94	Issue of Share	13	2.90
Leasing	14	3.99	Personal saving	183	40.76
Personal saving	180	51.28	Retained earnings/ Plough back profit	150	33.41
Trade credit	23	6.55	Venture capital	2	0.45
Venture capital	6	1.71	**Total**	**449**	**100**
Total	**351**	**100**			

Source: Field Survey (2021)

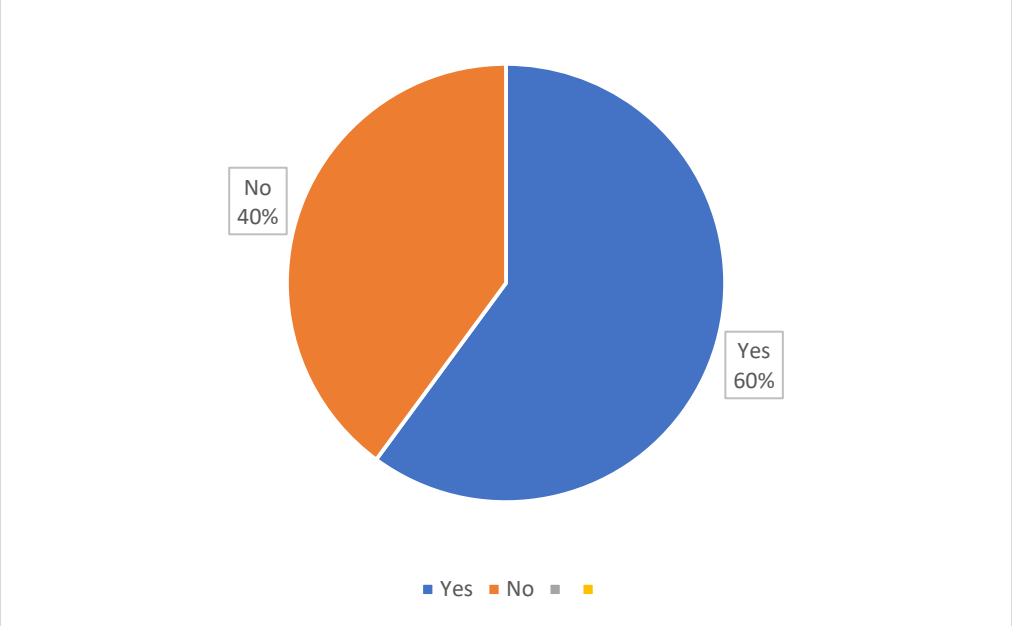

Figure 5: Seeking of Additional Finance

Source: Field Survey (2021)

When asked if respondent businesses had ever sought additional funds, 60 percent said yes. The additional funds sought were from banks (about 26%), and family and friends (about 22%). In addition, respondents mentioned that the reasons for seeking additional finance were to increase the level of current assets (about 29%), prevent liquidity problems (26%) and purchase non-current (fixed) assets (22%). Some problems encountered in seeking additional funds included high-interest rates (15%), high fees and charges (12%), and too much paperwork requirement (11%). In addition, reasons such as lack of collateral and not meeting requirement (29%), poor quality financial information (about 15%), and being a new business start-up (about 12%) was noted for rejected additional funding applications by respondents, although about 15 percent were given no reasons for their rejection. The above mentioned are all shown in Table 8.

Table 8: Additional Financing

Detail	Frequency	Percentage
Sources of Additional Finance Sought		
Accelerators	3	1.2
Angel financing	6	2.4
Bank loan/ Overdraft	64	25.6
Board members/Partners	15	6
Crowdfunding	2	0.8
Family and friends	29	11.6
Family/Friend Lending	54	21.6
Other	4	1.6
Personal saving	23	9.2
Trade credit	40	16
Trade credit;	1	0.4
Venture capital	9	3.6
Total	**250**	**100**
Purpose of Seeking Additional Finance		
Increase the level of current assets	53	28.65
Other	2	1.08
Personal use	12	6.49
Prevent liquidity problem	49	26.49
Purchase non-current (fixed) assets	40	21.62
Purchase raw materials	2	1.08
Re-finance current loan	6	3.24
Replace existing assets	21	11.35
Total	**185**	**100.00**
Problems Encountered Seeking Additional Finance		
Banks are not interested in small businesses	20	7.12
Complex application and processing procedures	24	8.54
High collateral requirement	1	0.36
High collateral requirements	25	8.90
High costs of accessing outside equity	15	5.34
High fees and charge	33	11.74
High-interest rates	42	14.95
Lack of access to equity capital	15	5.34
Lack of understanding of the various sources of capital available	9	3.20
None	45	16.01
Time to get loan is too long	22	7.83
Too much paperwork requirement	30	10.68
Total	**281**	**100**
Reasons for Rejected Additional Finance Application		
Insufficient information	2	1.96
Lack of collateral Do not meet requirement	30	29.41
Lack of experience	6	5.88
New business start-up	12	11.76
No business plan	6	5.88
No reason given	15	14.71
Poor business performance	8	7.84
Poor credit record	1	0.98
Poor prospects for management	7	6.86
Poor quality financial information	15	14.71
Total	**102**	**100.00**

Source: Field Survey (2021)

Out of the 40 percent of respondents who had never sought additional funding, they perceived that cost of capital was high (about 26%), the seeking process was complicated (24%), time to raise capital was long (about 24%) and wanted to keep their business small (about 22%). The reasons for never seeking additional finance were presented in Table 9.

Table 9: Reasons for Never Seeking Additional Finance

Reasons	Frequency	Percentage
Assume my application would be denied	11	2.87
Business is not growing	3	0.78
Cost of capital is high	98	25.59
Do not have information about sources of finance	1	0.26
Seeking process is complicated	93	24.28
Time to raise capital is long	91	23.76
Would like to keep business small	84	21.93
Would like to maintain control of the business and stay Independent	2	0.52
Total	**383**	**100**

Source: Field Survey (2021)

Respondents, when asked about their preference between internal and external equity, majority representing 82 percent preferred internal over external equity although 18 percent said otherwise.

