Print ISSN: 2233-4165 / Online ISSN 2233-5382
JIDB website: http://www.jidb.or.kr
doi:http://dx.doi.org/10.13106/jidb.2022.vol13.no5.15

Towards Sustainability of Single-Owner Entities: An Examination of Financial Factors That Influence Growth of Sole Proprietorship

Forbes MAKUDZA[1], Lucia MANDONGWE[2], Gibson MURIDZI[3]

Received: March 29, 2022. Revised: April 30, 2022. Accepted: May 05, 2022.

Abstract

Purpose: There has been a consistent failure of businesses that are run by a single person. Most of these collapse at infancy prematurely and those that survive continue to operate at minimal capacity. The study thus sought to enhance growth of sole proprietors from being small entities to large corporates. Financial determinants of business growth were earmarked for research as they were amongst the grey areas of business growth research. **Research design, data and methodology:** The target population of the study was made up of groceries retail sole proprietors operating in Epworth, Zimbabwe. Questionnaires were used in a once-off cross-sectional survey using stratified random sampling. Through a deductive research approach, four financial determinants of business growth were established namely financial availability, financial management, financial evaluation and financial investment (AMEI). These constructs formulated the basis for the development of the model which linked financial factors to business growth. **Results:** The study found out that all four financial determinants were statistically significant ($P < 0.05$) in predicting business growth. **Conclusions:** The study concludes that the model tested was useful in explaining sole proprietor's business growth. Sole proprietors should have access to funding, manage received funds in an appropriate manner, invest into the business and evaluate their business processes.

Keywords: Business growth, Financial determinants, Sole proprietorship, Entrepreneurship

JEL Classification Code: E44, F31

1. Introduction

The future of global business trends is growing small proprietors into becoming large corporates (World Trade Report, 2018). Permwanichagun, Kaenmanee, Naipinit, and Sakolnakorn (2014) define a sole proprietor (also known as sole trader) as a business which is fully owned by one individual. All the financial risks of the sole proprietor are taken by him and the owner's assets are included in that risk (Chichoni, 2015).

Regardless of the multiplicity of business ventures, many sole proprietors do not last and stand the test of time (Forbes, 2016; Guruwo, 2021). Sole proprietor's growth is a subject which received attention because of their failure to graduate into becoming large companies. That sparked the interests of many researchers to find out the root cause of

1 Corresponding author, Lecturer, Department of business enterprise and management, University of Zimbabwe, forbesmakudza@gmail.com
2 Lecturer, Department of accounting, Manicaland state university of applied sciences, Zimbabwe, lucia.mandongwe@staff.msuas.ac.zw
3 Lecturer, Business management department, Manicaland state university of applied sciences, Zimbabwe, gibson.muridzi@staff.msuas.ac.zw

ⓒ Copyright: The Author(s)
This is an Open Access article distributed under the terms of the Creative Commons Attribution Non-Commercial License (http://Creativecommons.org/licenses/by-nc/4.0/) which permits unrestricted noncommercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

www.kci.go.kr

entrepreneurial growth. Key studies focused on cultural factors (Mangwiro & Makasa, 2014; Dumbu, 2014; Mazonde & Carmichael, 2016); whereas others tackled it from an individual point of view by assessing factors such as risk-taking behaviour, innovation, creativity and other personality traits (Guruwo, 2021; Dumbu, 2014; Mudondo, 2014). Some researchers looked at facilitating conditions as the basis for small business growth and they focused their studies on government financial support, favourable political and business landscape, availability of technology among other factors (Agbim & Owocho, 2013; Mauchi, Karambakuwa, Gopo & Njanike, 2011).

Little attention was given to financial determinants of business performance. Which, for the purposes of this study, are defined as accounting practices that predict business success or failure. Forbes (2016) notes that 7 out of 10 sole proprietors survive at least 2 years, half at least 5 years and a third at least 10 years. Referring to Africa, the Forbes (2016) report estimates that 50% of all single owner businesses are destined to fail within the first year of operation. For sole traders with about 10-15 employees, it was estimated that 10-12% of them close doors each year. The same report notes that poor financial management is at the main reason of business failures. According to Nyoni and Bonga (2018) an estimated of only 1% of sole proprietors grow to become a limited liability company annually, yet an estimated 26% close operations and 32% new ones come in annually. This study therefore seeks to examine the role of four financial factors on business growth of sole proprietors. These four factors are financial availability, financial management, financial evaluation and financial investment.

2. Literature Review

2.1. Sole Proprietorship

Sole proprietorship is a form of business which is owned by one person (Permwanichagun et al., 2014). Mbira (2015) argues that a sole trader is a business exclusively owned by a single person. Kim, Lee, and Sohn (2020) contribute that sole traders may employ other workers but there is a single owner of the business. Sole traders have unlimited liability, meaning that there is no legal distinction between the owner and the business entity. As a sole proprietor, business decisions and reinvestments are usually made by the owner (Manenzhe, Zwane, & Van Niekerk, 2020).

In the study of entrepreneurship and business management, sole proprietors are classified under the small to medium enterprises (SMEs) segment. This is because they display the same qualities as those of other small traders (Williams & Kosta, 2020). There has been a wide debate on the unified definition of SME, yet to no realistic agreement. Odoom, and Mensah (2019) define SMEs as non-subsidiary independent firms which employ fewer than a given number of employees. This number varies across countries with 250 employees being the most frequently used upper limit for most SMEs.

2.2. The Importance of Sole Proprietorship and Business Growth

Sole proprietorship has been and continues to play a significant role in the economy nations. This is especially true as most graduates, learning institutions as well as policy makers are beginning to accept the fact that larger organizations cannot provide all the needed jobs, but would have to be complemented by the sole proprietors and other SMEs (Chami, 2016).

