UNIVERSITY OF KWAZULU-NATAL

THE INTERPLAY OF DIFFERENT TYPES OF CAPITAL ON AMPLIFYING SMALL BUSINESS ENTREPRENEURSHIP PERFORMANCE IN CAMEROON:

A CASE OF DOUALA AND YAOUNDE

By

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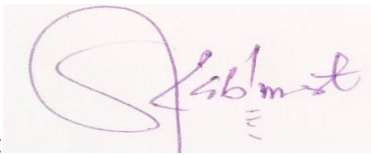University of KwaZulu-Natal

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Professor Darma Mahadea (Supervisor)

ABSTRACT

There cannot be a firm without entrepreneurship, and for the exercise of effective entrepreneurship, entrepreneurial capital is indispensable. Drawing from the resource-based theory, this study assesses the interplay of social, human and financial capital on business performance in Cameroon, using a Structural Equation Modelling (SEM) approach and Principal Component Analysis (PCA). These three elements together make up the building blocks of entrepreneurial capital. The study uses a sample of 364 firms. Performance is examined in terms of growth in sales, profits and employment. The PCA isolates financial capital (FC), social capital (SC), and human capital (HC) as critical components influencing performance. HC is examined under Entrepreneur-Owner Human Capital (OHC) and Labour-Employee Human Capital (EHC). The SEM results indicate that OHC has the strongest significant effect on performance (weight 0.528), followed by FC (weight 0.420), EHC (weight 0.207) and SC (weight 0.120). Furthermore, the SEM indicated a positive and significant correlation between OHC and EHC ($r = 0.61$); between FC and EHC ($r = 0.56$); between FC and SC ($r = 0.40$); between OHC and SC ($r = 0.34$) and between SC and EHC ($r = 0.32$). Different elements of entrepreneurial capital complement each other in influencing performance.

Investigating the constraints to business performance, five major obstacles were identified, namely: 'financial and managerial skills', 'inadequate inputs', 'infrastructure', 'transaction costs and regulations' and 'credit access'.

The study also looked at the influence of government support, regulations, and private financial institutions in hindering or amplifying business performance, using a multiple linear regression model (MLRM). The results show that 'government regulations' ($\boldsymbol{\beta}$= -0.197, p=0.004), has the strongest adverse impact on performance in terms of sales revenue. Furthermore, 'awareness of source of funds' was found to significantly amplify business performance in terms sales revenue ($\boldsymbol{\beta}$= 0.146; p=0.031) and in terms of profit ($\boldsymbol{\beta}$= 0.175; p=0.012). Government support was also significant to performance, in terms of labour employment ($\boldsymbol{\beta}$= 0.601; p=0.000); sales revenue ($\boldsymbol{\beta}$= 0.178; p=0.009), and profit ($\boldsymbol{\beta}$= 0.175; p=0.012). Government regulations have a consistently negative influence on performance, even when using different indicators.

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ACKNOWLEDGEMENT

DEDICATION

This thesis is dedicated to my parents, Geraldine Kasongo Tshikala and the late Rev. Dr. Kabange Mulunda wa Kowa, for exposing me to education.

LIST OF ABBREVIATIONS

AfDB: African Development Bank

AfDF: African Development Fund

AEO: African Economic Outlook

ACBs: Agricultural Credit Banks

AGFI: Adjusted Goodness of Fit

AMP: Austrian Market Process

AMOS: Analysis of a Moment Structures

ANOVA: Analysis of Variance

AVE: Average Variance Extracted

BAD: Bank of African Development

BTS: Bartlett's Test of Sphericity

BICEC: Banque Internationale du Cameroun pour L'Épargne et du Crédit

BCPC: Business Creation Procedures Centres

BP: Business Performance

CAMCCUL: Cameroon Cooperative Credit Union League

CPDM: Cameroon People's Democratic Movement

CIA: Central Intelligence Agency

CAR: Central Africa Republic

CBs: Commercial Banks

CBC: Commercial Bank of Cameroon

CEMAC: Communauté Économique et Monétaire D'Afrique Centrale

CIGs: Common Interest Groups

CFA: Confirmatory Factor Analysis

CFI: Comparative Fit Index

CR: Composite Reliability

DF: Degree of Freedom

EHC: Employees Human Capital

EC: European Commission

EU: European Union

EFA: Exploratory Factor Analysis

FA: Factor Analysis

FC: Financial Capital

HC: Human Capital

HDI: Human Development Index

HDR: Human Development Report

GLS: Generalised Least Squared

GFRAS: Global Forum for Rural Advisory Services

GFI: Goodness of Fit

GESP: Growth and Employment Strategy Paper

GDP: Gross Domestic Product

GEM: Global Entrepreneurship Monitor

GNP: Gross National Income

IFS: Informal Financial System

IIAG: Ibrahim Index of African Governance

IMF: International Monetary Funds

KMO: Kaiser-Myer-Olkin

LLCs: Limited Liability Companies

LOL: Locus of Control

N-Ach: Need of Achievement

NFCB: National Financial Credit Bank

NFDR: National Funds for Rural Development

NPAET: National Program for Agricultural Extension

NIS: National Institute of Statistics

NSIF: National Social Insurance Fund

NGOs: Non-Governmental Organisations

NFI: Normed fit index

MD: Mahalanobis Distance

ML: Maximum Likelihood

MFIs: Microfinance Institutions

MFS: Micro-Financial System

MINFI: Ministry of Finance

MLRM: Multivariate Linear Regression Model

OECD: Organisation for Economic Co-operation and Development

OHC: Owner Human Capital

OPHI: Oxford Poverty and Human Development Initiative

P=p-value

PPP: Purchasing Power Parity

PRSP: Poverty Reduction Strategies Programme

PCA: Principal Component Analysis

PLCs: Public Liability Companies

REER: Real Effective Exchange Rate

RBT: Resource-Based Theory

ROA: Return on Assets

ROE: Return on Equity

ROI: Return on Investment

ROS: Return on Sales

RSP: Return on Stock Price

RMR: Root Mean Square Residual

RMSEA: Root Mean Square Error of Approx.

SAPs: Structural Adjustment Programmes

SBA: Small Business Administration

SC: Social Capital

SCB: Société Commerciale des Banque (SCB) du Cameroun

SCBC: Standard Chartered Bank of Cameroon

SEDA: Small Enterprise Development Agency

SEM: Structural Equation Modelling

SMED: Small and Medium Enterprises Development

SFIs: Semi-Formal Institutions

SG: Sales Growth

SGBC: Société Général des banques du Cameroun

SMEs: Small and Medium-size Enterprises

SPCs: Sole Proprietorship Companies

SPSS: Statistical Package for Social Sciences

TOL: Tolerance

TPPCR: Trade and Personal Property Credit Register

MINPMEESA: Ministère des Petites et Moyennes Entreprises de l'Économie Sociale et de l'Artisanat

VAT: Value Added Tax

VCA: Value of Capital Assets

VIF: Variance-Inflating Factor

UBC: Union Bank of Cameroon

UBA: United Bank for Africa

UNECA: United Nations Economic Commission for Africa

UNDP: United Nation Development Program

UK: United Kingdom

USAID: United States Agency for International Development

USA: United States of America

USD: United States Dollar

UCT: University of Cape Town

ULS: Unweighted Least Squared

WB: World Bank

WBI: World Bank Indicators

WTO: World trade Organisation

CHAPTER ONE

INTRODUCTION

1.1   Introduction

The Small and Medium Enterprises (SMEs) sector has received considerable attention over the past three decades in both developed and developing countries. Studies by Wakkee *et al.* (2015), Aigbavboa *et al.* (2016) and others have recognised the role of SMEs in enhancing economic growth and economic development, as well as lifting individuals out of poverty. Evidence from Ayyagari *et al.* (2011), Banerjee (2014) and the World Trade Organisation (WTO) (2016), suggest that SMEs account for about 95% of the total number of enterprises and they generate about 70% of total jobs at the global level (Organisation for Economic Co-operation and development (OECD), 2017). In the European economies, the SMEs represent a major source of entrepreneurship, innovation and job creation. In the European Union (EU), 66% of employees are employed in SMEs, representing about 58% of the value added in the economy (Şuşu and Bîrsan, 2015). In developing economies, mainly in Africa, SMEs represent more than 90% of firms and provide about 80% of formal employment. SMEs represent about 34% of the value added to the African economy (International Monetary Funds, (IMF), 2015).

SMEs in Cameroon are micro, small and medium enterprises and represent more than 95% of total businesses (NIS, 2010). In this study, the focus is mainly on formal small businesses which employ between 6-20 people and have an initial capital of up to 500 000 CFA francs (about US$860) (Ministry of SMEs and handcraft, 2009). Furthermore, most of these formal businesses operate in the tertiary sector (World Bank Indicators (WBI), 2017) and have at least 6 people employed. Douala and Yaoundé, the main cities selected for this study, represent about 70 % of total businesses in the country (Kinfack and Akinboade, 2011).

The contribution of SMEs to job creation, is partly due to individual efforts by the entrepreneurs and governments' support initiatives. The major initiatives include the allocation of financial capital (credit) to SMEs; the provision of education and training to labour; as well as the promotion of social capital among individuals. According to Boris *et al.* (2016), these forms of assistance (human, financial, and social capital) make up the building blocks of entrepreneurial capital that serve to amplify business performance. The influence of

different types of entrepreneurial capital on small business performance in Cameroon is the focus of the current study.

1.2   Background Information

In the Cameroonian context, the contribution of SMEs to the national economy dates to the era of the country's independence. In 1961, the Cameroonian government implemented the policy of green revolution, to promote SMEs in the agriculture sector for food supply, for employment and poverty alleviation (Fotabong, 2012). Institutions, such as the National Funds for Rural Development (NFRD), the National Program for Agricultural Extension Training (NPAET) in 1988 and the Agricultural Extension and Research Program Support Project (NPARV-1998 to 2004) were created to boost agriculture and rural development in Cameroon (African Development Bank (ADB); African Development Funds (AfDF), 2009). Although the Cameroonian government succeeded in reducing poverty (1960s-90s) from 53.27% in 1996 (Fabon, 2017) to 48% in 2014 (Heifer International, 2014), much is still required to improve the agricultural sector and quality of human life. Thus, the Cameroonian government encouraged the involvement of Non-Governmental Organisations (NGOs) and Microfinance Institutions (MFIs) to boost up the development of businesses in Cameroon.

In 1963, the first Credit Union was formed to provide Cameroonian farmers with finance, enabling them to afford seedlings (Fotabong, 2012). In 1968, the Cameroon Cooperative Credit Union League (CamCCUL) was established as a semi-formal financial institution to assist farmers and non-farmers with loans to invest in their individual businesses (Fotabong, 2012). By the end 1960s, the Cameroonian government focused its development strategy on stimulating mainly large businesses. An investment code was propagated to attract large foreign investment.

Due to high levels of corruption, lack of infrastructure, and crushing internal debt over the past five decades, the development strategy to support large businesses failed to bear fruits. Cameroon experienced a severe drop of GDP per capita in 1966; 1976 and 1986 particularly, as the price of crops such as cocoa and coffee fell extremely in the global market. Because of this severe drop, the country was struck by poverty and food insecurity, which forced the government to change its green revolution policy (Global Forum for Rural Advisory Services (GFRAS), 2018). In re-strategising the country's development plans, the Cameroonian government focused on SMEs as an important element capable of promoting business growth and creating job opportunities. It is in this regard that in 2004, the Cameroonian government

formed the Ministry of Small and Medium-size Enterprises (SMEs) and Handcraft to enhance the development of the small business sector in the country. This ministry intends to fulfil four major responsibilities:

- Firstly, promoting and supervising SMEs and their products.
- Secondly, monitoring the activities of other organisations which support SMEs.
- Thirdly, establishing with professional organisations, a databank, and projects for investors in the SMEs sector.
- Fourthly, identifying, mentoring and training informal sector actors to facilitate their migration toward SMEs (Ministry of SMEs and Handcraft, 2009; 2017).

In 2010, the Cameroonian government came up with a 2035 development vision, hoping to substantially reduce poverty and reach the status of a middle-income country (AfDB), 2015), through promoting industrialisation and consolidating the democratic process and national unity. These specific objectives motivated for the Growth and Employment Strategy Paper (GESP) covering the first ten years of vision 2035 (2010-2020) (AfDB, 2015). Moreover, to contribute positively to the GESP, the government initiated the Bank of SMEs in 2015 to provide financial support to registered business operators in Cameroon, with the intention of alleviating their financial constraints. Through these financial institutions, the Cameroonian government also aims at formalising activities occurring in the informal sector to generate more tax revenues and strengthen the economy (Bank of SMEs, 2016).

1.2.1 Interplay of Different Types of Capital: Human, Social and Financial Capital

Capital is critical to the formation and growth of a firm. Drawing from the resource-based theory, which is further discussed in Chapter Three, the interplay of entrepreneurial capital (human, social, and financial capital) in influencing business performance is considered in the study. Human capital refers to the skills, knowledge, and ability to labour, as well as the investment people make on themselves with the idea of improving their economic productivity and life outcomes (Parker, 2009; Lucas, 2015). Social capital refers to networks, norms and trust that enable members to act and bond together to effectively pursue business and social objectives (Putman, 2000). Financial capital on the other hand, is money invested or available in the business (Bridge and O'Neill, 2018).

Numerous scholars have examined the influence of capital on business performance, by focusing on either financial capital (Kumar, 2005; Campello, 2006; Mazanai and Fatoki,

2012) or human capital (Bosma *et al.* 2004; Jayawarna *et al*., 2014; Hampel-Milagrosa *et al*., 2015; Kimosop *et al*., 2016) or on social capital (Anderson *et al*, 2002; Primadona, 2017; Primadona and Emrizal, 2018) rather than their interrelation. Only a few studies looked specifically at the relationship between human and social capital in influencing business performance (Sanders and Nee, 1996; Liao and Welsch, 2005; Santarelly and Tran, 2013). The results are not conclusive, with some studies supporting that human and social capital are substitutes to each other (Piazza-Goergi, 2002; Santarelly and Tran, 2013), and others arguing that they complement each other (Sanders and Nee, 1996; Bruderl and Preisendorfer, 1998). Piazza-Goergi (2002) for instance, argued that human capital leads to a loss of social capital, as people are incapable of investing simultaneously in both forms of capital. Sanders and Nee (1996) looked at the complementarity role of capital and suggested that an increase in human capital leads to a positive effect on social capital, which in turn results in better business performance.

Harding (2002) looked at the relationship between human and financial capital and argued that human capital has a direct effect on the ability of the business owner to secure financial capital for business. As such, one can argue that quality human capital is vital for the acquisition of business resources, including financial capital. Nevertheless, the reality in developing countries shows that, not all entrepreneurs are sufficiently educated to draw up comprehensive business plans, often required by financial institutions. These entrepreneurs therefore rely on their networks and social ties to access the financial capital for their businesses. Moreover, the literature on the interplay of human, social, and financial capital, as potential drivers of successful business performance, is still relatively narrow in developing countries and non-existent in Cameroon to the best of the researcher's knowledge. Thus, there is a need to look at the interaction and influence of three types of capital (human, social and financial) in enhancing small business entrepreneurship performance in Cameroon. Entrepreneurship is viewed in the context of self-employment of an owner-business operator at the formal small business level. Business performance is examined in terms of labour employment, sales revenue and profit.

1.3   Problem Statement

SMEs in Cameroon accounted for about 22% of the country's GDP in 2004 and 34% in 2009 to 2016 (Ministry of SMEs and handcraft, 2017). This sector constitutes a primary source of income for many Cameroonians (NIS, 2010). However, the SMEs experience a high failure

rate. Zimmerer and Searborough (2008) argued that the rate of small business failure is estimated to be above 50% within the first five years of the business operation in most developing countries. In the case of Cameroon, about 50% of total businesses fail after five years (NIS, 2010). Many businesses stagnate and close after few years of operation. Only a few succeed and graduate to the medium or large-scale business level in Cameroon (NIS, 2010).

Additionally, the country's GDP growth decreased from 5.7% in 2015 to 5.3% in 2016 (African Economic Outlook (AEO) 2016), suggesting a slowdown of economic activities in Cameroon. As a result, there has not been much expansion on formal employment; unemployment in Cameroon remains high (above 30%) (Heifer International, 2014). The unemployment problem leads to loss of human capital, as several skilled young graduates end up working as street vendors, telephone operators or security guards, and in many other activities, without special training or significant resources (AfDB, 2012). The loss in human capital is also associated with the problem of accessing financial capital and microfinance from banks and other financial institutions, as some of these educated young-adults lack adequate collaterals to access loans. Hence, they lean on their families, close friends and networks for support (social capital). For other young adults, despite working or earning an income in the public or private sector, they continue to struggle to sustain themselves due to the country's high cost of living. Therefore, they have no other option other than launching their own formal or informal business with limited financial resources in Cameroon. While the informal business sector is distinguished by ease of entry, low capital and low skill requirement, the formal business sector, the focus of this study, refers to businesses that are taxed, regulated and monitored by the government (Diallo *et al*., 2017).

Against this background of high level of unemployment in Cameroon, amplifying small business entrepreneurship is critical to job creation and income generation. Thus, the purpose of this study is to look specifically at the interaction and influence of human, social, and financial capital, as well as the role of government and private financial institutions on small business performance in Cameroon.

1.4 Research Questions

Taking cognisance of the above research problem, the study seeks to examine the following questions:

1 What are the main factors influencing entry into small business entrepreneurship in Cameroon?

2 To what extent does financial, human, and social capital impact on small business performance in Cameroon?

3 What are the constraints to business performance in Cameroon?

4 What is the role of government and private financial institutions in amplifying small business performance in Cameroon?

1.5   Research Objectives

The main objective of the study is to investigate the interaction and influence of human, social, and financial capital, as a way of amplifying small business entrepreneurship in Douala (literal province) and Yaoundé (central province) in Cameroon. The goal is to advance knowledge on enterprise performance in an emerging context of an African economy. To accomplish this primary goal, specific sub-objectives are considered, and these are as follows:

1. To identify main factors influencing entry into small business entrepreneurship in Cameroon.
2. To assess the determinants of small business performance in Cameroon with emphasis on financial, human, and social capital variables.
3. To examine the constraints to small business performance in Cameroon.
4. To investigate the role of government and private financial institutions in amplifying business performance in Cameroon.

1.6   Justification for the Study

Despite government efforts to provide financial assistance to SMEs, promote education and training (human capital), above 50% of SMEs fail in their first five years (NIS, 2010). Therefore, the motives driving this study are threefold; the first is to understand the main reasons prompting people to venture into SMEs in Cameroon.

Secondly, despite Cameroon's efforts to create employment, many young Cameroonians are not absorbed in the labour market. Many individuals may have to start their own business. Thus, amplifying small business entrepreneurship can be regarded as a possible channel for job creation, which requires financial capital, human capital, social capital, and essential forms of capital captured in the literature. Thus, the present study proposes to examine the

interactions between human, social and financial capital in the Cameroonian context, and their influence on business performance in Douala and Yaoundé. To the best of the researcher's knowledge, no study has attempted to fill this research gap in the Cameroonian case, thus far.

Thirdly, a research gap mainly exists on the role of government and private financial institutions in Cameroon in amplifying small business performance in the Cameroonian environment. The study intends to cover this gap by assessing how selected government and private financial institutions impact on business performance in Cameroon. It is hoped that the results of this study will generate enough pointers for policy purposes regarding strengthening entrepreneurship and small business performance in Cameroon.

1.7   Organisation of the Study

The study is organised into eight chapters. Chapter One deals with the general introduction, research problem, questions and objectives. Chapter Two deals with the economic profile of Cameroon; with close reference to Douala and Yaoundé. Chapter Three presents the theoretical and conceptual frameworks of the study Chapter. This chapter also looks at the literature on entrepreneurship and small business performance. Chapter Four covers the research methodology. Chapter Five presents the study's main findings, while Chapter Six discusses the findings and the last Chapter presents the summary, conclusions and policy recommendations as well as directions for further research.

CHAPTER TWO

POLITICAL AND ECONOMIC PROFILE OF CAMEROON

2.1   Introduction

Against a background of increasing unemployment in Cameroon and several other countries, SMEs and entrepreneurship has been the focus of considerable interest among policy makers, scholars, and researchers around the world. Without entrepreneurship, there can barely be new employment opportunities, economic growth, and development in today's economy (Anyadike-Danes *et al*., 2013; Haltiwanger *et al*., 2013). This chapter provides an overview of the political and economic profile of Cameroon. It starts by providing some background information about the country and its political evolution since attaining independence in the early 1960s. It also provides an in-depth analysis of some governance measures and macroeconomic indicators such as GDP growth, inflation, external debt, unemployment and the sectoral performance as well as some economic policies implemented thus far. Data from the World Bank Indicator (WDI), the Cameroonian National Institute of Statistics (NIS), and the Ibrahim Index of African Governance (IIAG) are used.

2.2   Background of Cameroon

Cameroon is in the Central-West part of Africa with a total surface area of 475 650km^2. It is bound to the North-East by the Republic of Chad, to the North-West by Nigeria, to the South-East by Central African Republic, to the South by Equatorial Guinea, Gabon, Republic of Congo, and to the South-West by the Gulf of Guinea (AfDB, 2015). The country is described as Africa in miniature because of its geo-cultural, demographic, geo-physical and political diversity (Ayangafac, 2008). Additionally, Cameroon is endowed with certain natural resources, such as oil and gas, high value timber species, cocoa, maize and cassava (World Bank, 2016).

From 1884 to 1916, the country, known as "*Kamerun*", was a German colony, under the German administration. After Germany was defeated, in the First World War, the League of Nations placed the country as a mandated territory controlled by Britain and France in 1922 (Ardener, 1962; Khan, 2010). This led to the creation of the East and West Republic of Cameroon. The East Cameroon, called "*Cameroun*", under the French administration, became independent on the 1st of January 1960, while West Cameroon, referred to as "*Cameroon*", under the British administration became independent on the 1st of October 1961

(Konings, 2004). The independence obtained in 1961 led to the merging of both East and West Cameroon to form the Federal Republic of Cameroon, referred to as the Republic of Cameroon.

French and English are the two official languages used in Cameroon, though it also has about 250 unwritten dialects spoken by different ethnic groups (Sama, 2010). Moreover, Cameroon has a population currently estimated at about 23.4 million people (as per 2018), living in ten administrative regions or provinces with the national or political capital in Yaoundé (Centre region, see Figure 2.1) and the economic capital in Douala (Littoral region) (Doing Business-Cameroon, 2018). Two of the 10 regions (the northwest and southwest, which border Nigeria) represent the Anglophone regions.

Figure 2.1: Map of Cameroon
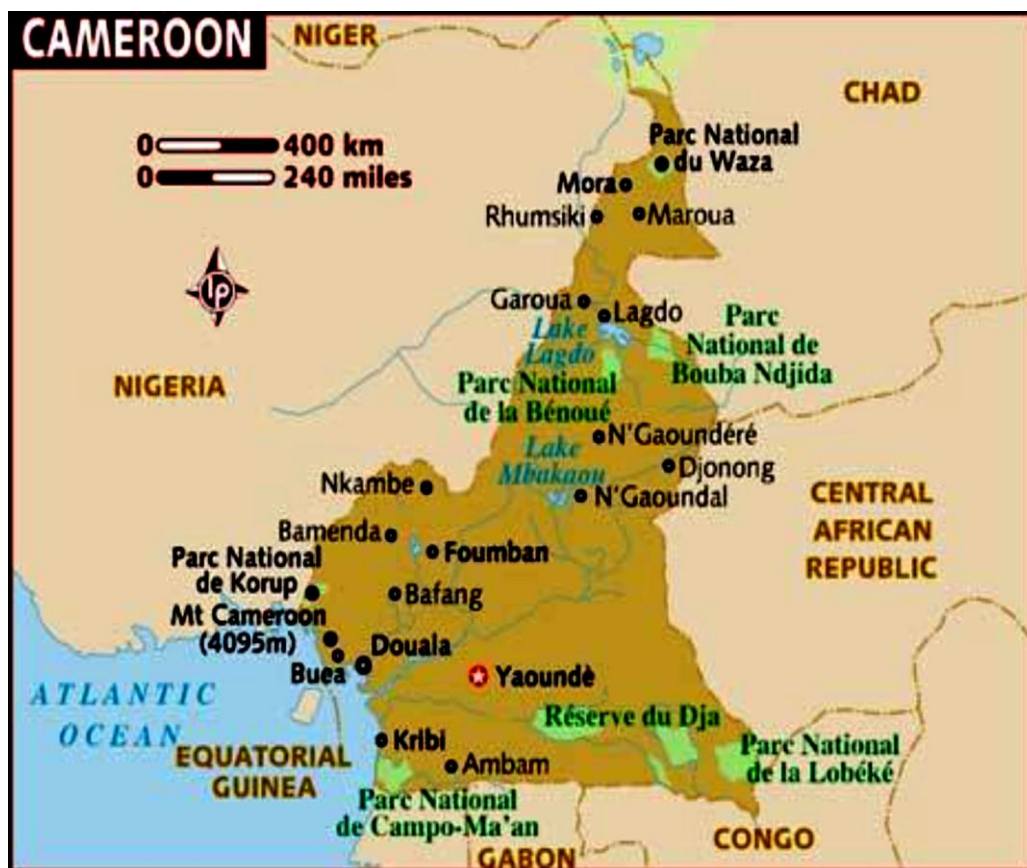
Source: CIA, 2017

2.3   Political Evolution of Cameroon

Since the end of colonisation and re-unification of Cameroon in 1960 and 1961, the country has had only two heads of state, namely, Mr. Ahmadou Ahidjo and Paul Biya. The political history of Cameroon is presented in Table 2.1.

Table 2.1: Political evolution of Cameroon

CHRONOLOGY SINCE 1960	MAJOR EVENTS RECORDED
January 1, 1960	Proclamation of the independence of "Cameroun" under the French administration, led by Ahmadou Ahidjo, as first head of state.
October 1, 1961	Proclamation of the independence of "Cameroon" under the British administration and the re-unification of the country.
1961	The republic of Cameroon emerged as a plural democratic federation despite Ahidjo's belief of centralising power as prerequisite for nation building and national integration.
1966	Merging of all political parties into a single party – the Cameroonian National Union.
1972	Implementation of the constitution of the republic of Cameroon.
1975	Scrapping of the federation reinforcing Ahidjo's ruling power.
1982	Ahidjo resigned as head of state to hand over to his prime minister, Paul Biya.
November 6, 1982	Paul Biya's accession to the presidency of Cameroon, replaced in office by Bello Bouba Maigari.
April 6, 1984	Attempted "coup d'état" in Cameroon.
March 1, 1992	Multiparty elections in Cameroon.
January 18, 1996	Reforms of the constitution of the "Democratic Republic of Cameroon"
1997	Paul Biya re-elected for his second term as president.
2004	Paul Biya re-elected for his third term as president.
April 10, 2008	The National Assembly passed a bill on constitutional revision, with 157

CHRONOLOGY SINCE 1960	MAJOR EVENTS RECORDED
	votes in favour, 5 against and 15 not voting.
October 09, 2011	Paul Biya re-elected for his fourth term as president.
May 14, 2013	Legislative power exercised in by two chambers: A National Assembly and a Senate.
October 8, 2018	Paul Biya claimed for a fifth term at the end of his tenure of office.

Authors' compilation

The country's ruling party, the Cameroon People's Democratic Movement (CPDM), with Paul Biya being the main party leader, dominates the political landscape of Cameroon. The CPDM currently occupies 148 of the 180 seats in the National Assembly and 81 of the 100 seats in the Senate, a body created in 2013 (World Bank, 2016).

While Cameroon has remained a peaceful nation for many decades, despite its diverse population, the country faces serious challenges in its northern region since 2015, where the Islamic sect, Boko Haram, is waging a low intensity war. Although Boko Haram has lost grounds at the strategic level, the Cameroonian far north region continues to experience irregular attacks. As a result, about 75,000 Cameroonians have been displaced internally and the country is host to an estimated 45,000 Nigerians seeking refuge in the north, as well as 131,000 refugees from Central Africa Republic (CAR) in the East (World Bank, 2016).

2.3.1 Political Governance Measures in Cameroon

According to Baland *et al*. (2010), poor governance hampers developing countries from making economic progress and creating jobs. The Ibrahim Index of African Governance (IIAG), which is perhaps the most comprehensive data available on African governance, uses the safety and rule of law as one of the tools to measure the soundness of the country's political governance. It assesses the country's rule of law and safety.

2.3.1.1 Safety and Rule of Law Index

The safety and rule of law index is measured in terms of its rule of law, accountability, personal safety, and the national security. The index is scaled from 1 to 100; the higher the value of the index, the higher the level of safety and rule of law. Table 2.2 presents the level of safety and rule of law in Cameroon from 2007 to 2016.

Table 2.2: Safety and Rule of Law in Cameroon: 2007 -2016

Year	Rule of Law	Accountability	Personal Safety	National Security
2007	47.0	29.0	49.5	87.0
2008	45.0	30.3	44.0	83.0
2009	41.1	31.3	45.4	82.8
2010	43.1	32.2	44.0	86.8
2011	43.0	33.7	44.3	86.8
2012	43.5	32.5	48.3	87.2
2013	41.1	30.6	47.8	82.8
2014	41.2	25.9	46.8	75.2
2015	41.4	29.9	51.8	61.7
2016	42.8	27.0	46.7	61.4
Trend 2007-2016	-0.96	-0.22	-0.31	-2.84

Source: IIAG, 2017

The rule of law refers to the extent to which people have confidence in and abide by the rule of a given society, its police, and its courts (World Bank, 2006: 2-3). As Table 2.2 indicates, the rule of law index in Cameroon decreased from 47.0 in 2007 to 42.8 in 2016. As a result, Cameroon ranked 36th out of 54 African countries in 2016 in terms of rule of law (IIAG, 2017).

The accountability index is an essential tool for the Cameroonian government to fight against corruption, which prevents the development of a favourable environment, and promotion of sustainable economic growth. As shown in Table 2.2, the accountability index for Cameroon has been quite low, decreasing from 29.0 in 2007 to 27 in 2016. Because of this, Cameroon ranked 36 out of 54 African countries in 2016 (IIAG, 2017). Poor accountability could be attributed to government's failure to fight corruption effectively.

The personal safety and national security, sub-category of the safety and rule of law, are interlinked. These indices assess the level of success of African governments in ensuring political stability within their countries, and in controlling their national territories. Table 2.2 shows that the personal safety index in Cameroon, declined from 49.5 in 2007 to 46.7 in 2016, ranking the country 32nd out of 54 African countries in 2016 (IIAG, 2017).

The Cameroonian national security index deteriorated significantly from 87 in 2007 to 61.4 in 2016, ranking the country 46th out of 54 African countries in 2016 (IIAG, 2017). This decrease was due to the insurgence of the Nigerian-based Islamic group, Boko Haram, for the past two-and-a-half years in the Cameroonian Far North region, affecting the rest of the country. The Far North region was insecure, leading to the displacement of 75 000 Cameroonians and 131 000 refugees in 2016 (World Bank, 2016). Overall, there is a declining trend in all the components of the safety and rule of law index as indicated in Table 2.2

Considering the deterioration in the country's rule of law, accountability, personal safety and national security, little is done, with regards to safety and rule of law, for Cameroon to improve investment climate for both local and international entrepreneurs. There is a need for Cameroon to create a safer environment for business to flourish, for jobs creation and for the economy to experience fast growth.