Partial Least Square Analysis of Results

In analyzing the estimate parameters for the measurement and structural model, the Partial Least Square was used. The structural model explained the hypothesized relationships existing between the theoretical constructs; internal equity (which encompassed bootstrapping, personal savings, retained earnings, and family and friends), external equity (which

encompassed venture capitals, business angels, crowdfunding, and accelerators) and growth which can be seen in Appendix B. Reliability and discriminant validity was tested and regression was done in analyzing the hypothesized relationships of the study.

Model Reliability and Validity

Internal consistency reliability (IR) was measured by Cronbach's alpha (CA) and rho A using the rule of thumb with an indicator value of > 0.7 (Hair, Sarstedt, Matthews & Ringle, 2016; Wang & Wang, 2019). The results of the study in Table 10 showed that all indicators used met the >0.7 thresholds which in simple terms meant that the studied variables were reliable in the model used. Also, the rho A (ϱ) values for all the indicators used were all greater than 0.70 which also met the threshold of >0.70. The Composite Reliability values of all indicators equally met the >0.70 thresholds which meant that when the indicators are put together, they adequately measure the construct under study (Nawanir, Lim, Othman & Adeleke, 2018). The Average Variance Extracted (AVE) analysis which measured convergent validity were all above the minimum threshold of 0.5 for a construct to validly signify convergent validity (Fornell & Larcker, 1981; Hilkenmeier, Bohndick, Bohndick & Hilkenmeier, 2020).

Table 10: Construct Reliability and Validity

Construct	Cronbach's Alpha (α)	rho_A (ϱ)	Composite Reliability (CR)	Average Variance Extracted (AVE)
Acceleration	0.936	0.941	0.951	0.797
Bootstrapping	0.964	0.965	0.970	0.801
Business Angel	0.891	0.891	0.932	0.821
Crowdfunding	0.940	0.941	0.961	0.893
External Equity	0.953	0.955	0.959	0.607
Family and Friends	0.947	0.949	0.958	0.792
Growth	0.929	0.932	0.942	0.700
Internal Growth	0.970	0.971	0.973	0.597
Personal Financing	0.930	0.931	0.943	0.705
Retained Earnings	0.892	0.893	0.933	0.824
Venture Capital	0.889	0.892	0.923	0.751

Source: Field Survey (2021)

Discriminant validity

To test for discriminant validity, Fornell and Larcker (1981) criterion and the Heterotrait-Monotrait (HTMT) ratio were used in the study analysis to see to it that the latent variables were all independent of each other which is necessary for addressing collinearity (Cheung & Wang, 2017). The Fornell and Larcker (1981) criterion had it that, the construct should share more variance with its indicator than any other construct, therefore, each construct's AVE must be greater than the highest squared correlation (diagonal figures in bold) with any other construct.

Table 11: Fornell-Larcker Criterion

Construct	Accel-eration	Boot-strap	Business Angel	Crowd-funding	External Equity	Family and Friends	Growth	Internal Growth	Personal Financing	Retained Earnings	Venture Capital
Acceleration	**0.893**										
Bootstrapping	0.478	**0.895**									
Business Angel	0.659	0.462	**0.906**								
Crowdfunding	0.631	0.471	0.555	**0.945**							
External Equity	0.905	0.556	0.813	0.822	**0.779**						
Family and Friends	0.327	0.580	0.469	0.486	0.462	**0.890**					
Growth	0.310	0.441	0.374	0.386	0.402	0.374	**0.836**				
Internal Growth	0.456	0.892	0.485	0.555	0.581	0.802	0.504	**0.773**			
Personal Financing	0.379	0.709	0.368	0.539	0.514	0.671	0.495	0.920	**0.840**		
Retained Earnings	0.382	0.746	0.386	0.443	0.481	0.611	0.461	0.905	0.913	**0.908**	
Venture Capital	0.727	0.513	0.667	0.698	0.898	0.372	0.345	0.537	0.512	0.463	**0.867**

Source: Field Survey (2021)

From Table 11, the square of AVEs (diagonal figures in bold) were all greater than the correlation between constructs (off-diagonal constructs) except for retained earnings which had its diagonal (0.908) greater than its off-diagonal (0.913). For Heterotrait-Monotrait (HTMT) ratio, the threshold is <0.85 per Ab Hamid, Sami and Sidek (2017). Just as Fornell and Larcker (1981) predicted, all indicators except for retained earnings which had a ratio of 1.003 did not meet the criteria which signify potential collinearity issues of retained earnings construct used in the study.

Table 12: Heterotrait-Monotrait Ratio (HTMT)

Construct	Accel-eration	Boot-strap	Business Angel	Crowd-funding	External Equity	Family and Friends	Growth	Internal Growth	Personal Financing	Retained Earnings	Venture Capital
Acceleration											
Bootstrapping	**0.499**										
Business Angel	0.719	**0.501**									
Crowdfunding	0.667	0.492	**0.605**								
External Equity	0.955	0.580	0.886	**0.864**							
Family and Friends	0.343	0.603	0.510	0.511	**0.483**						
Growth	0.331	0.456	0.406	0.408	0.422	**0.394**					
Internal Growth	0.475	0.917	0.526	0.582	0.604	0.847	**0.523**				
Personal Financing	0.409	0.750	0.407	0.576	0.548	0.710	0.529	**0.966**			
Retained Earnings	0.418	0.805	0.435	0.483	0.523	0.661	0.501	0.967	**1.003**		
Venture Capital	0.792	0.556	0.748	0.762	0.975	0.400	0.373	0.578	0.568	**0.523**	

Source: Field Survey (2021)

Structural Model Assessment

The coefficient of determination (R^2), the blindfolding-based cross-validated redundancy measure (Q^2), the effect size (f^2), and the statistical significance and relevance of the path coefficients are all typical criteria for structural model assessment in PLS-SEM (Hair, Risher, Sarstedt & Ringle, 2019). Appendix B contains the model that depicts the possible pathways. The evaluation of the structural model began with a look at the constructs' lateral collinearity. Collinearity between constructs must be measured to ensure that the regression findings are not skewed (Hair et al., 2019).