In line with Permwanichagun et al. (2014), small enterprises are known as the backbone of an economy and they serve in the regional development of a country and that creates employment opportunities. The development of sole proprietors is seen globally, as a key strategy for economic growth, job generation and poverty reduction (Kahiya & Kadirov, 2020). According to John (2020), sole proprietors play a crucial role in revitalization process of the economy. It is universally accepted and acknowledged that sole proprietors serve as effective instruments of employment creation as well as economic growth, which eventually lead to alleviation of poverty not only for the entrepreneurs themselves but for the employees as well (Odoom & Mensah, 2019; Manenzhe, Zwane, & Van Niekerk, 2020).

Kim et al. (2020) add that sole proprietors' contribution to the mainstream economic activities help address the economic ills in the country and many will experience a better way of living. To fulfil their strategic position in the mainstream economy, sole proprietors need to know critical factors that they are the mainstay of success in business (Mbira, 2015).

2.3. Theoretical Aspects of Financial Factors of Business Growth

Some scholars have studied the fields of financial management and business performance. Such studies date back to around 1958 and evolved over the years. Several models were published and analysed. Theory of financial investment and growth (FIG) by Modigliani and Miller (1958) argues that the growth of a firm is independent of its capital structure. Dividends and capital structure are irrelevant in the determination of stock prices in the market. According to Modigliani and Miller (1958) the growth of small entities is based on the earning power of the assets currently held and on the size and relative profitability of the

www.kci.go.kr

investment opportunities. Modigliani and Miller (1958)'s theory emphasized market perfection. They assumed information was complete and symmetric, but their assumption was wrong. The model was also criticized for assuming that investment decisions were not influenced by financial decisions.

Another conceptualisation attempt was made in the trade-off theory. It is the theory of the balance between the deadweight costs of bankruptcy and the tax shield benefits derived from debt (Hermelo & Vassolo, 2007). This theory emerged as a critic to the Modigliani and Miller's (1958) theorem. The new variables introduced in research included: corporate income tax, interest expense deductions, and costs of financial distress (bankruptcy costs). The theory emphasized the role of tax shield benefits arising from debt financing and attributes it to business growth (Hermelo & Vassolo, 2007).

Scott (1977) made further contributions to the trade-off theory, he recognizes that higher leverage increases the risk of bankruptcy and financial distress which leads to small business failure and collapse. On the other hand, Pettit and Singer (1985) stated that trade-off theory applies to a lesser extent to small firms, which are rather unlikely to have considerable earnings.

The pecking-order theory of capital structure (Myers & Maijluf, 1984) is based on the hypothesis that financing follows hierarchy, and that small entities prefer internal over external financing and debt over equity. The underlying factor is the asymmetry of information: The more asymmetry, the higher the costs of the sources of financing. Typical issues observed in the application of Pecking order theory are: (a) Debt is encouraged when firm experience insufficient profits? (b) Debt is encouraged when equity is undervalued? When firms respond "yes" to these questions, it is an indication of the application of the theory (Myers & Maijluf, 1984).

2.4. The Development of the Financial AMEI Model

The researchers noticed that theories discussed highlighted the importance of financial factors in assessing various business attributes. However, the study also noticed that there was a theoretical gap in literature which this study intended to fill. That gap was based on the revelation that a clear model which links financial determinants and business growth was missing. Therefore, the study developed the Financial AMEI framework, which the researchers feel can holistically consider most financial factors that affect businesses. It is a financial principle that for a business to prosper funds should be available (financial availability), these funds should be managed well (financial management) and every management strategy should be evaluated over time (financial evaluation), whilst businesses should be making investments for the future (financial investment). Figure 1 depicts the building blocks of the model.

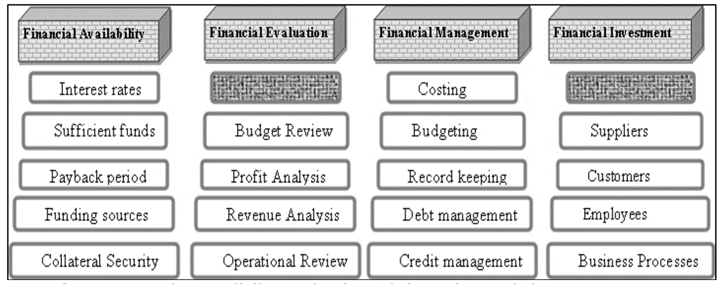

Figure 1: The Building Blocks of the Financial AMEI Constructs

Table 1 presents an explanation of the building blocks of the Financial AMEI model.

Table 1: Financial AMEI Contributing Factors

Determinant	Contributing factor	Description
Financial Availability (FA)	Collateral Security	Borrower's pledge of specific property to a lender to secure repayment of loan
	Funding sources	Availability of lending houses and financiers
	Adequate funds	Availability of required sums of loans
	Interest rates	Percent of principal charged by the lender for use of its money
	Payback period	Maximum period of time required to repay a loan
Financial Management (FM)	Budgeting	Preparation of a financial plan
	Financial record keeping	Up to date financial statements
	Inventory management	System of stocking and restocking to minimize holding costs
	Credit management	The way of managing borrowers and credit sales
	Debt management	The way of managing lenders and credit purchases
	Costing	A system of computing cost of production and pricing
Financial Evaluation (FE)	Budget Review	An evaluation of planned financial activities against actual financial activities
	Revenue Analysis	An evaluation of money received
	Profit Analysis	An evaluation of profit made
	Operation efficiency review	An evaluation of operational activities of the business
Financial Investments (FI)	Employee Investments	Financing of planned staff development and motivational issues
	Customer Investments	Financing of planned client relationship management
	Supplier Investments	Financing of planned supplier relationship management
	Business Process Investments	Financing of planned operational activities of the business

www.kci.go.kr

2.4.1. Financial Availability Determinant

Sole proprietors who have access to funding have a higher inclination to grow their business operations (Lee, 2016). By adopting the Pecking-Order Theory of Capital Structure (Myers & Mailuf, 1984), Lee (2016) concludes that entrepreneurs tend to have a higher superiority complex and grow their operations if sources of funds are easily accessible. Lack of collateral security and absence of a substantive business plan are some reasons for failure in accessing funding for business growth by sole traders (Gangata & Matavire, 2016).