2.4   Socio-Economic Evolution of Cameroon Economy

2.4.1   Socio-Economic Governance Measures in Cameroon

The Ibrahim Index of African Governance (IIAG) evaluates the socio-economic aspects of governance of African countries based on three other tools, namely: the sustainable economic opportunity, participation and human rights, and human development indicators (IIAG, 2017).

2.4.1.1   Sustainable Economic Opportunity Index

The sustainable economic opportunity index evaluates the soundness of African countries' public management, business environment, infrastructure, and the rural sector (IIAG, 2017). The sustainable economic opportunity index is scaled from 1 to 100, implying that the higher the value of the index, the more sustainable the country's economic opportunities are likely to be. Table 2.3 presents the level of sustainable economic opportunity in Cameroon from 2007 to 2016.

Table 2.3: Sustainable Economic Opportunity Index in Cameroon: 2007 -2016

Year	Public Management	Business Environment	Infrastructure	Rural Sector
2007	48.0	52.3	26.2	46.3
2008	45.2	50.0	27.8	58.3
2009	43.6	48.1	29.3	53.5
2010	42.5	46.5	30.0	51.7
2011	41.6	46.2	30.2	50.4
2012	42.0	47.1	31.5	50.4
2013	42.2	46.7	31.4	48.7
2014	39.8	45.5	35.5	47.7
2015	40.9	47.7	38.6	48.3
2016	44.0	47.1	37.5	48.7
Trend 2007-2016	-0.44	-0.50	+1.26	+0.27

Source: IIAG, 2017

The public management indicator looks at how the country organises its public administration, manages its budget, mobilises revenue, assess its fiscal policy, and ensures the transparency of state-owned companies (IIAG, 2017). As shown in Table 2.3, this indicator declined from 48 to 44 over the 2007-2016 period (negative trend). Though it bounced back in the years 2015 and 2016, the quality of public management in Cameroon remains poor. Cameroon ranked 31st out of 54 African countries in 2016 in terms of its public management (IIAG, 2017). Poor public management portrays a negative image of the government. Government should lead by example by putting in place an effective public management structure enabling Cameroonians to perform at their best capacity and contribute to the economy.

The IIAG's business environment indicator looks at how conducive an environment is for business in each African country. Regarding Cameroon, the business environment index decreased from 52.3 in 2007 to 47.1 in 2016 (Table 2.3). Cameroon ranked 23rd out of 54 African countries in 2016 in terms of its business environment (IIAG, 2017). This is attributable to poor performance of banks due to constraints such as, high number of non-performing loans and difficulties in recovering loans through the court (Akon, 2008).

Additionally, the banking sector in Cameroon has been blamed for contributing very little to the country's economy (IMF, 2009). With the low rate of penetration of banking services, access to finance was of concern for small business in Cameroon (AfDB, 2009). This may imply the provision of financial services to only a few high worth less risky people and businesses. Thus, there is a need for government to improve its banking sector to make its environment more conducive and attractive for business. Further information on the banking in Cameroon is presented in section 2.4.2.4.

Considering the infrastructure indicator, Table 2.3 indicates that it improved from 26.2 in 2007 to 37.5 in 2017. Cameroon ranked 30th out of 54 African countries in terms of its infrastructure in 2016. However, infrastructure improved over the last decade mainly to the country's investment in digital and Information Technology (IT). The infrastructure indicator captures the application of IT to business needs; subscriptions to a mobile telephone service, households with a computer; and internet subscriptions (IIAG, 2017).

The IIAG's rural sector indicator looks at how African countries manage variables such as agricultural support system, rural development resources and engage with rural organisations (IIAG, 2017). Table 2.3 shows that the rural sector index increased from 46.3, in 2007, to 48.7 in 2016, making the rural sector important for SMEs in Cameroon. Although the rural sector is not the focus of this study, this indicator cannot be ignored when assessing performance of firms, since ventures in Cameroon operate in both urban and rural sectors. The trend indicates that improvement in the rural sector (+0.27) and infrastructure (+1.46) can have a positive influence on entrepreneurship development in Cameroon (see Table 2.3).

2.4.1.2   Participation and Human Rights Index

Sound governance and human rights are interconnected (Graham, 2003:15-16). This connection is depicted in human rights principles, considered vital for human well-being, governments and other political and social players (Weiss, 2000). Table 2.4 presents, on a scale of 1 to 100, the extent to which an appreciation of gender, participation, and human rights influence the quality of governance in Cameroon from 2007 to 2016.

Table 2.4: Participation and human rights in Cameroon: 2007 -2016

Year	Participation	Rights	Gender
2007	28.0	36.6	50.6
2008	27.4	37.8	51.3
2009	27.6	34.2	52.5
2010	28.8	33.1	53.6
2011	29.2	33.0	54.7
2012	28.9	32.6	53.1
2013	29.5	30.5	54.0
2014	32.5	29.6	54.9
2015	31.7	30.6	52.0
2016	31.1	35.6	51.3
Trend 2007-2016	**+034**	-0.11	**+0.08**

Source: IIAG, 2017

The Ibrahim participation index for Cameroon went up from 28.0 in 2007 to 31.1, in 2016, as shown in Table 2.4. This improvement was largely due to the involvement of election monitoring agencies in Cameroon. However, out of 54 African countries, Cameroon ranked 41st in term of its participation index on the African continent in 2016 (IIAG, 2017).

The Mo Ibrahim human rights index for Cameroon dropped from 36.6 in 2007 to 35.6 in 2017 (IIAG, 2017). This decrease is mainly attributed to issues such as human rights violations, protection against discrimination and the struggle for freedom of expression, especially in the Anglophone region, where there was tension over the issue of self-determination. These issues constitute a barrier toward promoting a conducive environment for business for local and international entrepreneurs.

The gender indicator assesses the participation and human rights of women in African economies, in terms of variables such as women's political participation, gender balance in education, women in the judiciary, as well as laws on violence against women and their political empowerment (IIAG, 2017). Furthermore, this indicator is of great value in this study because of women's involvement and contribution to the SMEs in Cameroon. The gender indicator improved from 50.6 in 2007 to 51.3 in 2016 (see Table 2.4). This improvement is attributed to government efforts to promote gender balance in education and

women's political participation over the last decade and in doing business (IIAG, 2017). Overall, although the human rights index recorded a marginal decline from 36.6, in 2007, to 35.6 in 2016, there have been positive developments in terms of gender and participation. This may be an encouraging sign for greater potential entrepreneurship engagement among individuals, especially women in Cameroon.

2.4.1.3 The Human Development Index (HDI) in Cameroon

The HDI under the IIAG measures people's levels of education, general health condition, and welfare. According to the IIAG, the HDI is scaled from 1 to 100, implying that the higher the value of the index, the higher the level of human development is likely to be. According to Todaro and Smith (2015), the HDI under the Human Development Report (HDR) considers three important dimensions of human development, namely: a long a healthy life, access to knowledge, and standard of living (UNDP, 2016). Based on the HDR, HDIs are ranked on a scale of 0 to 1, with an HDI below 0.5 characterising countries with a low human development, while countries with an HDI between 0.5 and 0.8 are regarded as medium human development. Countries with an HDI above 0.8 and below 0.9 are considered as having high levels of human development, while those with an HDI above 0.9 belong to the group with very high human development (Mohr, 2012:11). In addition, many developing countries have an HDI below 0.5, compared to an HDI of 0.8 or above for developed countries. Thus, this study presents the HDI by considering both the IIAG and the HDR approaches for comparison purposes. Furthermore, paying attention to the three dimensions of human development (from the IIAG and HDR) is relevant in monitoring how business can perform well and grow.

2.4.1.3.1 The HDI in Cameroon by the Ibrahim Index for African Governance (IIAG)

The HDI of the IIAG is shown in Table 2.5. It indicates progress in human development made by Cameroon from 2007 to 2016.

Table 2.5: HDI in Cameroon: 2007 -2016

Year	Welfare	Education	Health
2007	43.6	44.2	65.6
2008	44.4	46.4	65.0
2009	44.4	47.5	66.2
2010	45.0	49.4	68.6
2011	45.5	50.2	69.9
2012	44.7	52.1	71.9
2013	44.1	53.6	73.3
2014	47.0	54.5	74.0
2015	49.3	55.3	72.8
2016	50.6	55.2	72.6
Trend 2007-2016	+0.78	+1.22	+0.78

Source: IIAG, 2017

The education sub-category of HDI improved from 44.2 in 2007 to 55.2 in 2016. This is partly due to improvement in literacy and primary school completion, as well as secondary and tertiary education enrolment. Cameroon was ranked 19th out of 54 African countries in 2016 in terms of education.

Regarding health, it represents the highest scoring sub-category in human development in Cameroon, improving from 65.6 in 2007 to 72.6 in 2016. Major improvements were recorded in terms of maternal mortality, immunisation, undernourishment, and child mortality during the period 2007-2016 (IIAG, 2017). Additionally, improvement in the health sector is attributable to budgetary efforts made by government to assist the population. The health

budget increased from CFA francs[1] 165.8 billion in 2014 to CFA francs 207 billion in 2015, representing 24 % increase (ADB, 2016).

The welfare sub-category of HDI improved from 43.6 in 2007 to 50.6 in 2016, while health index also reflected an improvement from 65.6 to 72.6 over the same period. This improvement is attributable to government efforts to enhance environmental sustainability and welfare services during the period 2007-2016 (IIAG, 2017). Overall, there was an improvement in welfare, education and health in Cameroon over the period 2007 to 2016. If people are healthy and educated, they might take up the entrepreneurship route and succeed in that role.

2.4.1.3.2   *The HDI in Cameroon by the Human Development Report (HDR)-UNDP*

The assessment of the HDI under the HDR is shown in Table 2.6. It indicates progress in human development made by Cameroon from 1990 to 2015. Health is assessed in terms of life expectancy at birth, access to knowledge, as well as expected years of schooling and mean years of schooling. The standard of living is assessed in terms of Gross National Income (GNI) per capita, expressed in constant 2011 international dollars converted using Purchasing Power Parity (PPP) conversion rates (UNDP, 2016).

Table 2.6: Cameroon's HDI trends: 1990-2015

Years	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP$)	HDI value
1990	53.6	8.0	3.5	2744	0.444
1995	53.2	7.5	4.2	2217	0.436
2000	52.0	7.1	4.8	2299	0.437
2005	51.9	8.2	5.1	2439	0.456
2010	53.7	10.0	5.2	2546	0.486
2011	54.2	10.4	5.5	2585	0.496
2012	54.6	10.4	5.7	2621	0.501
2013	55.1	10.4	5.9	2687	0.507
2014	55.5	10.4	6.1	2810	0.514
2015	56.0	10.4	6.1	2894	0.518

Source: Human Development Report (HDR) (UNDP, 2016)

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[1] The CFA franc is the name of two currencies used in parts of West and Central African countries, which are guaranteed by the French treasury. The two CFA franc are the West African CFA franc and the Central African CFA franc

As shown in Table 2.6, Cameroon's HDI increased from 0.444 in 1990 to 0.518 in 2015, representing an increase of +0.4281 on average between 1990 and 2015. The country is classified in the low human development category and positioned 153rd out of 188 in 2015. Additionally, Table 2.6 shows that Cameroon's life expectancy at birth improved by 2.4 years (from 53.6 in 1990 to 56 in 2015), mean years of school improved by 2.6 years and expected years of school increased by 2.4 years between 1990 and 2015. The country's GNI per person improved by 4.2 % on an average during the same period (UNDP, 2016).

Looking at both, the IIAG and HDR, one can argue that education, health, welfare and income per head improved during the last decade in Cameroon. The implication for entrepreneurship is that, the healthier people are and the higher their education and income level, they are more likely to be capable of running and sustaining a business.

2.4.1.4   Summary of Governance Measures in Cameroon

The overall governance in Cameroon looks at four categories. The safety and rule of law, the sustainable economic opportunity, the participation and human rights participation categories and the HDI. The safety and rule of law in Cameroon presents an annual average decline over the 2007 to 2016 period. Furthermore, there has been some improvement in terms of the country's infrastructure and rural background.

There is a need for government to re-adjust some of its governance indicators, considering that, good governance is at the heart of any successful business. Moreover, a sound governance is critical in Cameroon and other countries, to providing a conducive environment to business performance and growth. Such an environment may be considered as being business-friendly if the safety and rule of law measures are respected, the sustainable opportunity measures implemented, the participation and human rights valued, and human development index improved. Accordingly, governance measures in Cameroon are relevant to establish an environment that provides businesses with a solid foundation to become globally competitive. These governance indicators are also important as they may have a bearing on macroeconomic indicators of the Cameroonian economy discussed in the next section.

2.4.2 Some Macroeconomic Indicators in Cameroon

2.4.2.1 Gross Domestic Product (GDP) Growth

GDP growth in Cameroon since independence in 1960 has been erratic and unstable, at times negative and sometimes positive. Figure 2.2 provides a summary of Cameroon's GDP growth and change in GDP per capita over the 1961 to 2016 period.

Figure 2.2: GDP Growth and change in GDP per capita in Cameroon: 1961-2016
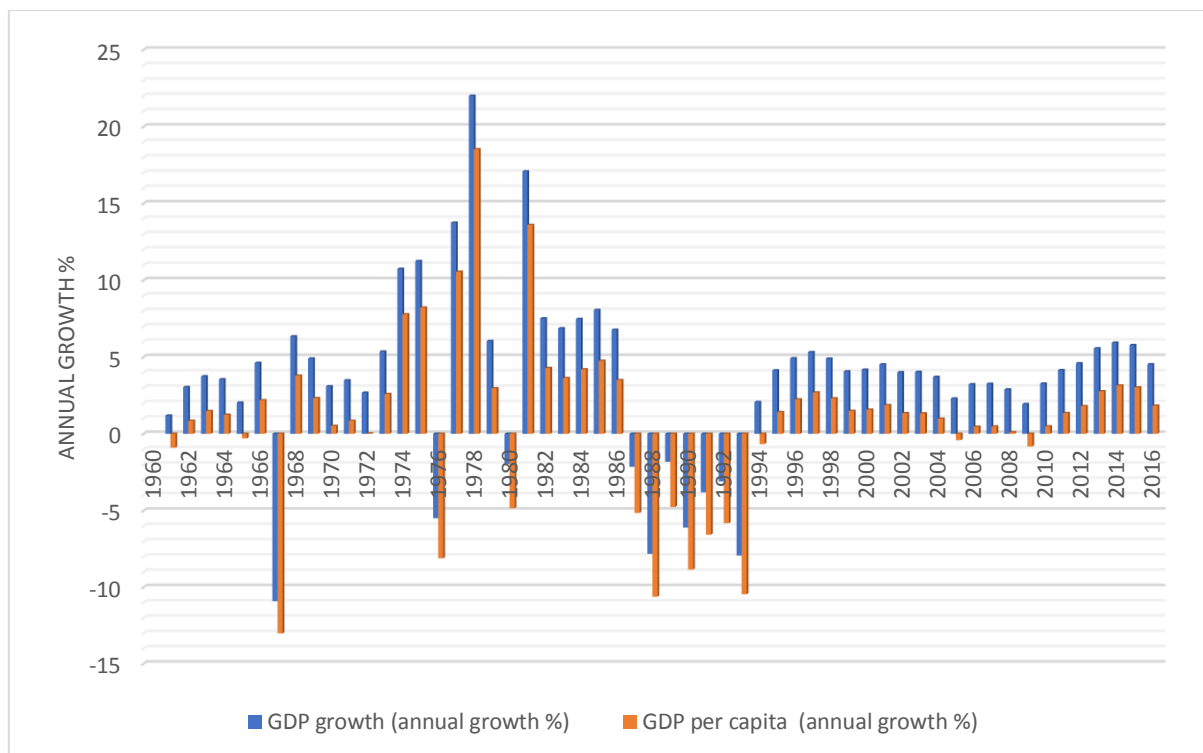
Source: Author's own graph using data from WBI (2017).

The overall performance of the Cameroonian economy was good for the period, 1961 to 1986, with agriculture supporting the economy in the early 1960s. In the 1960s and mid-1970s, the country's GDP growth averaged 5.7% per year, with cocoa, coffee and cotton as well as other subsistence crops, supporting the economy (Khan, 2010). The agriculture sector was a major economic activity during the period, contributing on average about 40% to GDP, as well as employing about 80% of the labour force and providing 85% of exports.

However, the Cameroonian economy experienced a sharp economic crisis in 1967, due to changes in economic policies, which led the country to its lowest GDP growth and GDP per capita of -10.91 and -13% respectively (WBI, 2017). The negative GDP growth per capita

recorded in 1976 was due to external shocks of the 1970s, which caused a fall in the country's national income. These external shocks were essentially characterised by a decrease in the world price of cocoa and coffee and other commodities, which contributed about 50% to Cameroon's total export earnings in the late 1970s (INS, 2010).

During the period 1978 to 1986, with the discovery and exploitation of crude oil, the petroleum production became the driving force of the Cameroonian economy (World, Bank 1995). Moreover, despite a high population growth rate (3.1%), the country's GDP per capita and GDP growth remained quite high as shown in Figure 2.2 during the period 1978 to 1986. This was mainly due to the share of petroleum output, which increased from 18% of the GDP in 1977 to 33.58% in 1986 (NIS, 1997). Thus, Cameroon recorded one of its highest GDP growth estimated at about 22% in 1978 and 17.08% in 1982. This was coupled with the country's highest GDP per capita, estimated at about 18.52% in 1978 and 13.59% in 1982. However, the country experienced negative GDP growth in 1980, due to external shocks.

Cameroon experienced a downturn during the period 1987 to 1993. Its GDP growth and per capita income turned negative, largely due to the sharp fall in the world prices for Cameroon's main export commodities and very poor domestic economic management. The decrease in Cameroon's GDP growth and per capita income was sudden and severe. The GDP growth was estimated at about -2.14% in 1987 and -7.93% in 1993. The country's GDP per capita was about -5.14 % in 1987 and -10.45% in 1993 (World Bank Indicator, 2017).

After six years of economic regress, Cameroon devaluated its currency in 1994. After the devaluation, Cameroon began to experience growth (2017) (African Economic Outlook (AEO), 2017). Cameroon registered an average economic growth of 4% during the period 1995 to 2016 and an average per capita growth of 1.3% during the same period. The growth in per capita income provided opportunities for business development in Cameroon.

2.4.2.2   Inflation

Parkin *et al*. (2010) describe inflation as a continuous increase in the general price level and sustained decrease in the value of money. Figure 2.3 presents inflation in Cameroon from 1969 to 2016, with wide fluctuations in certain years.

Figure 2.3: Inflation (Annual %) in Cameroon: 1969-2016
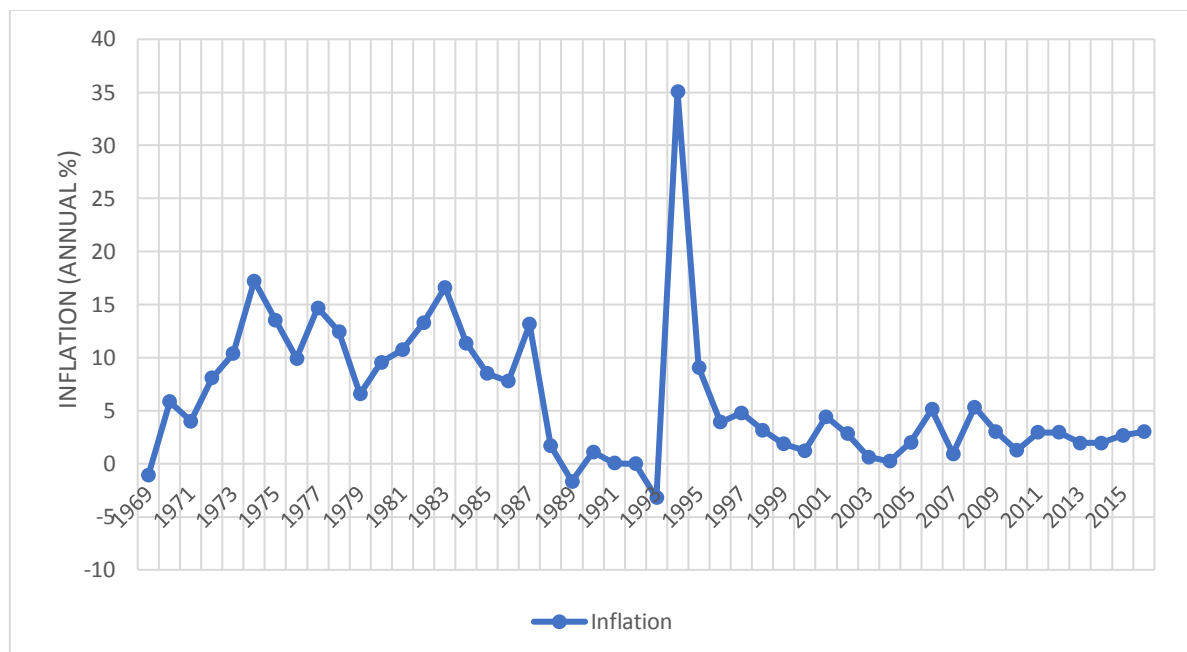
Source: Author's own graph using data from WDI (2017)

During the early post-independence periods (in the 60s), the level of inflation was relatively low (i.e. -1.10 % in 1969). The inflation rate was estimated at 10 % on average in the 1970s and 1980s. It reached a peak of 17.23 % in 1975 and 16.63 % in 1983 due to the raising of oil prices and terms of trade shocks (Khan, 2010). The inflation rate was about 35% in 1994 (see Figure 2.3); this was mainly due to the devaluation of the CFA franc[2] (the country's currency).

From 1996 to 2016, inflation was low, moving from 3.92 % in 1996 to about 3 % in 2016 despite a peak of 5.1 % in 2006 and 5.3 % in 2008. These peaks were due to the evolution of the prices of foods products as well as transport services due to a consecutive rise in petroleum products (NIS, 2010). Low inflation in Cameroon (estimated at about 2 % an average between 2010 and 2015) was a result of effective implementation of the country's SAP policies which are further discussed in this chapter.

Inflation rate increased to 3 % in 2016, mainly based on the strong 7.4 % increase in prices for tobacco and alcohol drinks and the 4.9 % growth in services, restaurants, and hotels, because of the increased tax rate on alcohol in the 2015 budget law (World Bank, 2016).

2.4.2.3   Sectoral Performance in Cameroon 1965-2016

Figure 2.4: Value added by sector: 1965-2016
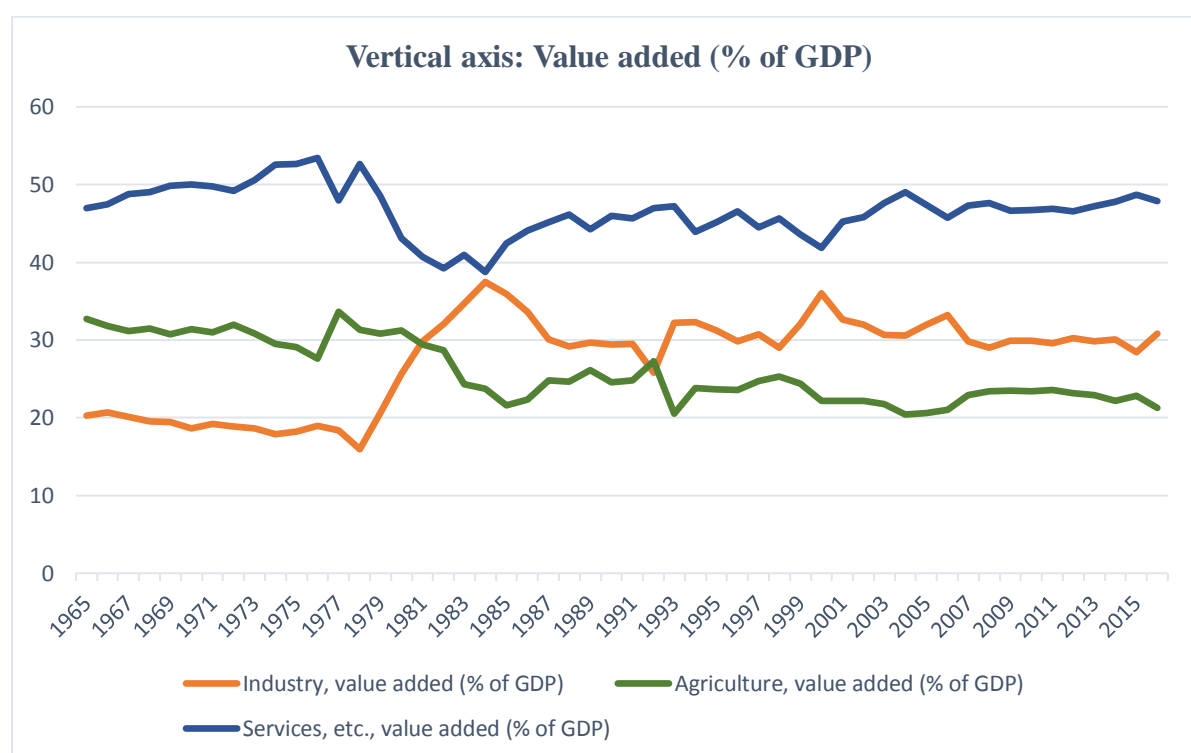
Source: Author's own graph using data from WDI (2017)

From the mid-1960s to 2016, as shown in Figure 2.4, the service sector in Cameroon remained the main contributor to the country's GDP. The share of the service increased from 47% in 1965 to 48% in 2016. The agricultural sector's contribution dropped from 32% of GDP in 1965 to 21% in 2016. The industry sector took over the agriculture sector, as its contribution to GDP increased from 20% in 1965 to almost 31% in 2016 (WDI, 2017).

The service sector includes wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional, and personal services, such as education, health care, and real estate services. It also includes imputed bank service charges, import duties, and any statistical discrepancies noted by national compilers as well as discrepancies arising from rescaling. The industry sector comprises value added in mining, manufacturing, construction, electricity, water, and gas, and the agriculture sector in Cameroon includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production (WDI, 2017).

2.4.2.4   The Banking Sector in Cameroon

The banking sector plays an important role in many countries around the globe. In the case of Cameroon, the contribution of this sector to the economy is very little, if not insignificant (Cameroon Financial Sector Report, 2018). Banking facilitates financial transactions among firms in different sectors, including the SMEs sector. The case of the SMEs is even more relevant for this study as entrepreneurs require access to credit to finance their business activities. While Cameroon financial system represents the largest in the Economic and Monetary Community of Central Africa (CEMAC[3]), which accounts for about half of the financial assets, and its banking sector is 'weak'. It is characterised by excess liquidity, concentration of loans and deposit activity and a low level of financial innovation, mainly influenced by foreign banks (Cameroon Financial Sector Report, 2018). The classification of commercial banks in Cameroon is presented in Table 2.7 below.

Table 2.7: Classification of Commercial Bank in Cameroon

Banks in Cameroon	Type of Banks	Details
Société Général des banques du Cameroun (SGBC)	Foreign bank	Headquater in Paris, France
Société commerciale des Banque (SCB) du Cameroun	Foreign bank	Green bank because of its historical ties to farming, located in France
Citibank	Foreign bank	Headquarter in New-York, USA
Banque Internationale du Cameroun pour L'Épargne et du Crédit (BICEC)	Foreign bank	Headquater in Paris, France
Standard Chartered Bank of Cameroon (SCBC)	Foreign bank	Headquater in London, UK
Amity Bank Cameroun Plc*	Domestic bank	
Afriland First Bank*	Domestic bank	
Commercial Bank of Cameroon (CBC)*	Domestic bank	

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[3] CEMAC = Communauté Économique et Monétaire d'Afrique Centrale

Banks in Cameroon	Type of Banks	Details
Union Bank of Cameroon (UBC)*	Domestic bank	
National Financial Credit Bank (NFCB)*	Domestic bank	
Bank of SMEs*	Domestic bank	
BGFI Bank Cameroun	African Bank Institutions	Headquater in Libreville, Gabon
United Bank for Africa (UBA)	African Bank Institutions	Headquater in Lagos, Nigeria
Ecobank Cameroon	African Bank Institutions	Headquater in Lomé, Togo
Atlantic Bank Cameroon	African Bank Institutions	Headquater in Lomé, Togo

Authors' own compilation from Republic of Cameroon - Cameroon (2016).

Cameroon counted about 15 commercial banks in its territory operating on a regular basis. These banks were classified as foreign owned (headquarters located outside Africa), African bank institutions (headquarter located within the African continent) and domestic institutions (located in Yaoundé or Douala) with majority Cameroonian ownership, excluding government ownership except for the bank of SMEs, with total ownership belonging to government.

In the past decade (2008-2017), there has been a gradual retrenchment of foreign banks in Cameroon, due to excess domestic bank liquidity, lack of bankable projects and bouts of social turbulence (Cameroon Financial Sector Report, 2018).

Figure 2.5: Evolution per type of Credit in Cameroon (in millions of CFA franc)
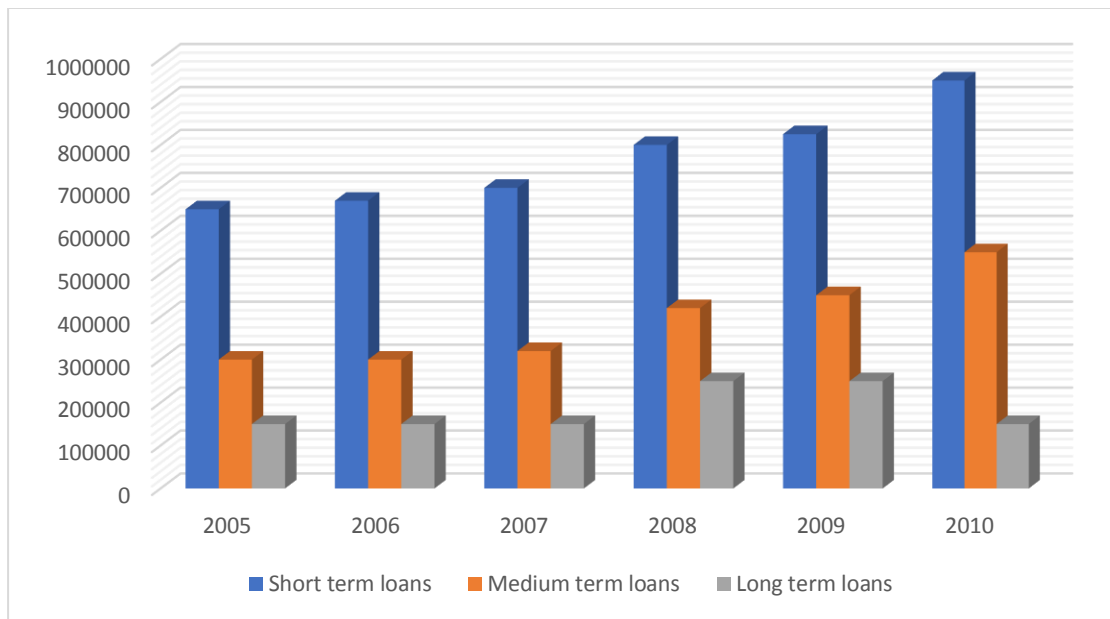
Source: Author's compilation from data from (NIS, 2010)

Despite an increase in bank credit to non-government sector, which represented about 65% of all lending, the economy remained dominated by short-term loans which account for about 65% of the total, medium-term loans representing about 32% and long-term loans accounting for only 3% during the period 2005 to 2010. Even more recently, the overall access to credit remained very low and below CEMAC average (Cameroon Financial Sector Report, 2018).

