Determinants of Growth of Small and Medium Enterprises: Empirical Evidence from Gammo, Goffa and South Omo Zones

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Abstract: *SMEs had shown little growth and failure in many places. To examine why SMEs failed to grown as expected however, needs a detail empirical investigations. Based on thisrealitythe present study aimed at establishing the determinants of the growth of SMEs using 258 SMEs. The study adopted explanatory research design with quantitative method of data gathering using survey strategy. The finding shows thatorganizational determinants namely, strategy, management capability, human resource capability and marketing capability were significantly determine the growth of SMEs. The study revealed that access to finance, legal and regulatory factors, technological capability, infrastructural facility and working premises were environmental determinants that positively affect the growth of SMEs. Furthermore the study proved that, personal factors are significantly and positively influence the growth of SMEs. More over from the three dimensions of growth determinants, organizational determinants adversely affect the growth of SMEs.The study concludes that the growth of SMEs is multitude and complicated and determined by personal, organizational and environmental determinants. Policy makers advised to give due attention for these factors while they design and implement policy and strategic plan concerned with SMEs whereas future researchers recommended to consider additional factors that influence the growth of SMEs and conduct longitudinal studies in the future if possible.*

Keywords: Growth, Small and medium enterprises, organizational determinants, environmental determinants, factors

1. Introduction

Currently, the critical contribution of small and medium sized enterprises as the drivers of socio-economic development, vital role in GDP growth, new job creation and entrepreneurship development are acknowledged and well credited in vast number of studies. The role played by SMEs is recognized at a worldwide level, but the role played by SMEs is more crucial in developing economies (Muller, et.al, 2014; OECD, 2014; Chowdhury, 2011, Narteh, 2013; Floyd and McManus, 2005 as cited in Hande, 2016).

The report of World Bank (2013) indicate that in the near future hundreds of millions of new jobs need to be created to keep up with demographic changes and population growth in low and middle income countries even to keep unemployment and underemployment rates at their current levels let alone to substantially improve the employment situation. In line to this International Monetary Fund report of (2010) showed that majority of current jobs in middle income countries do not lift people out of poverty. Therefore, to reduce poverty and unemployment rate world needs more productive and successful micro, small and medium enterprises. This evidence shows that for the problem that our world faced SME sector carries great hopes and great burdens to bring sustained and healthy growth since it is difficult to imagine rising overall living standards and social peace without such a growth and development.

Previous studies witnessed that problems facing growth and survival of SMEs in Africa can be generally classified into four broad categories namely, administrative, operating, strategic and exogenous problems (Ofunya,2015). Moreover literatures indicate that, the failure rate of SMEs in Africa is very high. For example, the study by Maurice (2015) indicates that in South Africa 60% of small businesses fail within the first year of operation. The study by Omwenga (2017) indicates that in Kenya today, over sixty percent of small businesses are estimated to fail annually whereas Bramuel (2013) stated that in Kenya three out of five fail within the first few months**.** Moreover, Stanislous (2008) witnessed that small and medium sized firms dominate both developed and developing economies in terms of employment and other benefit they provide, but still their full potential remains untapped. Despite the massive hopes that world put on SMEs to address the severe economic crisis modern world has witnessed just right now, there is a dearth of scholarly investigation both at national level and in the study area on the determinants of the growth of SMEs sector, this study aims to fill this gap in the SME literature, through conducting empirical study on the determinants of SMEs growth to come up with insights that will added on the existing literature as the same time to forward some policy direction for policy makers.Against this background this study was designed.

2. Empirical reviews of factors affecting growth of SMEs

Scholars have used different approaches to identify factors affecting the growth of SMEs and there is considerable variation in identification of factors in previous studies. Majority of the previous studies divided the factors affecting growth of SMEs roughly into two groups; organizationalfactors and external factors that are beyond the SMEs' control and have a big impact on the performance and growth of small firms (Lumpkin and Dess, 1996 as cited in Benzazoua et al.,2015).When we see the summary of factors, legal and regulatory framework, corruption, a poor investment climate, especially red tape, high tax rates, and competition from the informal sector, and inadequate infrastructure, especially an insufficient or