Sibanda, Sibanda, and Shava (2018) concur with the views of Lee (2016) that financial availability is a key determinant of small business growth. By bringing the context to Harare, Zimbabwe, Sibanda et al. (2018) indicate that favourable interest rates coupled with a long period to repay debt was one of the motives of Zimbabwean SME growth. They concluded that most SMEs in Harare preferred interest rates that were lower. However, Mihalyi, Hwang, Rivetti & Cust, (2022) unveiled deterring results that most banks in Zimbabwe offered very high interest rates as banks seek to mitigate inflationary risks on loans.

In Southern Africa the cost of borrowing is stringent because small and medium entities are limited to smaller amounts because they lack proper documentation and securities to secure large amounts (Seoela, 2022). That also affects the level of investments that they would eventually make. Agbim and Owocho (2013) compared Nigerian SMEs and Japanese SMES and found out that Japan, as a country, has a good culture which promotes entrepreneurial business growth than Nigeria, among other African countries. Japan had more lending institutions which offered favourable interest rates as compared to Nigeria.

Growth is deterred by high costs of borrowing, and there is an inverse relationship between cost of borrowing and business performance (Kativhu, 2014). Kativhu (2014) further reveal that most small traders in Harare especially the smallest one (who are many) seek funding from unregistered financial lenders who charge them exorbitant interest rates of double the principal. That affects growth of business as the sole trader would spend the whole month working to repay the loan, which is usually due in one-month time. On a grander scale, the findings by Razi et al. (2022) proved a hypothesis that regardless of environmental factors (political, economic, social, technological), sole proprietors share a common problem of inadequacy of financial aid. Conversely, Lee (2016) concluded that there is an inherent seed of financial distress in every entrepreneur regardless of the business environment.

Cheap funding sources, low interest rates and long payback periods stimulate entrepreneurial thinking in business owners (Galindo-Martin et al., 2021). The main motivating factors to seeking business funding are low interest rates and long payback period (Galindo-Martin et al., 2021). Cost of borrowing is too high to enable sole proprietors to borrow adequate amount of required financial investment (Dube, 2020). The study concluded that a reasonable level of debt in the capital structure of the SMEs helped to improve their productivity. Dube (2020) recommends that financial institutions should offer long-term debt to SMEs to enable them to invest in capital equipment to increase productivity in the future. The study also recommends the lowering of interest rates to motivate SMEs acquire enough funds to invest in capital equipment.

Financial Availability in the context of this study refers to the extent of easiness and readiness to obtain monetary funding by sole trader businesses to finance their business operations. Such influence is predicted by factors such as availability of lending houses, sufficiency of credit allowances, reasonable costs (interest rates) and favourable payback period and collateral security. The study posits that financial availability directly influences business growth; hence the following hypothesis is presented:

H_1: Financial availability significantly and positively impacts on growth of sole proprietorship.

2.4.2. Financial Management Determinant

Sole proprietors can use either manual accounting information system or computerised accounting information system in financial management (Jones & Talbott, 2021). Accounting information can be used by management in decision making, planning and application and control activities in order to project the business assets (Jones & Talbott, 2021). However, most SMEs do not have standardised accounting procedures (Muparangi & Makudza, 2020). Putra and Widajantie (2021) found out that the use of computers for the preparation of financial statements among SMEs was not at its full potential so most entrepreneurs relied on manual accounting practices. That contributed to the decline of many SMEs because the use of effective computerised accounting information systems can help to measure established goals in an entity.

Small businesses that use computerised accounting information system are considered different and sustainable than those who do not keep accounting records (Henley, Vorley, & Gherhes, 2021). The major motivators for business sustainability include that sole proprietors with correct financial management practices receive government incentives in form of tax holidays, financial subsidies from government and free training from relevant government agencies (Rachidi & Mohajir, 2021; Eldeeb, Halim, & Kamel, 2021).

Henley et al. (2021) confirm that proper financial management practices by sole traders is a direct predictor of business growth and survival. A study by Mudondo (2014) found that most small traders practised financial planning

www.kci.go.kr

practices such as periodical budget estimations (72%), activity-based budgeting (61%) and financial analysis (60%). These financial planning practices had positive impacts on the performance of the business and improves good maintenance of capital, managing risks, increased the efficiency of operations and expanded the capacity of the business to embrace opportunities.

In line with Yang, Zhou, Xu, and Tang (2021) a good business culture and financial management of scarce financial resources are at the top of the list of causes of business growth. Similarly, Ochi, Idiege and Bassey (2021) suggest that good management of funds is a strong predictor of business continuity.

In Zimbabwe, Dube (2020) established that firms which manage debt well improved their productivity. Good financial management strategies were also found to be affecting business growth; whilst effective management of creditors and debtors was one way of raising funding and minimising the need for other external funds (Yang et al., 2021).

Financial Management in this study refers to the extent to which sole proprietors effectively manage funds they receive either from internal or external sources (debt and equity). Such influence is predicted by factors such as budgeting, financial record keeping, inventory management, debt management and costing. In this study, it is believed that financial management predicts growth of sole proprietors' business. Therefore, the following hypothesis is presented:

H_2: Financial management significantly and positively impacts on growth of sole proprietorship

2.4.3. Financial Evaluation Determinant

Kotane and Merlino (2012) found out that financial evaluation and analysis were important in making strategic business development decisions. Kotane and Merlino (2012) further determine that various financial evaluation initiatives were available for sole traders such as accounting ratios and variance analysis. Growth of entrepreneurial activities is hindered by absence of financial evaluation mechanisms (Delapedra-silva et al., 2022).

Financial evaluation was also found a key determinant of business success (Kotane & Merlino, 2012). Coupled to poor management of funds, a positive correlation was found that supports that sole proprietors do not assess how their finances were used after a certain period of time. Delapedra-silva et al. (2022) further revealed that lack of financial evaluation was primarily caused by poor accounting record keeping and skills by many proprietors.

While some studies have supported that the Financial Evaluation is strong in influencing business growth, results from other studies suggest otherwise. Tibenderana and Ogao (2018) found that evaluation of previous financial performance was not among top priorities of a few business owners who were managing to grow their businesses. Without financial review, they were still expanding their operations. Similarly, Delapedra-silva et al. (2022) found related results with the findings of Tibenderana and Ogao (2018) that there was a weak association between business growth and financial evaluation.