Considering these banking evidences, access to credit remains a concern for many SMEs in Cameroon. Because of this, Government created the bank of SMEs in 2016 with a clear idea of addressing finance constraints and enhancing access of SMEs to financing. This bank has a fully paid share capital of 10 billion CFA francs, which seeks to facilitate finance to farmers and business owners, and create jobs (Bank of SMEs, 2016).

2.4.2.5   Savings

Figure 2.6: Domestic Savings in Cameroon (% of GDP): 1965-2015
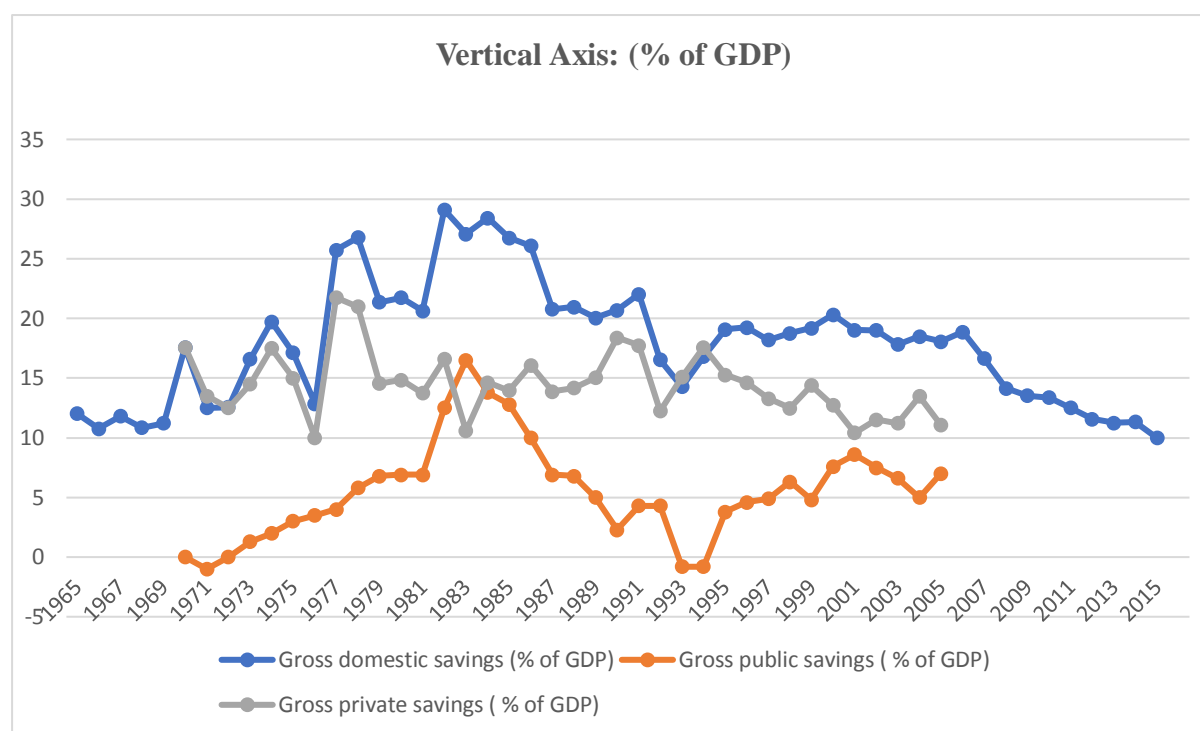
Source: Author's own graph using data from NIS, 2010; WDI, 2017

As depicted in Figure 2.6, savings rates decreased from above 25% in the early 80s to about 10% of GDP in 2015. Due to the paucity of date, the public savings rate was only available for the period 1970 to 2005 (NIS, 2005). The private savings rate which increased to more than 20% in the late 1980s and early 1990s, deceased to about 15% in 1996 and 10.7% in 2005. Cameroon public savings rate has performed very poorly following the peak of about 17% in 1983. It followed a decreasing trend from 1983 to reach its lowest level of -0.8% in 1994, then increased progressively from 5% in 1999 to 7% in 2005 (Khan, 2010).

The overall decrease in Cameroon's domestic savings as percentage of GDP was because of the recorded low GPD growth and investment between 1986 and 1994. This led to a significant decrease in Cameroon's overall production. Because of this, the country experienced multiple liquidation of public companies and the closure of some commercial banks, making poverty reduction a difficult objective to achieve (Ngouhou and Mouchili, 2014).

Considering the post 1994 to 2015 period, Cameroon's domestic savings remained below 20% on average (see Figure 2.6). The country is marginalised because of the weaknesses of savings, implying poor investment, which is an essential determinant of economic growth. As such, an incentive to boost the country's national savings and investment is needed to increase production and growth of the economy.

2.4.2.6   International Trade

The trade pattern of Cameroon has been shifting between import and export over the years as shown in Figure 2.7. Over the past decade, this trade pattern has been in favour of imports rather than export.

Cameroon's main export products consist of cocoa, cotton, coffee, tea, and crude oil which are all raw materials. Thus, any decrease in the prices of these agricultural products in the international market has a negative impact on Cameroon's economy. The excessive importation and meagre exportation, which is essentially raw materials, is the main driving force of the weakening Cameroonian CFA franc (Cameroon's currency).

Figure 2.7: Import and Export as a % of GDP: 1965-2016
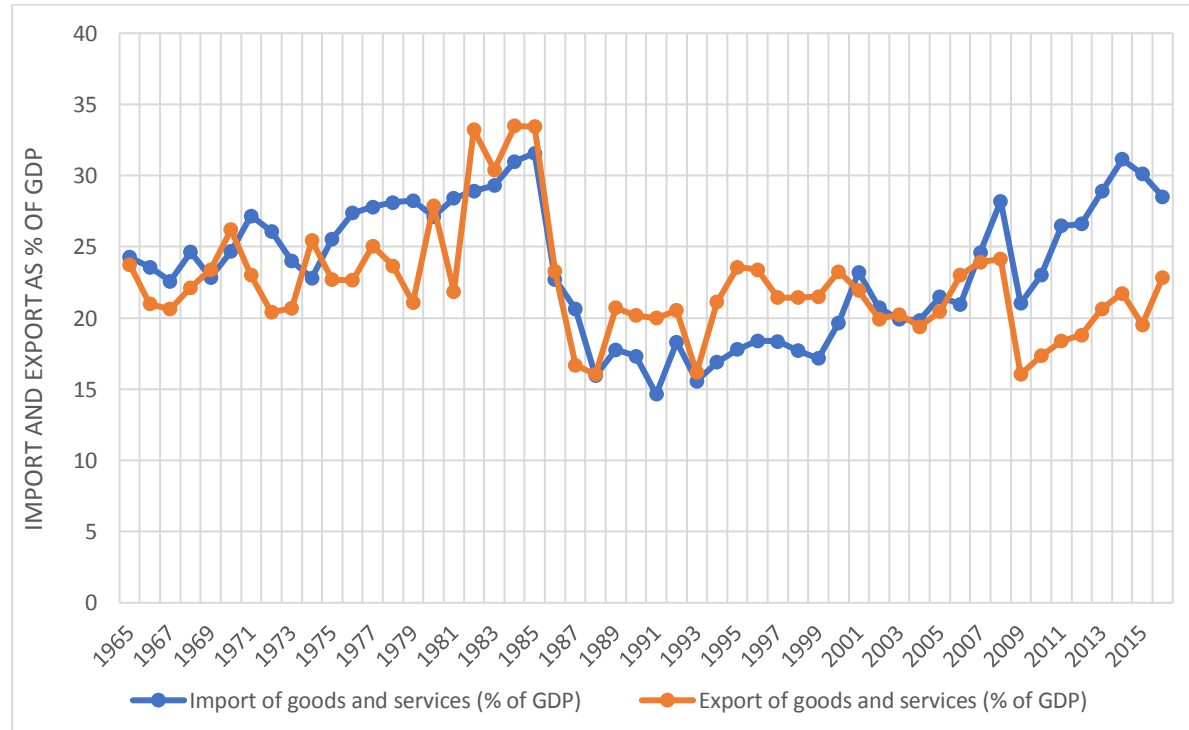
Source: Author's own graph using data from WDI (2017)

Imports, as a proportion of Cameroon's GDP, increased from 21% in 2006 to 28% in 2015, while exports were below imports. Exports increased from 16% in 2009 to 24% in 2015 (Figure 2.7). The constant increase in imports as against exports in the last decade (2007-2016), is one of the main causes of a strong Cameroonian CFA franc (domestic currency), which hampers exports and by making imports cheaper. This is discussed in detail in the exchange rate section, below.

2.4.2.7   Exchange Rate

Exchange rate here refers to the price of the CFA franc expressed in term of the French franc since 1948, and to the Euro since 2000, using a fixed exchange rate system. The country experienced movements in the Real Effective Exchange Rate (REER) from 1980-2016 (Figure 2.8). The REER is an important factor for assessing the global competitiveness of a given country. It has a huge impact on exports earnings, improvements in balance of payments and long-term growth (Soutar and Santoya, 2011).

According to Benjamin (1996), a movement portraying an appreciation of the REER, especially in a country like Cameroon, indicates balance of payment challenges ahead due to the loss of overall cost and or price competitiveness. This appreciation signifies that domestically produced goods are found to be relatively more expensive than imports, or that Cameroonian's export prices, in this context, have increased relatively to those of its foreign competitors. This leads to an increase in imports and a decrease in export earnings, which, in effect, raises the current account deficit on the country's balance of payment. REER, Nominal Effective Exchange Rate (NEER) and the terms of trade of Cameroon are presented in Figure 2.8.

Figure 2.8: Cameroon: Effective Exchange Rates and Terms of Trade, 1980-2016
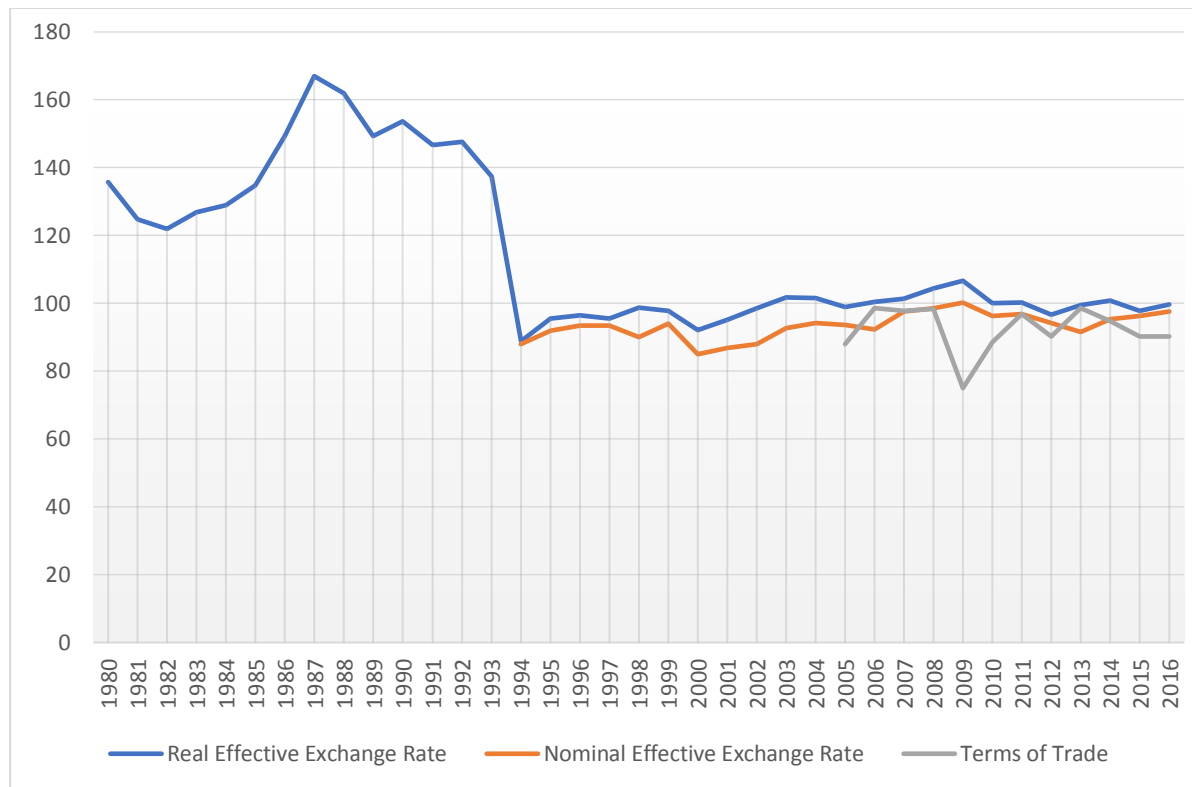
Source: Author's own graph using data from WDI (2017)

In the mid-1980s, Cameroon's real effective exchange rate (REER) was high, as the CFA franc (country currency) tied to the French, appreciated considerably relative to the US dollar (WDI, 2017). The country's REER reached its lowest level in 1994 as shown in Figure 2.8. In 2009, Cameroon REER depreciated after the worldwide recession. The recent fluctuations of the REER indicate an appreciation of the REER by about 20% in 2009 (IMF, 2015).

The fluctuation of the terms of trade from 2005-2016 (Fig 2.8), was intensified by an overvaluation of the CFA franc. In examining the effect of an overvalued currency, Killick (1993) discovered that the REER provides some thoughts for the domestic currency's trend toward overvaluation. He argued that an overvalued currency discourages exports, discourages a nation's production of agricultural and manufacturing products mainly, while increasing import demand and the demand for foreign exchange. He further reasoned that overvalued currency, like the CFA franc in Cameroon, destabilised capital movements, associated with external debt issues, as government funded a current account deficit, largely through external borrowing.

2.4.2.8   External Debt

From the 1970s to the mid-2000s, Cameroon accumulated immense external debt to fund many development programmes such as Structural Adjustment Programmes (SAPs) and Poverty Reduction Strategies Programme, such as the PRSP, GESP and Vision 2035 (further discussed in this chapter). Indeed, rapid growth in commodity prices in early 1970s, boosted optimistic hopes for a refund capacity in Cameroon. However, the situation sharply worsened at the end of the 1970s, with a significant decrease in the country's exports, coupled with a strong dollar and high international interest rates not just in Cameroon, but also in many other developing countries (United Nations Economic Commission for Africa, (UNECA), 2011). It is in this context that Cameroon subsequently began to feel the pressure of making timely payments on its immense international debt. Figure 2.9 provides the trend of the country's external debt from and debt servicing 1970 to 2016.

Figure 2.9: External Debt: 1970 – 2016 (in Billion)
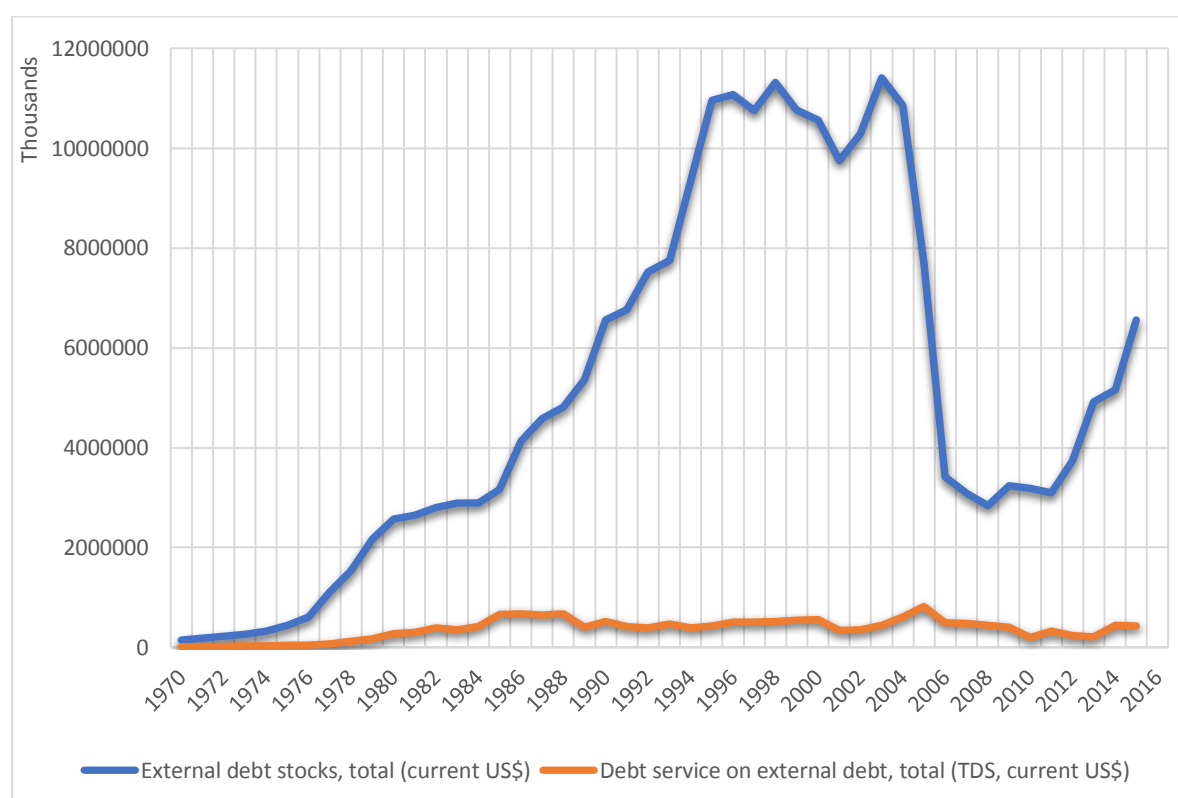
Source: Author's own graph using data from WDI (2017)

In 1970, external debt was estimated at about US$ 11 million; this increased considerably to about US$ 10 billion in 1995 just after the country experienced the devaluation of the CFA franc in 1994. The period 1996 to 2003 depicts the highest external debt stock of Cameroon.

The country's external debt stock fluctuated from about US$11 billion in 1996 to US$ 9 billion in 2001 and US$ 11.4 billion in 2003. From 2004 to 2008, the country's external debt stock dropped considerably from about US$10 billion to about US$ 2.8 billion due to the cancellation of Cameroon's debt in 2006 by the Bretton Wood Institutions (AfBD, 2012). As presented in Figure 2.9, Cameroon's external debt has escalated from 2006 onward; increasing from US$ 3billion, in 2009-2011 to about US$ 8 billion in 2016. The country's stock of total public debt to GDP ratio stood at 14% in 2011 and increased to about 26.8% in 2016. This implies an increase in short-term domestic debt that requires an annual rollover, and loss of reserves of the regional Central Bank due to lower oil revenues (African Economic Outlook, 2016).

2.4.2.9   Government Revenue

Over the years, the Cameroonian government has relied extensively on borrowing and grants for economic development. Figure 2.10 presents government revenue as a percentage age of GDP, excluding grants from 1975 to 2016.

Figure 2.10: Government Revenue Excluding Grants: 1975 – 2016
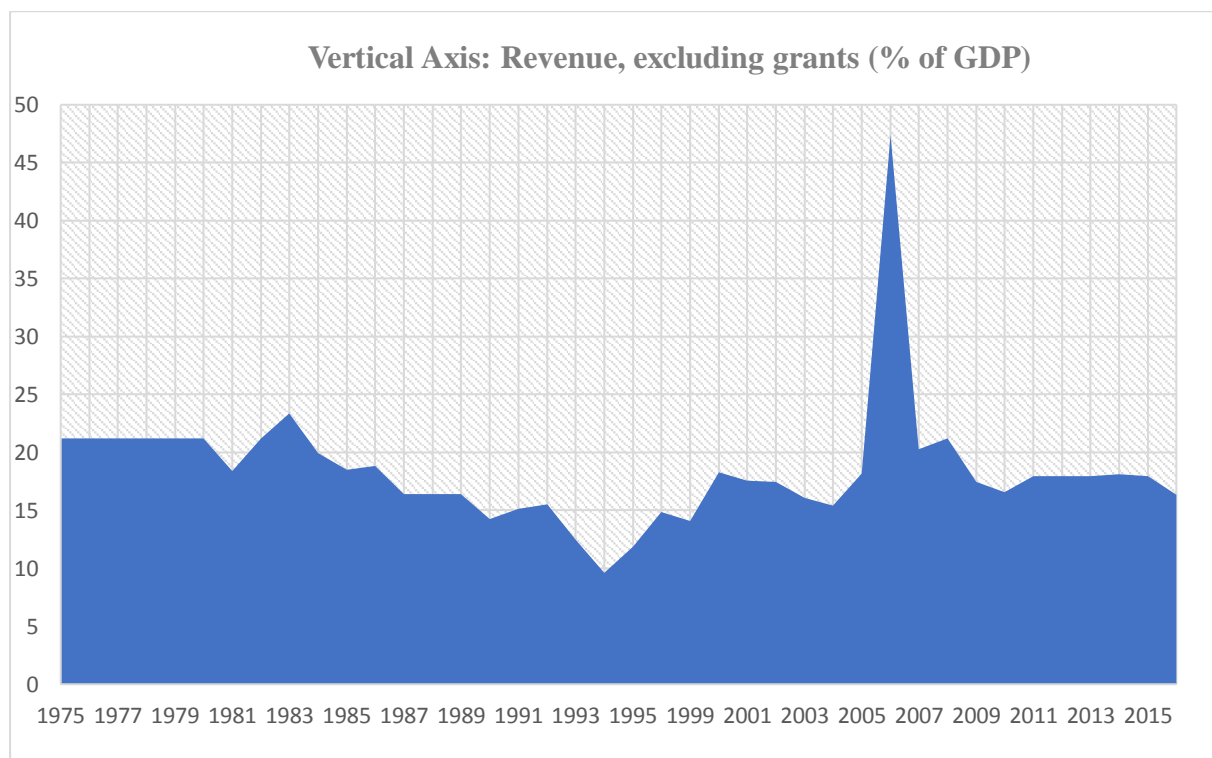
Source: Author's own graph using data from WDI (2017)

This revenue was at its lowest in 1994, estimated at about 9.62% of GDP due to the devaluation of the CFA franc. Furthermore, government revenue, as a percentage of GDP, was 20% in 1975 and decreased to 16% in 2016. Nevertheless, in 2006 it had the highest revenue, about 47% of GDP. This was due to the cancellation of the country's external debt (AfBD, 2012).

2.4.2.10   Unemployment and Underemployment in Cameroon

The level of unemployment in Cameroon is perceived to be low in the urban areas and high in rural areas (WBI, 2017). Nevertheless, this is an understatement as the country suffers from high levels of under-employment and unemployment in the rural areas. Most people in Cameroon are largely engaged in subsistence agriculture and most of these farms employ family members. These family workers generally consider themselves as employed but are habitually unpaid. Additionally, as employment in Cameroon appears to be a main challenge in both rural and urban areas (AfDB, 2016), President Biya, took the decision to recruit 25 000 young Cameroonians into the civil service in 2011. This aimed at revitalising the employment situation (AfDB, 2012).

Despite the government efforts to promote youth employment, unemployment and under-employment remains an obstacle for many young Cameroonians. From the latest national survey of employment and the informal sector, conducted by the National Institute of Statistics (NIS) in 2010, the extended unemployment rate among young people aged 15‑35, was about 13% in 2010, while the level of under-employment was at 71.9 % in the same year. This under-employment represents 54.4% in urban areas and 79.2% in the countryside (AfDB, 2012). However, critics flawed these statistics considerably as the current unemployment range exceeds 30% (MSME, 2013; Heifer International, 2014).

Individuals in the 17‑40 age group represent about 37% of the total population. The unemployment rate for this age group, assumed to be relatively low – estimated at around 5.4% according to the National Institute of Statistics (NIS, 2010). The wide range of under-employment essentially masked this estimation. On the other hand, unemployment statistics revealed by Heifer International, an organisation that works with communities with the aim of creating income, empowering women, caring for the earth, and ultimately ending world hunger and poverty, are not in line with government statistics. The organisation estimated unemployment to be at about 30% in 2014, with 7 out of 10 young people underemployed (Heifer International, 2014).

The rising number of unemployed youths in Cameroon has become a major concern for government; the number of young adults with higher education (degrees and diploma) from public and private higher education institutions joining the labour force rises each year. Furthermore, while young-adults that are more educated are injected into the competitive labour market, there has been no employment growth to absorb these young-adults (Neneh, 2014).

In addition to the increase in job seekers in Cameroon, which not only surpasses the present demand for their services, a study by Cameroon Youth and Student for peace (2014) and Ntemngweh (2016) revealed that the skills of new young-adults who graduate each year mismatch the needs of the labour market in Cameroon. This education mismatch is regrouped in two categories. Vertical mismatch refers to a disconnection between the level of education and the job (Kim, 2011). Vertical mismatch can occur when people are employed for jobs that need a lower level of education (over-education). Furthermore, it may occur when someone possesses a lower level of education than that needed for the job (European Centre for the Development of Vocational Training (Cedefop 2010). On the other hand, horizontal mismatch takes place when a trained employee in a specific field of study works in another field (Mont, 2015). Considering these two categories of mismatch, unemployment and underemployment occur in Cameroon as there are too many young adults with high education qualifications, yet with fewer jobs available. As unemployment and underemployment adversely affect the Cameroonian economy, the government had come up with various development policies to address the problem. These are discussed in the section below.

2.5 Some Development Policies Implemented in Cameroon Since 1960

Over the years, Cameroon has implemented numerous development policies and strategies to attain certain objectives, such as high economic growth, low inflation, and unemployment. To achieve these macroeconomic objectives, one needs to look closely, at some policies implemented over time since 1960, namely: the Cameroonian Structural Adjustment Programmes (SAPs), its Poverty Reduction Strategy Program (PSRP), Growth and Employment Strategy Paper (GESP) and the country Vision 2035. This will be followed by the performance of the Cameroonian economy from the 1960s to 2016.

2.5.1 Structural Adjustment Programme: 1988-2000

A structural adjustment refers largely to economic reorientation which is suitable to cope with external shocks such as losses in terms of trade or in the availability of external loans

(Todaro and Smith, 2012). Hence, countries that have experienced economic crisis, like Cameroon, borrow from the International Monetary Fund (IMF) and the World Bank (WB). According to Todaro and Smith (2015) structural adjustment programmes (SAPs) are created with a clear objective of reducing the borrowing country's fiscal imbalances in the short and medium term or adjust the economy to long-term growth (Todaro and Smith, 2015).

Cameroon was exposed to three external shocks in the mid-80s, namely: oil, and agricultural prices decline, as well as a depreciation of the CFA franc (Cameroon currency) relative to the US dollar, which was tied to the French franc since 1948. This fixed exchange rate system (further discussed in section 2.5.6) contributed largely to the devaluation of the CFA franc by 50% in 1994 (INS, 2005). Cameroon suffered terribly from the effect of three external shocks, leading to huge external debt contracted to fund the country's large balance of payments deficit (Mbanga and Sikod, 2002; Khan, 2010). It is in this framework that Cameroon signed the SAP with the Bretton Wood Institutions (IMF and WB) in 1988. The SAP was orientated toward expenditure-reduction measures to fix the inadequate public finance scenario (Baye, 2006).

The objectives of the SAP were:

i.   Re-establishing equilibrium to major macroeconomic components, notably: a mean growth of 5% and a low inflation of 2% per year.

ii. Stabilising external accounts with a deficit of the current account lower than 2.5% of the GDP.

iii. Fighting against poverty.

iv. Promoting good governance (BAD, 2002).

During the SAP (1988-2000) period, Cameroon's GDP grew annually by 4.5% on average. Moreover, the budget deficit declined to 0.2% of GDP in 1999 to 2000 and inflation dropped from 4.2% (at the beginning of the programme) to 2% in 1999 to 2000. Furthermore, the SAP enabled Cameroon to considerably raise government expenditures in favour of social sectors and reduce poverty in the country (AfDF, 2001). Further details regarding poverty reduction are provided in this chapter, starting with government implementation of the 2003 to 2007 strategy. However, one needs to understand first, the definition of poverty in the country.

2.5.2 Definition of Poverty in the Cameroonian Framework

The World Bank (2010) defined poverty as the state of being poor and incapable of providing basic human needs, such as food supplies, clean water and sanitation, education, healthcare and shelter. In Cameroon, poverty is severe, not only in the rural environment, but also all over the country, particularly where social services and infrastructure seem to be inadequate or unavailable. In other words, poverty in Cameroon represents a state of vulnerability and of not having access to necessities of life.

Using the national poverty line, individuals whose earnings put them under the US$3.1 per day are regarded as poor in Cameroon (Republic of Cameroon, 2016). This infers that poverty in Cameroon is described as the inability of attaining a minimum standard of living, estimated in terms of basic consumption needs. Thus, Cameroonian families are considered poor merely because of their poor income level and their inability to maintain a suitable standard of living.

The national poverty level is presented in terms of its incidence (P_0), its gap index (P_1), and its severity (P_2), as shown in Table 2.9 below:

Table 2.8: Poverty Trends in Cameroon over the period 1996-2007

Poverty index	1996	2001	2007
P_0	0.5327	0.4022	0.3988
P_1	0.1908	0.1414	0.1231
P_2	0.0900	0.0698	0.0503

Source: Fabon, 2017

According to the World Bank (2005), poverty incidence or the headcount index (P_0) refers to the proportion of the population with an income per capita less than the per capita poverty threshold. In Cameroon, P_0 measures the proportion of individuals who are poor. The trend is a declining one, from 0.5637 in 1996 to 0.3988 in 2007. The poverty gap index (P_1), refers to the level of resources needed to bring Cameroonians above the designated poverty line and the poverty severity (P_2) measures the gap between the poverty threshold and the average of income of the poor Cameroonians (Fabon, 2017). This suggests that, the greater the gap, the deeper the level of poverty and more resources would be required to narrow the gap.

As shown in Table 2.8, the percentage of Cameroonians who lived in poverty dropped substantially from 0.5327 (about 53%) in 1996 to 0.4022 (about 40%) in 2001, which

remained almost constant until 2007. More recently in 2014, it is estimated that 48% of the Cameroonian population lives below the poverty line (Heifer International, 2014). The poverty gap index (P_1) only decreased from 0.1414 (about 14.1%) in 2001 to 0.1231 (or 12.3%) in 2007 (see Table 2.8). The severity of poverty (P_2) slightly decreased from 0.0698 (or 6.9%) in 2001 to 0.0503 (or 5.0%) in 2007. In 2011, the severity of poverty was estimated at 25.1% (Oxford Poverty and Human Development Initiative (OPHI), 2017). This showed that between 2007 and 2011, the extent of poverty increased; hence, the headcount poverty and poverty gap index increased in Cameroon.

Since poverty is a major issue in Cameroon, the country has developed several poverty reduction plans to tackle it.

2.5.3   Poverty Reduction Strategy Paper (PRSP) in Cameroon: 2003-2007

The PRSP is a development strategy to significantly reduce poverty, through the promotion of sound governance, the consolidation of peace via reliable institutions, the maintenance of the country's macroeconomic stability and economic growth (Government of Cameroon, 2000; 2003).

As shown in Table 2.8, poverty incidence remained almost constant at 0.3988 (about 40%) during the implementation of the PRSP (2003-2007). This is a clear indication that government implementation of the 2003-2007 strategy was ineffective to achieve its initial objective which consisted of boosting GDP to provide job opportunities and income generation to millions of Cameroonians (Republic of Cameroon, 2017). Furthermore, GDP growth estimated at about 3.32%, in 2003, was slightly below that of 4.23% recorded between 2000 and 2002 when the country was not employing any formal programme intending to alleviate poverty (IMF, 2009).