unreliable power supply, Entrepreneur characteristics, managerial capacities, marketing skills and technological capacities were the most prominent factors exert influence on growth of SMEs. Asini (2016) conducted his study entitled factors affecting growth of small and medium enterprises in Sri Lanka on sample of 100 enterprises. He found out financial inadequacy and lacks of access to new technology government regulation are vital factor which has limited the growth and expansion of SMEs. Another study by, Habtamu , Aregawi and Nigus (2013) on growth determinants of micro and small enterprises in case of Mekelle city Tigray regional state of Ethiopia on 178 randomly selected enterprises. This study proved that over three-fourth of the MSEs that are survival MSEs and about one-fourth of them are growing MSEs. They further indicated that MSEs that are owned by male grow at relatively higher rate of growth as compared to the women owned MSEs. More over the result of this study indicates that, manufacturing sectors MSEs grow faster than other sectors. The study of Sarwoko and Frisdiantara(2016) entitled growth determinants of small medium enterprises in Indonesia, showed that the growth of SMEs is determined by individual, organizational and individual factors. Another study by Arega, Muhammed and Daniel (2016) that concerned with growth of micro and small enterprises in Addis Ababa City Administration. Results of this study revealed that Micro and Small Enterprises (MSEs) whose owners attained training, started business with high initial investment, engaged on the service sector, and established in non-cooperative form have better growth than those who do not have these advantage. They concluded that, MSEs that comes to business with higher initial investment shows better growth than those MSEs that started business with lower initial investment and finance was found as one of the main factors that affect starting, success and performance. Finally, the study by Afande (2014) concerning to factors influencing growth of Small and Microenterprises in Nairobi Central Business District, proved that access to finance, educational level of entrepreneur and age of SMEs are sequential ranked based on their effects.

2.1. Conceptual Frame Work of the study

Conceptual framework would clearly explain the research problem by showing how the study variables has been configured and integrated together. The basis of this study is that the growth of SMEs is influenced by organizational, environmental and personal factors. Therefore, to create a clear understanding of determinants of SMEs the researcher depicted the following conceptual model based on theoretical and review of previous empirical studies.
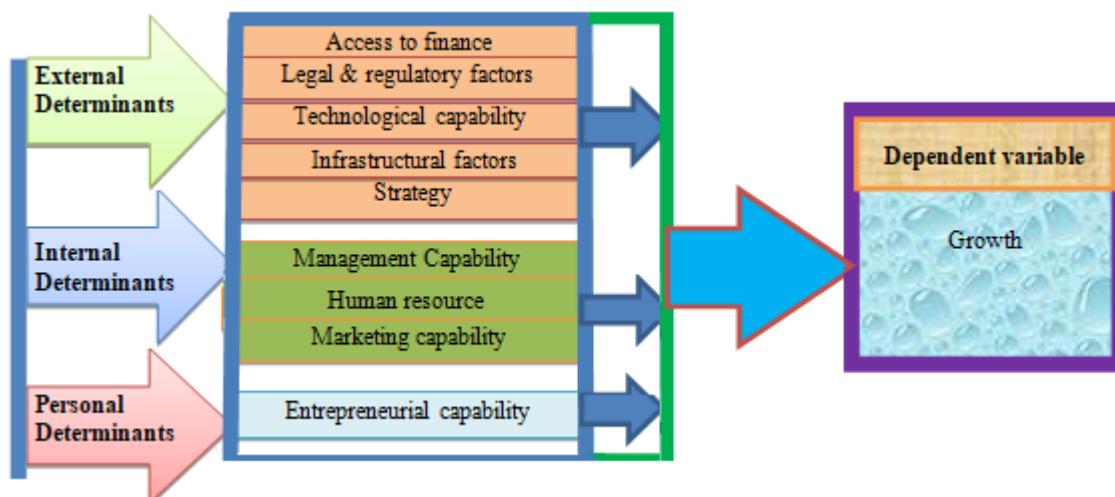

Figure 1: Conceptual frame of the study

3. Statement of the Problem

At worldwide level SMEs have been recognized as engines of growth and development of nations, that is why many countries have put considerable efforts to support them so as to create and tap their employment opportunities, income generation and productive capacity. In order to make the SMEs sector the engine of economic growth and reduce the problem of unemployment, it is important to promote the growth of SMEs. To do this government incentive, policies and programs which aimed at revamping the growth of the sector is made from time to time in Ethiopia, for instance, national micro and small enterprises strategy of 1997,federal micro and small enterprises development agency of 1998, industrial policy of 2003 and the poverty reduction strategy program of 2006 are few policies and programs designed to create a productive and vibrant private sector that aimed in reducing poverty among urban dwellers (Ephrem, 2010;