Collinearity statistics

Variance Inflation Factor (VIF) values of 5 and above are indicative of pathological collinearity problems, according to Ringle, Wende & Becker (2015), and values greater than 3.3 may also indicate that the model is contaminated by common method bias (Kock, 2013). The Inner VIF values for both Internal and External equity on Growth constructs were less than 3.3 indicating the possible absence of lateral multicollinearity. For constructs measuring external equity (acceleration, business angel, venture capital and crowdfunding), all were also below 3.3 which is a good indicator of the potential absence of lateral multicollinearity. For internal equity constructs, bootstrapping and family and friends had VIF values below 3.3 but personal financing, and retained earnings had values above 5 (6.859; 6.868 respectively). However, Ahmad, Adnan, and Adnan (2006) and Pallant and Manuel (2007) suggest an ultimate threshold of <10 to show independent variables multicollinearity of which these constructs did meet.

Table 13: Inner VIF Values

Construct	External Equity	Internal Growth	Growth
Venture Capital	2.912		
Acceleration	2.509		
Crowdfunding	2.101		
Business Angel	2.052		
Retained Earnings		6.868	
Personal Financing		6.859	
Bootstrapping		2.386	
Family and Friends		1.904	
External Equity			1.510
Internal Growth			1.510

Source: Field Survey (2021)

Outer loadings

According to Ringle (2006) and Henseler, Ringle and Sarstedt (2012), loadings should be >0.7 for a good reflective model. All loadings for the study as seen in Appendix C were above the 0.7 thresholds with p-value of 0.00 which meant that the model was good and reliable (Hair, et al., 2014).

Co-efficient, effects size and predictive relevance

Hair et al. (2019) proposed that Q^2 values for an endogenous component should be greater than zero to reflect the structural model's prediction accuracy. Q^2 values greater than 0, 0.25, and 0.5, respectively, indicate small, medium, and high predictive importance. Q^2 values were 0.204 and 0.091 for external and internal equity on growth respectively which meant that internal equity had small predictive importance to growth, whereas external equity had medium predictive importance to growth. Also, the effect size values(f^2) in a model further indicate how important a predictor is in

explaining a dependent construct (Hair et al., 2019). Small, moderate, and large f^2 effect sizes are indicated by values greater than 0.02, 0.15, and 0.35, respectively (Cohen, 1988). Internal equity had a moderate effect (f^2 = 0.152) on growth, and external equity had a small (f^2 =0.025) effect on growth.

T-statistic (t-stat) values should be 2.097 > 1.96, with t-stat values greater than 1.96 correlating to p-values less than 0.05, and vice versa. Therefore, when the t-stat is less than 1.96, the null hypothesis (H_0) is rejected, and when the t-stat is more than 1.96, the H_0 is not rejected (Hair et al. 2020). External equity had a t-stat of 2.028 with p-value of 0.043 whereas internal equity had a t-stat of 5.667 with p-value of 0.000, as such the null hypotheses for the study, H_1 and H_2, are not rejected.

Table 14: Co-efficient, Effects Size and Predictive Relevance

Constructs	Beta	F^2	Q^2	T Statistics (|O/STDEV|)	P Values
External Equity -> Growth	0.164	0.025	0.204	2.028	0.043
Internal Growth -> Growth	0.409	0.152	0.091	5.667	0.000

Source: Field Survey (2021)

Co-efficient of determination

The coefficient of determination (R^2) has a range of 0 to 1, with 1 signifying total prediction accuracy. However, scholars must rely on a "rough" rule of thumb to determine what degree of predictive accuracy is acceptable, with 0.75, 0.50, and 0.25 characterizing considerable, moderate, and weak levels of predictive accuracy, respectively (Hair et al., 2011; Henseler et al., 2009). Results of the co-efficient of determination spooled by PLS-SEM showed that External and Internal Equity in the study had been accurately predicted. For Growth, it had an adjusted R^2 of 0.265 which signified a weak

level of predictive accuracy as seen in Table 15. As such, about 27 percent of growth of small businesses in the Accra Metropolis is contributed by equity options (both internal and external).

Table 15: Coefficient of Determination

	R Square	R Square Adjusted
External Equity	1.000	1.000
Growth	0.272	0.265
Internal Growth	1.000	1.000

Source: Field Survey (2021)

Discussion of findings

The first objective of the study was to identify the financing options used by small businesses. Findings from the study showed that personal savings (51%), support from family and friends (20%) and bank loan/overdraft (10%) were the main financing options used at startup. The study also revealed that after start-up, the major financing options being used by the businesses surveyed included personal saving (41%), retained earnings (33%) and support from family and friends (19%). This could be attributed to moral hazard and information asymmetry, as start-up small businesses have been compelled to rely on personal resources while seeking alternate sources of finance for expansion (Abdulaziz & Andrew, 2013).

Furthermore, the sampled businesses preferred internal equity (82%) over external equity (18%) although equity constituted 77 percent of the total finance at start-up and 65 percent of the total current finance of the businesses. This confirms the assertion by Bell and Vos (2009) that small businesses

prefer internal equity to maintain authority, independence, and control. Caroline and Willy (2015) also shared the same view when they noted that owners/managers preserve control of their enterprises by employing internal equity as a source of funding that has no new financial obligations. From the above, there exists direct ownership with internal equity, and businesses that use internal equity finance can accelerate their growth.