During the PRSP period (2003-2007), the contribution to economic growth was poor, varying from 0.02% (for secondary sector), 0.3% (for net taxes and subsidies), and 0.78% (for primary sector) to 2.22% (for tertiary sector) as presented in section 2.5.1. During the same period, inflation was relatively low at about 1.9%, despite a peak of 5.1% in 2006. In addition, the incidence of poverty, which stood at 40.2% in 2003 slightly dropped to 39.9% in 2007, living most Cameroonians poor. It is obvious that the PRSP failed to ameliorate the standard of living of many Cameroonians. Thus, it is against this evidence that the Growth and Employment Strategy Paper (GESP) was initiated to assist the country to embark on sustainable development from 2010 to 2020 (IMF, 2010).

2.5.4 Growth and Employment Strategy Paper (GESP) in Cameroon: 2010 - 2020

Through the GESP, Cameroon intends to accelerate its GDP growth, create employment that is more formal, and alleviate poverty. More specifically, it seeks to raise the average GDP growth rate to 5.5% over the period 2010 to 2020 and reduce the under-employment rate from 75.8% in 2010 to less than 50% in 2020 via the creation of formal employment over the 2010 to 2020 period. Moreover, the Cameroonian government intends to reduce income poverty rate from 39.9 % in 2007 to 28.7% in 2020 (IMF, 2010).

Even after a few years of the implementation of the GESP, Cameroon struggles to create jobs. The strategy toward job creation through the expansion of large businesses failed to evolve, mainly due to high level of corruption, decreasing GDP per head, lack of infrastructure, and crushing internal debt (IMF, 2010). Accordingly, in re-strategising the country's development, the Cameroonian government focused on SMEs as a driving force to promote business growth and job creation. It is in this regard that the Ministry of Small and Medium-size Enterprises (SMEs) and Handcraft was created in 2004, followed by the Bank of SMEs in 2015. This ministry intends to fulfil four major responsibilities:

i. Promoting and supervising SMEs and their products.

ii. Monitoring the activities of other organisations, which support SMEs.

iii. Establishing with professional organisations a databank, and projects for investors in the SMEs sector.

iv. Identifying, mentoring, and training informal sector actors to facilitate their migration toward SMEs (Ministry of SMEs and Handcraft, 2009; Bank of SMEs, 2016).

To contribute positively to the GESP, the Cameroonian Bank of SMEs, since formation in 2015, provided financial support to registered business operators to alleviate the constraints they encounter in financing their activities. Through this banking institution, the government also aims at formalising the informal sector to generate more tax revenues and strengthen the economy (Bank of SMEs, 2016).

2.5.5 Cameroonian Development of Vision 2035

Cameroon developed its Vision 2035 in 2010, hoping to substantially reduce poverty and reach the status of a middle-income country (AfDB, 2015). Vision 2035 aims at reducing poverty, promoting industrialisation, and consolidating the democratic process and national unity (AfDF, 2015). The goals of Vision 2035 are summarised in Table 2.9.

Table 2.9: Objectives of the Cameroonian Vision 2035

General Objectives	Specific Objectives
Reducing poverty to a socially acceptable level	- Making the population an effective development factor. - Raising investment in infrastructure and production sectors. - Improving supply and guaranteeing access to all quality health care. - Improving safety and social security. - Increasing supply, equality, and adequacy of training. - Creating Decent Jobs.
Becoming a medium-income nation	- Increasing economic productivity. - Intensifying activities such as silvo, agro-pastoral and fish farming and mining exploitation. - Maintaining macroeconomic stability - Encouraging mutation and the professionalisation of services. - Encouraging, and upgrading research results
Becoming a newly industrialised nation	- Intensifying investment in infrastructure and production sectors. - Developing a sound, competitive and diversified manufacturing sector. - Collecting savings, finance growth and development. - Modifying the pattern of foreign trade and gain new markets. - Integrating itself in the international financial ground and improving banking intermediation.
Strengthening national unity and consolidating democracy through peace, freedom,	- Strengthening national solidarity. - Consolidating the nation. - Promoting the rule of law and the credibility of

justice, social progress and national solidarity	the justice system.
	- Ensuring greater community participation.
	- Consolidating social freedoms (expression, association, and reinforcing the safety pf people and their property.
	- Enhancing decentralisation and local government.

Source: Vision formulation project - (IMF, 2010)

2.6 Synthesis

Five decades after obtaining independence from the French, German, and British colonies, Cameroon remains a developing country, which has only experienced two political regimes. In terms of overall governance, the country scored 45.7 out of 100 and was classified 38th out of 54 African countries in 2015 (IIAG, 2017). This represents a lower score than the African average (50.0) and higher than the regional average for Central Africa (41.2). Cameroon reached its highest score in human development index (57.7) and its lowest score in participation and human rights (37.9). The country's business environment index showed a decreasing trend from 52.3 in 2007 to 47.2 in 2016. In addition, Cameroon reached its highest sub-category score in Health (71.5) and its lowest score in Accountability (30.9). According to the World Bank's Human Development Index (HDI), the country's HDI was estimated at 0.518 in 2015, classifying Cameroon as a low-income country.

Over the years, Cameroon has suffered from many periods of economic failures (1966, 1976, 1987-1993), where the country recorded negative economic growth and per capita income. The reason for such poor economy performance included change in government regime, oil shocks, and variations in the international market price of cocoa and coffee, as well as 'wrong' government policies implemented in the country. In addressing the economic turmoil, the Cameroonian government, with the assistance of the World Bank and the IMF, introduced development programmes such as the SAP in 1988, the Poverty Reduction Strategy Programme (PSRP) in 2003, and the Growth Employment Strategy Programme (GESP) in 2010. Although these development programmes attempted to stabilise the Cameroonian economy and reduce the level of poverty, findings show that more is yet to be done in that regard, as well as helping the country achieve its Vision 2035.

Despite the relatively low rate of inflation (less than 4% per year) in recent years, the rate of economic growth is fragile in Cameroon to sustain the fight against poverty. In addition, the country has experienced low savings rates, continued exchange rate depreciations pegged to the euro in the recent decade and a high external debt to fund development programmes implemented.

Unemployment remains a major obstacle for many young Cameroonians, affecting almost 70% of the Cameroonian population. Furthermore, the issue of under-employment cannot be ignored due to the mismatch between individuals' skill levels and employers' needs.

2.7   Conclusion

Chapter two examined the economic profile of Cameroon from its independence period to 2016. The macroeconomic profile of the country indicates fluctuations in GDP growth, GDP per head and in inflation mainly during periods of crisis but have stabilised in the last decade. Cameroon has registered an average economic growth of about 4% in the last 10 years (WDI, 2017). However, this output expansion has not been translated into rapid job creation and poverty reduction as expected, even though the country has an abundance of natural resources. Cameroon remains a developing country. Despite that, the development programmes implemented have not yet been able to shift the country from its low-income to a middle-income status. Furthermore, the country has experienced very low savings rates, continued exchange rate depreciation pegged to the euro in the recent decade, low government revenue, and high external debt, as well as unemployment rates. Against this background, the development thinking is shifting toward the SMEs to create more job opportunities for Cameroonians and alleviate the level of poverty in the country.

CHAPTER THREE

THEORETICAL AND EMPRIRICAL ELEMENTS OF THE STUDY

3.1 Introduction

In the late 20th century, entrepreneurship has re-emerged as a topic of interest in the field of economics, having played an essential part in economic theory between the 18th and early 20th centuries (van Praag, 1999). Among the pioneers of entrepreneurship is Schumpeter (1934) whose ideas are developed in this chapter. Schumpeter argued that lower prices is not the key to competitiveness, but rather new ideas and new combinations of resources in a production function or in a firm (Ahlstron and Ding, 2014). More recently, scholars and policy-makers have rediscovered Schumpeter's view regarding entrepreneurship and the role entrepreneurs play by being more innovative and bringing up new product markets, creating businesses, generating wealth and employment (McCraw, 2010). Similarly, research has identified the significance of entrepreneurship to development planners when it comes to advancing economic growth and employment creation (Phelps, 2013; Mahadea, et al. 2013).

Against this background, entrepreneurship is underpinned by the formation and development of firms through the initiating and expanding efforts of entrepreneurs. Without entrepreneurship, there cannot be a thriving SMEs sector. For SMEs to develop, business enterprises need entrepreneurial capital (Boris *et al.*, 2016). This chapter provides a discussion of various schools of thought on entrepreneurship. An operational definition of an entrepreneur to suit the Cameroonian context is also provided. The chapter further provides certain local and global definitions of SMEs and examines how business can be assessed, as suggested in the literature. Moreover, the chapter looks at the importance of entrepreneurship and the factors influencing entry into the SMEs sector, in addition to reviewing the relationship between entrepreneurial capital (human, social, and financial capital) and business performance. Lastly, this chapter looks at the constraints to business performance and the relationship between institution factors (government and private financial institutions) and business performance.

3.2 Theoretical Framework of Entrepreneurship

Several types of entrepreneurs and different levels of entrepreneurship school exist in a society and economy respectively. High-profile entrepreneurs are generally found in firms which display high levels of entrepreneurship activities, particularly in the corporate

environment. However, 'weaker' entrepreneurs tend to engage in small firms and in informal activities.

3.2.1   Economic Entrepreneurship Theories

The entrepreneurship theory has strong roots in the classical and neoclassical theories of economics, and the Austrian Market Process (AMP). These theories look at the economic factors that drive entrepreneurial behaviour (Simpeh, 2011). They include classical theory, neoclassical theory, Austrian Market Process (AMP), and other economic ideas on entrepreneurship.

3.2.1.1   Classical Theory

Literature does not provide a unique definition of entrepreneurship. Numerous authors provide diverse definitions (Baumol, 1990; Parker, 2009; Deakins and Feed, 2012). Drawn from classical economic theory, the word *entrepreneur* emanates from the French verb *entreprendre,* which means to 'undertake' (Mahadea *et al*., 2013:4). The first theoretical use of the term entrepreneurship is found in Cantillon's (1755) essay *Sur La Nature Du Commerce General* (Hebert and Link, 1982). Of the four factors of production (land, labour, capital and entrepreneurship), Cantillon identified the entrepreneur as a central economic player and entrepreneurship's most important factor. In other early works, Adam Smith's *Wealth of Nations* viewed the entrepreneur as a capitalist. He regarded the entrepreneur as somebody who acts as an agent in transforming demand into supply (Smith, 1776). However, Smith did not discuss in depth the entrepreneurial function (Mahadea *et al*., 2013:5).

According to Say (1803), the entrepreneur is an organiser of production (Van Praag, 2005:14). Say regarded the entrepreneur as a catalyst for economic change and development, and an economic agent willing to take the risk of bringing factors of production together to organise production for consumption and trade (Deakins and Feed, 2012).

Say's view of entrepreneurship stresses that entrepreneurs should possess various traits such as moral qualities, judgement, perseverance, knowledge of business, and most importantly the "art of super-intendancy and administration" (Say, 1971:330-331, cited in Van Praag, 2005:14). Moreover, Say added that a successful entrepreneur should have experience within, and knowledge of the business, and be able to access the necessary funds. Following Say's line of thinking, it can be deduced that without these key entrepreneurial qualities, the success of a business is hindered.

Classical theorists applauded the virtues of free trade, specialisation, and competition (Ricardo, 1817; Smith, 1776). However, the classical school of entrepreneurship failed to explain the dynamic upheavals generated by entrepreneurs in an industrial age (Murphy et al., 2006).

3.2.1.2 Neoclassical Theory

Neoclassical theorists regard the entrepreneur as a key player in the production process (Parkin, 2010). The entrepreneur employs human and other resources to organise factors of production and generate wealth. Neoclassical theorists consider entrepreneurship as a scheme of entrepreneurs (Parkin, 2010). Among the first neoclassical theorists, Marshall (1920) viewed the entrepreneur as an organiser of factors of production, corroborating Say's view. Marshall stressed that the entrepreneur needs to be a 'natural leader of men' (Marshall, 1920:248). This suggests that, the entrepreneur requires the ability to predict broad movements of production and consumption and identify where potential opportunities lie to supply new products or services or improve the production of an existing product.

The neoclassical theory of entrepreneurship arose from the criticisms of the classical theory. In the neoclassical view, the entrepreneur is crucial to the formation and continuous operation of a venture, and the firm is regarded as 'entrepreneurless' without an entrepreneur. The focus is on seeking the optimal input combinations that maximise profit. Once this optimisation principle is obtained, production becomes repetitive, a mere technical activity, that no longer requires active participation of the entrepreneur. A major drawback of this theory is that, it fails to identify the existence of the entrepreneur as an 'economic man' (Parkin, 2010). These criticisms led to a new entrepreneurship school of thought, known as the Austrian Market Process (AMP).

3.2.1.3 Austrian Market Process (AMP)

The AMP school of entrepreneurship, pioneered by Joseph Schumpeter (1934), focused on human action in the context of a dynamic and innovative economy driven by the entrepreneur (Simpeh, 2011). Schumpeter (1934), regarded the entrepreneur as an innovator through 'creative destruction'. Schumpeter recognised entrepreneurs as creative agents who are responsible for "the doing of new things" or the doing of something that is already being done, but in a new way (Parker, 2009: 34). Schumpeter further argued that the entrepreneur brings about change through the introduction of innovation of new products, new production methods, new sources of supply of raw materials and new forms of organisation. These

innovations result in the creation of new firms and new demand. Through a process of creative destruction, old firms are displaced by dynamic innovative ones (Parker, 2009: 34).

To Israel Kirzner (1973), the entrepreneur is 'attentive' to profitable opportunities for trade. Thus, identifying the possibilities for exchange allows the entrepreneur to benefit by acting as an arbitrageur, who is aware of profitable opportunities and makes the exchange possible (Kirzner, 1997). While individuals possess different access to, or views about entrepreneurial opportunities, Kirzner argued that anyone possesses the ability to become an entrepreneur and can operate within a set of production boundaries. However, Schumpeter, claimed that only special people possess the potential to be an entrepreneur. Kirzner's view of entrepreneurship considers information to play a vital role in the marketplace (Deakins and Freed, 2012). Deakins and Feed (2012) further added that, the possession of extra knowledge by the entrepreneur opens room for creative discoveries. In this way, anyone could possess the extra knowledge necessary, and be aware of opportunities for exchange and trade. Kirzner stresses alertness to opportunities for entrepreneurs to spring into action. Nonetheless, he does not explain where that superior ability (alertness) comes from (Mahadea *et al.,* 2013). Accordingly, other schools of entrepreneurship emerged, of which one of those is Mark Casson's idea (1982).

3.2.1.4   Other Economic Ideas on Entrepreneurship

According to Casson's view of entrepreneurship, the entrepreneur is a person who specialises in taking critical judgement decisions about the management and utilisation of limited resources (Casson, 2003:23). Casson argued that despite sharing similar purposes and acting under similar conditions, people would make different decisions because they do not have access to the same information or interpret information differently. Additionally, Casson's view on entrepreneurship noted that the market for entrepreneurs serves the following core functions:

- Identifying decisions considered to be critical.
- Identifying entrepreneurs whose critical decisions are accurate.
- Matching entrepreneurs to critical decisions.
- Distributing rewards to entrepreneurs as compensation for the time and effort spend to recognise and make critical decisions (Casson, 2003:23).

In Casson's view, access to resources by entrepreneurs is paramount to ensuring the effective exercise of their critical decision-making. Individuals with entrepreneurial capabilities

lacking access to resources are omitted from entrepreneurship (Casson, 2003). Casson further conceptualised his thoughts by using a demand and supply function represented in Figure 3.1 below. The demand curve (D) displays a decrease of return to each entrepreneur, as the number of active entrepreneurs rises. The supply curve of entrepreneurs (S) is a function of access to resources and therefore depends on the local economy and environment. It indicates a positive relationship between the return to each entrepreneur and the number of active entrepreneurs.

Where demand for and supply of entrepreneurs meet is called entrepreneurial market equilibrium point. At this level, the size of the entrepreneurial reward and the number of active entrepreneurs is equal. Entrepreneurial market equilibrium is found at the expected reward R_1 and R_2, and number of entrepreneurs N_1 and N_2 respectively. It is also clear that a change in either the demand or supply curve is likely to affect the equilibrium position of the market for entrepreneurs. A rightward shift of the demand curve from D to D_1, due to rapid growth and more productivity would raise the level of expected return. The increased return may provide more incentive to people with the required individual abilities to make a critical decision of embracing the entrepreneurship route (Mahadea *et al*., 2013:12). If the potential reward is low at 0W, then there will be few (No) active entrepreneurs because individuals may prefer to work for others and earn a salary or wage rather than operate as self-employed entrepreneurs.

Figure 3.1: The Market for Entrepreneurs
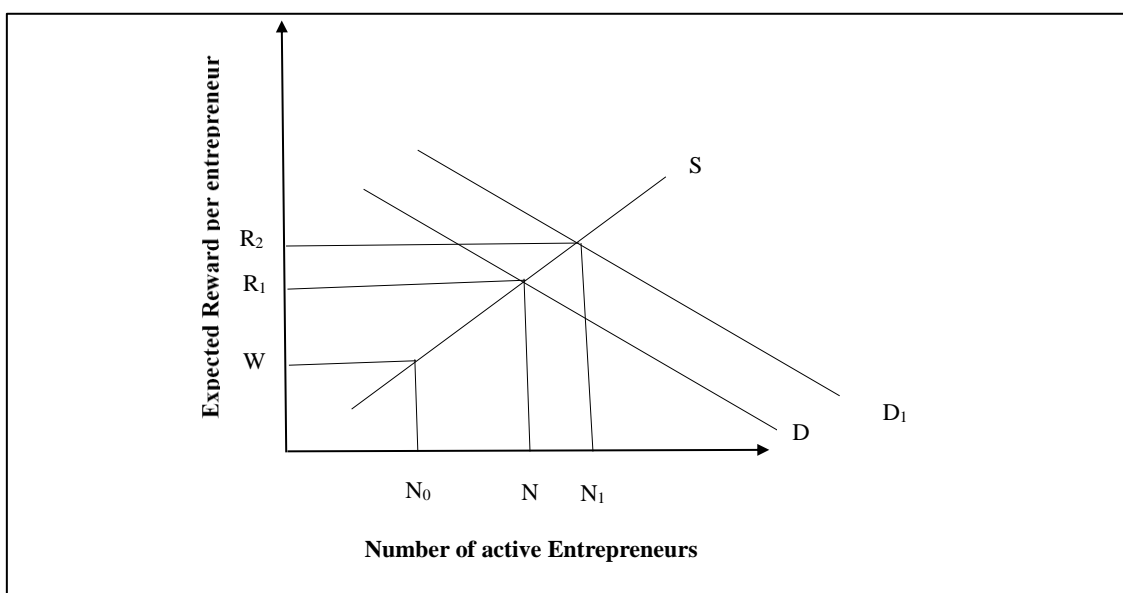
Source: Mahadea *et al*. (2013:12).

Other scholars like William Baumol (1990), maintained that entrepreneurs are always present in every society. The task of society consists of ensuring that the 'rules of the game' such as tax rules create incentives. These incentives influence entrepreneurship in different manners and allocate entrepreneurship to either productive activities (i.e. innovation), or unproductive activities (i.e. rent seeking and organised crime). The benefits to the individual are greater by being a productive, rather than an unproductive or destructive entrepreneur (Baumol, 1990).

In Baumol's view, as represented in Figure 3.2, each society, both in the past and present, possesses three types of entrepreneurship: *productive, unproductive and destructive* (Baumol, 1990). He described productive entrepreneurship as innovation which leads to wealth creation and economic development. Secondly, unproductive entrepreneurship is some form of bureaucracy and corruption that typically benefits an individual, but not necessarily the society. This type of entrepreneurship serves mainly individual greed and profit maximisation rather than societal benefits. Thirdly, destructive type of entrepreneurship also benefits the individual more than society. This form of entrepreneurship is considered illegal and unethical in Baumol's view (Baumol, 1990).

Figure 3.2: Baumol 's Types of Entrepreneurship
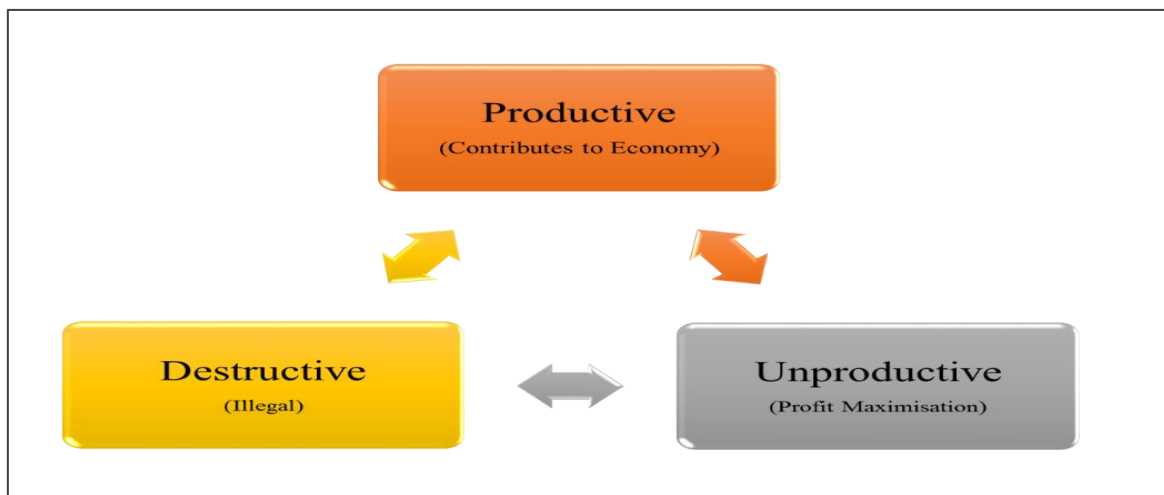
Source: Baumol (1990).

Baumol also stressed the role of entrepreneurship to economic renewal and economic growth. He argued that growth cannot be explained simply by the accumulation of factors of production; qualities such as human creativity and productive entrepreneurship are required to combine the inputs in a profitable manner. Thus, an institutional environment which promotes productive entrepreneurship and human research may be a determinant of economic

growth. Baumol's view on firm behaviour and entrepreneurship argued that firms may be sales maximisers rather than profit maximisers (Eliasson and Henrekson, 2003). These authors went on to explore the interaction between taxation and entrepreneurship. They further supported the work of Lindbeck (1988) who argued that in high-tax environments, entrepreneurs re-direct their efforts to unproductive entrepreneurship such as financial speculation or even illegal activities. Therefore, the level of taxation should not be prohibitive in any society, as this can convert entrepreneurial efforts from productive to destructive entrepreneurship.

3.2.2   Psychological Views on Entrepreneurship

Shaver and Scott (1991) and Landstrom (1998) submit that psychological schools of thought focus their analysis on the personality attributes of individuals. This psychological approach to entrepreneurship is associated with the possession of special innate personal characteristics. It identifies certain traits in individuals that successful entrepreneurs seem to have. Whether these entrepreneurial personality traits are visible or not remains a controversial topic, despite efforts to provide a 'perfect' list of characteristics of the entrepreneurial personality. According to Zogli (2017:67-68), certain entrepreneurial personal qualities or traits such as proactiveness and need for autonomy influence the course of action of entrepreneurs with a clear idea of making them better businesspersons.

Different traits are required for someone to be an effective entrepreneur. Some scholars within the psychological school of entrepreneurship stressed traits such as need for achievement and locus of control (Rotter, 1966; McClelland, 1987; Bridge et al., 2009), whereas other scholars emphasised specific traits such as a calculated risk-taker, innovator, and tolerance for ambiguity (Shane, 2004; Timmons, 2007).

McClelland (1987) argues that the essential psychological factor which drives individuals to favour entrepreneurial activity is the need for achievement (N-Ach). The N-Ach is characterised by a stronger inner concern for achievement. McClelland (1987) describes the N-Ach as the desire to do well, not only for recognition or appreciation, but to reach an inner feeling of fulfilment. Numerous scholars found a positive association between individuals' N-Ach levels and their entrepreneurial success. In addition, empirical evidence reveals that people with greater N-Ach levels are better leaders and entrepreneurs since they are focused on results and demand higher performance from their subordinates (Mahadea, 1994; Bridge et al., 2009).

Locus of control is another important personality trait. It was first introduced by Julian Rotter in the 1950s. Rotter (1966) defined Locus of Control (LOC) as a belief that the outcomes of an individual's actions are contingent to what they do (internal control) or on events beyond their personal control (external control).

Individuals high on internal LOC tend to be proactive and action-oriented. These individuals like to be in control of their environment and their own destiny. Moreover, individuals with high internal LOC are more likely to exploit entrepreneurial opportunities and perform well at entrepreneurial activities, than those with high external locus of control. The latter tend to be reluctant in doing business, trusting in other things than themselves to determine the course of events in their lives (Mahadea *et al*., 2013: 22).

The psychological school is relevant to this study, as it provides a background to some key motivating factors inherent to Cameroonian entrepreneurship investigated in this study. Furthermore, Cameroon is a country with diverse cultures, faced with diverse social forces. According to Mahadea *et al*. (2013), entrepreneurial activities are thus combined with the culture of the country. One can expect that Cameroon's multicultural differences may help in the development of businesses if one adopts the socio-psychological school.

3.2.3   Sociological Entrepreneurship School

The sociological school focuses on various social contexts for the emergent entrepreneurs and entrepreneurship (Reynolds, 1991). Reynolds (1991) further suggested four contexts relevant to entrepreneurial development, namely: social networks, desire for a meaningful life, ethnic identification and social-political environmental factors. These complementary contexts provide the foundation for building up social capital.

The social network framework focuses on constructing relationships and strong ties that encourage trust and not opportunism. This suggests that entrepreneurs can emerge when individuals maintain good connections with the people that they interact with daily. The desire for a meaningful life framework analyses the life conditions and personal traits of individuals who have decided to become entrepreneurs. Consequently, people's experiences may affect their ideas and actions, and they may opt to accomplish something remarkable with their lives. The ethnic identification focuses on individual sociological backgrounds as 'push factors' to become entrepreneurs, because individuals are often marginalised from formal employment and end up creating their own employment in an independent business.

The socio-political environment factors are environmental factors which affect the survival of new businesses or the success of their entrepreneurs (Simpeh, 2011:4).

3.2.4 Managerial Entrepreneurship School

The managerial school looks at entrepreneurship not as an art or a science, but as a process and series of value-adding activities run by entrepreneurs (Drucker, 1985). In Drucker's view, entrepreneurship is not a trait that is inborn, but a learnable activity. Hence, entrepreneurship and innovation are driven by hard, focused, and purposeful work (Mahadea *et al*., 2013). This entrepreneurial process identifies opportunities and their exploitation, using resources with the aim of converting business ideas into potential business projects. Entrepreneurship, in the school of management, is associated with certain outcomes, such as a new venture creation, products or processes created by the entrepreneur (Gartner and Bellamy, 2009). Entrepreneurship links the individual entrepreneur to opportunities, hence the nexus (Baron and Shane, 2008). Though there may be various opportunities, only those that have a sufficiently favourable risk-to potential reward deserve to be exploited.

According to Venter et al. (2011), entrepreneurship is linked to business ventures regardless of their sizes. Also, for a business to perform well, it should be well-managed. Thus, there is a need for the entrepreneur to acquire certain skills in business management. These skills are different from those required for business initiation. Though management performs functional roles such as planning, organising, leading, and controlling, these functional roles vary according to the size and nature of the business (Mahadea *et al*., 2013:17)**.** For firms to be entrepreneurial, they should move from the idea of merely making a sum of income to growth aspirations (Mahadea *et al*., 2013:17). Entrepreneurs are to be opportunity-focused to introduce innovation into the organisation. Furthermore, Drucker claimed that entrepreneurs perform well by looking at and taking advantage of possibilities created by social, technological, and cultural changes (Drucker, 1985).

3.3 Resource-Based Entrepreneurship Theory

The Resource-Based Theory (RBT) of entrepreneurship focuses on the way entrepreneurs leverage diverse types of resources to activate entrepreneurial efforts off the ground. This theory underlines the relevance of financial, social and human resources to promote entrepreneurship (Alvarez and Barney, 2017). Thus, access to resources aims at improving the individual's ability to detect and act upon available opportunities (Davidson and Honing,

2003). Financial, social and human capital are three sub-theories under the RBT approach, which will be used in this study.

3.3.1   Financial Capital or Liquidity

The financial capital theory, also known as liquidity theory, suggests that people with financial capital are more capable of acquiring additional resources to exploit entrepreneurial opportunities successfully relative to those without capital (Clausen, 2006). However, this theory was challenged by several scholars, as financial capital is not significantly associated with the likelihood of being promising entrepreneurs (Davidson and Honing, 2003; Hurst and Lusardi, 2004). Financial capital comprises debt and equity, and this forms the capital structure (Van Praag, 2003). While having financial capital is necessary for starting or growing a business, it is not sufficient for growth. One needs to pay attention to other forms of capital, such as social and human capital.

3.3.2   Social Capital view of Entrepreneurship

Humans are social beings, and they need to interact with one another in the course of doing business. Putman (2000) regards social capital as the networks, norms and trust that enable members to act and bond together to effectively pursue business and social objectives. The social capital view focuses on the actual and potential resources accessible through the entrepreneur's network of co-operating friends, family members, community organisations and local business organisations (Kwon and Adler, 2014). Entrepreneurs with greater networks have higher levels of connectedness which underpin social capital (Putman, 2000). Furthermore, this view is grounded on the perception that investments in social connections create goodwill available to people and groups, which may be mobilised to accomplish certain objectives (Kwon and Adler, 2014). As such, one can argue that entrepreneurs are rooted in a social network structure that represents an important proportion of their opportunity structure (Rosenblatt *et al.*, 2017).

As highlighted by Tortoriello and Krackhardt (2010), social relationships and strong ties with resource providers encourage trust, and not opportunism. Networking facilitates access to resources and improves the likelihood of opportunity exploitation (Lin, 2017).

3.3.3   Human Capital View of Entrepreneurship

Human capital theory was suggested by Schultz (1961). In his essay entitled: 'Investment in Human Capital' Schultz argued that both knowledge and skills constitute a form of capital,

which is a product of deliberate investment. Human capital also includes variables such as entrepreneurs' work experience and training which contribute to improve entrepreneurs' economic productivity and life outcomes (Lucas, 2015). Becker (1975) expanded widely on Schultz's (1970) argument by associating human capital with physical means of production such as factories and machines. In Becker's view, human capital is described as a means of production, into which extra investment produces extra output. Marvel *et al*. (2014) stress that human capital raises people's cognitive and non-cognitive capability, which leads to higher productivity and business activity.

The application of human capital to entrepreneurship was investigated by Bruderl *et al*. (1992) who claimed that human capital tends to focus on employees, yet it is also appropriate and relevant to focus on entrepreneurs or employers. Therefore, in the entrepreneurial human capital context, entrepreneurs with higher general and specific human capital are likely to demonstrate higher levels of performance than those with lower levels of such human capital. Human capital theory assumes that once engaged in the entrepreneurial venture, business owners or entrepreneurs should demonstrate high levels of skills, experience, and education to exploit opportunities available around them successfully. Lucas (2015) puts it succinctly that ability influences performance, and individuals with more abilities tend to perform better in business.