Financial evaluation in this study refers to the assessment and appraisal of financial operations of the business of sole proprietors. Such influence is predicted by factors such as budget review, revenue analysis, profit analysis and operation efficiency review. The study posits that evaluation of finances by sole proprietors directly influences sole proprietary business growth, hence the following hypothesis:

H_3: Financial evaluation significantly and positively impacts on growth of sole proprietorship.

2.4.4. Financial Investment Determinant

Irwin et al. (2021) examined success factors of small business owners, and indicated that a business does not operate in a vacuum but it is affected by other stakeholders in the value chain. Irwin et al. (2021) further found that a dyadic harmonious relationship with customers and suppliers was a key guarantee for business performance. The same sentiments were echoed by Pozza, Goetz, and Sahut (2018) that customer relationship management was key for the development of a steady flow of revenue

In a study by Sumako (2021), it was identified that business process reinvestment directly influenced business growth with a factor of 62%. Makudza, Chirima, and Muridzi (2019) also indicate that business process reengineering helps the business to make appropriate financial investments which eliminate non value adding activities align the value chain, thereby promoting business growth. In a similar study by Ochi et al. (2021) financial investment directly influenced business growth even when loans were scarce. Salimian et al (2021) indicate that supplier investments and employee investments lead to the production of quality products and or services which are more likely to attract customer patronage thereby leading to company growth.

Contrary to most findings, Irwin et al. (2021) found a weak association of the financial investment on business growth. Rather than focusing on financial investment, he found out that business owners often have other business goals that are not necessarily financially-based, such as lifestyle, personal achievement, and pride in the business. The results showed that a flexible lifestyle, pride in the job, and personal achievement were better indicators of business success than financial evaluation or any other financial indicators (Irwin et al., 2021).

www.kci.go.kr

Financial investment in this study refers to the extent to which sole proprietors make a financial investment to business operations and with key players of the value chain. Such influence is predicted by factors such as planned employee investment, customer investment, supplier investment and business process investment. The study hypothesis that good investment behaviour by sole proprietors enhances their chances of growing their business ness. Thus, the study presents the following hypothesis:

H_4: Financial investment significantly and positively impacts on growth of sole proprietorship.

2.4.5. The Research Model

Reviewed empirical evidence suggested that business financial factors were researched by some extant scholars (Irwin et al., 2021; Kotane & Merlino, 2012; Jones & Talbott, 2021). However, the gap between financial factors and specifically sole proprietors' business growth, was still a grey area for systematic research. Sole proprietors are regarded as strategic small business units which have a significant economic role to play in emerging economies (Muparangi & Makudza, 2020). Yet it seems very few studies considered financial strategies which sole traders can use to grow their operations. The most worrisome fact is that, these sole proprietors have a consistent record of business failure (Bonga, 2018).

To bridge the research gap, the study considered a holistic approach to financial factors that affect sole proprietors' business growth. That was in line with literature, as several researchers recommended a holistic approach of business growth determinants (Mazonde, 2016; Ngwouku, 2016; Makudza, Tasara, & Muridzi, 2021). Figure 2 depicts the conceptual framework for the current study.

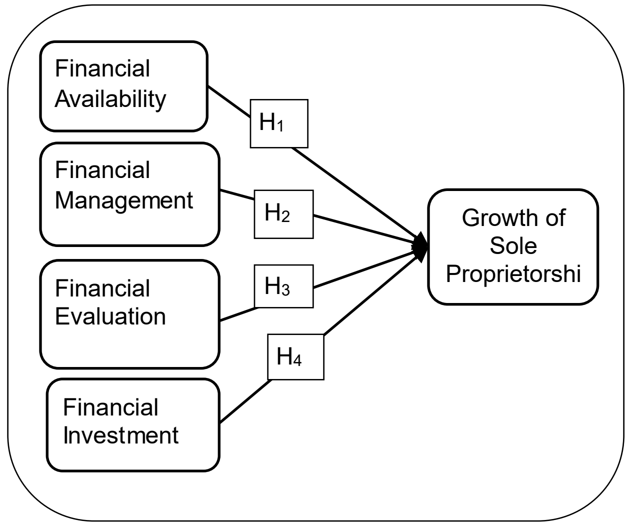

Figure 2: The Research Model

The conceptual model hypothesizes that financial factors (Availability, Management, Evaluation and Investment) directly influence growth of sole proprietorship. In this study, the model of financial factors influencing growth of sole proprietorship was informed by Irwin et al. (2021), Jones and Talbott (2021), Kotane and Merlino (2012) as well as Lee (2016). The argument was that financial factors were important factors which influence growth of sole proprietors' business. The financial availability scale was adapted from Lee (2016), whilst financial management scale was adapted from Jones and Talbott (2021). Financial evaluation scale was adapted from Kotane and Merlino (2012) yet the financial investment scale was a brain child of Irwin et al. (2021). Sole proprietorship business growth, the dependent variable, was deduced from McKenzie (2017).

In the research model, we investigated the effect of financial factors β1 – β4 on sole proprietorship business growth (SPBG); where financial factors (FF) were considered as follows:

$$FF = \sum [FA + FM + FE + FI]$$

The following regression equation was thus applied to analyse the effect of the financial factors on growth of sole proprietorship:

$$SPBG = \beta_0 + \beta_1 FA + \beta_2 FM + \beta_3 FE + \beta_4 FI$$

Where SPBG is sole proprietorship business growth, FA is financial accounting, FM is financial management, FE is financial evaluation and FI us financial investment.

www.kci.go.kr

3. Methodology

The study followed positivism research philosophy which assumes that sole proprietorship and business growth dynamics can be factually understood. The study adopted the descripto-explanatory study which Saunders et al. (2009) describe as a combination of descriptive research and explanatory research designs. The descripto-explanatory study adopted refers to "a study whose purpose is both descriptive and explanatory where, usually, description is the precursor to explanation" (Saunders et al., 2009: 591). By combining descriptive and explanatory research designs, the study enjoyed the robustness which emanated from both.

