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The Effect of Demographic Characteristics of Owner/Manager on the Growth of Small and Medium Enterprises in Namibia: Specific Reference to Selected Towns

Onjefu Mary

Ph.D. Candidate, Department of Business Management,
International University of Management, Windhoek, Namibia

Shihaleni E. Ndjaba

Dean, Department of Business Management,
International University of Management, Windhoek, Namibia

Abstract:

Small and medium enterprises are the back bone of the economy of countries of the world. In spite of the important contribution of SMEs sector in the development of countries economy, studies have shown that SMEs are faced with challenges that hamper their growth. In Namibia, many studies have been done on the SMEs sector and factors affecting their growth. However, less consideration has been given to the effect of owner's/ managers demographic characteristics on SMEs growth in selected towns in Namibia. Therefore, the focus of this paper is on the effect of owners'/managers demographic characteristics such as age, gender, level of education and prior experience on the growth of SMEs in five selected towns in Namibia. This study applied the quantitative approach with a descriptive survey of 200 questionnaire distributed to the five towns in Namibia using a convenience sampling technique. The analysis of the data was done using SPSS. The finding from the tested hypothesis revealed a relationship between the Owners/managers demographic characteristics and the growth of SMEs. The correlation results show that all the variables have positive relationship but when the variables were analysed separately, the result from the regression analysis shows that only prior experience of Owners/Managers has a positive relationship with SMEs growth in the five towns in Namibia.

Keywords: SMEs growth, demographic characteristics, age, gender, level of education and prior experience

1. Introduction

Previous studies have shown that SMEs contribute greatly to the economic development of different countries and serve as a source of employment (Susanto & Meiryani, 2019; Kambwale, Chisor, & Karodia, 2015) SMEs also contribute greatly to generation of income and reduction of poverty in developed and developing countries of the world. Zannah, Mahat, Ariffin and Ali (2017) indicate that, in China, SMEs contribute to the fastest growing economy of the country by providing between 60-90% of employment opportunities and also contribute 60% to the national GDP of the country. Similarly, other countries, such as Korea, Japan and other industrialized economies also recognized the importance of SMEs to their country's economy in the area of generating employment, poverty alleviation and increasing the welfare of the inhabitants. In terms of contribution to GDP, Japan is 55%, Korea is 50% and Malaysia is 43.7% (Zannah, *et al.* 2017).

SMEs also play significant role in the economies of developing countries such as Namibia where there is major variation between the rich and the poor and also issues of lack of employment opportunities. SMEs in Namibia contribute close to 12% to GDP and employ 20% of the total workforce (Shilinge, 2016).

However, notwithstanding the major contribution of SMEs in the economies of countries of the world, SMEs in Namibia and countries across the globe are faced with many challenges that affect their growth. In Namibia, several studies have been done on the challenges that SMEs are facing but less considerations have been given to the demographic characteristics of the owners/managers in selected towns in Namibia. Recent studies have pointed out demographic factors such as age, education, experience and family background as factors that influence the success and growth of SMEs (Isaga, 2015; Batsakis, 2014; Unger; Blackburn, Hart, & Warn wright, 2013; Rauch, Frese & Rosenbusch, 2009). Therefore, this paper seeks to investigate the effect of the demographic characteristics of the owner/ managers such as age, gender, education and prior experience on the growth of SMEs operating in five towns in Namibia namely, Otjiwarongo, Rehoboth, Oshakati, Rundu and Katima Mulilo. The main objective of this study is to analyze the effect of demographic factor on the growth of SMEs in selected towns in Namibia. The research question used to answer this objective is: What effect do the demographic characteristics of the entrepreneur such as age, gender, education and experience have on SMEs in the selected towns in Namibia?

2. Literature Review

This section presents the review on SMEs growth, conceptual framework and the relationship between the demographic characteristics of owners/ managers which include age, gender, level of education and prior experience and SMEs growth.

2.1. Review on Small and Medium Enterprises Growth Measure

Isaga (2012) indicates that the growth of a firm can be measured in many ways such as sales, employment, assets market shares, physical outputs and profits and that there is no general agreement on the correct measures of the growth of SMEs and so researchers are allowed to use any one suitable measure, form a multiple measure index or use apparent measures separately. Furthermore, due to this gap, several researchers considered growth measures that are easy to gather information instead of considering variables that are important (Isaga, 2012). Therefore, in this study, change in sales in terms of percentage growth in sale in five years was used as a measure for growth.