3.4 Profit Maximisation Theory

In the neo-classical theory of the firm, the goal of a business is to maximise profits by generating the highest net income over time. In this theory, profit represents the difference between the firm's revenue and costs. A firm can maximise its profits when its marginal cost (MC) equals its marginal revenue (MR) and its MC curve cuts the MR from below. Maximum profits refer to pure profits which are a surplus above the average cost of production (Parkin, 2010).

The profit maximisation approach can be understood under different types of markets (Magnusson, 2014). Furthermore, the profit maximisation hypothesis assumes that businesses have perfect information not only about their own costs and revenues, but also of other firms' (Magnusson, 2014). The current study, particularly, looks at profit under competition as businesses involved operate mainly in the service and retailing sectors, selling almost identical products referred to as homogenous goods (e.g. restaurants selling identical foods). However, businesses do not possess adequate and accurate information about the conditions

under which they are operating. At the most, business owners may have information about their costs of production, but they cannot be certain about the market demand curve. In addition, business owners continuously work under conditions of uncertainty, making profit maximisation weak, as it assumes that business owners are certain about everything.

This study uses the profit approach to assess business performance in terms of the amount left with the entrepreneur after he/she has made payments to all factors of production, including his/her own wages and other business expenses.

Most businesses do not rank profits as their major goal (Baumol, 2009). The working of modern firms is so complex that entrepreneurs do not think only about profit maximisation, but about alternative business performance measures, such as sales revenue growth and employment growth.

3.5   Sales Revenue Maximisation Theory

Sales revenue maximisation is an approach to business where the firm's primary goal consists of generating as much revenue as possible. This theory was suggested by W. J Baumol as an alternative goal to profit maximisation. Baumol's theory of sales revenue maximisation provides several motives why firms should consider maximising their sales revenue (Moro, 2008).

- Firstly, there is evidence that salaries and other payment slack[4] earnings of top business owners are associated more closely with sales revenue rather than profits.
- Secondly, banks and other financial institutions keep a close eye on the sales of firms and are interested in financing businesses with large and growing sales.
- Thirdly, individual problems are handled better when sales revenue are increasing. In this regard, the employees at all levels can be provided with higher earnings and better terms of employment. Alternatively, a decrease in sales revenue leads to the reduction of salaries, other payments and may also result in the laying-off of some employees. Baumol adds that decreases in sales revenue could create dissatisfaction and uncertainty among employees at all levels.
- Fourthly, large sales increase over time give prestige to business owners, while large profits go into the pockets of shareholders (Moro, 2008).

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[4] Slack refers to payment to the managers/ business owners above the minimum necessary to retain them in the firm.

3.6   Institutional Theory

Peng (2010) regards institutions as humanly devised challenges that form human interactions with the idea of reducing uncertainty and risks related to political unrest, social instabilities, government policies, and interference in business activities. North (1990) claimed that stable institutions which operate efficiently follow the rules of the game in society. These institutions can be formal, comprising of laws, government policies, judicial system, and regulations written down (Tonoyan *et al*., 2010) or informal, made of codes of conduct, values and norms (or unwritten rules and conventions observed by group of individuals in a community) (Baumol, 1990).

In looking at institutional settings and entrepreneurship, business owners are either hampered or enhanced by institutions in their environment. The institutional environment defines and limits entrepreneurial opportunities and influences the rate and size of new venture creations (Hwang and Powell, 2005). For Baumol *et al*. (2009), poor institutional development can retard new business developments, while an institutional environment with excessively restrictive regulations can hinder business formations (Soto, 2000).

Based on the institutional theory, factors affecting entrepreneurial efforts include government's actions to create an environment friendly for business activities. Furthermore, governments can ensure markets' function efficiently by eliminating conditions that create entry barriers, market imperfections, and unreasonable 'stifling' regulations (Baumol *et al*., 2009). In addition, Soto (2000) argued that business owners may be discouraged from starting a business if there are no formal institutional structures (or substitute informal ones). Entrepreneurs can also be discouraged if they have no other options than complying with too many rules and procedural requirements. Similarly, this discouragement may occur if entrepreneurs are expected to report to an array of institutions or have to spend considerable time and money in completing documentation requirements like in the case of Cameroon (further presented in Table 3.7 of Chapter three). Alternatively, a business-friendly institutional environment is likely to encourage entrepreneurial activities by increasing entry rate of ventures, which can drive away entrepreneurship in a country (Baumol *et al*., 2009). Because institutions are relevant environmental factors which condition people involved in entrepreneurship, the institutional theory is used in this study to discuss factors affecting business performance in Cameroon.

3.7 The Entrepreneur in the Cameroonian Context

Cameroon is a developing country, with a high rate of unemployment. Although the country has registered positive economic growth rates in the last 10 years (WDI, 2017), many people cannot find employment. Hence, some take the route to self-employment. Pulling the various schools of thought mentioned above, one can get a vivid picture of the 'modern' entrepreneur in a Cameroonian setting. The entrepreneurs in this study are business-starters, drawn into business by various motives. They are regarded as individuals who operate their businesses with the intention of creating jobs for themselves, their relatives and the community they live in. Furthermore, these entrepreneurs make use of various resources such as, financial, human, and social capital to boost their performance. Though they are enterprise initiators and risk-takers in the classical sense of entrepreneurship, some of these entrepreneurs struggle to build and grow their businesses in the long term, owing to various internal and external constraints. While defining the entrepreneur in the Cameroonian context is important, it is also relevant to provides an overview of SMEs, entrepreneurial capital and business performance in this study.

3.8. SMEs, Entrepreneurial Capital and Business Performance
3.8.1 Definitions of SMEs

There is not a unique definition of SMEs, as each country tends to define SMEs differently (Neuman, 2007:10; Zeka, 2011:21; Turyakira *et al*., 2012:107). Zeka (2011:21), regards SMEs as enterprises that are 'independently owned, operated and financed'. SMEs possess certain features which differentiate them from other firms.

Both quantitative and qualitative features are used in defining SMEs (Mahadea *et al*., 2013). Quantitative characteristics look at aspects of a business which can be measured or quantified, such as the number of employees, the turnover per annum, profitability and size of the capital used (Small Enterprise Development Agency (SEDA), 2010). According to Ayyagari *et al*. (2007), employees, turnover, and profitability are the most commonly used indicators in a quantitative definition of SMEs. Qualitative definitions of SMEs on the other hand look at non-measurable variables such as control, ownership, and sector of activities (Mahadea *et al.,* 2013). While SMEs consist of a large variety of firms of different sizes, it is important to emphasise that the focus of the study is on small businesses in Cameroon.

3.8.2 The Bolton Committee and European Commission's Definition of Small Businesses

In the United Kingdom (UK), based on the Bolton Report (1971), three core *qualitative* characteristics are employed when defining a small business. These are listed below:

- A small business should operate independently of any management or control by a larger business unit.
- A small business should have its own identity of ownership and management, meaning that it should be managed by its owners or part-owners in a personalised manner and not through the medium of a formalised management structure.
- A small business should have a relatively small share of the market.

According to the European Commission (EC), the most common **quantitative** feature employed when defining small businesses is employment size and turnover (European Commission, 2009:3). In Europe, a small business is defined as one that has fewer than 50 employees, with a maximum turnover of 10 million Euros. In the United States of America (USA), a small business, as per the Small Business Administration (SBA) has fewer than 500 employees, although this metric could apply to large firms in some other countries (United States International Trade Commission, 2010:3).

The EC view splits SMEs into 3 categories namely: Micro, Small and Medium-sized enterprises, and assesses them in terms of their number of employees and turnover (mainly used) as well as balance sheet total. The three subsets are shown in the Table 3.1.

Table 3.1: European Union definition of SMEs

Enterprise Category	Number of employees	Turnover (€)	Balance sheet total (€)
Micro enterprise	<10	≤ 2 million	≤ 2 million euro
Small enterprise	<50	≤10 million	≤ 10 million
Medium enterprise	<250	≤50 million	≤ 43 million

Source: European Commission (2009:3).

3.8.3 Definition of SMEs in Some Developing Countries

In developing countries, SMEs are distinguished in terms of the number of employees, turnover and the maximum gross value of assets. This definition also varies from one developing country to another. Tables 3.2 to 3.4 define SMEs in selected developing countries, such as China, India and South Africa.

3.8.3.1 SMEs in China

Table 3.2: Definition of SMEs in China

Enterprise Category	Number of employees	Turnover (Yuan, RMB[5])	Maximum gross value of assets
Micro enterprise	< 20 people	< 10 million RMB	-
Small enterprise	20 to <500 people	Between 10 and < 30 million RMB	<40 million RMB
Medium enterprise	500 to > 2000 employees	between 30 to 300 million RMB	< 400 Million RMB

Source: Hoffmann (2017).

In China, the classification of businesses varies from one sector of activity to another. For instance, a small business in the retailing sector employs less than 100 people and has a maximum turnover of RMB 10 million, while for a wholesale activity, the maximum turnover threshold is 30 million. The industry sector employs less than 300 people, with a turnover of less than RMB 30 million and a total asset value of less than RMB 40 million. Other activities such as hotel, restaurant and transport employ between 400 and less than 500 people, with a turnover of less than RMB 30 million (Hoffmann, 2017).

3.8.3.2 SMEs in India

According to the Micro, Small, and Medium Enterprises Development (MSMED) Act 2006, businesses in India are classified into two categories: manufacturing and service enterprises. SMEs in India are defined in terms of their investment in plant and machinery or equipment, as described in Table 3.3 below:

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[5] The renminbi (RMB) is the official currency of the People's Republic of China, with the yuan being the basic unit of the renminbi, but also used to refer to the Chinese currency.

Table 3.3: Definition of SMEs in India

Enterprises	Manufacturing Enterprises[6]	Service Enterprises[7]
Micro	Rs. 2.5 million/ Rs. 25 lakh (US$ 50,000)	Rs. 1 million/ Rs. 10 lakh (US$ 20,000)
Small	Rs. 50 million/ Rs. 5 crore (US$ 1 million)	Rs. 20 million/ Rs. 2 crore (US$ 40,00,000)
Medium	Rs. 100 million/ Rs. 10 crore (US$ 2 million)	Rs. 50 million/ Rs. 5 crore (US$ 1 million)

Source: Gandhi *et al*. (2016).

The manufacturing businesses focus on the production of goods which pertain to any industry that uses plant and machinery in the process of value addition to the final product. Manufacturing firms are defined in terms of investment in plant and machinery, and service businesses in terms of investment in equipment (Gandhi *et al*., 2016). Since values for investment in SMEs are likely to increase with inflation over time, the definition of SMEs in India is subject to change every five years (Gandhi *et al*., 2016).

3.8.3.3 SMEs in South Africa

Table 3.4: Definition of SMEs in South Africa

Enterprise Category	Number of employees	Turnover (Rand[8])	Total gross value of assets[9] (Rand)
Micro enterprise	≤ 5	< R150 000	< R100 000
Very small	< 10 to 20	< R200 000 to R500 000	< R150 000 to R500 000
Small enterprise	< 50	< R2 million to R25 million	< R2 million to R4.5 million
Medium enterprise	< 100-200	< R4 million to R50 million	< R2 million to R18

Source: Fatoki (2011).

According to the National Small Business Act of 1996 in South Africa, the SMEs sector has four categories of firms, ranging from micro to medium enterprises, as shown in Table 3.4. SMEs engage in diverse activities. Most of these activities are commonly found within the services, wholesale, retailing and manufacturing sectors in South Africa (Fatoki, 2011).

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[6] Investment limit in Plant and Machinery
[7] Investment limit in equipment
[8] Rand= South African currency
[9] This excludes fixed propriety

3.8.3.4 SMEs in Cameroon

In Cameroon, the Ministry of Small and Medium-sized Enterprises, Social Economy and Cottage Industry (MINPMEESA) uses both qualitative and quantitative approaches to define SMEs. *Qualitatively*, SMEs in Cameroon are firms owned and managed by their owners (Cameroonians mostly) who can be a physical individual, a partnership or moral person, such as a close corporation or company. **Quantitatively**, SMEs are defined in terms of number of people employed (full-time), initial capital invested, and capital assets possessed (MINPMEESA, 2018). Table 3.5 summarises the quantitative indicators used to define micro, small, and medium enterprises in Cameroon.

Table 3.5: Criteria used by the MINPMEESA to define SMEs

Enterprise Category	Number of employees	Initial capital investment (CFA franc)	Capital Assets (CFA franc)
Micro enterprise	1-5	Up to 200 000	Up to 500 000
Small	**6-20**	**Up to 500 000**	**Up to 500 million**
Medium	21-50	Up to 1 billion	Up to 1 billion

Source: MINPMEESA (2018).

Micro-enterprises: Have 1-5 employees including the owner. These firms are run by individuals who struggle to survive or cannot find work anywhere else and thus, earn an income below the national poverty line of US$3.1 a day (Republic of Cameroon, 2016). Micro enterprises in Cameroon often emerge because of unemployment, pushing individuals to embark on an informal business as a survival mechanism. Additionally, the initial capital investment is low, up to CFA franc 200 000 (about €305 euro[10]) and capital asset up to CFA franc 500 000 (about €762 euros) (MINPMEESA, 2018).

Small businesses: These are owner-managed firms that comply with government regulations. They employ between 6 and 20 people and possess an initial capital investment of up to CFA franc 500 000 (about €762 euro) and capital assets up to CFA franc 500 000 million (NIS, 2010; MINPMEESA, 2018).

Medium enterprises: Employ up to 50 people and are owner-or-manager controlled (MINPMEESA, 2018).

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[10] € 1euro = is pegged to CFA franc = 655 as of 2018.

Table 3.6: Breakdown of SMEs by sector in Cameroon

Sector	Sub-sector	Micro Business		Small Business		Medium Business		All business (SMEs)	
		No	%	No	%	No	%	No	%
Primary	Agriculture	71	0.1	24	0.1	34	0.8	129	0.2
	Poultry	74	0.1	4	0.1	7	0.2	85	0.4
	Fishing	8	-	2	-	9	0.2	19	0.2
	Forestry	4	-	2	-	-	-	6	-
	Sub total	**157**	**0.2**	**32**	**0.2**	**50**	**1.1**	**239**	**0.8**
Secondary	Extraction industry	6		5		5	0.1	16	0.1
	Food industry	365		112	0.7	154	3.4	631	0.7
	Other manufacture industry	9242		490	2.9	367	8.2	10009	11.1
	Electricity & Gas	24		9	0.1	13	0.3	46	0.4
	Construction	280		177	1	176	3.9	633	4.9
	Sub total	**9917**	**15**	**110**	**4.7**	**715**	**15.9**	**11425**	**13.1**
Tertiary	Wholesale and retailing	36788	55.8	9500	51.2	1141	25.4	46604	53.3
	Transport	115	0.2	92	0.5	241	5.6	458	0.5
	Banking and insurance &	120	0.2	121	0.7	306	6.8	547	0.6
	Other services	18728	28.4	6092	36	2022	44.9	26842	30.7
	ND[11]	-	15.6	-	11.6	-	17.3	-	14.8
	Sub total	**55751**	**84.6**	**15805**	**88.4**	**3720**	**82.7**	**74451**	**85.2**
	Total	**65825**	**100**	**16937**	**100**	**4499**	**100**	**87422**	**100**

Source: MINPMEESA (2018).

As shown in Table 3.6, 65825 enterprises in 2016 are micro businesses, 16937 are small businesses, 44937 are medium businesses, and only 722 are large businesses (MINPMEESA, 2018). In total, 87 422 ventures are SMEs representing over 95% of Cameroonian firms, falling within the definition of SMEs. Of this total, 85% (65825 firms) are engaged in the

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[11] Not Determined

tertiary sector, 13.1% are in the secondary sector and only 0.8% are in the primary sector. In short, SMEs in Cameroon are predominantly active in the tertiary sector.

In terms of business activities, small businesses record 88.4% of active business in the tertiary sector as compared to micro enterprises (84.6%), and medium enterprises (82.7%) (see Table 3.6). Hence, small businesses will constitute the focus of this study. Furthermore, it is found that small businesses in Cameroon compared to medium and large businesses, are more flexible and hence adapt faster to changing market conditions (MINPMEESA, 2018).

3.8.4 Research Site in Cameroon: Douala and Yaoundé

After defining SMEs in the context of Cameroon, it is important to highlight that the present research considers only two regions: Douala and Yaoundé, as most formal ventures are essentially concentrated in these two cities. A brief description of these cities is provided below.

3.8.4.1 Douala

Douala is the largest city in the country with a population of more than 3 million people, in 2017. It is the economic capital of Cameroon Littoral region and home to Central Africa's largest port (Cameroon, 2016).

Douala is regarded as the driving force of the Cameroonian economy. However, a large proportion of its population live below the poverty line. Recent data indicates that approximately 30% of the population live in poverty in the urban region, and about 60% live in poverty in rural areas, partly due to Douala's steadily increasing population (Cameroon, 2016).

3.8.4.2 Yaoundé

Yaoundé, spread over seven hills, is the political capital of Cameroon. It is in the southern part of the city with a population of about 2.7 million people in 2017. Most of Yaoundé's economy is directed toward the administrative structure of the civil service and diplomatic services. Being the political capital of Cameroon, Yaoundé experiences a relatively higher standard of living and security compared to the rest of the country.

Looking at the profile of SMEs in Cameroon, Douala and Yaoundé represent about 70% of SMEs in the country (Kinfack and Akinboade, 2011). SMEs remain quite vibrant in these two cities, with the tertiary sector absorbing most of the country's business activities.

3.9 Business Performance

The term business performance is ambiguous, as it lacks agreement on basic terminology among scholars (Kabajeh *et al*., 2012). Furthermore, there is no unique measurement to assess the performance of a business (Otley, 2002). Business performance has various names, used interchangeably. These names refer to growth, survival, success and competitiveness of a business (Dobbs and Hamilton, 2007). A tentative definition of performance is linked to the business's ability to create acceptable outcomes and actions (Eniola and Enterbang, 2015). This definition regards performance as an economic concept, which entails wealth creation and value adding by the firm. Storey (2010), echoed this idea by defining performance as a firm's ability to contribute to job and wealth creation over time. Further, in economic theory, factors of production need to earn an adequate return if they are to be properly allocated and used in the economy. Accordingly, for the entrepreneur, the reward should be profits for all efforts in hiring the other inputs in his/her firm to provide a good or service.

As an entrepreneurial setting, performance should be related to the business outcome of the profits. Business performance may be related to growth in sales (Baumol *et al*., 2009) and growth in investment. The profitability measures of performance may also be viewed in terms of return on investment (ROI), return on equity (ROE) (Kabajeh *et al*., 2012), market share and product enhancement. Other stakeholders may view enterprise performance differently. Policy-makers might be interested in job creation and tax revenue generation as an indicator of business performance. Staff and employees may regard business performance in terms of wages, salaries, perks and staff retention.

Gibson (1998), regards the profitability of a business as the capability of the business to create incomes. Parker (2009), considers profitability as the ability of a gainful activity, where earnings generated are higher than expenses involved. Return on investment is often regarded as synonymous to profitability, and these terms can be used interchangeably (Parker, 2009).

3.9.1 Measurements of Business Performance

Business performance is commonly measured by both financial and non-financial indicators. Many firms hold on to the traditional view (objective approach) of measuring performance in terms of profit. However, firms require additional measurements for their performance and development, and refer to them as non-financial measures (subjective approaches). Both financial and non-financial measures of business performance are discussed below.

3.9.1.1 Financial Measurement of Business Performance

The financial performance measures rewards for entrepreneurial endeavours in terms of financial achievements, labour employment, market share, profit and sales volume or turnover (Primadona and Emrizal, 2018). Olsen *et al*. (2007) argue that the traditional view of measuring business performance is more applicable to large businesses, as they have resources and aim for growth dominance by surpassing other firms. However, the classical view is still relevant for small businesses because their owners are interested in survival and earning an income flow, this is possible when the business is profitable.

Over the past decades, scholars have criticised the traditional accounting-based measures of performance, claiming that these measurements were designed for firms with mature products and stable technology, contrary to the current changing business environment (Kaplan and Norton, 2001; Olsen *et al*., 2007). However, other researchers regard these financial measures as adequate to assess firms' profitability (Al-Matari *et al*., 2014). Kabajeh *et al*. (2012) recognize ROA, ROE, and ROI ratios as indicators for businesses' overall performance. Barth *et al*. (2005) claimed that these financial ratios are very sensitive to the different accounting methods. Furthermore, many small firms may not keep proper sets of accounts. Hence, the accounting ratios will not be used in this study.

According to Delmar *et al*. (2003) and Mari and De Vita (2016), performance in terms of sales revenue is a common measurement well supported in the literature. Sales revenue growth refers to the amount by which sales grows over time in terms of monetary value, typically from year to year. Sales revenue may depend on external factors, such as economic growth, competition, inflation and exchange rates and on internal factors that include entrepreneurial acumen, skills, motivation and a pro-active sale strategy. Private firms are in business to make profits. The theory of the firm suggests that a firm's objective is to maximise profits. This assumes that the firm equates its marginal revenue with its marginal cost. In practice, firms do not operate along the marginal principle. Nevertheless, firms should earn enough profits to survive and stay in business. Although they may not earn maximum profits, they may pursue a satisfying goal of making enough profits (Parker, 2009; Kantor, 2017).

Although financial measurements of business performance are necessary, they do not cover all operational elements of a firm (Murphy *et al*., 1996). Many SMEs in developing countries

operate without proper financial statements because of lack of knowledge. Therefore, there is need to consider other alternative measures to business performance.

3.9.1.2 Non-Financial Measurement of Business Performance

Non-financial performance measures emerged in early 1980s because of the failure of the traditional view of business performance to make necessary adjustments for the firm's needs (Said *et al*., 2003; Primadona and Emrizal, 2018). Moreover, non-financial measurements are qualitative and include relative performance, such as how a business is doing in comparison with its peers or competitors in the same industry. These measures of performance also include environment, strategy, employees' satisfaction, customer loyalty, size of the business, brand awareness and owners' personal satisfaction with the way the business is evolving (Hamilton and Lawrence, 2001; Chaganti *et al*., 2002; Pena, 2002). Primadona and Emrizal (2018) claimed that it is often necessary to use non-financial measures of business performance when business owners are reluctant to provide financial statements about their business. Performance in terms of labour employment is a non-financial indicator often used in entrepreneurship research (Mari and de Vita, 2016). The current study uses labour employment to reflect size of the business. Accordingly, employment growth will be used in this study because of its relevance and ease of measurement.

3.9.1.3 Empirical Evidence of Financial and Non-Financial Measurements of Business Performance

A study by Roxas and Chadee (2012) in South Africa, using a logistic model based on 757 manufacturing firms, looked at the effect of formal institutional variables on business performance (measured in terms of sales revenue and profit growth). Their results indicate that crime and theft, corruption and tax administration significantly and negatively impact on business performance. They found that political instability and the effectiveness of court system had no significant effect on sales revenue and profit growth. Another study by Roxas and Chadee (2013) in Philippines, using a multiple regression model on 787 manufacturing companies, found a positive and significant influence of regulatory quality and rule of law on sales revenue and profit growth. The same regression model indicated a negative and significant impact of corruption on sales revenue and profit growth (Roxas and Chadee, 2013).

Chaganti *et al*. (2002) in UK, looked at the effect of business characteristics on employment growth, covering a 3-year period. Using regression analysis and sample of 372 firms, they

found a positive and significant relationship between leadership styles, business strategies, management system and employment growth. Barringer *et al*. (2005) studied a sample of 100 firms (50 rapid-growth firms and a comparison group of 50 slow-growth businesses) in the United States of America (USA), using quantitative content analysis. Their results showed that rapid-growth of businesses can be influenced by the characteristics of their owners. These characteristics can be their education, industry experience, skills, inter-organisation relationships, and customer knowledge. Additionally, Barringer *et al*. (2005), found that rapid-growth of businesses can be influenced by firm attributes, its business practices, and human resources management practices which are all non-financial performance measurements. Hamilton and Lawrence (2001) conducted a 10-year longitudinal study focusing specifically on 132 manufacturing and non-manufacturing firms in New Zealand. Their findings indicate that firm size and the motivation to survive impact significantly on employment growth, whereas entrepreneurs' aspirations, industrial experience, and networking activities had no significant effect on labour growth.

A study by Said *et al*. (2003), in the USA, employed panel data covering the period 1993-1998 to examine the performance of a sample of firms, using both financial and non-financial indicators. They matched a sample of firms on non-financial indicators (1,441 firms-years observations) with another group of firms based on financial indicators (1,441 firms-years observations). Their results indicated that non-financial indicators are significantly associated with accounting-based and market-based measures (Said *et al*., 2003).

Focusing only on financial indicators can be a limitation when measuring business performance. Non-financial measures can be used to complement financial measures, enabling entrepreneurs and other stakeholders to gain a broader view on business performance.

3.9.1.4 Measurement of Business Performance in Cameroon

Based on the foundations from the literature, small business performance in this study will be examined in terms of employment, sales revenue, and profit growth (Rosa *et al*., 1996:465; Hamilton and Lawrence, 2001; Delmar *et al*., 2003; Roxas and Chadee, 2012).

i. *Sales Revenue Performance*

The relevance of growth in sales revenue in aiding enterprise performance has long been acknowledged by Baumol (1993). Performance in sales revenue describes the amount of

income a small business in a specific location receives from its normal trading activities (Rosa *et al.*, 1996:465). As such, in this study sales revenue growth for businesses older than two years is measured by subtracting total sales revenue at the end of the first year from the total sales revenue of the current year.

ii. *Performance in Terms of Profit*

Profit is a financial benefit resulting from the excess of income from the small business activity over the expenses, costs and taxes needed to sustain the activity (Al-Matari *et al.,* 2014). Therefore, in the case of Cameroon, performance in terms of profit for small businesses older than two years will be measured by subtracting total profit generated at the end of the first year in business from the total profit in the current year.

iii. *Performance in Terms of Labour Employment*

Performance can be measured in terms of size of labour employment in a firm. This can be assessed in two ways; firstly, by looking at the total employees (full-time, part-time, and, seasonal) and secondly, by looking at total numbers of core staff (those permanently employed) (Rosa *et al.*, 1996:465). Performance in terms of labour employment for businesses older than two years is calculated by subtracting total employees at the end of the first year from the total number of current employees. Thus, employment growth in this study leans more on the second approach, as SMEs in Cameroon are defined in terms of number of people in full-time employment.

In assessing business performance, a firm can identify its strengths and limitations as well as its success and failures (Murphy *et al.*, 1996). Regardless of the criteria selected, measuring and understanding enterprise performance is important not only to the entrepreneurs, but also to other stakeholders such as banks, employees and government institutions. Most countries tend to support business entrepreneurship because of its job creating and revenue generation role, through government and private funding institutions. In Cameroon, both public and private financial institutions support small businesses. Whether or not institutional support is delivering on the business growth, the outcomes need to be assessed in society. Hence, this study also looks at the influence of government and private financial institutions on stimulating business performance in Cameroon.

3.10 Government and Private Financial Institutions and Business Performance in Cameroon

Cameroon has experienced economic growth over the past decade (2007-2017). However, the extent to which government institutions help in amplifying business performance in the tertiary sector is poorly understood, due to the paucity of studies in Cameroon. A study by Kinfack and Akindoade (2011), looking specifically at the impact of regulation on SMEs in Cameroon, found that tax regulation is a burden to business activities. Furthermore, they found that compliance with customs and municipal regulations has a negative and significant impact on business development. Reddy and Mohanty (2003), claimed that unfavourable legislation and entrepreneurs' inability to obtain business licensing or permit on time, impede on the performance of businesses in Fiji. Schneider (2006), concluded that increases in government regulations and taxation give way to more people to operate in the informal sector in developing countries. Poor government institutions coupled with other environmental conditions could partly justify why in Africa, SMEs represent only about 34% of value added to the African economies, whereas the figure is much higher in Asian countries (IMF, 2015).

This study intends to contribute to the literature by identifying government and private institutional financial factors that may help or hamper business performance in Cameroon. Also, the contribution of this study is twofold: Firstly, to determine a cluster of institutional factors using Principal Component Analysis (PCA), from thirteen institutional variables and private financial factors that affect performance. Secondly, to assess the effect of these institutional factors on small business performance using multivariate regression analysis.

Although the literature captures both informal and formal institutions, the present study's emphasis is mainly on formal institutions as they have received less attention and are yet to be explored. Government can utilise its monopolistic, legislative and regulatory influence to provide entrepreneurs with an institutional environment favourable (or unfavourable) to business performance.

3.11 Contribution of SMEs in selected countries

SMEs are well-known for generating job opportunities and reducing poverty in developing countries (Cant and Wii, 2013). Furthermore, the contribution of SMEs to economic growth is recognised in both developed and developing countries. Evidence from *Ayyagari et al.*

(2011) and Banerjee (2014), suggests that SMEs account for about 95% of the total number of enterprises and generate about 60% of total jobs at the global level.

In China for instance, SMEs account for over 99% of all businesses, contributing about 60% to the country's GDP and generating over 82% of job opportunities in the country. Additionally, SMEs' clusters in China significantly raised the international competitiveness of Chinese ventures, creating and disseminating innovation on a large scale (Powiertowska, 2014). However, it must be stressed that unlike western democratic countries, China promotes state-driven investment that impacts positively on SMEs development.

In India, the SME sector accounts for about 80% of all businesses (Ghatak, 2010). It contributes 45% of the industrial output, 40% of Indian's exports, employs 60 million people, creates 1.3 million jobs each year and generates more than 8000 quality products for the Indian and international markets (SME Chamber of India, 2017).

3.12 Contribution of SMEs to the Cameroonian Economy

Numerous studies recognised SMEs in Cameroon as significant for the country's economic growth (Ndjanyou, 2001; Beck *et al.*, 2005; Sackey, 2007). According to the MINPMEESA, the SMEs sector accounted for about 22% of GDP in 2004. More recently in 2016, this sector accounted for about 34% of the country's GDP (Ministry of SMEs and handcraft, 2017). Furthermore, this sector employs between 70-80% of the country's labour force and is an essential vehicle for poverty reduction and combating unemployment (Ministry of SMEs and handcraft, 2017). The contribution of small businesses to the Cameroonian economy may be partially attributed to government's considerable efforts to support the SMEs sector. This government support includes creation of the Bank of SMEs in 2015, with an initial capital of CFA franc 10 billion provided by government. This government financial support aims at alleviating the challenge SMEs in Cameroon experience in acquiring funds (Bank of SMEs, 2016).

Government efforts also include the Agency for the Promotion of SMEs and the Subcontracting and Partnership Exchange, whose goal is to transition SMEs from an informal to a formal economy and improve their competitiveness. Additionally, through its Finance Ministry, the Cameroon government implemented tax management centres, where SMEs receive tax advice to support compliance and the development of the economy (Business in Cameroon, 2018). As a result of these initiatives, more businesses were created in 2015 with

the help of the Business Creation Procedures Centres (BCPC) - the organisation in charge of registering SMEs in the country (Cameroon Financial Bill, 2016: 38).

Despite the remarkable role SMEs play in the Cameroonian economy, more is yet to be done for the country to move from its developing status to an emerging status. According to the MINPMEESA (2018), if SMEs were to account for about 50% of GDP, it is believed that the country would already have been an emerging state. Thus, SMEs need to strengthen their operations to reach the outstanding 14% contribution to GDP. With all the support SMEs receive, government expects SMEs to improve and contribute to the country's vision of becoming an emerging state by 2035 (Ministry of SMEs and handcraft, 2017).