MOFED, 2006; MoTI, 1997 as cited in Seyum, 2015). It has however been worrisome that despite the incentives, policies, programs and support that aimed at revamping the sector, they have performed rather below expectations. To establish the major determinants that predict the growth of SMEs, therefore empirical study would be highly demanded.

With regard to this, in Ethiopian context few studies has been conducted so far in the sector (Habtam, 2012, Fetene, 2010, Admasu,WeldeGebriel and Abiyu,2011).Almost all of the above mentioned studies focus on micro and small enterprises, without considering growthdeterminants of medium sized enterprises. This evidence shows that there is scarcity of literature concerning determinants that influences growth of the medium enterprises. Furthermore the works of past researchers such as (Abiyu, 2011, Habtamu, et.al, 2013, Benzazouaet.al, 2015, James, Susan and Magdaline et.al, 2013) highly contradict in the way they identified variables

that determine the growth of SMEs. In addition to inconsistency of variable identification these studies are not covered important variables that are vital for the growth of SMEs, for example, strategy, human resource capability and personal factors. Thispresents knowledge gap regarding to conjoint identification of major predictors of SMEs growth. More importantly, Sarwoko and Frisdiantara(2016) in their study stated that, the previous studies analyzed the determinants of business growth, in inconsistent manner and each factor was analyzed separately, which only focus on personal factors, organizational factors, as well as strategies(Baum, Locke and Smith, 200); Covin& Slevin,1991, Delmar et al., 2003).They boldly stated that the growth of SMEs is also determined by environmental conditions and they recommended that it is more conclusive if three dimensions, namely, personal, organizational and the environmental factors were examined as the determinants of SMEs growth together. However, all the above stated studies attempted to investigate the determinants of SMEs separately in inconsistent manner and this presents knowledge gap that invited the researcher for further studies. Moreover, Delmar et.,al (2003) stated that there no universal measure of growth, the use of multiple measures might give a better overall picture; therefore in this study growth has been measured by multiple measures using sales volume, total asset, profit and number of employees to compensate the limitation of the one indicator by the strength of the others and to come up with more conclusive findings.Encouraged by the aforementioned gaps the present study aimed to establish the determinants of SMEs growth empirically by collecting evidences from Gammo, Goffa and South Omo zones of Southern Ethiopia.

4. Methodology of the Study

This study applied explanatory research design in order to establish the effect of determinants on SMEs growth. The study was cross-sectional survey; all relevant data was collected at a single point at a timedue to limitation of time
LLF: legal and regulatory factors
AF: Access to finance
MC: marketing capability
HRC: Human resource capability
WP: Working premises
ISF: Infrastructural facility
ST: Strategy of SMEs
TC: Technological capability
MC: Management Capability
EC: Entrepreneurial capability

5.1 Organizational determinants of SMEs growth

Table 1: Regression weights of organizational determinants

Determinants	Beta	S.E	T	Sig	Collinarity diagnosis	
					Tolerance	VIF
Strategy of SMEs	.335	.056	6.13	.001*	.545	1.83
Marketing capability	.108	.080	1.97	.049*	.541	1.84
Human resource capability	.148	.073	2.26	.001*	.783	1.27
Management Capability	.244	.067	3.28	.000*	.400	2.50

As shown in the above table, to determine the magnitude and direction of effect of organizational determinants

and the financial shortage to conduct longitudinal study. Theresearchers'utilized deductive approaches of doing research and the study was used survey strategy. Furthermore sample for this research was drown from the five sectors namely; manufacturing, trade, service, urban agriculture and construction sector of Gammo, Goffa and South Omo zones while determining the sample size, Yamene formula of (1967) was used to determine sample sizeat a 95% confidence level with P = 50% are assumed for the equation. $n = N/1+N (e)^2$ that would be; n= 1341/1+1341 (0.05) ^{2} n =308. Out of 308 questionnaires distributed 258 questionnaires has been accurately filled with all information and used for analysis. To reach thesample determined proportionate stratification followed by simple random sampling technique has been utilized. Moreover a survey questionnaire of a 5-point Likert scale was used to collect data for the study.