The target population of this study was made up of groceries retail sole proprietors operating in the old Hararian suburb of Epworth. This target grouping covers only groceries retail sole traders who were registered with the Epworth Local Board (ELB) as at March 31, 2020, and whose operations were in the following shopping centres in Epworth: Chiremba, Domboramwari, Overspill, Solani and Munyuki. According to the Epworth Local Board (2020), the total number of grocery retail sole traders in Epworth was 301 in all 5 shopping locations. Data was collected using stratified random sampling. Strata were developed on the basis of shop location or the shopping centres. There were five shopping centres in Epworth thus the study came up with five strata which were made up of the following stratum Chiremba, Domboramwari, Overspill, Solani and Munyuki. Each stratum size was proportionally adjusted to the sample size on the basis of the total number of traders in each stratum. Data was collected using questionnaires.

4. Results and Discussion

4.1. Internal Consistency/ Reliability of the Instrument

The Cronbach Test of reliability was done to ascertain the level of internal consistency and the results are shown below in table 2.

Table 2: Reliability Statistics

	Cronbach's Alpha	N of items
Financial availability	0.762	5
Financial management	0.809	6
Financial evaluation	0.754	5
Financial investment	0.821	5
Business growth	0.879	5

Table 2 shows that all financial constructs and the business growth construct had the coefficient of the Cronbach Test of above 0.75. This proves that the variables were consistently measuring the same attributes. Hall (2013) reiterate that if $0.9 > \alpha \geq 0.7$ it is acceptable.

4.2. Demographic Analysis

Most sole traders who responded were males. Male respondents were 69% whilst only 31% were females. Of all respondents, the 50% of respondents were in the age category 46 to 56. This showed that most sole traders were mature in age with only a small fraction of 3.62% were coming from respondents aged between 26 and 35. The study failed to attract respondents from the age category '18 to 25' years implying that most sole traders were above 25 years of age.

Most respondents (39.66%) showed that their businesses had just been formed (less than one year in operation). 31.03% of respondents showed that their businesses had between 1 to 2 years of operations. This imply that most businesses trading as sole traders were still at their infancy. This evidenced the collapse of sole traders. Sole traders had been operational since the time immemorial, so if they were not failing, we would have more traders who had been in business for a long time. Yet only 6.2% have been in business for more than 6 years. These findings are aligned with Nyoni and Bonga (2018) who also concluded that an estimated 26% of start-ups close operations and 32% new ones come in annually.

29.3% of respondents had zero employees, meaning that the owner was working without any employee/s. This is in line with the nature of the business, as most sole traders can work without employees (Mbira, 2015). Many respondents (62.1) claimed that they had between 1 and 2 employees, whilst only 5 traders indicated that they had between 3 to 4 employees. The questionnaire also had two more categories which had no takers (5 to 6 employees and above 6 employees). This proved that sole proprietors in Epworth had at most 4 employees.

4.3. Hypotheses Testing

The study wanted to test 4 hypotheses which would help to determine financial determinants of sole proprietor growth. Table 3 presents the correlation results.

www.kci.go.kr

Table 3: Correlations

Correlations		
		Business Growth
Financial Availability	Pearson Correlation	.413**
	Sig. (2-tailed)	.000
	N	158
Financial Management	Pearson Correlation	.367**
	Sig. (2-tailed)	.000
	N	158
Financial Evaluation	Pearson Correlation	.440**
	Sig. (2-tailed)	.000
	N	158
Financial Investment	Pearson Correlation	.502**
	Sig. (2-tailed)	.000
	N	158
Business Growth	Pearson Correlation	1
	Sig. (2-tailed)	
	N	158
**. Correlation is significant at the 0.01 level (2-tailed).		

Correlation results in table above indicate that all hypothesised associations were statistically corelated with p-values less than 0.05. Financial investment is having the highest positive correlation coefficient of 0.502 (P = 0.00) implying that the more sole traders invest in their business processes, customers, suppliers, new businesses and ploughing back; their business would grow. Financial evaluation also has a positive and strong correlation coefficient of 0.44 (P = 0.00). This means that evaluation of finances and availability of funds are true determinants of business growth. Financial availability and financial management recorded correlations of 0.41 (P = 0.00) and 0.367; respectively. It had a moderately lower yet positive correlation coefficient of 0.367 (P = 0.00).

To ascertain the suitability of the model, the study ran a regression analysis test.

Table 4: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.622[a]	.387	.383	2.16109
a. Predictors: (Constant), Financial Evaluation, Financial Availability, Financial Management, Financial Investment				

Table 5: Model Fit

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2111.7	4	527.9	113.0	.000[b]
	Residual	3348.6	717	4.7		
	Total	5460.2	721			
a. Dependent Variable: Business Growth						
b. Predictors: (Constant), Financial Investment, Financial Management, Financial Availability, Financial Evaluation						

Table 6: Impact Factors

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.414	.630		8.59	.00
	Financial Availability	.150	.024	.200	6.21	.00
	Financial Management	.117	.019	.188	5.99	.00
	Financial Evaluation	.149	.026	.195	5.78	.00
	Financial Investment	.190	.022	.297	8.74	.00
a. Dependent Variable: Business Growth						

Table 4 presents the model summary. It shows a correlation coefficient of 0.622 between the independent variables (AMEI) and business growth (BG). This is a strong, and positive association between the dependent and independent variables. This means that if the variables of the model are enhanced, sole proprietorship business growth would also be enhanced significantly.

The independent financial predictor variables of the model explain business growth by 38% (adjusted $r^2 = 0.383$). This shows a moderate impact of Financial AMEI determinants on sole proprietor business growth. This also implies that the model is a good model to predict business growth of sole traders. The r^2 value seem relatively smaller, however this is ideal because business growth is explained also by other factors other than financial factors in the model. In addition, the model is statistically significant with an F value of 113.0 and a p-value of 0.000 (Table 5).