3.12.1 General Procedures for Business Implementation in Cameroon

To conduct a legal business in Cameroon, several regulations and procedures need to be followed. Table 3.7 provides a summary of the steps to follow, the administration responsible for acquiring specific documentations, and an approximate number of days each procedure takes.

Table 3.7: Step-by-step Procedure to Open a Business in Cameroon

Steps	Approx. number of days	Procedures	Administration responsible
1	2	Establishment of the articles of association with the legal counsel and notary Public.	Notary public
2	10	Acquiring of certificate of registration, with the Trade and Personal Property Credit Register (RPCR) – bearing the registration number in the Trade and Credit Register.	Ministry of Justice
3	1	Deposit of the initial capital in a local bank.	Bank
4	1	Presentation of the physical location to the tax department for acquiring an attestation of business premises or a taxpayer number.	Ministry of finance -department of taxation
5	3	Payment of business tax according to an estimated amount of business turnover.	Ministry of finance -department of taxation
6		Declaration of the existence of the company and the number of people employed.	National Social Insurance Fund (NSIF-CNPS)
7	8	Registration in the consular registration file.	Cameroon Chamber of Commerce, Industry, Mines and Craft
8		Obtaining consent and licensing to operate in the market.	The ministry or department responsible vary from one sector of the activity of the business to another

Four types of SMEs exist in Cameroon, namely: Individual businesses; Common Interest Groups (CIGs); Limited Liability Companies (LLCs) or Public Liability Companies (PLCs) and Corporations (Ministry of Finance (MINFI), 2018).

- **Individual businesses,** also called Sole Proprietorship Companies (SPCs), are referred to as establishments. This type of SMEs comprises only one shareholder, who also supports the loss in investment if this happens (MOJUFISC, 2018). For this type of business, one needs to follow steps 2-7 (in Table 3.7) before one can open an individual business. Sole proprietorship companies are mainly in the retailing and service sectors in Yaoundé and Douala. These two regions were selected as they represent about 70% of SMEs in the country (Kinfack and Akinboade, 2011).

  - **Common Interest Groups (CIGs)** are SMEs that are created by groups of individuals who come together to establish a business. The registration process of this type of SME follows steps 1, 2, 5 and 6 (MOJUFISC[12], 2018).

  - **Limited Liability Companies (LLCs) or Public Liability Companies (PLCs)** are SMEs which require an establishment to have at least two partners, with a minimum capital turnover of CFA franc 1 million (about €1525 euro) or CFA franc 10 million (about €15250 euros) respectively. The registration process follows steps 1-8 (Table 3.7) (MOJUFISC, 2018).

  - **Corporations** refer to SMEs that require a minimum of seven shareholders and a minimum capital of CFA franc 2,500,000 (€3811 euro). The registration process also follows step 1-8 in Table 3.9 (MINFI, 2018).

In Cameroon, each type of SMEs has its own specific administrative procedure to follow when registering a business. As Table 3.7 shows, the registration process involves many departments or ministries that oversee SMEs. Although there may be a conflict of authority among departments or ministries, the common denominator in the creation of the SMEs is the registration in the commercial register, tax registration, and registration with the labour inspectorate offices (National Social Insurance Fund (NSIF).

i.   *Registration in the Commercial Register*

It is mandatory by Cameroonian Law for all entrepreneurs to complete a registration with the Trade and Personal Property Credit Register (TPPCR) through the Registry of the Court of

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[12] MONDE JURIDIQUE ET FISCAL is a business centre which helps and assists national and foreign companies for efficient implementation in Cameroonian and some African territories

First Instance, in the area where the company will be located. The entrepreneur will need to produce a copy of his/her identity card or birth certificate, a copy of marriage certificate (for women), proof of address, a criminal record, lease documents, and the stamped application form obtained at the tribunal of Commerce Registry. Finally, a total fee of CFA franc 64,000 (about €98 euro) is required to obtain the certificate of incorporation (MOJUFISC, 2018; MINPMEESA, 2018).

ii. *Tax Registration*

After receiving the certificate of incorporation, an application for the exoneration of the business tax for the duration of two years should be acquired, within which the entrepreneur will keep declaring its activities on or before the 15th of each month. This enables government authorities to monitor and estimate the activity of the business and know under what tax regime it should be placed. After the exoneration period, obtaining a taxpayer's card is imperative. Each entrepreneur applies for a tax registration at the Cameroonian tax centre, with a copy of his/her identity card or birth certificate, a copy of the trade registration certificate, a business location plan and a total fee of CFA 1500-franc (about € 23 euros) (MOJUFISC, 2018; MINPMEESA, 2018).

iii. *Labour Inspectorate and other Authorities*

Entrepreneurs are also required to register their ventures with the nearest labour inspectorate offices. As such, employed staff are to be declared with the competent services of the National Social Insurance Fund (NSIF) (MOJUFISC, 2018; MINPMEESA, 2018).

3.12.2 Regulations Affecting SMEs in Cameroon

In terms of government regulations, Table 3.8 provides a summary of regulations which affect SMEs in Cameroon.

Table 3.8: Regulations Affecting SMEs in Cameroon

Regulations Affecting SMEs	Details
Income tax/corporation tax	**Fiscal/ Tax compliance regulations**
Value added Tax (VAT) and excise	
Local taxes (e.g. rates)	
Annual accounts	
Collection of taxes and levies	
Environmental legislation	**Environmental regulation**
Operating licences	**Economic/trade regulations**

Regulations Affecting SMEs	Details
Statistical information	
Legislation dealing with quality of goods and services	
Trade-related (e.g. tariff collection)	
Intellectual property Employment contracts and employee participation	**Legal/justice regulations**
Equality	**Employment/workplace regulations**
Working conditions (incl. health and safety)	

Source: ENSR (1995a); MINPMEESA (2018).

3.13 Entry into SMEs sector

In both developed and developing countries, the rate at which individuals embark on entrepreneurship by starting and/or expanding a business within the SME sector depends largely on individual motivations and contextual factors. However, the literature divides entry factors into internally and externally-driven motives. Internal motives are also referred to as pull factors and external motives as push factors (Storey, 2010; Kantor, 2017).

3.13.1 Internal Motives

Various studies identify need of achievement (N-Ach), need to have superior insights, need to be a natural leader of people, self-independence, self-efficacy, locus of control, innovativeness and risk-taking as internal factors prompting entry into entrepreneurship (Jayawarna *et al.*, 2011; Mahadea *et al.*, 2011; Uddin and Kanti, 2013; Aziz *et al.*, 2013). These entrepreneurial personal qualities or traits find their essence from the psychological entrepreneurship theories. The need for an entrepreneur to be a natural leader and innovative originated from the neoclassical and the Schumpeterian theories respectively. These theories were discussed in the previous chapter (see section 3.2.1). Considering the internal motives mentioned earlier, individuals are drawn to business entrepreneurship by the satisfaction they expect to obtain, based on expected return (Parker, 2009).

Jayawarna *et al*. (2011) highlight achievement, challenges, and learning as dimensions that pull individuals toward personal growth via entrepreneurship. Internal motives also comprise features such as having meaningful work and responsibility to learn through the challenge of running a business and to grow. Thus, entrepreneurs with such internal motives are likely to perform well in their businesses, more so if their firms are a means to self-realisation and fulfilment of their individual vision. Aziz *et al*. (2013), captures the dimension of self-independence and autonomy. These scholars posit that people are motivated to start an

entrepreneurial venture for the sake of being able to control, not just one's work life, but also having control over one's own time and work, making independent decisions, and having flexibility to combine both work and one's personal life. Taking the business entrepreneurship route is a means of enhancing one's subjective well-being. Indeed, according to the procedural utility theory, enjoyment from self-employment is a major source of utility. People derive this utility from the act of engaging in business activity (Benz and Frey, 2008).

3.13.2 External Motives

The literature also highlights that the choice of becoming an entrepreneur or a wage earner is influenced by external or push factors (Friedman *et al*., 2012; Dej *et al*., 2012; Estrin *et al*., 2013). Friedman *et al*. (2012) argue that people are often pushed into entrepreneurial ventures for income security and financial motives when they are retrenched and unemployed. Dej *et al*. (2012) argue that the desire to continue an established family tradition and follow the example of other role models also push people to become entrepreneurs. Dej *et al*. (2012) further added that the push factor encompasses the Schumpeterian need to create and leave a legacy. Not all individuals are motivated by pecuniary benefits. Some are pushed into the small business with a desire of contributing back to the community they live in, either through philanthropy or community engagement as a form of social entrepreneurship (Storey, 2010). This form of entrepreneurship finds its roots in the sociological entrepreneurship theory detailed in the previous chapter (see section 3.2.3).

Other push factors toward entrepreneurship include; the threat of unemployment, job dissatisfaction, inadequate salary, unfavourable economic and personal conditions. Storey (2010) found that push factors such as the threat of unemployment, job dissatisfaction, and inadequate salary have a negative effect on business performance. Amit and Muller (1995), stress that regarding business performance, pull factors tend to be stronger than push factors. Whether it is a push or pull motivation, capital resources are required to permit entry and growth into entrepreneurship. The following section looks at the relationship between entrepreneurial capital elements and business performance. Entrepreneurial capital consists of human, social, and financial capital (Boris *et al.*, 2016).

3.14 Relationship between Human, Social, Financial Capital and Business Performance

3.14.1 Human Capital and Business Performance

Human capital refers to the skills, knowledge, and ability to labour, as well as the investment people make on themselves with the idea of improving their economic productivity and life outcomes (Parker, 2009; Lucas, 2015). The greatest resource a firm may possess is its people. Thus, investment in human beings is done by individuals themselves or by their employers, via education, work experience, skill and training. In reviewing 109 articles in leading business and entrepreneurship journals over the past two decades, Marvel *et al.* (2014) stress that human capital raises people's cognitive and non-cognitive capability, which leads to higher productivity and business activities. The business environment is not static. Therefore, an entrepreneur should update himself continuously and acquire new knowledge to adapt to the changing business scene to stay in operation.

Further, once an individual is engaged in an entrepreneurial venture, he/she should demonstrate high levels of alertness to search and exploit new growth opportunities available around him/her to succeed. Ability is not a fixed talent, it can be enhanced by training, practice and working experience. However, whether inborn or acquired, ability as an element of human capital is an entrepreneurial competence for starting and growing a business. Lucas (2015), puts it succinctly, ability influences performance and individuals with more abilities tend to perform better in business.

Previous research shows that an entrepreneur's formal education may be a vital factor in enhancing his/her business performance (Kimosop *et al*., 2016). Furthermore, business owners with high levels of skills are more likely to exploit opportunities and trigger other initiatives that strengthen their venture performance (Storey, 2010). There cannot be ability without skill, knowledge and motivation, as they lay the foundation for human capital. More skilled entrepreneurs tend to be more self-confident and feel less vulnerable when taking risks relative to those with low skills (Bates, 1995; Shane, 2003; Storey, 2010). Work experience explicitly embodies learning by doing, for instance, about business opportunities and handling business problems in practice. Masuo *et al*. (2001) and Rose *et al*. (2006), concluded that improvement in education, skills and training positively impact on business performance. More recently, Jayawarna *et al.* (2014) added that education leads to higher earnings which strongly influence business performance. Other scholars supported this view and concluded that there is a positive relationship between education level and business

performance (Ayala and Manzano, 2014; Chowdhury *et al.*, 2014; Hampel-Milagrosa *et al.*, 2015), though some studies were found to be inconclusive (Lafuente and Rabetino, 2011; Prasad *et al.*, 2013; Kimosop *et al.,* 2016).

Although higher levels of education coupled with other competencies such as work experience, training and skills are important for intellectual development, they do not necessarily always contribute to enhanced business entrepreneurship, and by extension boost business performance (Meng and Liang, 1996; Rose *et al.,* 2006; Zimmerer and Scarborough, 2008). A study by Le (1999), based on Australia, Canada, Germany, U.K and the USA, revealed that general education improves the value option of salaried employment, making entrepreneurial outcomes relatively less attractive to highly educated individuals at the margin. The educated individual may have high earning expectations than the less educated persons and is less likely to take on the entrepreneurship route, unless the expected rewards are extremely high. On the other hand, the less educated person may view entrepreneurship as a route to earn high incomes and he/she would be motivated to succeed in that business role, as he/she gains practical specialised experience. Indeed, individuals with prior work experience, as an employee or a manager, are likely to form firms which grow faster than individuals without such experience (Storey, 2010). However, Meng and Liang (1996), found that work experience has no significant impact on business performance, perhaps reflecting a lack of ability and an absence of signs of learning by doing in a previous activity. Overall, education, training and experience as constituents of human capital, are important drivers of business performance.

Some scholars find that management skills are positively correlated with business performance (Prasad *et al.,* 2013; Rey-Martí *et al.*, 2015; Staniewski *et al.,* 2016), while other research indicates a lack of such a relationship (Kimosop *et al.,* 2016). Concerning the connection between the age of the business owner and firm performance, some studies find no significant relationship between the two variables (Akehurst *et al.,* 2012; Mas-Tur *et al.,* 2015), while other studies suggest a positive and significant link between age and performance (Pinazo *et al.,* 2016).

Literature provides mixed results about the influence of human capital on business development. The interest of this study is thus, testing the influence of human capital on business performance in Cameroon. Furthermore, although human capital is as important as

social and financial capital, these types of entrepreneurial capital should be well understood and examined, in the context of advancing SME entrepreneurship.

3.14.2 Social Capital and Business Performance

Social capital is a multidimensional concept, grounded in the social network theory (Lins *et al.* 2017). Putman (2000) regards social capital as the networks and trust that enable members to act and bond together, to pursue business and social objectives effectively. Furthermore, Nahaphiet and Ghosal (1998) looked at social capital through three lenses, which can be viewed cognitively, structurally and relationally. In terms of the cognitive capacity, social capital should be enhanced when business owners learn to communicate with other employers and other parties associated with the business, including clients, competitors, suppliers, and resource providers (DeCarolis and Saparito, 2006). Looking at the structural lens, social capital refers to relational patterns established among people or groups (Putman, 2000). In terms of the relational lens, social capital focuses on the norms of trust, reciprocity, common obligation, and hope, all of which impact on the attitude of the associated member of such a network (Lins *et al*. 2017). According to Putman (2000), the third dimension of social capital provides scope for intrinsic and affective change that can yield socialisation benefits, which can then provide people with more confidence, hope, and norms.

In considering Nahaphit and Ghosal's (1998) three dimensions of social capital, one can argue that human beings are social creatures, who need to interact with others when doing business. Those with greater networks have higher levels of connectedness and can work together in relationships of trust, reciprocity and exchange that reduce transaction costs. A benefit of social capital is people's ability to extract resources and benefits from their social ties, interpersonal relationships, and membership from organisations (Portes, 1998; Putnam, 2001; Davidsson and Honig, 2003). This form of capital is linked to business in the form of securing customers, suppliers and referrals, as well as access to labour and capital from family members, close friends, government institutions, banks and micro-finance organisations (Adler and Know, 2002).

Social ties, being an integral part of social capital are important for business performance. However, empirical evidence on the effect of social ties on business performance is mixed. Strong ties come from close affiliations such as, one's direct family or close friends and community institutions that can leverage support and trust required for resource acquisition (Bruderl and Preisendorfer, 1998). Parker (2009) posits that entrepreneurs with weak ties are

less likely to grow fast relative to those with strong networks. Social capital is most beneficial when it is complimented with other skills such as technical, marketing, time management and innovativeness. Putnam (1993) studied the effects of social capital on individual and business performance in the U.S for five years. He found that individuals and institutions with greater social networks tend to perform better than those with weak ties, who tend to bowl alone. Similarly, Kenny (2009), in Ireland, found that weak ties in networking are inversely associated with business performance.

Social capital can also be captured in terms of business culture. According to Huggins *et al.* (2014), business culture refers to a wide range of value and practice of business enterprises at a regional or national level in Great Britain. Additionally, such practice is expected to provide the behavioural channels through which business activities often occur. Business culture as a measurement of social capital can impact on business performance. For instance, Casson (1995) finds that a strong business culture decreases transactional costs, which implicitly may lead to an improvement in business performance. Bakunda (2014), in Uganda found that entrepreneurs' business culture characterised by poor attitude on time keeping, not meeting deadlines or poor business relations, impact negatively on business transactional costs in the economy; it also has a negative impact on business performance.

Although social capital is a multidimensional concept as previously demonstrated in section 4.9.2, Primadona and Emizal (2018), in Indonesia, claimed that research on social capital and business are mainly conducted using middle-sized and large firms. Primadona and Emizal (2018) further argued that a few studies have been done on SMEs in low-income countries on a regional basis. The current study is thus relevant in filling this research gap by looking at the link between social capital and small business performance in the context of Yaoundé and Douala, in Cameroon.

3.14.3 Financial Capital and Business Performance

Finance is the lifeblood of any business. Financial capital is money invested or available in the business (Bridge and O'Neill, 2018). Many firms fail to start up because of inadequate access to finance. Banks are reluctant to finance small venture formations, as they are perceived as high risk, but are more willing to fund business growth, as by then firms have a track record (Mahadea and Pillay, 2008). A firm without adequate access to financial capital is often excluded from entrepreneurship, but those with access tend to experience faster growth (Casson, 2003; Storey, 2010).

When people somehow have financial capital possibly through family and close friends' connections, but do not have the ability to manage the flow of funds, financial resource availability does not necessarily lead to superior performance (Herrington and Key, 2016). Abilities spur innovative behaviour and generate new ways of doing things that sustain a firm's competitiveness, and by extension its performance. Where the capability exists to secure capital and manage funds among entrepreneurs, there is a high probability that their firms would do well in terms of generating profits, sales revenue and labour employment. Thus, entrepreneurs need a complementary set of capital to grow a business. Nevertheless, other scholars challenge this viewpoint as it is recognised that most entrepreneurs start their businesses with only little financial capital, and that capital availability is insignificantly associated with the likelihood of being a promising business operator (Davidson and Honing, 2003; Hurst and Lusardi, 2004).

Although access to financial capital is an essential predictor of business performance, improving such performance requires considerable funding from different types of financial institutions. Each country has its own ways of offering financial capital to support its SMEs.

In Cameroon, for instance, various institutions offer financial capital to business-owners to facilitate the expansion of entrepreneurship in the country. Table 3.9 provides a summary of these institutions.

Table 3.9: Type of Finance Institutions in Cameroon

Categories	Nature of operations
Micro-Financial System (MFS)	MFS is a provider of micro-credit, micro-savings, micro-insurance and money transfers to many small business owners and other individuals, in a cost effective and sustainable way.
Commercial Banks (CBs) and Agricultural Credit Banks (ACBs)	CBs possess a restricted capacity to deal with small businesses. Several formal business operators have access to financial institutions contrary to those operating in the informal business sector.
Semi-Formal Institutions (SFIs)	Semi-formal lending institutions, such as cooperatives or village banks are the dominant and sustainable traditional systems that meet the financial and social needs of the poor in most developing countries. This form of credit and savings also called, "*Tontine*" for some French people or '*Njangi*' for

Categories	Nature of operations
	others is used in both urban and rural areas in Cameroon and provide a lending option to small business owners or individual needs. People are required to attend scheduled meetings and the group (association) can be dissolved after each member has had a turn at borrowing.
Informal Financial System (IFS)	The IFS comprise entities and households operating outside the domain of the financial system. The IFS include credit obtained from family and friends and unregistered supplier credit. In the IFS, although interest rates could be as high as possible, repayment terms remain often very flexible.
Non-Governmental Organizations (NGOs)	NGOs include international and national aid programs and para-public organizations. Numerous donors provide funds to NGOs for distribution to needy small business owners. Most of their programmes take the form of community lending and savings cooperatives, with a high interest rate and inflexible repayment system.

Source: Author's own compilation from NIS (2010); MINPMEESA (2018).

The financial resources of SMEs in developing countries come monthly from debt capital, owner funds, and business angels or venture capitalists (Jegatheesan *et al.* 2011). While debt capital is the main form of finance for businesses, many business-owners in developing countries also consider alternative sources of external funding. These comprise of equity capital or informal sources such as family, close friends and relations, micro-finance, credit co-operatives and trade credit. Debt capital generally emanates from financial institutions, such as banks. Debt capital is often inaccessible, especially for business-owners who lack collateral and tangible assets.

In Cameroon, entrepreneurs can access funds from three main sources: the government and private financial institutions (i.e. microfinance institutions and commercial banks), semi-formal institutions (i.e. credit from cooperatives), and informal financial institutions (i.e. family and friends credit access) (NIS, 2010). While accessing financial capital is important for business, its relationship with the social and human capital is equally essential to examine. This is highlighted in the section below.

3.15 The relationship Between Social, Human and Financial Capital and Business Performance

Numerous studies have investigated the relationship between social capital and business performance (Anderson *et al*., 2002; Primadona, 2017; Primadona and Emrizal, 2018); and between human capital and business performance (Jayawarna *et al.,* 2014; Hampel-Milagrosa *et al*., 2015; Kimosop *et al*., 2016) and the relationship between financial capital and performance (Campello, 2006; Mazanai and Fatoki, 2012). As mentioned in the background section of this study (section 1.2.1), a few studies have been conducted on SMEs in developed countries looking at the interplay of entrepreneurial capital (social, human, and financial) (Sanders and Nee, 1996; Piazza-Goergi, 2002; Liao and Welsch, 2005; Santarelly and Tran, 2013).

To the best of the researcher's knowledge, the literature on the interplay of financial, human, and social capital as potential drivers of successful small business performance is still relatively narrow in developing countries, and non-existent in Cameroon. Thus, there is a need to look at the interaction between social, human, and financial capital in enhancing small business entrepreneurship performance in Cameroon. The study aims at testing simultaneously whether social and human capital; social and financial; and human and financial capital are complements or substitutes to each other in the Cameroonian context.

3.16 The Relationship Between Government and Private Financial Institutions and Business Performance

There is a direct link between government and private financial institutions and business performance (Tonoyan *et al*., 2010; Roxas and Chadee, 2012; 2013). While government institutions refer to government funds, private financial institutions refer to commercial banks, microfinances, funds from close friends and family members and business angels. One can also argue that business performance (good or bad) can be a result of a certain environment, or certain government institutions put in place. As such, there is a need for assessing the role of government and private financial institutions toward business performance in the Cameroonian context.

Studies on the role of formal and informal institutions on business performance are still limited in the literature. Roxas and Chadee (2012), examined the influence of the rule of law on business performance using a sample of 751 South African firms. Their findings reveal that crime and theft have a detrimental influence on business performance, much like

corruption and tax administration. However, political instability and the effectiveness of court systems were found to have an insignificant influence on business performance. Furthermore, Roxas and Chadee (2013) assessed the effect of government institutions on business performance in Russia, using structural equation modelling applied to 787 Russian enterprises. The results revealed that regulatory quality (which looks at the rigidity that firms experience), rule of law and corruption impact strongly and negatively on the innovation capacity and business performance. Adomako *et al.* (2015) in Ghana, found that government policies and business support infrastructure ensure that businesses operate in a conducive environment with the aim of contributing to economic development.

3.17 Constraints to Business Performance

Environmental changes can influence businesses performance either positively or negatively. According to the World Bank (2016), the firm environmental conditions remain unfavourable in many African countries. As such, constraints to business performance are grouped into two: internal and external. Internal constraints refer to characteristics or resource of the business over which the owner has some measure of control (Wu, Ramesh, Howlett (2015). Firms usually do not operate in isolation. Thus, the external constraints refer to environmental conditions that look at the broad socio-economic, political and technological forces, which emanate outside the business and cannot easily be changed by individual efforts (Mahadea and Pillay, 2008). The business owner has limited or no control over the external environment but can control and shape its internal environment. This means that small business performance may be positively or negatively affected by changes in the external environment, but the entrepreneur as key decision-maker is singly incapable of influencing the environment.

Numerous studies have identified various internal and external constraints which hamper the performance of businesses (Mahadea and Pillay, 2008; Perkoski, 2012; Kaburi et al., 2012; Ayeyemi, 2013). Some of these factors are summarised in Table 3.10.

As external environmental conditions alter, one expects that the alert entrepreneur in Kirzner's (1973) view, an 'attentive' enterpriser to profitable opportunities for trade, would be pro-active to adapt to changes with suitable strategies to not miss out on business opportunities. However, not all entrepreneurs are alert enough. Some are merely satisfied by operating a business as a going organisation, as long as it provides them with comfortable

revenue. This may be regarded as a self-limiting choice for entrepreneurs with a desire or motivation for onward and upward business performance (Mahadea and Pillay, 2008).

Furthermore, entrepreneurs with self-limiting choices are unlikely to experience rapid development, even when the external environmental conditions are suitable for business expansion such as increasing GDP and high economic growth rates, coupled with low rates of inflation or interest rates (Mahadea and Pillay, 2008).

Table 3.10: Some Internal and External constraints to Business Performance

Internal constraints	External constraints
- Access to finance (Bruton *et al.,* 2015) - Lack collateral security (Ojo, 2006) - Lack of information or advise on starting a business - Lack business relationships - Lack of expertise in financial management and planning - Lack of adequate training - Lack managerial skills - Lack of marketing system (Brush et al., 2009) - Strategic planning issues - Inability to attract skilled labour (Sleuwaegen and Goedhuys, 2002) - Lack of a business plan - Lack of innovation; Lack of technology	- Municipality harassment - Political instability - Excessive competition - Corruption - Taxes - Access to markets - Business registration issues - Crime - Lack of clients - Excessive debts - Lack of government supports - Location and business environment

Source: Adapted from Mahadea and Pillay (2008); Olawale and Garwe (2010); Perkoski (2012) and Kaburi *et al*. (2012).

According to Mahadea and Pillay (2008) and Storey (2010), entrepreneurs are characterised by a high need of achievement, internal locus of control, risk-taking tendencies, innovative propensities, sound leadership, organisational abilities, as well as skills that are likely to evolve and develop fast in a world of shifting environmental conditions. Mahadea and Pillay (2008) argued that these characteristics are internal factors the owner brings to the firm through his/her handling of a business.

3.17.1 Internal Constraints to Business Performance

Internal constraints are environmental conditions within the firm. These constraints are referred to resources of the business over which the business owner has some measure of control. These environmental conditions also encompass all factors that are controlled and influenced by the management of the firm (Shepherd and Patzelt, 2011). Though summarised in Table 3.10, some internal factors are described below.

✓ *Access to Finance*

Despite various sources of funding mentioned earlier, the inability to access funding by small firms is a critical problem in many countries (Perkoski, 2012; Bruton *et al.,* 2015). Financial challenges facing businesses include the high cost of borrowing and prohibitive bank charges. As a result, businesses tend to invest less in new technologies, skills development, and innovation. However, studies have shown that businesses that get support in the form of physical and financial capital from government or private institutions experience significant rise in sales, employment and productivity (Shane, 2003). Mukumba (2014), claimed that failure to access finance is one of the main causes of low business creation which leads to low business performance rate in South Africa. At large, in developing countries, Filmer and Fox (2014) argued that SMEs in general experience a financing gap that weakens economic prosperity with about half of the businesses regarding access to finance as their major drawback.

Although Commercial Banks are a source of finance for a majority of small businesses, access to finance remains a challenge in developing countries (Filmer and Fox, 2014). One may argue that access to finance is partially linked to the business and entrepreneurial characteristics. The age and size of the business, the availability of collateral and business information are some of these characteristics. Green (2003) claimed that access to finance is less available to small businesses because commercial banks see them as high risk and therefore, are reluctant to provide loans. Omoruyi and Okonofua (2005) and Ojo (2006) in Nigeria added that lack of collateral security makes it difficult for small businesses to access finance. Beyene (2002) and Ayyagari (2005) also concluded that one of the main hurdles Cameroonian SMEs face is that of access to finance.

✓ *Human Resource and Managerial Skills*

For entrepreneurs to be able to conduct their business activities in a more productive way, they require human resources like labour with skills. Human resource suggests more labour is needed quantitatively and qualitatively. Lack of experience and training in business management, in bookkeeping/accounting, and in management of tax affairs are some skills-related constraints business owners often encounter in developing countries, such as Nigeria (Olawale and Garwe, (2010) and South Africa (Mahadea and Pillay, 2008; Global Entrepreneurship Monitor (GEM), 2017). Other skills limitations include lack of knowledge on drawing up a business plan, strategic planning issues and marketing (Brush *et al.,* 2009). However, some business owners find it very challenging to manage these issues and they are forced to employ individuals to take on some managerial tasks, such as bookkeeping and tax payments (Baker and Sinkula, 2009).

✓ *Technology and Innovation*

In a fast-changing environment, the use of old-fashioned technology can be a barrier to business performance. Small businesses can gain from using new technology, which provides them with greater production and a means of profit generation (Indris and Primiana, 2015). Furthermore, Indris and Primiana (2015) argue that businesses regardless of their size, sector and background, need to be innovative and creative to satisfy the changing environmental needs of their market. According to Li *et al*. (2009), the use of cheap technology, which is also less productive, leads to high cost of production contributing adversely to competitiveness and business performance. This is a barrier many businesses in Africa and Cameroon, especially encounter.

3.17.2 External Constraints to Business Performance

As pointed out in the literature, external constraints to business performance relates to factors outside the firm over which the business owner has limited control. These may include business and legal restrictions, such as access to market, regulations, socio economic conditions, such as corruption, crime, political instability and infrastructure which include road, transport service, information and communication technologies, and other exigencies (Mahadea and Pillay, 2008). Some external factors to business performance are described below.

✓ *Access to Market Services*

According to Agawal (2003), poor access to markets makes it difficult for small businesses to grow, as that growth requires more production and sales. Rauch *et al.* (2009) argued that the level of infrastructure development also contributes to hinder the growth of small business. The reason being that, some small businesses struggle to transport goods from the factory base area to the market. Moorthy et al. (2012) added that poor levels of technology hinder access to market, making it difficult for small businesses in Malaysia to compete effectively with large firms that have access to wider markets.

✓ *Regulations and Corruption*

Government policies are instrumental in enhancing or hindering entrepreneurial activities. Different groups of people such as businesses, politicians, academics and the media, view government regulations as a burden to businesses (Institute of Directors, 2011). Firms suffer disproportionally from such burden due to limited resources (Federation of Small businesses, 2011). According to Molonge (2016), inadequate taxation policies combined with briberies and excessive corruption influence negatively the performance of small business across countries in Africa. Furthermore, in African countries 'dishonest' tax officials are known for seeking bribes and harassing small businesses. This harassment can influence negatively the performance of firms in poor countries (Molonge, 2016).

Scholars have adopted a one-sided view of regulation as a business burden (Kitching, 2006; 2007). Only few scholars looked at whether and how regulation might ease, or even encourage business performance by contributing to the creation of market opportunities, or by influencing the implementation of business practices which enhance competitiveness (Edwards *et al.*, 2003; Mayer-Schonberg, 2010). As a result, Kitching *et al.* (2015) argued that the impact of regulation critically hangs on how entrepreneurs and the investors, with whom they interact, adapt to regulation. Kitching at al. (2015) further claimed that viewing regulation as a burden only provides a direct effect of regulation. It omits indirect influences, which might arise from investors' activities, allowing small businesses to access market opportunities and motivate product innovation (Kitching *et al.*, 2015).