The second objective of the study was to examine the effect of internal equity financing options on growth of small businesses. The regression results from the Partial Least Square (PLS) carried out showed that internal equity significantly and positively influences the growth of small businesses. This finding was supported by prior findings by Caroline and Willy (2015) and Reynolds (2011) that the funding gap faced by small businesses could be closed by tapping internal equity, which have a significant impact on their growth. They noted that owners/managers relied on their personal funds as well as the financial assistance of individuals close to them, such as family members or friends.

In a similar study by Njagi et. al. (2017) on equity financing and financial performance of small and medium enterprises in Embu Town, Kenya, the study revealed that small business owners/managers received donations from friends and employed plough back mechanism to support their operations. They also acknowledged that the businesses' financial results were impacted by retained profits, which were utilized to support long-term market expansion and angel investors, on the other hand, were not considered a viable option for equity funding. In addition, Ayyagari, Demirgüç-Kunt, and Maksimovic (2010) found that internal sources of finance were more capable

of fostering small business growth than external sources and that they may act as angel investors in the financing and formation of fast-growing start-ups in developing nations.

The regression results from the Partial Least Square (PLS) carried out in line with the third objective, which was to analyze the effect of external equity financing options on growth of small businesses, showed that external equity significantly and positively does influence growth of small businesses. This finding was in line with OECD (2006) and Daskalakis et al. (2013) that small businesses unlike huge corporations, face significant challenges in obtaining external finance from banks and other financial organizations and that external sources of finance were typically delayed until internal sources of finance were exhausted. This is typical of the pecking order theory since they tend to seek funding from internal sources first, before resorting to debt and then external equity (Kumar & Rao, 2015). Unfortunately, small businesses in Ghana and Africa are yet to fully embrace and exploit external equity like crowdfunding, accelerators, venture capitals and business angels. Njagi et. al. (2017) equally admonished small businesses to embrace external equity providers like angel investors.

Chapter Summary

This chapter discussed the descriptive statistics of small business characteristics, owner/manager characteristics, and small business financing options of small businesses. It further looked at the PLS-SEM measurement model, model reliability and validity, discriminant validity, collinearity statistics, outer loadings, co-efficient, effects size and predictive relevance, co-efficient of determination and the structural model for objective two and three.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This final chapter presented the summary and conclusions of the study, together with some recommendations for policymakers and owners/managers based on key findings. It also made some suggestions for future research and concluded with a chapter summary.

Summary

This study used a questionnaire, constructed based on review of literature and information gathered from 218 small businesses registered with the Ghana Enterprise Agency in the Accra Metropolis. The study adopted a quantitative approach based on an explanatory research design. The statistical tools for analysis were the Statistical Product for Service Solution (SPSS version 24) and Smart PLS (version 3). This study had Growth as its main dependent variable looking at both financial constructs (such as profitability, revenue growth, return on assets, cash flow) and non-financial growth measures (like lifestyle, independence, job security, business stability, income to look after family, creating job, contributing to community development).

All estimations included other control variables that potentially affected small business growth, i.e., small business characteristics like age, firm size, ownership, firm finances, human capital (age, experience, competencies) and business characteristics. Even though, a firm's ability to obtain finance could be affected by other firm characteristics, such as owners' personality (for example, education qualification) as these firm characteristics also influenced firm growth which could lead to endogeneity issues. The data

on the owner/manager characteristics and small business characteristics were analyzed using frequencies and percentages. Hypotheses were tested using the Partial Least Square.

Descriptive statistics of respondents showed that sole proprietorship (76%) was the major registered form of business, employing one to five employees (71%) who were mostly family (about 60%). About 54 percent of small businesses had been operating below five years in the Service sector (20%). More female lead businesses (52%) were captured, with about 34 percent of respondents aged between 40 and 49. Also, 53 percent of respondents were married and about 45 percent had received tertiary education. Furthermore, about 61 percent of respondents had no formal business or financial education and out of this number, 102 respondents had not sought any financial training and 61 percent of respondents had below 5 years of experience before starting their current business.

For most of the respondents, business stability (with a mean of 4.38) was a key motive for running their business. Personal savings was heavily used for financing at start-up. Currently, personal savings accounted for about 41 percent of their total financial of respondent businesses that have equity stakes above 50% of total finance. In addition, 60 percent had sought additional funds from banks (about 26%) and such funds were predominantly sought to increase the level of current assets (about 29%). High-interest rates (about 15%) was a problem when seeking additional finance, even as, lack of collateral and not meeting requirement (29%) got some applications rejected. Cost of capital being high (about 26%) was a reason why some respondents

had never sought additional funding. Generally, 82 percent preferred internal over external equity.

The regression carried out showed that internal equity did have a significant effect on growth of small businesses, as such, H_1 was not rejected. Also, external equity did have a significant effect on growth of small businesses, as such, H_2 was not rejected. Thus, the growth of small businesses is considerably influenced by internal and external equity financing. The results of the study also affirmed the underpinning theories of the study: trade-off theory, pecking order theory and the financial growth lifecycle theory.

Summary of Key Findings

The key findings of this study were:

1. Small business financing at startup heavily centres on internal equity especially personal savings which constitute about 80 percent, however, the percentage of equity stake in a small business potentially would reduce or get diluted as the firm grows.
2. Although internal equity (in the form of personal finance, retained earnings, bootstrapping, and support from family and friends) did have a moderate effect on small business growth (showing a small predictive relevance), it had a significant and positive relationship with growth.
3. External equity (in the form of accelerators, angel investors, crowdfunding and venture capitals) also had a significant and positive relationship with small business growth, although underutilized, it had a small effect on growth with a medium predictive relevance.