Finally, the researcher applied inferential statistics in order to analyze the data using the Statistical Package for the Social Sciences (SPSS) 21 version computer software.

5. Research Findings and Discussion

The data was collected through questionnaire administered to 308 SMEs. A total of 258 questionnaires were successfully completed and this represents a recommendable response rate of 84.6%.To establish the degree of influence of determinants on growth of SMEs regression analyses conducted among the variables after multiple regression assumptions of linearity, normality, multicolinarity and homoscedasticity has been tested.The regression model of our study was as follows:Growth = $\beta 0 + \beta 1(LLF) + \beta 2(AF) + \beta 3(MC) + \beta 4(HRC) + \beta 5(WP) + \beta 6(IFS) + \beta 7(ST) + \beta 8(TC) + \beta 9(MC) + \beta 10(ECH) + e$ WhereGrowth of SMEs (dependent variable) ε: error rate ß0, ß1,ß2, ß3 ,ß4, ß5, ß6, ß7 , ß8, ß9and ß10 are the regression co-efficient

regression weights of all organizational determinants computed. The result shows all four determinants were statistically significant and positively determines SMEs growth. Strategy has the highest influence ($\beta = 0.35$, $p<0.05$) followed by than management capability ($\beta = 0.244$, $p<0.05$) while human resource capability ($\beta = 0.148$, $p<0.05$) and marketing capability ($\beta = 0.108$, $p<0.05$) are the other determinants respectively. This finding show that strategy SMEs followed highly determines their growthmore others organizationalfactors. Moreover, along with other factorskey determinant of any business success lies on the strategy it follows. Therefore SMEs owners have to spend more time in designing strategy that helps them to overcome intense competition, easily respond to their customers, specifically and strategy that will help them to excel simultaneously in several dimension in general. The other organizational determinant of SMEs growth was management capability. This implies that the quality of SMEs managers in terms of technical knowledge, skills and competencies of how to run business and lead other who work with them, significantly impact the growth of SMEs. In contrary to this point most SMEs in our country generally and in the case study area specifically, managed by unqualified managers, since there is a problem of owners-managers, meaning to say owners

and managers are the same in small and medium scale business. On the other hand, SMEs are unable to attract qualified and experienced managers from the labor market because of financial incapacity; therefore they forced to be managed by incapable managers.This finding supports several studies conducted so far taken together, (Olawale and Garwe , 2010: Singh et al.,2008; Aylin et al. 2013: Pasanen,2007). The current study further shows that market capability significantly determine the growth of SMEs. Due to its significant role for the growth of SMEs, it has been widely accredited as one of the most important of all activities and critical for the survival and growth. However, many previous studies proved that MSMEs owner/managers as having a very limited understanding of the marketing concept and they has been faced problems like, linkage between operators, information in the market, available technologies, existing opportunities. Due to lack of market related knowledge they face serious problems because of they are unable to meet the visible growth due to lack of information where the bestmarket areas are located, inability to analyze their respective market, lack of skills to set competitive prices, inability to effectively promote products (Etsegenet, 2000; Mambula, 2002; Carpenter and Petersen, 2002, as cited in Abiyu, 2011). The result of the study further shows human resource capability one of the determinants of the growth of SMEs. In fact without human assets knowledge, skill, experience and capabilities conducting the operationof any business is unthinkable. That is why many organizations attract, develop and maintain their successful individuals as a critical success factor even though recruiting new employee is one of the biggest challenges facing success of SMEs as proved by earlier researchers (Chrisman,1989;Hyvari;Hailey,1991;Donckels and Fröhlich 1991;David andNyong,1992 ;Lussier, et,al,.,1996 ;Yusuf and Attahir, 1995;as cited in Abiyu,2011).

When we examine the reality of Ethiopia in generally and study areas specifically, most of MSMEs have been filled by illiterate workforce, low educated manpower, with low skill and experience. This sector also faced with lack of training since their integration with academic institution is very poor. Due to this problem the sector is not contributed as expected both at local and national levels. This finding is similar to the findings of Lee (2001)that statedhuman resource capacities are the most significant factor for the growth of SMEs.