✓ *Lack of Government Support*

Government support to small businesses is essential for entrepreneurship to flourish in a country. Hashi (2001) argued that although businesses should obtain registration licences and

pay taxes, majority of them especially new businesses, perceived that they do not get enough support from the government in Albania. Mass and Herrington (2006) added that most businesses in South Africa are not aware of government efforts in the form of public training providers such as the Small Business Development Agency (SEDA) to assist them. This is not a lack of support in South Africa, but lack of awareness of what facilities exist. With better communication, more firms can tap into government support measures.

✓ *Infrastructural Constraints*

The quality of infrastructure can influence the performance of businesses in developing countries, such as Cameroon. According to the United States Agency for International Development (USAID) (2012), developing countries are known for having deplorable states of basic infrastructure, such as clean water, adequate sanitation, transportation, access to electricity and telecommunication. Kalra (2009) claimed that electricity supply in South Africa fails to meet the demand, leading to power cuts which can influence the production and turnover of businesses.

✓ *Political Instability, Crime and Security*

There is a relationship between business performance and political instability, crime and security. Nobel *et al.* (2002) found that instability in some African countries impede on business performance, considering that in periods of instability, there is massive loss in terms of human lives and property. The case of the Boko Haram terrorists' group in the past 6-7 years, has been disrupting markets in Northern Nigeria and Cameroon through bomb blasts that destroy businesses and kill people, hence bringing about an atmosphere of fear among people (Malonge, 2016). Mahmoud and Yusif (2012) argued that political instability has been prevalent in poor countries in Africa, making it problematic for small businesses in countries such as DR Congo, Central African Republic, and Chad to expand to their full potential.

Beck and Demirguc-Kunt (2006) claim that crime and political instability, which impact on the security of a country, are among the obstacles that have a direct effect on business performance. Because of these constraints, it is problematic to attract local and foreign investors, especially as their lives or properties (investment) can be destroyed if conflict erupts.

Considering various constraints to business performance identified in the literature and prevailing in Cameroon, these constitute major challenges to be addressed in the

Cameroonian environment. However, no study that the author is aware of has looked at the constraints to business performance faced by entrepreneurs, mainly in the retailing and service sectors in Yaoundé and Douala, in Cameroon. The present study uses principal component analysis (PCA) to determine a cluster of constraints to small business performance in Cameroon. The PCA will be further explained in the methodology chapter.

3.18 Conceptual Framework

The conceptual framework serves as the building block for the study, its problem statement, and purpose, significance and research questions. Grant and Osanloo (2014) add that without a theoretical framework, the structure and vision of a study remain blurred. In a sense, the theoretical framework is a blueprint, providing direction for the study.

A theoretical framework can be an adaptation of a model employed in a previous study, with modification to suit the inquiry (Khan, 2012). From a synthesis of the literature, the conceptual framework developed for the current study is presented below.

Figure 4.3: Conceptual Framework

Human Capital
- Education level
- Work experience
- Training
- Skills

Financial Capital
- Access to loans indicators (government, banks, microfinances, close friends and family, business angels.

Social Capital
- Business relations indicators

Business Performance
- Sales revenue
- Profit
- Labour employment

Constraints to business performance & Role of Gvt & Private financial Institutions

Economic Development

Author's own conceptualization (2017)

The conceptual framework in this study can be summarised as follows:

- Interplay between three forms of capital: The present study intends to look at the interplay between human and social capital; human and financial capital and financial and social capital on business performance in Cameroon.

- Human capital is captured by education level, work experience, skills and training of both the entrepreneur and labour.

- Social capital is captured by entrepreneurs' business relations or network/ties indicators.

- Financial capital is captured by variables such as access to funds from family and close friends, personal savings and loans from financial institutions, such as commercial banks and microfinances.

- Constraints to business performance are internal and external. Seventeen variables extracted from the literature are loaded in the questionnaire (see appendix 2, page 256) to determine a cluster of factors hindering business performance in Cameroon.

- Government and private financial institutions amplifying or constraining the development of small business in Cameroon are captured by determining a cluster of factors extracted from 13 government and private financial variables provided in the questionnaire (see appendix 3, page 258).

- From the current study, it is hoped that improving the performance of small businesses will boost the country's fight against poverty and unemployment. Moreover, the enhancement of small businesses should be translated into economic development, providing Cameroonians with income and sustained jobs.

3.19 Conclusion

The present chapter looked at various schools of thought on entrepreneurship which emphasises on certain attributes of the entrepreneur favourable to business performance. These schools of thought are theoretical elements of entrepreneurship and provide a framework for studying entrepreneurship in a Cameroonian setting. The chapter has shown that there is no consensus on the definition of SMEs among scholars. The legal definition of a small business in Cameroon, is used in this study. Moreover, business performance is very closely associated with business survival and growth. As this chapter has shown, firms that experience continuous growth or perform well, have a higher probability of surviving and

expanding in the market. On that basis, one can conclude that business performance has implications for employment, sales growth and profit.

Although the contribution of the SME sector to both developed and developing countries is undeniable, it requires a clear understanding of the interplay of capital mainly involving social, human and financial capital and how these aspects of entrepreneurial capital impact on small business performance in Cameroon.

CHAPTER FOUR

RESEARCH DESIGN AND METHODOLOGY

4.1 Introduction

The previous two chapters talked about the theoretical elements of entrepreneurship that frame the study and reviewed existing research around SMEs, entrepreneurship and business performance. This chapter describes the methodology and research design that were used in seeking to investigate the interplay and influence of entrepreneurial capital on business performance in Cameroon. The chapter encompasses a quantitative analysis approach. It highlights the study's research design and covers the data collection, sample selection, variables, and data analysis methods used to address the research problem and test the hypotheses of the study. This chapter consists of nine sections.

The first section covers the research design used to reach the set research objectives. The second section looks at the data gathering process, the sample selection, the description of the population and the chosen sample. The population consists of all entrepreneurs operating in formal business activities in Yaoundé and Douala, in Cameroon.

The third section covers the variable measurements, taking nominal and ordinal scales. The fourth section highlights the structured questionnaire as a research instrument for the data collection for the current study. Furthermore, for a research to be legitimate, it must be valid and reliable; hence the fifth section looks at steps taken to ensure validity and reliability of data collection instrument. The sixth section presents the research hypotheses and the statistical analyses to test them. Prior to testing hypothesis, some diagnosis tests are discussed. Ethical considerations are discussed in section seven, while the limitations of the study are presented in section eight. The chapter closes with a summary and a snapshot of what will be covered in the next chapter.

4.2 Research Design

Scholars define the research design in various ways. For instance, Saunders *et al*. (2009) view a research design as a general blueprint which can be utilised to answer research questions. In Sekaran's (2013) view, the research design is a framework to conduct research, collect data, analyse, interpret, and report the findings, relating to how to solve a research problem or answer a research question. According to Saunders *et al*. (2009), and Cooper and Schindler

(2010), a research design can be explorative, descriptive and causal (Fig 5.1), depending on the nature of the research objective to be investigated.

Figure 4.1: Types of Primary Research Designs
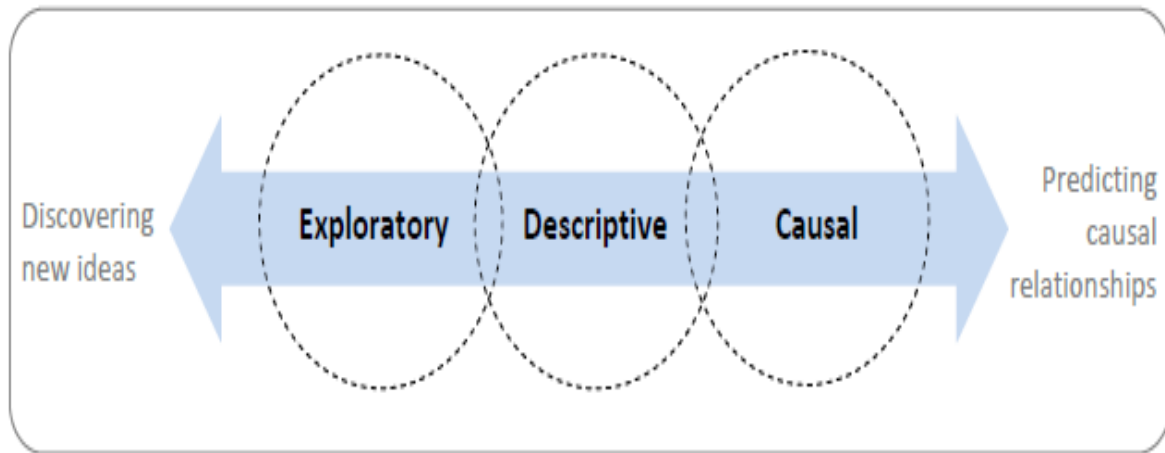
Source: Adapted from Cooper and Schindler (2010)

4.2.1   Exploratory Research Design

Exploratory research investigates subject areas which are under-researched, and where little knowledge exists. Exploratory research is often the preliminary step of the research process which sheds light to answer research questions. Sanders *et al*. (2009), suggest that three tools are needed to conduct an exploratory research design, namely focus group interviews, a survey based on questionnaires, and a search of the existing literature (secondary data). In this way, exploratory research design acts as a 'new' investigation on which other forms of studies can be conducted. The present study is partly an exploratory study in nature due to the paucity of data on economic activities in the tertiary sector, regarded as the main sector of small business activities in Cameroon. Furthermore, it makes use of a structured questionnaire to collect data.

4.2.2   Descriptive Research Design

Descriptive research is a type of research design that presents data in form of figures and/or tables. As shown in Figure 4.1, descriptive research marks the midpoint of knowledge range between exploratory and causal research. According to Hair *et al*. (2010) this type of research provides a well-elaborated account of a social setting or a given situation. Furthermore, Newbold *et al*. (2010) argued that descriptive research makes no assumptions on the data, as the aim consists of describing and summarising a set of data. Burns and Grove (2009) added

that descriptive research provides an illustration of a situation as it rationally occurs. In short, this type of research design is employed when a study intends to describe a market phenomenon. This implies that inferential analyses, which aim at testing a predicted association between variables, are ignored. Hence, a descriptive research design was used in the present study to identify, analyse, and document the characteristics of SMEs, and of entrepreneurs to amplify small business performance in Cameroon.

4.2.3 Causal Research Design

Causal research design identifies cause-and-effect association between variables via experimental or empirical testing. Contrary to the descriptive research, causal research is robust as it leans on inferences of probabilistic associations between variables (Cooper and Schindler, 2010). Causal research design will be used in this study to test the influence of social, human, and financial capital on small business performance in Cameroon. Furthermore, inferential statistics are to be used to test the likelihood effect of constraints and institutional variables on small business performance expressed in terms of sales revenue, profit, and employment growth.

4.3 Research Approach

Two broad approaches in research exist: qualitative and quantitative approaches. These approaches are developed below:

4.3.1 Qualitative Approach

Qualitative research uses an unstructured approach with a small number of carefully selected individuals, to produce non-quantifiable insights into behaviour, motivations, and attitudes (Wilson, 2012:103). A qualitative approach uses inductive reasoning to synthesise data. This type of approach asks the why question and focuses on broad issues to give insight into behaviour and trends.

4.3.2 Quantitative Approach

Quantitative research is used to answer questions on relationships within measurable variables with the aim of explaining, predicting, and controlling a phenomenon using statistical methods (Antwi and Hamza, 2015). This approach uses data collected from secondary data from published sources such as journals or official reports and structured questionnaires administered to a representative sample of respondents to produce quantifiable insights into behaviour, motivations, and attitudes of respondents (Wilson, 2012:103).

Differences between quantitative and qualitative research methods are summarised in Table 4.1 below:

Table 4.1: Comparison between Qualitative and Quantitative Research Methods

Qualitative methods or approach	Quantitative methods or approach
Provides depth of understanding	Measures level of occurrence
Studies motivations	Studies actions
Asks "why?"	Asks "how many?" and "how often?"
Enables discovery	Provides proof
Is exploratory	Is definitive
Allows insights into the behaviour and trends	Measures levels of actions and trends
Interprets	Describes

Source: Mbuyazi (2012:127)

Considering the nature of the present study that partly investigates relationships among variables and hypotheses testing, the quantitative method was used.

4.4 Data Gathering

Data gathering is a process of collecting information from different sources (Sandelowski, 2000). Research data can be categorised as primary or secondary.

4.4.1 Primary Data

Primary data is first-hand information (Driscoll, 2011). Research can therefore be conducted through observation, interviews and surveys or questionnaires. The current study collected primary data through using a questionnaire. With this survey method, the information gathered is "self-reported" (Driscoll, 2011). Additionally, data was sought from Cameroonian small business owners to learn about their ideas, knowledge, and views regarding their business activities, their entrepreneurial capital, and business performance in terms of sales revenue, profit, and employment growth. The questionnaire was pre-tested first before being administered to a sample of respondents in Douala and Yaoundé, Cameroon. The field work for this study was conducted between July and October 2017.

4.4.2   Secondary Data

This study used secondary data to supplement the primary data. This was obtained from the Cameroonian government (published and unpublished sources), the World Bank, CIA World, journal articles and books, Factbook and IMF websites. This enabled the researcher to understand the broad definition of SMEs across countries, the contribution of the SMEs sector to various economies, specifically Cameroon. Furthermore, the researcher was interested in investigating whether the constraints formal small business entrepreneurs encounter in their respective activities (mainly tertiary) in Cameroon are similar to, or different from those of the rest of the world, and to point out lessons that can be learned from these countries for policy recommendations purposes in Cameroon.

4.4.3   Target Population and Sampling

4.4.3.1 Target Population

Researchers define a population as the larger pool from which subjects (respondents) are extracted for a study and from which results may be generalised (Durrheim and Painter, 2006; Sekaran and Bougie, 2013). This population can be characterised in terms of the nationality, age, race, gender or residential areas. Following this logic, the population would consist of small business owners involved in formal activities, mainly in retailing and service, in the two provinces of Cameroon.

Considering that about 70% of businesses operate in the Central and Littoral provinces of the country, the target population of the present study therefore consisted of small business entrepreneurs employing between 6-20 people, involved in the tertiary sector, mainly in retailing and service, in Yaoundé and Douala.

4.4.3.2 Sampling and Sample

To conduct research, it is essential to do sampling because, unless the population is small, it is impossible to examine the whole population (Tashakkori and Teddlie, 2010:137). Accordingly, the practical thing to do is to select a portion (sample) of the population and study that sample. According to Abass (2015), the aim of drawing a sample from a population is to acquire information about that population. Accordingly, one should firstly decide the sample size from a population before selecting the appropriate sampling method.

4.4.3.3 Sampling Methods

The sampling technique describes the way the sample units are to be selected. Various sampling methods exist, and they possess various statistical strengths as shown in Table 4.2.

Table 4.2: Sampling Methods and Statistical Strength

SAMPLING METHOD	STATISTICAL STRENGTH
Probability	
Simple random	High
Systematic	High/Medium
Stratified	High
Cluster	Medium
Non-Probability	
Quota	Medium
Convenience	Low
Judgment	Low
Snowball	Low
Respondent-driven	Medium

Source: Dahlberg and McCaig (2010)

As shown in Table 4.2, two kinds of sampling methods exist. The probability sampling method is grounded on statistical theory and the non-probability approach grounded on the researcher subjective judgement in exploring the research questions. From Table 4.2 (above), probability sampling methods are known for having high statistical strength. Samples obtained from this type of sampling approaches are highly representative of the population (Dahlberg and McCaig, 2010).

In the present study, the target sample is obtained by using the stratified random sampling technique. Stratified random sampling divides a population into mutually exclusive smaller subgroups or 'strata' constructed on members' shared attributes or characteristics of specific

groups. This can be, for instance, divisions pertaining to geographical location, income bracket, and size of city (Fink, 1995).

The basis of stratification for the present study is on government's reports providing the breakdown of SMEs by sector in Cameroon (INS, 2010; MINPMEESA, 2018). This shows the predominance of the tertiary sector with 85.2% of the country's units surveyed against 13.1% for the secondary sector and only 0.8% for the primary sector (as shown in Table 3.6, page 61). Furthermore, small businesses record 88.4% of active business in the tertiary sector as compared to micro enterprises (84.6%) and medium enterprises (82.7%) (MINPMEESA, 2018). About 51.2% of small business owners are engaged in wholesale and retailing sector and about 37.2% are in services sector. Due to the paucity of data, it can be deduced that about 11.6 % of small business activities in the tertiary are unknown. Hence, the wholesale and retailing sector together with the service sector, represent the two strata for the current study.

4.4.3.4 Sample Size

A sample size represents the number of elements to be inserted in a study (Malhotra, 2010). In the current study, the researcher used Krejcie and Morgan's (1970) table to determine the sample size. Krejcie and Morgan's (1970) formula is shown below:

$$S = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)}$$

Where:

S   = Required Sample size

X   = Z value (e.g. 1.96 for 95% confidence level)

N   = representing the Population Size

P   = Population (expressed as decimal) (assumed to be 0.5 (50%)

d   = Degree of accuracy (5%), expressed as a proportion (.05); It is margin of error (Krejcie and Morgan, 1970).

Although Yaoundé and Douala constitute the most vibrant cities for business activities, there is no current data on the exact number of formal small business owners operating in the tertiary sector. However, it is estimated that between 5000 and close to 16000 formal small business activities have been created in the tertiary sector from 2009 to 2017 (NIS, 2010; MINPMEESA, 2018). Based on this argument, the researcher considered an average

population (N) of 10500 small businesses. Using a 95% confidence level and 5% margin of error, Krejcie and Morgan (1970) demonstrate that for an average population of 10500 (approximately 10000 in Krejcie and Morgan's sample size table) (See appendix 4, page 267) formal small businesses, the corresponding sample size is about 370 firms. Thus, using the stratified random sampling method, a random sample of 185 small business owners was selected from each province (Douala and Yaoundé) to ensure a fair representation of small business owners in both regions in Cameroon.

Hair *et al*. (2010), and Tabachnick and Fidell (2013), strongly suggest that a sample size greater than 300 is regarded as large enough to suit factor and principal component analysis, logistic model and SEM. The sample size of the current study is greater than 300. Hence, it is large enough and suitable for the use of statistical approaches (models) selected for this study.

4.4.4 Research Instrument

The present study used a questionnaire to collect primary data. Questionnaires were administered to 370 small business owners operating in the wholesale and retailing and as well as service sector in Yaoundé and Douala between July and October 2017.

4.4.4.1 Questionnaire

Questionnaires seek information about an issue. Brace (2004) regards a questionnaire as a structured interview or medium of communication between a research and respondents, each respondent is asked a series of questions relating to the research under study. Furthermore, questionnaires are usually very well-structured with closed and open-ended questions (Johnson and Christensen, 2012). Thus, questionnaires with open-ended questions lean more on the qualitative research. Whereas, those with close-ended questions provide the base for a quantitative method.

Guided by the literature, the researcher developed a structured close-ended questionnaire that solicited data with questions addressing the interplay and influence of different types of capital on amplifying or retarding small business performance in Cameroon.

4.4.4.2 Contents of the Questionnaire

The questionnaire consisted of 106 questions that took about 30 to 40 minutes to complete. It comprises five sections. The first covers five questions to obtain the respondent's biographic information. The second consists of questions about characteristics of the small business (9

questions) and their entrepreneurs' motivations (7 questions). The third section contains questions about human capital (8 questions), financial capital (12 questions) and social capital (11 questions) and business performance measurements. Section four comprises 17 questions relating to the constraints to small business performance. The last section covers 13 questions concerning the role of government institutions in strengthening small businesses. A copy of the questionnaire is attached in the Appendix section (see appendix 3, page 258).

4.4.4.3 Pre-Testing of the Questionnaire

Pre-testing a research instrument is an essential stage in a survey. It provides some indications of questionnaires which are unclear and/or need modifications. Conducting a pilot study enables the researcher to get a feel of the strengths and weaknesses of the questionnaire (Johnson and Christensen, 2012). A pilot study was conducted by the researcher for the present study in July 2017.

The questionnaire was pre-tested on 20 small business owners, in Yaoundé and Douala to ensure reliability and validity of the research instrument. However, focus was placed on whether the questions were clearly understood, and the time taken to complete the questionnaire adequate. Some suggestions to enhance the quality of the questionnaire, mainly in terms of layout and format, were made. Each questionnaire took about 40 minutes to complete.

The questionnaire was also assessed in line with the literature and similar questions used in other studies to measure the same or related constructs. This helped in addressing issues of question wording and layout in certain places.

4.4.4.4 Ethical Considerations

The researcher obtained ethical clearance to carry out the current study from the University of KwaZulu-Natal Ethics Committee. A copy of this ethical clearance is attached in this thesis (see appendix 1a, page 253). For ensuring ethical compliance, access to the research site and consent to conduct research was obtained from the Cameroonian authorities in Yaoundé. In addressing ethical issues, all respondents were asked to sign informed consent forms before participating in the survey.

The consent forms provide in-depth details about the purpose of the research, what was expected of research participants and any risks and benefits that might accrue from being involved in the study. A copy of the informed consent form was attached to the questionnaire

(see appendix 2, page 256). Furthermore, involvement in the study was entirely voluntary, and confidentiality and anonymity were kept throughout. No individual credentials were solicited for the purposes of the study. Participants were guaranteed of their right to pull out from participating in the study.

An authorisation letter to collect data in Cameroon was also obtained (see appendix 1b, page 254).

4.5 Reliability and Validity of the Measurement Instruments

Reliability and validity are independent from each other, but essential for the measurement of the research instrument. These two measures are explained below:

4.5.1 Reliability

Statistically, reliability represents a measure of consistency (Bailey, 1994:72). This implies that if a measurement of a variable is unchanged in value with repeated measures, that measurement is reliable. While several types of reliability tests exist, ranging from the test-re-test methods, to multiple forms, inter-rater and split-half reliability; the present study uses the Cronbach's Alpha because it is the most frequently used test of internal reliability (Singh, 2007).

Cronbach's Alpha fundamentally measures how well a set of observable variables measure a unidimensional construct. Cronbach's alpha values can vary "between 0 and 1", with values above 0.7 being reliable (Andrew *et al*., 2011:202). However, other scholars argue that a Cronbach alpha of 0.6 is still acceptable (Loewenthal, 2004; Jerry et al., 2017).

4.5.2 Validity

According to Ritchie *et al*. (2013), validity looks at whether the research method is effective to examine what it supposed to examine. Once a research technique is valid, this implies that any difference in results between individuals or groups are deemed to denote true differences in the characteristics being studied. While various types of validity exist, the following are the types of validity used in this study: face, content, construct, convergent, and discriminant validity.

4.5.2.2 Face Validity

Face validity refers to the transparency or importance of a test as it appears to test respondents. Christmann and Badgett (2009:118) argue that face validity is a subjective issue.

Face validity was assured in this study, since the questionnaire clearly appears to be measuring human, social, and financial capital, as well as small business performance. This was established through the pilot study conducted on 20 respondents in both Yaoundé and Douala who had no problems with the measurement of variables (items) used in the current study.

4.5.2.3 Content Validity

According to Brink *et al*. (2007:160), content validity is achieved when a questionnaire captures all the components of a variable to be measured. The idea is to check whether the content of the questionnaire has addressed the essential facets set out to be studied (Parasuraman *et al*., 2007:63). The content of the questionnaire was critically reviewed and validated by a statistician expert in questionnaire design (see statistician letter in appendix 15a, page 297). Furthermore, each of the observed variables (item) used was measured in line with the literature. For these reasons, content validity was firmly established.

4.5.2.3 Construct Validity

This type of validity is established if it can be determined that the research method relates to other measures that are identified in the theory (Engel *et al*., 2010:70). Construct validity requires a given construct to have both convergent and discriminant validity (Clow and James, 2014:271). Hence, construct validity was confirmed once both convergent and discriminant validity were established in this study.

4.5.2.4 Convergent and Discriminant Validity

According to Clow and James (2014:271), convergent validity is concerned with the relationships between factors that should be related with each other, following a theory and prior research, whereas in discriminant validity a factor should not correlate strongly with another unrelated factor. Further details about the calculation of both convergent and discriminant validity is provided under the structural equation modelling (SEM) section.

4.6   Data Analysis and Hypothesis Testing

Numerous statistical procedures exist to analyse data gathered effectively by means of a questionnaire. Thus, the data analysis is conducted with the aim of converting primary data into information required to make informed decisions. Furthermore, the selection of the approaches to statistical analysis depend on features such as the number of variables, the

scale of measurement and the use of both descriptive and inferential analysis methods (Hair *et al*., 2010).

4.6.1   Variable Scale of Measurement

The term measurement is employed more broadly in statistics. It is appropriately referred to as scales of measurement. This scale represents ways in which variables or numbers are defined and categorised. Each scale of measurement possesses certain attributes which in turn determines the relevance of selecting and using certain statistical methods. The main level of scale measurements is detailed below.

4.6.1.1 Nominal Scale

Nominal scale allocates numbers as labels to categorise objects or classes of objects. The allocated numbers carry no additional meaning except as identifiers. Some variables with a nominal scale in the present study involves gender, business location, and entrepreneurs' origin.

4.6.1.2 Ordinal Scale

This type of scale builds upon the previous one by allocating numbers to objects to represent an ordered series of relationships or rank ordering on an attribute in a question. In a competition for instance, individuals competing may be fortunate to occupy the first, second, or third position representing ordinal data.

In the ordinal scale, the researcher can order cases on a Likert scale ranging from a highest order to the least order and vice versa. This rank order can be reversed because the ordinal scale does not indicate by how much there is a difference between the cases being studied (Gujarati and Porter 2009: 28). Ordinal scales are used in this study to indicate, for instance, entrepreneurs' levels of agreement concerning motives for engaging in small businesses, identifying their constraints to small business performance, and assessing their entrepreneurial capitals (human, financial and social). Furthermore, ordinal scales are used to indicate the entrepreneurs' level of agreement to statements regarding the role of government in aiding small businesses.

4.6.1.3 Interval Scale

Interval scales are numeric scales in which the research knows not only the order, but also about the value between each item. The classic illustration of an interval scale is the

measurement of time in which the increases are known, consistent and measurable. According to Newbold *et al.* (2010), interval scales regard the number zero as an actual value. This implies that there is no such thing as "true zero". For instance, in a case of the weather, a zero temperature in an interval scale does not mean that there is no temperature at all. The current study uses interval scales to order and determine the value between the performances of small business over the past two years. The interval scales enable the researcher in this study to find the average or change of the performance of small business expressed in terms of sales revenues, profit, and employment over the past two years.

4.7 Data Coding

In the current study, data coding captures the numeric representation of responses from the structured questionnaire, to facilitate analysis. The statistical software package used is the Statistical Package for the Social Sciences (SPSS) for data coding and analyses.

4.7.1 Univariate Statistics

Univariate signifies that the researcher statistically tests or examines only one variable at the time. Descriptive analysis aims at describing or summarising the overall nature of the response (data) obtained (Sekaran, 2013). In the current study, descriptive statistics provide simple summaries in tables, simple charts or graphs and other diagrammatic forms. Furthermore, descriptive statistics are summarised in terms of distribution, central tendency and dispersion of variables.

4.7.1.1 Measures of Central Tendency

Frequency distributions are often useful to examine the different values for a selected variable. Frequency distribution charts are simple to read with the aim of providing a great deal of basic information (Hair *et al.* 2010). Furthermore, the mean, median, and mode are regarded as measures of central tendency. These statistical measures help the researcher to detect the centre. In this study, the mean and frequency will be used when presenting the descriptive statistics.

4.7.1.2 Measures of Dispersion

According to Hair *et al.* (2014), measures of central tendency are necessary, yet not enough to provide information about a distribution of responses. Measures of dispersion shows how close to the mean or other measures of central tendency the rest of the values in the distribution fall. Two measures of dispersion explaining the variability in a distribution of

numbers are the range and the standard deviation (Hair *et al*., 2014). The range describes the spread of the data. It represents the distance between the smallest and largest values of the variable, while the standard deviation represents the average distance of the distribution values from the mean. This implies that, the greater the standard deviation value, the further distribution value will be from the mean or vice versa. The difference between a response and the distribution mean is called a deviation. Standard of deviation is used in this study when presenting the descriptive and inferential statistics.

4.8 Bivariate Statistical Tests

A bivariate statistical test is one of the simplest forms of quantitative analysis which looks at the analysis and hypothesis testing of two variables (often refer to as X and Y) to determine the empirical association between them (Cooper and Schindler, 2010).

One of the relevance of the bivariate statistics tests is its uses of inferential statistics. According to Leedy and Ormrod (2005:30), inferential analysis is used when ideas and hypothesis need to be tested to either agree or disagree with the hypothesis. It requires that the researcher conduct several dialogistic tests, put in place some hypothesis testing, and apply the appropriate statistical analysis or econometric model, such as Chi-square analysis, cross-tabulation analysis and analysis of variance (ANOVA). In this study, chi-square and t-test analysis were used.

4.8.1.1 Chi-Square Analysis

Chi-square analysis compares the observed frequencies of the responses with the expected frequencies (Hair *et al*., 2014). The Chi-square statistic tests whether the observed data are spread in the manner that the researcher would expect them to be, given the assumption that the variables are not related. The expected cell count presents a theoretical value, while the observed cell count represents the actual cell count based on the study. In short, the Chi-square statistic answers questions about relationships.

Two types of Chi-square are used in statistical analysis. The Chi-square *'Goodness-of- fit'* test, which basically compares the observed sample distribution with the expected probability distribution is often used to test how the observed value of a given phenomenon is significantly different from the expected value. Furthermore, it determines how well theoretical distribution (such as normal, binomial or Poison) is for the empirical distribution.

Chi-square goodness-of-fit is often used in data reduction techniques (i.e. factor analysis and principal component analysis) to determine the fitness of the model.

Factor and principal component analysis, further discussed in this chapter, are used in this study to determine constraints and government institutional factors to small business performance in Cameroon. A significant Chi-square goodness-of-fit ($p < 0.05$) would mean that there is significant difference between the observed and the expected value in the factor or principal component analysis. It is also an indication that the researcher can proceed in running the factor or principal component analysis.

The second type of Chi-square is the test of association between two variables, also known as the Chi-square *test for independence* in Cross-tabulation analysis (Gravetter and Forzano 2012).

4.8.1.2 Cross-Tabulation Analysis

A Cross-tabulation is used to examine the relationship between two sets of variables. It indicates the intersection between two variables and reveals how the two interact with each other. According to Hair *et al*. (2010), the purpose of using a cross-tabulation is to determine if differences exist between subgroups of the total sample.

Researchers often use the Chi-square test for independence to test the statistical significance of the cross-tabulation table. This Chi-square tests whether the two variables are related or independent. If the Chi-square test for independence is non-significant ($p < 0.05$), the variables are considered independent (have no relationship with each other). The researcher will fail to reject the null hypothesis that there is no relationship between the variable. Whereas, if the results of the statistical test are significant, it shows that variables in the cross-tabulation table are related. In this case, the null hypothesis will be rejected. Cross-tabulation will be used in this study to test whether business performance and variables such as age, gender, location, are related.

4.9 Multivariate Statistical Tests

Multivariate statistics tests represent a set of statistical methods employed when there are two or more dependent or independent variables to be analysed simultaneously (Hair *et al*. 2010). Some multivariate methods, such as multiple regression and multivariate analysis of variance, provide a means of performing in a single analysis. Whereas, other multivariate methods are specifically appropriate to address multivariate problems, such as identifying the structure

underlying a set of variables (i.e. factor analysis) or discriminating among groups (i.e. discriminating analysis).