Conclusions

The study concluded that:

1. There is preference for internal equity especially in the form of personal savings and family and friends over external equity in the Accra Metropolis.
2. Internal equity has a moderate contribution to growth (about 41%), with bootstrapping contributing about 40 percent on internal equity.
3. External equity had a weak contribution to growth (about 16 percent), with acceleration contributing about 39 percent of external equity.

Recommendations

The study recommends that

1. Government should foster small business growth by creating an enabling environment by fast-tracking licensing and permitting more equity providers especially private providers of equity. This would augment the currently limited government equity initiatives like the Ghana Venture Capital Fund (GVCF) and the Ghana Angels Investors Network (GAIN) to augment the currently limited government equity initiatives.
2. Small business owners-managers must make great use of internal equity options like bootstrapping, support from family and friends, retained earnings and personal financing to expand their businesses.
3. Small businesses should take advantage of external equity financing options like acceleration, business angels, venture capital and crowdfunding for growth even as providers also help professionalize

and groom small businesses to become attractive to capital providers both internal and external.

Suggestions for Future Research

The study was limited to only registered or formal small businesses in Accra Metropolis, further research could include unregistered or informal small businesses as well to give a fully inclusive picture for decision making by stakeholders like the government. Also, the study could be replicated across other regions in Ghana. Finally, individual equity options can be looked at directly on small business growth.

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APPENDICES

APPENDIX A

RESEARCH QUESTIONNAIRE

UNIVERSITY OF CAPE COAST
COLLEGE OF HUMANITIES AND LEGAL STUDIES
SCHOOL OF BUSINESS
CENTRE FOR ENTREPRENEURSHIP AND SMALL ENTREPRISE DEVELOPMENT

RESEARCH QUESTIONNAIRE FOR OWNERS AND/OR MANAGERS

Introduction

The purpose of this questionnaire is to seek information relating to the EFFECT OF EQUITY FINANCING OPTIONS ON GROWTH OF SMALL BUSINESSES IN THE ACCRA METROPOLIS, a prerequisite for the award of a Master of Commerce in Entrepreneurship and Small Enterprise Development from the University of Cape Coast. Your organization has been selected for this purpose and your responses will be needed in filling this questionnaire. You are assured of participant confidentiality and anonymity concerning the information provided. Kindly tick (√) the appropriate boxes or provide answers in the spaces provided. Thank you for partaking in this important study.

SECTION A: SMALL BUSINESS CHARACTERISTICS

1. Which of this best describes your business' ownership?

Sole Proprietorship ☐ Partnership ☐ Company ☐

2. What activity(ies) is/are your business engaged in? (Please tick √ as many as are relevant to your business)

Soap and Detergents ☐ Fabrics, Clothing and Tailoring ☐

Tin-Smiting ☐ Textile and Leather ☐ Village

Blacksmiths ☐ Food Processing ☐

Bakery ☐ Agro-Processing ☐

Electronic Repairs ☐ Wood Furniture ☐

Beverages ☐ Ceramics ☐

Timber and Mining ☐ Chemical-Based Products and Mechanics ☐

Other ☐

3. Please indicate the number of employees you currently have in the business ……

4. Which of these employee types do you have in your business?

a. Family ☐

b. Apprentices / Trainees: ☐

c. Hired ☐

5. How long has the business been in operation?

Below 5yrs ☐ 5-10yrs ☐ beyond 10yrs ☐

SECTION B: PERSONAL DETAILS OF OWNER/MANAGER

6. What sex are you? Male ☐ Female ☐

7. How old are you?

Below 20yrs ☐ 20-29yrs ☐ 30-39yrs ☐ 40-49yrs ☐

50-59yrs ☐ above 59yrs ☐

8. What is your marital status?

Single ☐ Married ☐ Divorced ☐ Widowed ☐

9. What is your highest level of education?

o education ☐ Junior High School ☐ Senior High/Technical/Vocational ☐ Tertiary ☐ Other ☐

10. Do you have any formal education/ orientation in business/finance?

Yes ☐ No ☐

11. If No, have you taken any training in finance? Yes ☐ No ☐

12. How many years of experience did you have before starting your current business?

Below 5yrs ☐ 5-10yrs ☐ beyond 10yrs ☐

13. How would you classify the importance of the following motives for running your business? (Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

S/N	MOTIVES	1	2	3	4	5
a	To make profit					
b	To grow my business revenue					
c	To increase the profits generated by the business assets'					
d	To make the most of cash the business receives and gives out					
e	To improve my standard of living					
f	So, I can be independence					
g	To become job secured					
h	To keep my business stable					

i	Create income to look after family					
j	Create employment opportunities					
k	Contribute to community development					

SECTION C: FINANCING OPTIONS OF SMALL BUSINESSES

14. How was your business financed at start?

Debt ☐ Equity ☐ Both Debt & Equity ☐

15. What were the sources of finance your business used at start-up?

(Please tick √ and complete as many as are relevant to you)

Trade credit ☐ Bank loan/ Overdraft ☐ Family/Friend Lending

Leasing ☐ Accelerators ☐

Crowdfunding ☐ Personal saving ☐ Family and friends ☐

Angel financing ☐ Board members/Partners ☐ Venture capital ☐

Other ☐

16. Has your business ever sought additional sources of finance used at start-up? Yes ☐ No ☐

17. If your answer to question (16) is yes, from where or which source?

Trade credit ☐ Bank loan/ Overdraft ☐ Family/Friend Lending ☐

Accelerators ☐ Crowdfunding ☐

Personal saving ☐ Family and friends ☐ Angel financing ☐

Venture capital ☐ Board members/Partners ☐ Other ☐

18. If your answer to question (16) is yes, what was/were the purpose(s) of seeking additional funding? (Please tick √ as many as are relevant to you)