2.2. Conceptual Framework

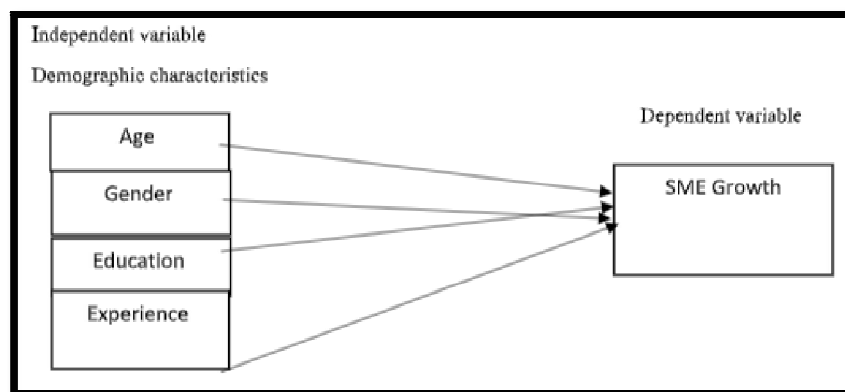


Figure 1: Conceptual Framework

2.3. Age and SMEs Growth

Studies have revealed that ages of the owner/manager have significant relationship with SMEs growth (Kristiansen, Furuholt and Wahid, 2003; Sefiani, 2013). Kristiansen, Furuholt and Wahid (2003), in a study, stated that internet cafe entrepreneurs in Indonesia found a positive relationship between age of the owner of a business and the performance and growth of SMEs. The researchers stated that businesses that were operated by owners who were between the age of twenty-five and above prosper more than those run by owners younger than twenty-five years of age. Similarly, Sefiani (2013) revealed a significant relationship between owners' age and the success of the firm. The descriptive statistics revealed that the majority of the owners/managers of the firm, that are successful, were between the age of 25 and 45.

2.4. Gender and SMEs Growth

Gender, as one of the demographic characteristics, is also considered to have great effect on the growth of SMEs. Radipere and Dhliwayo (2014) point out that gender has effect on the success of entrepreneurs and also on the performance of businesses. Kelley, Singer and Herrington (2017) maintained that when there is a more gender equality in entrepreneurship, then it means a healthy work-life stability for a society. The researchers further stated that encouraging talented female to set-up businesses and embrace oppositions, which might not be easy for some, could be a great benefit for country's economy. A study by Wilson, Kickul and Marlono (2007) revealed that males have strong intention with regard to entrepreneurship compared to females.

2.5. Level of Education of Owners/ Managers and SMEs Growth

Chowdhury, Alam and Arif (2013) stated that the people, who are educated, are creative and innovative and are able to search for exclusive ways of satisfying a want. Additionally, the level of education attained by a business owner can help in the survival of the business, the control of a complex environment and the ability to nurture the business objective. Similarly, Kelley, Singer & Herrington (2017) indicated that a high quality education has a positive impact on the performance and growth of a business since it increases the self-confidence and self-efficacy of a business owner. Also, Lucas (2017) revealed that the level of education has positive impact on the growth of a firm. The result revealed that increase in revenue is as a result of the level of education of the entrepreneur.

2.6. Experience of Owners/Manages and SMEs Growth

Studies have revealed that owner of a business, that has more experience, can establish ventures that have greater employment and sales growth compared to an owner who has less management experience (Bigsten & Gebreeyesus, 2007; Unger *et al.*, 2009a). A study by Wellmilla, Weerakkody & Ediriweera (2011) found a positive relationship between the experience of owner/manager and the growth of SMEs in tourism industry in Sri Lanka. The result shows that owners, who have many experiences, have the possibility to survive in the industry.

Finally based on the argument in the recent studies on the importance of demographic characteristics on the growth of SMEs, this study suggested the hypotheses below:

- H_0 : There is no relationship between demographic characteristics such as age of the owner/manager, gender, education and experience and SME growth
- H_a : There is a relationship between demographic characteristics such as age of the owner/manager, gender, education and experience and SME growth

3. Methodology

3.1. Descriptive Design

This study used a descriptive design and a qualitative approach. The descriptive research design is important for this study because it was anticipated that it will enable the researcher to ascertain if the characteristics of the target population are accurate. The results obtained from descriptive research are in statistical form. Therefore, it can also be used as secondary data for similar research problems. Descriptive research is conducted in a natural setting, for example, while using a survey method, questionnaires can be distributed to people randomly, or in observational method whereby the behaviour of people can be observed in a particular environment (Bhasin, 2019).

