Financial performance of non-farm micro and small enterprises in Ghana: a resource-based view

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Abstract
This paper sought to estimate the factors influencing the financial performance among non-farm micro and small enterprises in Ghana employing the resource-based theory of the firm. The paper uses a newly assembled data in Ghana to test if firm-specific resources dominate sector and market/industry factors in explaining enterprise financial performance. The paper employed an ordinary least squares (OLS) to estimate the factors influencing the financial performance and conditional quantile regression to model the factors explaining the variation of enterprise financial performance. The study found that the gender of the entrepreneur, the age of the individual, having technical education, the age of the enterprise, the location of the enterprise, the sector in which the enterprise competes, the number of hired and casual workers and the value of assets influenced the financial performance of micro and small enterprises in Ghana. Enterprise specific resources dominated market/industry and sector factors in explaining enterprise performance. Unlike previous studies, the study dismisses the notion that a common set of factors determine the performance of enterprises and do not change as enterprise performs better or worse. Enterprises in the trade, manufacturing and restaurants industries were more profitable as compared to those in the services industry. Technical education should be promoted targeting worst performing enterprises. Inter-quantile regressions were estimated and the results showed that gender (male) had the greatest of statistically significant coefficients (about six inter-quantiles), followed by the age of the enterprise, trade subsector and hired labour with four inter-quantile regression coefficients being significant.