Prevent liquidity problem ☐ Increase the level of current assets ☐

☐

Personal use Replace existing assets ☐

Re-finance current debt ☐ Purchase non-current (fixed) assets ☐

Other ☐

19. If No, is/are there any reason(s) why your business has never sought additional funding? (Please tick √ as many as are relevant to you)

Cost of capital is high ☐ Seeking process is complicated ☐

Time to raise capital is long ☐ Would like to keep business small ☐

Business is not growing ☐ Do not know how to access capital ☐

Assume application would be denied ☐

Do not have information about sources of finance ☐

Would like to maintain control of the business and stay Independent ☐

Other ☐

20. What problems did you encounter when trying to obtain the finance? (Please tick √ as many as are relevant to you)

Lack of access to equity capital ☐ High costs accessing outside equity ☐

High interest rates ☐ High fees and charge ☐

Time to get loan is too long ☐ High collateral requirements ☐

Too much paperwork requirement ☐ Banks are not interested in small ☐ businesses Complex application and processing procedures ☐

Lack of understanding of the various sources of capital available ☐

Other ☐

21. If you failed to access additional capital, what were the reasons given by capital providers? (Please tick √ as many as are relevant to you)

Lack of collateral ☐ Poor quality financial ☐

Poor prospects for management ☐ Poor business performance ☐

☐

Insufficient information ☐ Lack of experience ☐

Poor credit record ☐ New business start-up ☐

No business plan ☐ Gender issues ☐

No reason given ☐

22. What percentage of your current capital is equity?

Below 50% ☐ 50% ☐ above 50% ☐

23. What are the sources of equity currently used in your business? (Please tick √ as many as are relevant to you)

Personal saving ☐ Plough back profit ☐ Family and friends ☐

Leasing/loan ☐ Venture capital ☐ Issue of share ☐

Crowdfunding ☐ Angel capital ☐ Accelerators ☐

Other ☐

24. Aside financial benefits from equity financing which of these does your business receive from business support and/or advisory organization?

Support in the form of administrative ☐ Networking ☐

Marketing, management, strategy ☐ Online Presence ☐

Bookkeeping skills ☐

SECTION D:INTERNAL EQUITY FINANCING OPTIONS ON GROWTH

25. What percentage of your current business funding is from Internal Equity?

Below 50% ☐ 50% ☐ above 50% ☐

26. How would you classify the importance of the following bootstrap financing (any form of self-financing set to reduce costs from operations using little or no outside cash or support) strategies to your business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

S/N	STATEMENT	1	2	3	4	5
a	Paying no or low rent (e.g. Working from your house/home or garage)					
b	Equipment acquisition and use of options such as taking advantage of expensive equipment owned by local institutions and universities or renting or leasing of equipment rather than buying.					
c	Taking advantage of Supplier's help to receive supply of materials on creditor, hire purchase					
d	Sourcing Supplier's help to gain technical support/assistance					
e	Making use of Suppliers' help to gain access to market data and report					
f	Tapping Customers' help in the form of prepayments/ advance payments					
g	Benefiting from Customers' help in the form of co-operative purchases					
h	Making use of Customers' help in the form of outsourcing					

27. How would you classify the importance of the following to business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

S/N	STATEMENT	1	2	3	4	5
a	Use of Retained Earnings					
b	Having about 50 percentage of funding from owner					
c	Time and effort of owner/manager uncompensated for (sweat equity)					
d	Utilizing owner/manager personal assets from savings account					
e	Employing owner/manager personal assets from investments					
f	Drawing on owner/manager personal assets from retirement account					

28. How would you classify the importance of Family members and Friends support for business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

i. Family members support in the form of:

S/N	SUPPORT FROM FAMILY MEMBERS	1	2	3	4	5
a	Money to be taken as a "soft loan"					
b	Money provided as equity					
c	Support presented as gifts or donations					

ii. Friends support in the form of:

S/N	SUPPORT FROM FRIENDS	1	2	3	4	5
a	Money to be taken as a "soft loan"					
b	Money provided as equity					
c	Support presented as gifts or donations					

29. How would you classify these other supports for business growth? (Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

S/N	STATEMENT	1	2	3	4	5
a	Donations from board members/advisors					
b	Contributions from partners and associates					
c	Deferred income					
d	Cashflow					

SECTION E: EXTERNAL EQUITY FINANCING OPTIONS ON GROWTH

30. What percentage of your current business funding is from External Equity?

Below 50% ☐ 50% ☐ above 50% ☐

31. How would you classify the importance of Venture Capitalists (who invest in young or startup firms which show or have a high growth potential in exchange for equity stake (ownership) providing financial support together with a bundle of value-added activities such as support in the form of administrative, marketing, management, and strategy by means of coaching) to your business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

Venture Capitalists that come in the form of:

S/N	STATEMENT	1	2	3	4	5
a	Traditional partnerships often created by families seeking high profit and aggressive investments					
b	Professionally managed pools from banks and other financial institutions or joint ventures					
c	Manufacturing companies who invest in smaller businesses to get them to do the research and development to aid them be technologically advanced					
d	State-sponsored venture capitals which are often aimed at emphasizing job creation rather than returns on investment (eg. Ghana Venture Capital Trust Fund)					

32. How would you classify the importance of Business Angels (Business Angels are affluent individuals or friends of business owners or groups of individuals who provide financial support for small businesses which have strong growth and return potential, focusing on mentoring and coaching entrepreneurs) to your business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

i. Business Angels that come in the form of:

S/N	STATEMENT	1	2	3	4	5
a	Individuals or friends of the owners who provide financial support for small businesses with strong growth and return expectations and being a key component of the venture's management (eg. McDan)					
b	Group of individuals who provide financial support for small businesses with strong growth and return expectations and take a key component of the venture's management (eg. Ghana Angel Investors Network- GAIN)					
c	Professionally managed angel investors					

33. How would you classify the importance of Crowdfunding (a method of obtaining funding for businesses from many people using online platforms, eg. GoFundMe) to your business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

i. Crowdfunding that comes in the form of:

S/N	STATEMENT	1	2	3	4	5
a	Peer-to-peer lending where a group of people lend money to a business with the expectation that the money will be returned with interest.					
b	Equity crowdfunding which looks at selling a part of a business to a group of investors in return for capital (like buying and selling common stock or investment capital on a stock exchange).					
c	Reward-based crowdfunding where Individuals donate to a project or organization in the hopes of receiving a non-monetary payout, such as goods or services, in return for their contribution later.					