5.2. Environmental determinants of growth of SMEs

Table 2: Regression weights of environmentaldeterminants

Determinants	Beta	S.E	T	Sig	Collinarity diagnosis	
					Tolerance	VIF
Infrastructural facility	.047	0.03	1.06	.003*	.854	1.17
Access to finance	.238	.056	5.37	.000*	.828	1.20
Legal& regulatory factors	-272	.062	-5.41	.000*	.641	1.56
Working premises	.041	.084	.585	.002*	.329	3.04
Technological capability	.018	.095	.241	.001*	.296	3.37

To point out the most prominent predictor of SMEs growth from environmental factors we made comparison of standardized beta value. Accordingly, the largest predictor of growth from environmental factors were found in access to finance ($\beta = 0.238$, $p<0.05$), infrastructural facility ($\beta = 0.047$, $p<0.05$) and working premises ($\beta = 0.041$, $p<0.05$) respectively. Legal and regulatory factors ($\beta =.-272$, $p<0.05$) was found the least predictor and negatively affect growth of SMEs.The finding indicates that access to finance was largest predictor growth of SMEs. This finding coincided with previous studies of (Eshetu and Zeleke, 2008Dereje, 2008Asini 2016 and Ofunya, 2014). The result of this study confirmed that the existence of suitable working premises such as suitable working environment, absence of too much rent of house plays vital role for the growth of SMEs. In addition to the working premises the existence of good infrastructure such as uninterrupted power and water supply and sufficient and quick transportation service determine the successful performance and growth of small and medium scale enterprises. This finding is consistent with the finding of Ofunya (2014).The other finding of this study proves that technological capability determines the growth of SMEs; this is because technology used by the SMEs helps them for cost reduction, flexibility of production, broaden their market coverage and leads them towards operational efficiency in general. This finding verifies the findings of previous researchers (Drucker, 1985 Morse et al., 2007; Lee, 2001; as cited in Benzazoua et. al, 2015). On the same point, Amaradiwakara and Gunatilake (2017) agreed that, lack of access to new technology is another vital factor which has limited the growth and expansion of SMEs. Furthermore the finding of the current research indicates that, legal and regulatory framework was found negatively affect the growth of small and medium enterprises. The pressure exerted on SMEs from the government side in terms of taxation system, bureaucracy in registration and licensing and complex administrations negatively affect the sector in general. The study findings echoed previous research (Davidsson, 1989, Krasniqi 2007,Asini, 2016).

5.2 Multiple Regression Analysis

For the purposes of determining the extent to which the explanatory variables namely; access to market, access to finance, infrastructural facility, human resource capability, legal and regulatory factors, strategy, entrepreneurial capability, management capability, working premises and technological capability explain the variance in the explained variable, multiple regression analysis was employed. The results of regression analysis are narrated as follows;

Table 3: Summary of multiple regression analysis

Model summary	R	R2	AdjustedR2	S.E	F	Sig	
	0.774	**0.60**	**0.584**	**0.53**	37.02	.000	
Model	UnstandardizedCoefficients		Standardized Coefficients		Sig		
Variables/Coefficients	Beta	S.E	Beta	T		Collinarity diagnosis	
						Tolerance	VIF
Constant	.792	.285		-2.77	.006		
Infrastructural facility	.032	0.030	.047	1.06	.003*	.854	1.17
Access to finance	.301	.056	.238	5.37	.000*	.828	1.20
Legal& regulatory factors	-.334	.062	-272	-5.41	.000*	.641	1.56
Strategy of SMEs	.345	.056	.335	6.13	.001*	.545	1.83
Human resource capability	.238	.073	.148	2.26	.001*	.783	1.27
Working premises	.049	.084	.041	.585	.002*	.329	3.04
Entrepreneurial Capability	.176	.060	.156	2.91	.004*	.565	1.77
Technological capability	.023	.095	.018	.241	.001*	.296	3.37
Management Capability	.256	.067	.244	3.28	.000	.400	2.50
Access to market	.158	.080	.108	1.97	.049	.541	1.84