Table 6 shows the beta values of the financial determinants of business growth (availability, management, evaluation and investment) as well as the coefficients to deduce the regression equation. The same table presents results of the significance of the association which can then be used to accept or reject the null hypotheses. Financial investment has highest statistically significant impact on business growth ($\beta = 0.297$; P = 0.00; T = 8.74). Financial evaluation had an impact value of 19.5% towards business growth and a significant p-value of 0.00. Financial availability was also statistically significant ($\beta = 0.20$; P = 0.00; T = 6.21). Financial management determinant also had a significant impact on business growth ($\beta = 0.188$; P = 0.00; T= 5.99).

4.4. Discussion of Results

The first hypothesis (H_1) predicted that financial availability positively impacts on sole proprietorship growth.

www.kci.go.kr

This hypothesis was accepted ($\beta = 0.20$; $T = 6.21$; $P = 0.000$). This means that growth of sole traders is enhanced when funds are available, collateral security is present, with presence of good funders who offer favourable interest rates and longer payback periods. The strength of the correlation coefficient (0.413) showed that the influence of financial availability on enhancing business growth was also moderate.

Related results were found by Mbira (2015) that lack of collateral security and absence of a substantive business plan were some of the reasons for failure in accessing funding for business growth by small businesses. Similarly, Permwanichagun, et al. (2014) found out that favourable interest rates coupled with a long period to repay debt was one of the motives of SME growth. Kativhu (2014) also revealed in his quantitative survey of traders in Harare that growth is deterred by high costs of borrowing. Dube (2020) who studied about SME activities in Masvingo found out that the cost of borrowing was too high to enable firms to borrow adequate amount of required financial investment. The study concluded that a reasonable level of debt in the capital structure of the SMEs helped to improve their productivity.

The second hypothesis (H_2) predicted that financial management positively impacts sole proprietorship growth. This hypothesis was also accepted ($\beta = 0.188$ $T = 5.99$, $P = 0.00$). The impact of financial management was low as compared to other factors but was statistically significant. This was interpreted to mean that financial management aspects (budgeting, record keeping, inventory management, credit management, debt management and costing) affect business growth. Sole proprietors should enhance all the aspects for them to grow their operations.

The study of Nyoni and Bonga (2018) confirmed that though it is an important attribute to manage finance well from an accounting point of view, most SMEs do not have standardized accounting procedures. This attribute can explain low impact of financial management in this study. Nyoni and Bonga (2018) found out that the use of computers for the preparation of financial statements among Iran SMEs was not at its full potential so most entrepreneurs relied on manual AIS. Dube (2020) also found out that debt finance had a positive impact on productivity of small businesses. Firms which managed well funding improved their productivity and growth.

The third hypothesis (H_3) wanted to ascertain whether financial evaluation positively impacts on sole proprietorship growth. The study rejected the null hypothesis in favour of the alternate hypothesis on the basis of a statistically significant p-value of 0.00, with a T-value of 5.78 and a beta coefficient of 19.5%. This means that financial evaluation aspects such as budget review, revenue analysis, profit analysis and operational efficiency reviews are essential for a business to enhance growth. Ratio analysis and other financial evaluations are thus effective for sole traders. A positive correlation of 0.671 also attest to the need to evaluate financial performance so as to enhance growth.

A study by Dube (2020) confirmed the study results. Dube (2020) found statistical evidence that supports that small to medium entities do not assess how their finances were used after a certain period of time. They further revealed that lack of financial evaluation was primarily caused by poor accounting record keeping and skills by many proprietors.

While some studies have supported that the financial evaluation is strong in influencing business growth, results from other studies suggest otherwise. In a structured PLS-Graph Conceptual Model, Tibenderana and Ogao (2018) found that evaluation of previous financial performance was not among top priorities of a few business owners who were managing to grow their businesses in Ghana. Without financial review, they were still expanding their operations.

The fourth hypothesis (H_4) had predicted that financial investment positively impacts on sole proprietorship growth. In this case, the null hypothesis was also rejected as the study found evidence that financial investment has a positive impact on growth of sole traders ($\beta = 0.297$, $T = 8.74$, $P = 0.00$). This was thus interpreted to mean that growth of businesses is imminent if sole traders plough back into their businesses, invest in customer and supplier relations and other business process investments and reengineering. With a high correlation coefficient of 0.713, the study offered strong evidence that supports business investment to enhance sole trader growth.

Chichoni (2015) found that investment in a dyadic harmonious relationship with customers and suppliers was a key guarantee for business performance. The same sentiments were echoed by Makudza (2020) who found that customer experience management was significant for the development of a steady flow of revenue.

Contrary to most findings, Muparangi and Makudza (2020) rather than focusing on investment, they found out that innovation in business is a key driver of growth. Business owners often have other business goals that are not necessarily financially-based, such as lifestyle, personal achievement, and pride in the business. The results showed that a flexible lifestyle, pride in the job, and personal achievement were better indicators of business success than financial evaluation or any other financial indicators. Thus, the study concluded that a subjective measure of business success may be more valuable to researchers than a financial objective measure of success.

www.kci.go.kr

5. Implications

This study directly informs financial practice of sole proprietorship. To enhance business growth and sustainability, sole proprietors need to use correct financial management practices which could be manual or automated. This will help them in managing funds and avoiding unnecessary drawings and misuse of funds. The study also informs the need for evaluation of financial processes and performance using ratios and variance analysis. Sole proprietorships usually rely on debt than equity yet debt is more expensive to service. Thus, the study informs the need for sole proprietors to reinvest in their business operations as a tool for growth. Borrowing funds for business expansion need not be a hobby for sole proprietors, but they should borrow only when necessary and from reputable lenders with favourable interest rates and payback periods. Furthermore, the study informs the need for a policy framework on how to fund and sustain sole traders. There is need for the government and other independent organizations to develop a framework to mobilize sole traders into an alliance, or an association. Such an alliance will be receptive to periodic financial trainings on financial management, financial evaluation and financial investments.