34. How would you classify the importance of Accelerators (Accelerators provide entrepreneurs with support, mentoring, industry connections during their boot camps to help them grow into stable, self-sustaining businesses so that they can emerge and thrive on their own society by spending a certain amount of money in startups in return for a share of the company's ownership) to your business growth?

(Please indicate this by ticking [√], using the scale provided below)

1=Not at All Important 2=Somewhat Important 3=Moderately Important 4=Important 5=Very Important

S/N	STATEMENT	1	2	3	4	5
a	A competitive application process that is both transparent and competitive.					
b	Provision of pre-seed capital, typically in exchange for stock (ownership)					
c	An emphasis on small groups rather than people (individuals).					
d	Time-limited assistance, including scheduled events and extensive mentoring.					
e	Cohort batches or ‘classes' of startups are sponsored.					

35. Between Internal and External Equity, which would you prefer?

Internal Equity ☐ External Equity ☐

SECTION F: GROWTH MEASUREMENTS

36. How would you indicate your satisfaction with regards to the following factors over the past two accounting years?

(Please indicate this by ticking [√], using the scale provided below)

1=Strongly Dissatisfied 2=Dissatisfied 3=Neutral 4=Satisfied 5=Very Satisfied

S/N	STATEMENT	1	2	3	4	5
a	Profits generated from operations					
b	Increase (or decrease) in revenue from one period to the next					
c	How much money your business earns by putting its assets to use					
d	Cash or cash-equivalent which the business receives or pay(s) to trade payables (creditors)					
e	Your standard of living					
f	Your independence or freedom					
g	Security in your job					

37. How likely is it that you will still be running this business in two years' time?

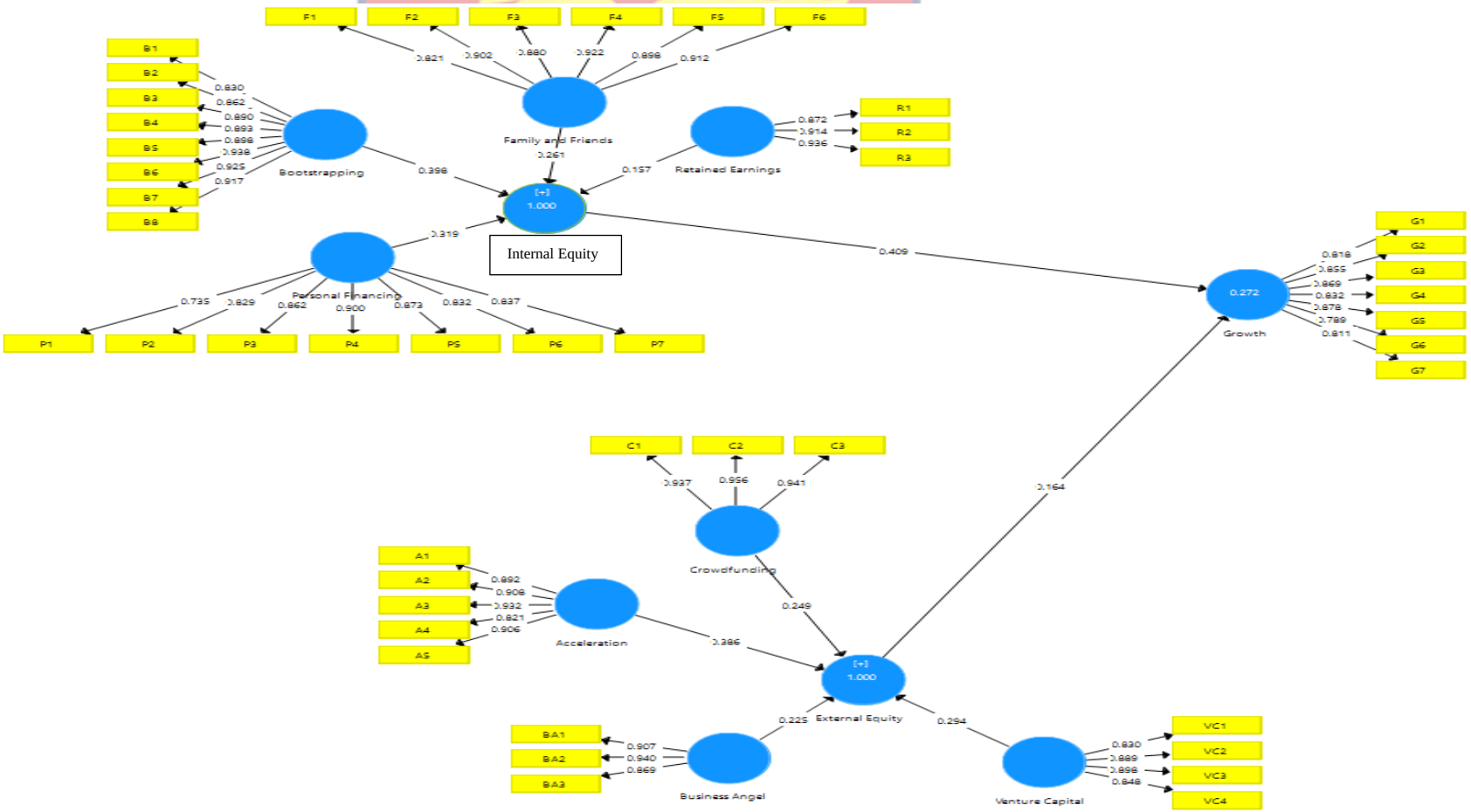
Not at All ☐ Likely ☐ Somewhat Likely ☐ Moderate Likely ☐