3.2. Data Collection Method

The study used a close-ended questionnaire for data collection. 200 questionnaires were distributed to SMEs owners in the selected towns in Namibia and 189 questionnaires were filled and returned. A close ended questionnaire was considered important for this study because it makes it easy for the researcher to access information from the respondents.

3.3. Data Analysis

The data was first analyzed on the descriptive statistics in the form of frequencies which offer an initial broad overview of the findings and the presentation was done by the use of table. Correlation was done to determine the relationship between the independent and the dependent variables, and then the data was further analyzed using linear regression approach. Hypothesis was also tested to ascertain the effect of demographic characteristics on the growth of small and medium enterprises in the selected towns in Namibia.

Variables	Frequency	Percentage
Age group		
Below 25	25	13.2%
25-35	71	37.6%
35-45	49	25.9%
45-55	41	21.7%
55-59	3	1.6%
60 and above	0	0%
Gender		
Males	111	58.7%
Females	78	41.3%
Level of Education		
No formal education	19	10.1%
Primary	22	11.6%
Secondary	64	33.9%
Diploma	49	45.9%
Degree	35	18.5%
Did you have prior experience on this same line of business before starting yours?		
Yes	94	49.7%
No	95	50.3%

Table 1: Respondent's Profile (N=189)

The results in table 1 above indicate that majority of the respondents (37.6%) were between the age of 25-35. 58.7% are male, a handful of the respondents (33.9%) had secondary education and 50.3% had experience in the same line of business before starting theirs.

Correlations						
		SME Growth Rate	Please Indicate Your Age Bracket	Gender	Please Indicate Your Level of Education	Did You Have Prior Experience in This Same Line of Business Before Starting Yours?
Pearson Correlation	SME growth rate	1.000	-.029	-.023	-.056	.011
	Please indicate your age bracket	-.029	1.000	.059	-.100	.158
	Gender	-.023	.059	1.000	-.093	-.090
	Please indicate your level of education	-.056	-.100	-.093	1.000	.260
	Did you have prior experience in this same line of business before starting yours?	.011	.158	-.090	.260	1.000

Table 2: Correlations between SME Growth and Demographic Factors

The results in Table 2 above show that all the variables are statistically significant and the researcher can proceed with analysis

- R Square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.078 ^a	.006	-.016	22.261

Table 3: R Square

Regression results revealed that there is a positive relationship between SME growth and factors such as gender, experience, age and level of education. An R value of 0.078 indicates a positive relationship; however, the positive relationship is very weak. The R squared value between these variables was found to be 0.006 which shows that collectively 0.6% of SME growth is as a result of the demographic factors given above.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.086	8.915		.458	.647
	Please indicate your age bracket	-.863	1.636	-.040	-.527	.599
	Gender	-1.087	3.318	-.024	-.328	.744
	Please indicate your level of education	-1.307	1.425	-.071	-.917	.360
	Did you have prior experience in this same line of business before starting yours?	1.498	3.429	.034	.437	.663

Table 4: Regression Analysis of the Relationship between Demographic Factors and SMEs Growth

When the researcher analysed the demographic factors separately, the only variable that was found to have a positive relationship with SME growth as indicated in Table 4 above was experience.

H_a 1.1

One-Sample Test						
	Test Value = 50					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Please indicate your age bracket	-639.682	188	.000	-47.392	-47.54	-47.25
Gender	-1353.177	188	.000	-48.587	-48.66	-48.52
Please indicate your level of education	-537.001	188	.000	-46.688	-46.86	-46.52

Table 5: Hypothesis Result

The null hypothesis was rejected as indicated in table 5 above which shows that there is a relationship between the demographic factors such as age of the owner/manager, gender, level of education and prior experience and SMEs growth.

4. Conclusion

With respect to the finding from this study, it has been concluded that there is a relationship between the demographic factors of owners/managers on SMEs growth of selected towns in Namibia. The correlation result revealed that all the variables have a positive relationship with SMEs growth but when the variables were analyzed separately, only prior experience was formed to have a positive relationship with SMEs growth.

5. Further Study

Further study on the owners'/managers' demographic characteristics is important to determine its effect on SMEs growth in Namibia. This study only looked at four of the demographic factors such as age, gender, level of education and prior experience. Further study should consider other aspects of demographic characteristics and their effect on the growth of SMEs.

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