6. Conclusion

As more and more sole proprietor start-ups are recorded periodically, the study has ascertained the road map for them to graduate into becoming large corporate entities. This blue print is based on managing four financial factors which were all found to be statistically significantly related to sole proprietorships' business growth. The study thus concludes that to enhance growth of sole proprietorship, availability of funding is a prerequisite. Financial availability can be enhanced through relaxing collateral requirements, increasing funding and lending sources. Lending sources must give adequate funding at favourable interest rates and payback periods. The obtained funds should then be financially managed aptly through budgeting, financial record keeping, inventory management, credit management, debt management and costing. The study further concludes that sole traders' growth is improved through financial evaluations. Evaluations of finances can be done through budget reviews, revenue analysis, profit analysis and operation efficient reviews. Finally, the study concludes that financial investments augment growth of sole traders. Therefore, sole traders should invest in employees, customers, suppliers and business processes. Thus, the study concluded that the Financial AMEI model was validated and statistically significantly explain growth of sole proprietors. The study faced scope limitation; therefore, future researchers may need to replicate the model to enhance its robustness.

References

Agbim, C., & Owocho, D. (2013). Challenges of entrepreneurs: mitigating measures. *International Journal of Education and Development using Information and Communication Technology IJEDICT*, *10*(3), 75-86.

Chami, V. (2016). Technological innovation in women-owned firms: Influence of entrepreneurial motivation and strategic intention, *The International Journal of Entrepreneurship and Innovation*, *14*(1), 265-274.

Chichoni, D. (2015). The adoption and use of accounting systems by smes. PhD theses. *School of Social Sciences of the University of KwaZulu-Natal.*

Delapedra-Silva, V., Ferreira, P., Cunha, J., & Kimura, H. (2022). Methods for Financial Assessment of Renewable Energy Projects: A Review. *Processes*, *10*(2), 184.

Dube. T. (2020). The effect of small traders to the Zimbabwean economy. *International Journal of Contemporary Business in Emerging Economies*, *2*(1), 45-56.

Dumbu, E. (2014). Promoting entrepreneurship through open distance education in Zimbabwe. A case study of the Zimbabwe open university at Masvingo regional campus. *International Journal of Business, Economics and Management.* 16, 101-114.

ElDeeb, M., Halim, Y. T., & Kamel, E. M. (2021). The pillars determining financial inclusion among SMEs in Egypt: service awareness, access and usage metrics and macroeconomic policies. *Future Business Journal*, 7(1), 1-19.

Epworth Local Board. (2020). *Register of traders in Epworth.* Epworth Local Board (ELB), Harare, Zimbabwe.

Forbes. (2016). *The performance and rating of small businesses*. Forbes Review.

Galindo-Martín, M., Castaño-Martínez, M., & Méndez-Picazo, M. (2021). Effects of the pandemic crisis on entrepreneurship and sustainable development. *Journal of Business Research, 137*, 345-353.

Guruwo, S. (2020). Determinants of entrepreneurial growth and development among tertiary students. *International Journal of Entrepreneurship and Commerce*, 1(1), 14-24.

Hall, R. (2013). *Mixed methods: In search of a paradigm, Conducting Research in a Changing and Challenging World*. Nova Science Publishers Inc.

Hermelo, F., & Vassolo, R. (2007). The determinants of firm's growth: an empirical examination. *Abante, Escuela de Administracion. Pontificia Universidad Católica de*, *10*(1), 3-20.

Irwin, I., Moffat, R., & Narcat, N. (2021). The financial factors which promote business efficiency of SMEs. *Global Journal of Small Business and Development 1*(1), 13-22.

John, C. (2020). *Self-employment isn't working: sole traders and microbusinesses – the new 'left behind'.* Centre for Brexit Studies Blog.

Jones, S. H., & Talbott, S. (2021). Sole Traders? The Role of the Extended Family in Eighteenth-Century Atlantic Business Networks. *Enterprise & Society*, 1-30.

www.kci.go.kr

Kahiya, E., & Kadirov, D. (2020). Informal cross border trade as a substratum marketing system: a review and conceptual framework. *Journal of Macromarketing*, *40*(1), 88-109. doi:10.1177/0276146719897115.

Kativhu, D. (2014). An analysis of the contribution of the informal industries to urban social and economic development. Case of Glenview Area 8, furniture manufacturing industries. *Thesis. Midlands state university, Gweru, Zimbabwe*.

Kim, H. J., Lee, B. K., & Sohn, S. Y. (2020). Comparing spatial patterns of sole proprietorship and corporate payday lenders in Seoul, Korea. *Ann Reg Sci, 64*(1), 215–236. https://doi.org/10.1007/s00168-019-00969-0.

Kotane, I., & Merlino, I. (2012). Assessment of financial indicators for evaluation of business performance. *European Integration Studies*.

Makudza, F. (2020). Augmenting customer loyalty through customer experience management in the banking industry. *Journal of Asian Business and Economic Studies (Emerald Insight), 27*(2). https://doi.org/10.1108/JABES-01-2020-0007.

Makudza, **F**., Muchongwe, N., & Dangaiso, P. (2020). Workforce diversity: A springboard for employee productivity and customer experience. *Journal of Industrial Distribution & Business, 11*(10), 49-58. http://dx.doi.org/10.13106/jidb.2020.vol11.no10.49

Makudza, F., Muridzi, G., & Chirima, D.T. (2019). An Analysis of the Business Process Reengineering (BPR) Implementation Practices and their Impact on Customer Satisfaction in the Banking Sector. *Amity Journal of Marketing, 4*(1), 64-79 http://amity.edu/UserFiles/admaa/7e0 b71326.pdf

Makudza, F., Tasara, G., & Muridzi, G. (2021). Plummeting consumers' brand switching behaviour using a holistic product strategy in the Zimbabwean cola industry. *Business Excellence and Management. 11*(3)*,* 103-120 https://doi.org/10.24818/beman/2021.11.3-06

Manenzhe, T. D., Zwane, E. M., & Van Niekerk, J. (2020). Performance and sustainability of commercial cooperatives and sole proprietorships citrus farms in Mpumalanga Province, South Africa. *South African Journal of Agricultural Extension, 48*(1), 70-83. https://dx.doi.org/10.17159/2413-3221/2020/v48n1a527.