Very Likely ☐

THANK YOU FOR YOUR PARTICIPATION

APPENDIX B

PLS GRAPH OF THE STRUCTURAL MODEL



APPENDIX C

OUTER LOADINGS

Path	Outer loadings	T Statistics (|O/STDEV|)	P Values
A1 <- Acceleration	0.892	49.075	0.000
A1 <- External Equity	0.810	29.674	0.000
A2 <- Acceleration	0.908	51.518	0.000
A2 <- External Equity	0.848	32.979	0.000
A3 <- Acceleration	0.932	89.269	0.000
A3 <- External Equity	0.861	45.094	0.000
A4 <- Acceleration	0.821	19.361	0.000
A4 <- External Equity	0.691	12.360	0.000
A5 <- Acceleration	0.906	42.000	0.000
A5 <- External Equity	0.813	23.780	0.000
B1 <- Bootstrapping	0.830	24.157	0.000
B1 <- Internal Growth	0.769	19.542	0.000
B2 <- Bootstrapping	0.862	28.436	0.000
B2 <- Internal Growth	0.781	19.346	0.000
B3 <- Bootstrapping	0.890	47.608	0.000
B3 <- Internal Growth	0.825	33.227	0.000
B4 <- Bootstrapping	0.893	29.665	0.000
B4 <- Internal Growth	0.775	19.506	0.000
B5 <- Bootstrapping	0.898	47.404	0.000
B5 <- Internal Growth	0.791	23.880	0.000
B6 <- Bootstrapping	0.938	80.489	0.000
B6 <- Internal Growth	0.818	29.498	0.000
B7 <- Bootstrapping	0.925	74.277	0.000
B7 <- Internal Growth	0.802	24.869	0.000
B8 <- Bootstrapping	0.917	57.051	0.000
B8 <- Internal Growth	0.823	26.613	0.000
BA1 <- Business Angel	0.907	49.646	0.000
BA1 <- External Equity	0.719	14.979	0.000
BA2 <- Business Angel	0.940	77.195	0.000
BA2 <- External Equity	0.748	16.795	0.000
BA3 <- Business Angel	0.869	32.120	0.000
BA3 <- External Equity	0.741	16.969	0.000
C1 <- Crowdfunding	0.937	48.589	0.000
C1 <- External Equity	0.779	22.814	0.000
C2 <- Crowdfunding	0.956	99.090	0.000
C2 <- External Equity	0.746	18.291	0.000
C3 <- Crowdfunding	0.941	67.093	0.000
C3 <- External Equity	0.803	22.458	0.000
F1 <- Family and Friends	0.821	17.693	0.000
F1 <- Internal Growth	0.711	15.074	0.000
F2 <- Family and Friends	0.902	50.701	0.000
F2 <- Internal Growth	0.775	25.816	0.000
F3 <- Family and Friends	0.880	30.847	0.000
F3 <- Internal Growth	0.662	15.128	0.000

F4 <- Family and Friends	0.922	77.684	0.000
F4 <- Internal Growth	0.766	23.952	0.000
F5 <- Family and Friends	0.898	47.706	0.000
F5 <- Internal Growth	0.682	17.449	0.000
F6 <- Family and Friends	0.912	59.680	0.000
F6 <- Internal Growth	0.664	16.086	0.000
G1 <- Growth	0.818	28.165	0.000
G2 <- Growth	0.855	35.804	0.000
G3 <- Growth	0.869	37.450	0.000
G4 <- Growth	0.832	28.414	0.000
G5 <- Growth	0.878	47.681	0.000
G6 <- Growth	0.789	22.722	0.000
G7 <- Growth	0.811	29.180	0.000
P1 <- Personal Financing	0.735	16.192	0.000
P1 <- Internal Growth	0.698	13.573	0.000
P2 <- Personal Financing	0.829	33.375	0.000
P2 <- Internal Growth	0.786	22.169	0.000
P3 <- Personal Financing	0.862	32.340	0.000
P3 <- Internal Growth	0.791	18.478	0.000
P4 <- Personal Financing	0.900	43.654	0.000
P4 <- Internal Growth	0.787	19.980	0.000
P5 <- Personal Financing	0.873	43.429	0.000
P5 <- Internal Growth	0.773	24.236	0.000
P6 <- Personal Financing	0.832	30.887	0.000
P6 <- Internal Growth	0.792	27.833	0.000
P7 <- Personal Financing	0.837	30.640	0.000
P7 <- Internal Growth	0.774	24.590	0.000
R1 <- Retained Earnings	0.872	38.129	0.000
R1 <- Internal Growth	0.807	27.816	0.000
R2 <- Retained Earnings	0.914	56.384	0.000
R2 <- Internal Growth	0.829	30.844	0.000
R3 <- Retained Earnings	0.936	84.411	0.000
R3 <- Internal Growth	0.827	30.639	0.000
VC1 <- Venture Capital	0.830	23.758	0.000
VC1 <- External Equity	0.741	16.602	0.000
VC2 <- Venture Capital	0.889	48.370	0.000
VC2 <- External Equity	0.830	31.687	0.000
VC3 <- Venture Capital	0.898	44.352	0.000
VC3 <- External Equity	0.792	21.466	0.000
VC4 <- Venture Capital	0.848	29.790	0.000
VC4 <- External Equity	0.745	17.699	0.000