As stipulated in table the value of R is 0.774. This means the correlation between the observed value of growth of SMEs and the optimal linear combination of the independent variables were accounts 77.4%. The value of R square is 0.60; this indicates that 60% of variation in growth of SMEs is due to its relationship with the independent variableswhich is accounted by our model whereas the value of adjusted Square is 0.584 which indicates that 58.4% of the variation in growth of SMEs can be explained by the independent variables. The remaining 41.6 % of the variance is explained by other variables not included in this study.The P-value of 0.000 implies that growth has a significant joint relationship with the determinants of SMEs which is significant at 95 percent confidence level. As p< 0.05 our model is significant. With the P-Value of 0.000 compared to the alpha level of 0.05 it can be concluded that, theindependent variables predict the dependent variable. The other finding in Anova table is concerned withF statistic tests which show whether the model as a whole is significant. Accordingly, in this model F value is found 37.02 which show the existence of greater association among variables. The regression coefficients further reveal both positive and negative associations. More specifically, except the legal and regulatory factors all variables were positively influence the growth of SMEs.

Based on unstandardized coefficientthe established regression equation was thus:
Growth=0.79+0.32(Infrastructure)+ .301(Finance)-3.34(Legal)+.345(Strategy)+.238(Human resource)+.049(Working premises)+.176(Entrepreneurial)+.023(Technology)+.256(Management+.158(Market)

The above regression equation shows that, strategy of SMEs, management capability, access to finance, entrepreneurial capability and human resource capability are the major predictor of the growth of SMEs respectively. On the other hand infrastructural factors and working premises are the poorest predictor of growth of SMEs when it is compared with the other explanatory variables included under study. Finally, findings in table further shows that, all the explanatory variables included in this study can significantly explain at 95% confidence level to the variation on the dependent variable.

5.4. Dimensional factors that affects the growth of SMEs

Most previous studies conducted before classified the determinants of SMEs growth into two major parts, internal (organizational determinants) and environmental (business factors), but growth determinants of small businesses can be classified in many factors: individual, organizational, and environmental (Zhou and Wit, 2002, as cited in Sarwoko, 2015). Furthermore, several studies have analyzed the determinants of business growth, separately and they analyzed the factor separately, which only focus on personal factors, organizational factors, as well as strategies (Baum, Locke and Smith,2001); Covin&Slevin, 1991, Delmar et al., 2003 as cited in Sarwoko, 2015).To get more conclusive findings, it is recommended to examine the determinants of SMEs growth in more conjoint manner by inculcating the three dimensions, namely individual, the organizational and the environmental. Due to this reason we incorporated by personal factor as one determinant of growth in this study. More importantly, even though, all organizational, environmetal and personal factors predict the growth of SMEs, this does not necessarily mean that all factors have equal effect. Therefore comparison would be necessary to spell out the most critical determinants of growth. The next table presents how much variation in growth can be explained by the three major dimensions.

Table 4: Comparison of dimension of growth of SME

Dimensions	R	R Square	Adjusted R Square	Sig
Organizational determinants	.716	.513	.505	.000
Personal determinants	.463	.215	.211	.000
Environmental determinants	.667	.458	.447	.000

In estimating how well the organizational, personal and environmental dimension separately predicted the growth of SMEs, multiple linear regression analysis was conducted.The results produced adjusted R2 values .505, .211 and .447, for organizational, personal and environmental determinants respectively.This suggested that 50.5% of the variation in the growth of SMEs was predicted by organizational determinants whereas about 21% was explained by personal determinants while, 44.7% of variation in growth in SMEs was predicted by environmental determinants. Based on this finding organizational determinants was found the most critical factors that

determined the growth of SMEs in the study areas, followed by environmental and personal factors. The finding is supports the findings of previous studies of (Lindholm, 2005, Zhou and Wit, 2002) and contradict with the finding of Endi, 2016) who stated that environmental factor greatest effect to business growth. Finally, the result of our study indicates that, personal factors; mainly entrepreneurial capability is positively correlated and predict the growth of SMEs and the result of our study is in line with previous findings of (Madse, 2007,Baum et al., 2001; Delmar, 1996; Shane, Locke & Collins, 2003 as cited in Haibo and Gerrit , 2009).