Mangwiro, F., & Makasa, D. (2014). The motives of Zimbabwean entrepreneurs: A case study of Harare. *Africa Development and Resources Research Institute Journal, 25*(3), 321-333.

Mauchi, F., Karambakuwa, R. T., Gopo, R. N., & Njanike, K. (2011). Entrepreneurship Education: A case of Zimbabwean tertiary education institutions. *Educational Research International Research Journal,*

Mazonde, N. B., & Carmichael, T. (2016). The influence of culture on female entrepreneurs in Zimbabwe. *The Southern African Journal of Entrepreneurship and Small Business Management,* 2071-3185.

Mbira, L. (2015). Key success factors for sole trader retailer growth in a multicurrency Zimbabwe. *The International Journal of Business & Management, 3*(8), 127 – 134.

McKenzie, D. (2017). Identifying and spurring high-growth entrepreneurship: Experimental evidence from a business plan competition. *American Economic Review*, *107*(8), 2278-2307.

Mihalyi, D., Hwang, J., Rivetti, D., & Cust, J. (2022). *Resource-Backed Loans in Sub-Saharan Africa.* World Bank, Washington, DC, 2022.

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *American Economic Review, 48*(1), 261-297.

Mudondo, C. D. (2014). Entrepreneurial perceptions and intentions: An empirical survey of the students in the faculty of commerce at Great Zimbabwe University, Zimbabwe. *International Journal of Management Sciences, 2*(1), 1-11.

Muparangi, S., Makudza, F. (2020). Innovation: The driving force for entrepreneurial performance among small, informal businesses. *Sustainable Business and Society in Emerging Economies.* https://doi.org/10.26710/sbsee.v2i2

Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, 13(1), 187-221. https://doi.org/10.1016/0304-405X(84)90023-0

Ngwouku, A. (2016). Review on Enterprise Growth Theories. *International Journal of Business and Management.*

Nyoni, T., & Bonga, G. (2018). Anatomy of the Small & Medium Enterprises (SMEs) Critical Success Factors (CSFs) in Zimbabwe: Introducing the 3E Model. *International Journal of Business, Social and Environmental Studies*, *2*(1), 46-55.

Ochi, I. I., Idiege, A. F., & Bassey, D. S. (2021). Contemporary financial practices and going concern of manufacturing corporations in Nigeria. *International Journal of Multidisciplinary Research and Growth Evaluation*, *2*(2), 134-139.

Odoom, R., & Mensah, P. (2019). Brand orientation and brand performance in SMEs: The moderating effects of social media and innovation capabilities, *Management Research Review*, 42(1), 155-171. https://doi.org/10.1108/MRR-12-2017-0441.

Permwanichagun, P., Kaenmanee, S., Naipinit, A., & Sakolnakorn T. (2014). The situations of sole proprietorship, e-commerce entrepreneurs and trends in their E-commerce: A case study in Thailand. *Asian Social Science*, *10*(21), 80 – 88 http://dx.doi.org/10.5539/ass.v10n21p80

Pettit, R., & Singer, R. (1985). Small business finance: A research agenda. *Financial management*, *14*(3), 47-60.

Pozza, I., Goetz, O., & Sahut, J. M. (2018). Implementation effects in the relationship between CRM and its performance, *Journal of Business Research, 89*(1), 391-403.

Putra, M. F. P., & Widajantie, D. (2021). The effect of socialization, understanding of information technology and accounting on the application of small and medium microfinance accounting standard (sak-emkm) to MSMEs. *International Journal of Economics, Business and Accounting Research* (IJEBAR), 5(2).

Rachidi, H., & Mohajir, M. (2021). Improving SMEs' performance using innovative knowledge and financial system designed from the Moroccan business environment. *African Journal of Science, Technology, Innovation and Development*, *13*(1), 15-30.

Salimian, H., Rashidirad, M., & Soltani, E. (2021). Supplier quality management and performance: the effect of supply chain-oriented culture. *Production Planning & Control*, 32(11), 942-958.

Saunders, M., Lewis, P., & Thornhill, A. (2009*). Research methods for business students.* 5th ed, Pearson Education, London.

Scott, J. H. (1977). Bankruptcy, secured debt and optimal capital

www.kci.go.kr

structure. *Journal of Finance, 32*(1), 1-19.

Seoela, B. N. (2022). Efficacy of monetary policy in a currency union? Evidence from Southern Africa's Common Monetary Area, *Quantitative Finance and Economics*, *6*(1), 35-53.

Shrieves, T., & Wachovicz, G. (2001). The role of business incubators in supporting the SME start up. *Acta Polytechnia Hungarica*, *9*(3).

Sibanda, K., Sibanda, P., & Shava, H. (2018). The impact of SME access to finance and performance on exporting behaviour at firm level: A case of furniture manufacturing SMEs in Zimbabwe, *Acta Commercii*, *18*(1), 1-13.

Sumako, S. T. (2021). The differential effect if business process reinvestment on business growth, *The International Journal of Applied Business Practices and Commerce*, *1*(1), 21-33.

Thurik, M. (2007). Policy Induced Constraints on Small Enterprise Development in Asian Developing Countries: Small Enterprise Development, *Journal of Small Business*, 5(2), 66-78.

Tibenderana, T., & Ogao, O. (2018). The role of financial evaluations and performance of small and micro businesses, *International Journal of Multidisciplinary Studies*, 2(1), 34-43.

Williams, C., & Kosta, B. (2020). Evaluating the impact of informal sector competitors on the performance of formal enterprises: Evidence from Bosnia and Herzegovina. *Journal of Developmental Entrepreneurship, 25*(2).

World Trade Report. (2018). Economic growth report. World Trade Report.

Yang, W., Zhou, Y., Xu, W., & Tang, K. (2021). Evaluate the sustainable reuse strategy of the corporate financial management based on the big data model. *Journal of Enterprise Information Management*. December, 1.

www.kci.go.kr