4. Conclusion

This research was conducted with main objectives ofestablishing the determinants of the growth of small and medium scale enterprises engaged in service, trade, manufacturing, urban-agriculture, and construction sectors. The study found that the growth of SMEs has been determined by complicated and interrelated factors of organizational, personal and environmental factors. Based on our result we conclude that organizational determinants are adversely affected the growth of SMEs followed by, personal and environmental determinants respectively. Furthermore the study concluded that management capability, human resource capability and marketing capability were the organizational significantly predictors of growth of SMEs whereas access to finance and working premises are the strongest environmental predictor of growth of SMEs.

5. Recommendations and Suggestions

5.1. Recommendation for SMEs Managers/owners

Growth of SMEs is the combined function of personal, organizational and environmental factors. Therefore the managers/owns of SMEs has to give greater attention and focus for these factors while they make decision and plan concerning their enterprises and strive their best strategically to address growth constraints of SMEs to transform their enterprises to the next scale. This study proved that strategy followed by the enterprise is the strongest factors that affect the growth of SMEs, therefore managers/owners of enterprises advised to spend more time and effort in crafting sound and winning strategy to speed up their enterprises growth. Furthermore, entrepreneurial competence in observing new market possibilities, innovative ways of doing things and discovering new business plays essential role in determining the growth of enterprises.Therefore managers/owners of enterprises recommended encouraging the entrepreneurial capabilities within their enterprises. Finally, it is very difficult to conduct empirical studies in SMEs because, there is no sufficient up to data, especially, getting time series data is impossible. Therefore, managers/owners advised to record essential data about their enterprises and kept it available for researchers and other users as much as possible.

5.2. Recommendations for policy makers

Given the importance of SMEs, their growth have been impeded in the study area by access to market, access to finance, infrastructural facility, human resource capability, legal and regulatory factors, strategy, entrepreneurial capability, management capability, working premises and technological capability. Therefore policy makers when they designing and implementing policies they have to give due attention for the above mentioned factors in order to foster the growth of enterprises and the success of the sector specifically in study area and in Ethiopia in general. We advised the policy makers before they design and implement policies they have to communicate with SMEs operators to know what is going on the ground. Then after, they design policies that solve the problems of SMEs from the route. Literatures proved that despite their significant roles of SMEs for employment generation, gross domestic product, entrepreneurial skill development and innovation, SMEs have been challenged by numerous factors in Ethiopia in general. Likewise, the study areas are not exception. These serious problem calls for more a holistic and integrated approach and strategic plan at national level that leads towards successful enterprise development which targeted addressing multiplicity and interaction of factors that underpin the growth of enterprises at all level. Moreovergetting necessary information for conducting research in SMEs is very difficult because they cannot record data and kept it available for the users, therefore it is better if zonal, regional and federal concerned bodies should set a plat form andcollect detailed time series data and make it available for researchers and policy makers in the future.

5.3. Limitations and future research directions

Despite the significant contribution of this study in prolonging and enriching literature related to major determinants of growth of SMEs and suggesting some policy directions for policy makers, the present study contains some limitations that will be addressed by future researchers. The limitations of the present study are the following; firstly, this study focused on SMEs in Gammo, Goffa and South omo zones by incorporating five cities only and Southern Ethiopia is broader that inculcate fourteen zones. To generalize these findings to other zones or any other parts of Ethiopia, therefore future research opportunities can be exploited by conducting the same study in other zones or other parts of Ethiopia. Secondly, growth of SMEs is more complex and it is the functions of entrepreneurial characteristics, organizational and environmental determinants, therefore to get more comprehensive findings further research could be explored other factors influencinggrowth of SMEs, such as age, size, location, sector and start-up capital as well as entrepreneur characteristics such as age, gender, education, motivation, need for achievement and risk taking propensity. Furthermore in this study moderation and mediation effect and interlinks between independent variables is not explored. It is very interesting if the future researchers investigated. Thirdly, we used sales, growth, number of employees, profit and asset as measure of growth, since using a multiple measure of growth is better than using single measure of growth. Future study should include other

measures such as percentage change in turnover, market share, percentage change in employment, return on capital employed and productivity to increase the explanatory power of the study. Finally, the cross-sectional nature of the data does not allow for dynamic aspects. The current setup can be extended to a longitudinal setup in by future researchers.

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