This study employs data reduction technique (Factor Analysis and Principal Component Analysis), Multivariate Linear Regression Model (MLRM) and Structural Equation Modelling (SEM) techniques to provide answers to the research questions and objectives provided in section 1.4 and 1.5 of chapter one.

4.9.1 Data Reduction Techniques

Data reduction methods are procedures that summarise large amounts of raw data and minimise their size to facilitate statistical analyses.

As indicated in the literature chapter, several constraints and government institutional factors impact on business performance. Some of these factors have strong relationships with each other. Thus, the use of a data reduction method is effective to obtain a reduced representation of the data to regroup variables that are highly correlated. The present study makes use of two data reduction methods: Principal Component Analysis and Factor Analysis (PCA/FA). Scholars often use these two methods interchangeably, due to identical results they tend to yield (Lam, 1998). However, the focus is more on Principal Component Analysis to regroup the constraints and government institutional variables into a set of components to achieve objectives 2 and 4 of the study.

As for each statistical method, data reduction techniques follow a few steps summarised in Table 4.3.

Table 4.3: Important Steps for Factor and Principal Component Analyses

STEPS	PROCESS
1	Checking the Adequacy of the data for Exploratory Factor analysis (EFA) or Principal Component Analysis (PCA)
2	Extraction method for EFA or PCA
3	Criteria assisting in the determination of factor or component extraction
4	Selection of the rotation technique to be used
5	Checking of individual constructs (clusters) reliability of the EFA or PCA

6	Labelling and interpretation of results of factor or component constructs

Source: Author's own compilation adapted from William *et al.* (2012).

Step 1 verifies that data is suitable for both factor and principal component analyses. As numerous scholars have pointed out, PCA and FA are suitable for a sample size of at least 100 respondents (Hair *et al.*, 2010; Tabachnick and Fidell (2013). The sample size for the present study is 370; hence, this meets the sample size criterion of 100 or above.

Prior to conducting a FA or PCA, the Kaiser-Myer-Olkin (KMO) measure of sampling adequacy, and Bartlett's Test of Sphericity (BTS) should be applied to ensure the suitability of data for both FA and/or PCA. As a rule of thumb, if the KMO test result is 0.5 or greater, it implies that the data is adequate for FA or PCA (Field, 2009). Furthermore, according to Pallant (2006), a significant Bartlett's Test of Sphericity (BTS) (p <0.05) would suggest that there are relationships between the variables (items) affecting constraints to small business performance or relationships between institutional variables hindering or amplifying small business performance in this study.

Furthermore, the scree plot is used to determine whether there is a 'break' in the graph with the remaining components, explaining considerably less variation. From the scree plot, only components with eigenvalues greater than one are retained in the FA (Field, 2009).

Step 2 identifies how the factors or components were extracted. While there are numerous ways of extraction, such as PCA, Maximum Likelihood (ML), Unweighted Least Squared (ULS), Generalised Lest Squared (GLS), the principal component extraction is used in this study. This extraction method is suitable since the present study intends to capture as many clusters as possible hampering or amplifying the performance of small businesses in Cameroon. Considering this, De Winter and Dodou (2012) claim that the choice of the PCA extraction method is adequate.

Step 3 assists the researcher in deciding on the number of components to retain in the current study, following the Kaiser criterion. This criterion consists of dropping factors with eigenvalues less than 1. Each component has an eigenvalue associated to it; this represents the percentage of total variance explained by each cluster.

Step 4 selects the type of rotation technique suitable for the study, between the orthogonal and oblique rotations. These rotation techniques assist in designing patterns of the factor loadings, taking on those with high relationships, and dropping out low loadings. There is no

clear consensus among scholars as to which rotation techniques to adopt. Costello and Oborne (2005), for instance, use the oblique rotation as it assumes some level of association exists among clusters. Furthermore, the Varmax rotation technique is often used to enhance the interpretation of the PCA results. More importantly, this rotation method is often used as a way of addressing the issue of multicollinearity among clusters (Adams *et al.*, 2007). In this study, the Varmax rotation technique is used to facilitate the interpretation of the PCA results.

Step 5 checks for the reliability of each component obtained from the PCA. The reliability is confirmed by the Cronbach's Alpha. A Cronbach's Alpha value of 0.7 or higher is regarded as good and acceptable (Pallant, 2006).

Step 6 labels the components and interprets the PCA results. This step is developed in the discussion chapter.

I.   Factor Analysis

In this study, factor analysis is used as a step to the structural equation modelling (SEM) to achieve research objective 3, which consists of looking at the interplay and influence of social, human, and financial capital on small business performance in Cameroon.

Two types of factor analysis exist: exploratory and confirmatory. Both approaches are used in this study.

- *Exploratory Factor Analysis (EFA)*

The purpose of conducting the EFA is to reduce data relating to several original variables which may be reduced into a smaller new set of factors, while containing the same quality of information (Hair *et al.*, 2010; 2014). Furthermore, EFA assumes that all variables are correlated to some extent. Hence, variables or items sharing identical underlying dimensions would tend to be highly related, while items with different underlying dimensions would tend to be poorly related.

EFA is used to identify constructs (latent variables) that capture various types of capital of the entrepreneurs in the wholesale, retailing and service sectors in Yaoundé and Douala, Cameroon. From the questionnaire, 26 items are identified. These variables are presented, under the heading of Human capital, Financial capital, and Social capital, in Table 4.4.

Table 4.4: Some Selected Items Capturing Various Types of Capital Variables for Small Businesses in Yaoundé and Douala

	ITEMS (VARIABLES)	MEANING OF VARIABLES
	Human Capital Items	
1	11.1 Level of education of the entrepreneur adequate.	Level of schooling of the business owner.
2	11.2 Entrepreneur has the skill for the business.	Entrepreneur's ability to do the business well.
	11.3 Entrepreneur has the experience in the business.	Number of months or years of actual business practice by the owner.
3	11.4 Entrepreneur has received training for the business.	Process whereby a small business owner has acquired job-related skills and knowledge.
4	11.5 Level of education of the employees adequate.	Level of schooling of the employees in years.
5	11.6 Employees have the experience in the business.	Number of months or years of actual business practice by employees.
6	11.7 Employees have received training for the business.	Process whereby employees have acquired job-related skills and knowledge.
7	11.8 Employees have the skill for the business.	Employees' ability to do the business well.

	Financial Capital items	
8	12.1 Loans from microfinances enable me to run my business.	Credits obtained from microcredit institutions.
9	12.2 Loans from banks enable me to run my business	Credits obtained from bank institutions.
10	12.3 Credit history enables me to access loans.	Check whether a business owner is a good candidate to lend money to or do business with.
11	12.4 My cash flow enables me to run this business.	Incomings and outgoings of cash, representing the operating activities of the small business
12	12.5 Assistance received from business angels enables me to run this business.	Funds received from major sources of venture capital.
13	12.6 My personal savings enables me to run this business.	Business owner personal investments.
14	12.7 My financial standing enables me access loans.	Financial position of a small business defined by its assets and liabilities.
15	12.8 Loans from close friends and/or cooperatives enables me to run this business.	Loans or financial assistance obtained from close friends and/or social organizations the entrepreneurs belong to.
	Social capital Items	

16	13.1 I There is a good relationship between my business and similar businesses.	Connection between entrepreneur and other businesses.
17	13.2 There is a good relationship between employees and customers	Connection between employees and consumers
18	13.3 There is a good relationship between my employees and I.	Connection between business owner and his/her employees.
19	13.4 The business follows ethical practices.	Check whether small businesses deal with morals or are in accordance with the rules or standards for right conduct or practice.
20	13.5 Business activity deadlines are met on time.	Check if small business activities are completed in a stimulated time frame.
21	13.6 The suppliers are paid on time.	Small business owners clear their debts before the final due date.
22	13.7 I have a good relationship with business angels.	Connection between business owner and entrepreneurial individuals who provide capital for the business expansion.
23	13.8 I have a good relationship with close friends and family/ cooperatives	Connection between business owner and family and friends.

24	13.9 I have a good relationship with my suppliers	Connection between the entrepreneur and his/her suppliers.
25	13.10 I have a good relationship with the financial institutions (banks and/or microfinance).	Connection between entrepreneur and banks, microfinance and/or cooperatives.
26	13.11 I have a good relationship with the government.	Connection between entrepreneur and government officials.

Authors' own compilation

- *Confirmatory Factor Analysis (CFA)*

Confirmatory factor analysis (CFA) indicates how each item loads to the relevant construct (or factor) while also separating what is explained by other items in a subset. CFA is theory driven (Schreiber *et al.*, 2006). Hence, the development of the analysis is guided by theoretical association among the items loaded on the questionnaire (observed variables) and the constructs (unobserved variables). Additionally, CFA uses empirical based knowledge to suggest connection between certain items, then use inferential statistics to test the significance of the hypothesis made in line with the CFA (Suhr, 2006). CFA is an important step in conducting SEM. Since SEM is used in this study, additional information about the CFA will be provided when explaining the SEM later in this chapter.

II. Principal Component Analysis (PCA)

In this study, PCA will be used to transform several related constraint factors of small business operators (regarded as original set of p variables, $X_1, X_2 \dots X_p$) to a smaller set of uncorrelated variables or components (proxies for those $X_1, X_2 \dots X_p$). The PCA will be used to determine clusters of institutional factors that hinder or amply small business performance in Cameroon. PCA helps the researcher to remedy multicollinearity by replacing highly correlated original sets of p variables with fewer, uncorrelated PCs that are linear combinations of those $X_1, X_2 \dots X_p$ (Jolliffe and Cadima, 2016). The general expression of the model is as follows:

- *General Model of PC*

$PC_j = a_{j1}X_1 + a_{j2}X_2 + a_{j3}X_3 + \dots\dots\dots\dots\dots\dots\dots + a_{jp}X_p$.

- where j = 1 ………. p
- $PC_1 = a_{11}X_1 + a_{12}X_2 + a_{13}X_3 + \dots\dots\dots\dots\dots\dots + a_{1p}X_p$. represents a linear combination of all p original variables $X_1, X_2 \dots X_p$ that achieve maximum variance.
- PC_2 = the second component which captures most information not captured by the first component and is also uncorrelated with the first component. The same logic applies for $PC_3, \dots PC_p$.
- $a_{j1}, a_{j2}, a_{j3} \dots\dots\dots\dots a_{jp}$ = are the coefficients or component loadings that are estimated such that PC_1 (first eigenvector), captures as much of variance as possible in the new set of p uncorrelated variables.

- *Guideline for retaining Principal Component*

To retain components needed for this study, both the Kaiser's rule and the scree plot criterion, as explained in Table 4.3, were used.

As highlighted in the literature Chapter, numerous variables hamper business performance. In this study, 17 of these variables are selected to identify clusters of constraints to small business performance in the wholesale, retailing and service sectors in Cameroon. These variables are presented in Table 4.5. The 17 variables in Table 4.5 were measured using a Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Table 4.5: Some Selected Variables Constraints to Small Businesses in Yaoundé and Douala

	ITEMS (VARIABLES)	MEANING OF VARIABLES
1	Lack of collateral security.	Lack of asset to secure a loan for business.
2	Lack of business relationships.	Poor networking to the social world.
3	Lack of expertise in financial management.	Poor financial management and organisational skill.
4	Lack of adequate training in bookkeeping.	Poor accounting and record keeping skills.
5	Difficulty in getting loan.	Factors that discouraged entrepreneurs to access loans (i.e. entrepreneur's credit history and current financial records.
6	Lack of training.	Inadequate training received for the business.
7	Lack of managerial skills.	Inadequate ability to manage day-to-day business operations.
8	Shortage of raw materials.	Deficiency in production inputs for business.
9	Municipality harassment.	Intimidation by law enforcement officials.
10	Shortage of clients.	Inability to attract clients.
11	Poor technology.	Unreliable use of technology.
12	Poor use of communication systems.	Unreliable communication systems.

13	Irregular electricity supply.	Unreliable availability of electricity for business.
14	Poor road for transport of goods and inputs.	Poor quality of road network from suppliers to entrepreneur.
15	High business transaction costs.	Business incurring more cost.
16	Difficulty in completing the registration process.	Challenge to access/renewing business licensing or registration permit.
17	Business experiencing excessive competition.	More business available to provide almost similar services or selling similar goods.

Table 4.6: Selected Government and Private Financial Institutional Items Hindering or Amplifying Small Businesses in Yaoundé and Douala

	ITEMS (VARIABLES)	MEANING OF VARIABLES
1	20.1 I am aware of the availability of government funds.	Funds from government for the business.
2	20.2 I am aware of the availability of commercial bank funds.	Funds from banks for the business.
3	20.3 I am aware of government grant application requirement and procedures.	Awareness about accessing government grants.
4	20.4 I am aware of funds from microfinances.	Funds from microfinances for the business.
5	20.5 I am aware of funds from close friends and family.	Funds from close people for the business.

	ITEMS (VARIABLES)	MEANING OF VARIABLES
	20.6 I am aware of funds from business angels.	Funds from other sources of business venture.
6	20.7 Government encourages business education and training.	Government to promote skill development through education and training.
7	20.8 Government encourages network and partnership of businesses	Government to promote openness and collaboration with other businesses.
8	20.9 Tax levies affect the performance of my business.	Tax on the business
9	20.10 Tax laws affect the performance of my business.	Tax legislation
10	20.11 Government regulations affect the performance of my business.	Government rules toward business activities (Red tape and regulation).
11	20.12 Corruption affects the performance of my business.	Payment to government official to get a service.
12	20.13 Crime in my environment affects the performance of my business.	Illegal activities compromising business.

Authors' own compilation

Items seeking to assess the role of government and private financial institutions in hindering or amplifying small business performance in Cameroon were identified and summarised in Table 4.6. The 13 variables (20.1-20.13) in Table 4.6 were measured using a Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

1. *Relevance of PCA for the study*

Considering selected items in Table 4.5 and 5.6, the relevance of PCA to this study is twofold. Firstly, to achieve objective 2 in determining the cluster of constrains to small business performance in Cameroon (based on item in Table 4.5); secondly, to achieve objective 4 in assessing the role of government institutions in hindering or amplifying small business performance in Cameroon (based on items in Table 4.6). Furthermore, PCA is used in this study to generate a set of component score for each component which are further used as independent variables for the multivariate multiple linear regression model (MLRM).

4.9.2 Multivariate Linear Regression Model (MLRM)

The multivariate linear regression model (MLRM), considers the association between more than one dependent variable and more than one independent variable. It is an extension of multiple regression model to the situation where m responses y_1, y_2, y_3………. y_m are measured using the same set of k predictors x_1, x_2, x_3……...x_k in a sample of size n. Each response variable follows its own regression model:

$y_1 = \beta_{01} + \beta_{11} x_1 + \beta_{21} x_2 +…+ \beta_{k1} x_k + \varepsilon_1$

$y_2 = \beta_{02} + \beta_{12} x_1 + \beta_{22} x_2 +…+ \beta_{k2} xk + \varepsilon_2$

.

.

.

$y_m = \beta_{0m} + \beta_{1m} x_1 + \beta_{2m} x_2 +…+ \beta_{km} x_k + \varepsilon_m$

- ✓ The error term $\varepsilon^T = [\varepsilon_1, \varepsilon_2, …, \varepsilon_m]$ has $E(\varepsilon) = 0$ and $var(\varepsilon) = \Sigma$. Thus, the error terms associated with different responses may be correlated (Johnson and Wichern, 2007).
- ✓ β_{ij}, i= 1, 2…k and j= 1,2,…,m, is the estimated regression coefficient of the jth response in the effect of the ith predictor.
- ✓ β_{0j} is the intercept parameter of the jth response.

Hence, the linear model takes the form of: $Y_{(n \times m)} = X_{(n \times (k+1))}\beta_{((k+1) \times m)} + \varepsilon_{(n \times m)}$

✓ with $E(\varepsilon_j) = 0$ and $\text{cov}(\varepsilon_j, \varepsilon_k) = \sigma_{jk}$; $j, k = 1,2,\ldots,m$.

✓ with the m observed responses on the jth trial having covariance matrix $\Sigma = \{\sigma_{jk}\}$ yet, observations from different trials are uncorrelated. Here β and σ_{jk} are unknown parameters.

In the present study, Y represents small business performance measured in terms of labour employment (y_1), profit (y_2) and sales revenues (y_3). The set of k predictors x_1, x_2, x_3….....x_k, represent mainly government institutional factors obtained from conducting a principal component analysis on selected variables in Table 4.6.

Prior to introducing mainly government institutional factors in regression equations, variables were generated from the extracted component factors. A component score for each principal component will be automatically generated (by clicking on the following commands, score, save as variables, regression) from the factor analysis using SPSS 25 (full data set is reported in appendix 17, page 305). The variable generation technique was also used by Liu et al. (2003) in biomedicine to generate variables from the principal component analysis; they were further used in a regression analysis. The generated component variables will become predictor variables for the MLM to achieve objective 4 of this study.

The set of k predictors x_1, x_2, x_3….....x_k can then be replaced by principal component 1 (or PC_1), principal component 2 (PC_2), ….....principal component k (PC_k) representing institutional factors hindering or amplifying small businesses in Yaoundé and Douala. Hence, the MLRM equation for this study can be written as:

➤ *General model of the MLRM in the study*

$y_1 = \beta_{01} + (PC)_{11} x_1 + (PC)_{21} x_2 + \ldots + (PC)_{k1} xk + \varepsilon_1$

$y_2 = \beta_{02} + (PC)_{12} x_1 + (PC)_{22} x_2 + \ldots + (PC)_{k2} xk + \varepsilon_2$

$y_3 = \beta_{03} + (PC)_{13} x_1 + (PC)_{23} x_2 + \ldots + (PC)_{k3} xk + \varepsilon_3$

The model can be represented in four types of matrices categorised by:

• Y: the $n \times 3$ matrix consisting of 3 column vectors of the observations on each of the dependent variables.

• PC: the $n \times (k+1)$ matrix consisting of a column of ones followed by the k column vectors of the observations on the independent variables.

• β: the $(k+1) \times 3$ matrix consisting of column vectors of parameters to be estimated.

- ε: the n × 3 matrix consisting of column vectors of random errors.

The matrix of responses (dependent variables) can be written as:

$$Y_{n\times 3} = \begin{pmatrix} y_{11} & y_{12} \ldots y_{13} \\ y_{21} & y_{22} \ldots y_{23} \\ . & . & . \\ . & . & . \\ y_{n1} & y_{n2} \ldots y_{n3} \end{pmatrix} = \begin{bmatrix} y_{(1)} & y_{(2)} & y_{(3)} \end{bmatrix}$$

where $y_{(j)}$ is the column vector of n measurements of the jth variable, j= 1 to 3. That is,

$$y_{(j)} = \begin{bmatrix} y_{ij} \end{bmatrix} \quad \text{for } i = 1, 2 \ldots \ldots n.$$

The design matrix PC is presented as follows:

$$PC_{(n \times (k+1))} = \begin{pmatrix} 1 & PC_{11} & PC_{12} \ldots & PC_{1k} \\ 1 & PC_{21} & PC_{22} \ldots & PC_{2k} \\ . & . & . \\ . & . & . \\ 1 & PC_{n1} & PC_{n2} \ldots PC_{nk} \end{pmatrix}$$

With the rows of PC corresponding to observations, and the columns to independent variables.

The design matrix of the βs regression coefficients is represented as follows:

$$\beta_{(k+1) \times 3} = \begin{pmatrix} \beta_{01} & \beta_{02} & \beta_{03} \\ \beta_{11} & \beta_{12} & \beta_{13} \\ . & . & . \\ \beta_{k1} & \beta_{k2} & \beta_{k3} \end{pmatrix} = \begin{bmatrix} \beta_{(1)} & \beta_{(2)} & \beta_{(3)} \end{bmatrix}$$

With $\beta_{(j)}$ representing the (k+1) regression coefficients in the model for the jth variable, j= 1 to 3. That is $\beta_{(j)} = \beta_{ij}$ for i= 0,1, 2,…,k.

The matrix of ε error terms is represented as follows:

$$\varepsilon_{(n \times 3)} = \begin{pmatrix} \varepsilon_{11} & \varepsilon_{12} & \varepsilon_{13} \\ \varepsilon_{21} & \varepsilon_{22} & \varepsilon_{23} \\ . & & . \\ \varepsilon_{n1} & \varepsilon_{n2} & \varepsilon_{n3} \end{pmatrix} . = \begin{bmatrix} \varepsilon_{(1)} & \varepsilon_{(2)} & \varepsilon_{(3)} \end{bmatrix}$$

With each $\varepsilon_{(j)}$ vector representing the residuals for each of the m response variables. That is, $\varepsilon_{(j)} = \begin{bmatrix} \varepsilon_{ij} \end{bmatrix}$

➢ *Hypotheses testing of the MLRM*

Hypotheses in table 4.7 were to be tested to check whether government institutional factors hinder or amply small business performance in Cameroon, with the purpose of achieving objective 4.

Table 4.7: Hypotheses testing of the MLR

	STATEMENTS
Null Hypothesis (H$_{01}$)	Government institutional factors have no influence on small business performance in terms of labour employment.
Alternative Hypothesis (H$_{a1}$)	Government institutional factors have influence on small business performance in terms of labour employment.
Null Hypothesis (H$_{02}$)	Government institutional factors have no influence on small business performance in terms of profit.
Alternative Hypothesis (H$_{a2}$)	Government institutional factors have influence on small business performance in terms of profit.

	STATEMENTS
Null Hypothesis (H_{03})	Government institutional factors have no influence on small business performance in terms of sales revenue.
Alternative Hypothesis (H_{a3})	Government institutional factors have influence on small business performance in term of sales revenue.

4.9.3 Structural Equation Modelling (SEM)

Structural Equation Modelling (SEM) is a powerful statistical technique that combines complex path models with latent variables or factors, factor analysis and regression models (Byrne, 2016). It is based on a large representative sample (n>200), which takes a confirmatory (i.e. hypothesis-testing) approach to the analysis of a structural theory bearing on some phenomenon (Byrne, 2016). This model entails two essential steps. Firstly, the causal processes under study are captured by a series of structural (i.e. regression) equations. Secondly, these structural connections can be modelled to allow a clearer conceptualisation of the theory under study.

Through the SEM, hypotheses are tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data. If goodness-of-fit is suitable, the SEM argues for the credibility of hypothesised associations among variables; if it is inadequate, the SEM argues for a tendency of such relationships to be rejected (Byrne, 2016).

1. Key terminologies of the SEM

The SEM is well-grounded in path analysis; a path diagram is made of boxes and circles, which are connected by arrows. The description of the SEM terminologies to be used is as follows:

- *Indicators* **are** *observed variables*, also called *manifest (measured) variables* or *reference variables*, such as items in a survey instrument. They are represented by a rectangle or square box in the SEM. In this study, as presented in Figure 4.3, the observed variables or reference variables are A_1 (financial capital), B_1 (capital) and C_1 (human capital). Furthermore, D1, D2 and D3 (observed variables for business performance in terms of labour employment, profit, and sales revenue respectively).

- *Latent Variables* are the *unobserved (**unmeasured**) variables* which cannot be measured directly. These variables are indirectly measured using manifest variables. The latent variables include both independent, mediating, and dependent variables. Furthermore, the latent variables are depicted as circles or ellipses variables in the SEM (Muller, 1996).

- *Single-headed arrows or 'paths'* ($\rightarrow$): are used to define casual associations in the SEM, with the variable at the tail of the arrow causing the variable at the point. Statistically, the single-headed arrows indicate regression coefficients (Muller, 1996).

- *Double-headed arrows* ($\leftrightarrow$) statistically represent covariance or correlations between pairs of variables, without a casual interpretation (Muller, 1996).

- *Endogenous variables:* are constructs which have arrows going in.

- *Exogenous variables*: are constructs which have arrows going out. They are independent with no prior causal variable (though they may be correlated with other exogenous variables, depicted by a double-headed arrow. In addition, exogenous variables can be depicted by a single-headed arrow to represent the impact of one variable on another.

2. *The SEM in the current Research and its variables*

The structure of the SEM in the current study is used to reach the second objective of the study presented in Figure 4.3.

The proposed conceptual model captures the interplay and influence of financial, social and human capital on small business performance to be used in Yaoundé and Douala in Cameroon. Human, social and financial capital collectively are often known as entrepreneurial capital in the literature (Boris *et al*., 2016). Accordingly, the SME has three main forms of capital.

Figure 4.2: Proposed SEM framework
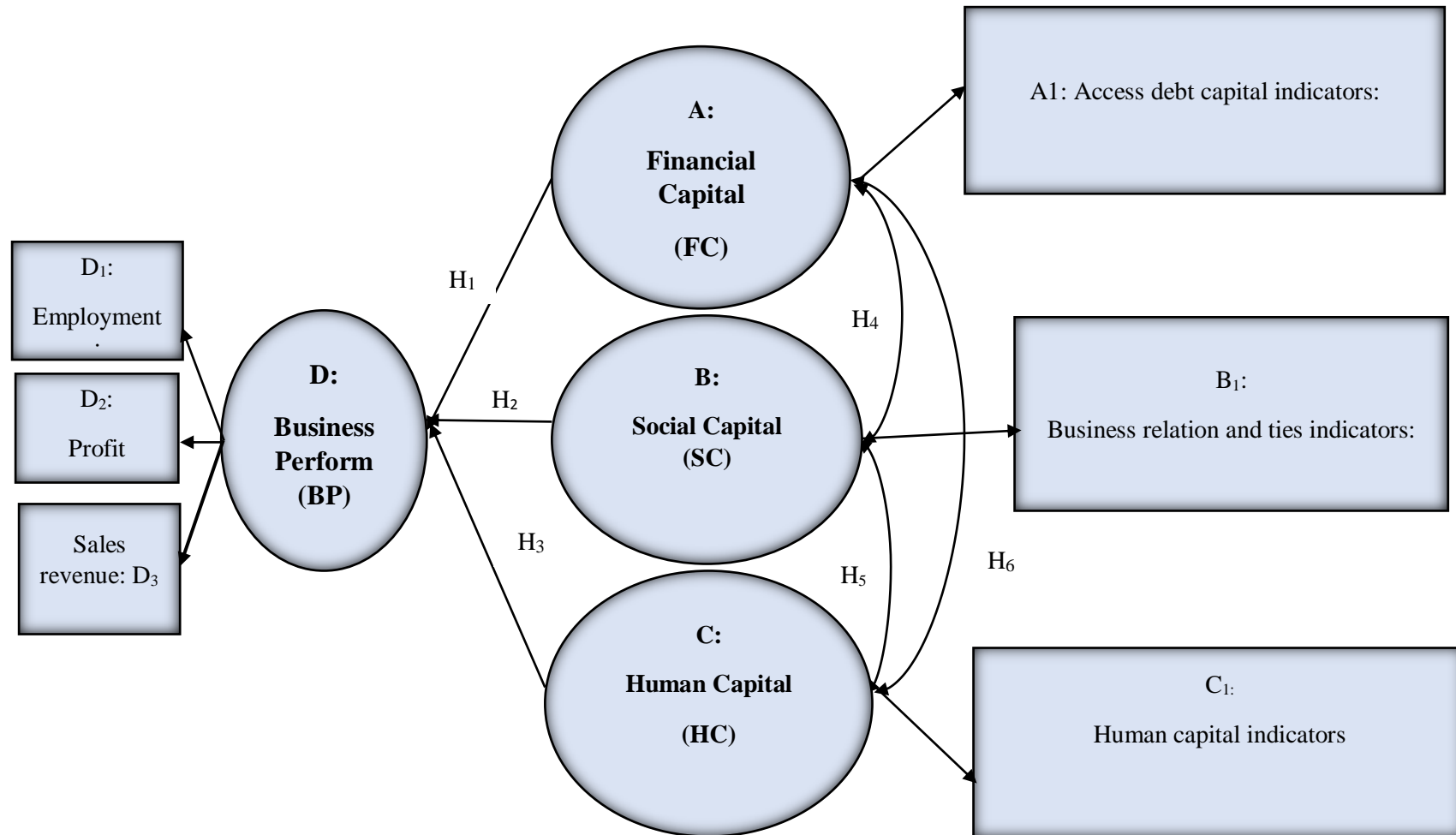
Source: Author's own SEM framework

The SEM model includes three main forms of capital (independent variables A, B, C). These forms of capital have arrows going out to (D) BP. Hence, these represent exogenous latent variables. The financial capital (FC) is captured by loans from close friends and financial institutions (banks and microfinances), business angels and personal savings (see questionnaire). Social capital (SC) includes business relations, social ties indicators (see questionnaire), while human capital (HC) comprises of education, training, skills and work experience. Business performance (BP) which is the dependent variable is the only variable having arrows going toward it. Hence, it is an endogenous latent variable captured by labour employment (D_1), profit (D_2) and sales revenue (D_3).

3. Hypothesis Testing of the SEM

In line with the proposed model, the following hypotheses will be tested:

Table 4.8: List of Hypotheses of the SEM

Hypotheses	Null and Alternative Statements	Path of the SEM
H_1	$H_{10:}$ Financial capital has no influence on small business performance.	$A \rightarrow D$
	H_{1a}: Financial capital has influence on small business performance.	
H_2	$H_{20:}$ Social capital has no influence on small business performance.	$B \rightarrow D$
	$H_{2a:}$ Social capital has influence on small business performance.	$C \rightarrow D$
H_3	$H_{30:}$ Human capital has no influence on small business performance.	$C \rightarrow D$
	H_{3a}: Human capital has influence on small business performance.	
H_4	$H_{40:}$ There is no relationship between financial capital and social capital.	$A \leftrightarrow B$
	$H_{4a:}$ There is a relationship between financial capital and social capital.	

Hypotheses	Null and Alternative Statements	Path of the SEM
H_5	H_{50}: There is no relationship between social and human capital.	B↔C
	$H_{5a:}$ There is a relationship between social and human capital.	
H_6	H_{60}: There is no relationship between financial and human capital.	A↔C
	$H_{6a:}$ There is a relationship between financial and human capital.	

Source: Author's own compilation.

As shown in Table 4.8, the SEM combined both regressions (H_1 to H_3) and correlations (H_4 to H_6) analyses. Since the SEM uses multiple regression analysis, it will be subjected to diagnostics tests, such as multicollinearity, heteroscedasticity and model specification problems. These diagnostic tests form part of step one of the SEM, which will be further covered in this Chapter, below.

4. Correlation Analysis in SEM

The correlation analysis measures the strength of the interplay between financial capital and social capital (H4), social capital and human capital (H5), and financial capital and human capital (H6) (Table 4.8). It is expressed in terms of correlation coefficient varying from -1.00 to +1.00 (Burke *et al.*, 2011:407). The negative coefficient shows that the variables being measured move in the opposite direction. While, the positive coefficient means they move together in the same direction. A low correlation coefficient (± 0.1) suggests that the relation between financial and social or human capital is weak. Alternatively, a high correlation coefficient (closer to ± 1) suggests a strong association between financial and social or human capital. A Pearson correlation (r) is employed in this study to measure and test the degree of relationship between the types of capital. Correlation hypotheses (Table 4.8) are defined using a two-tailed test (Cohen *et al.*, 2013).

Null hypothesis $H_{0:}$ r =0

Alternative hypothesis Ha: r $\neq$ 0.

For a significant $p < 0.05$, one would reject the null hypothesis that there is no association between types of capital being tested. Alternatively, one cannot reject the null hypothesis, implying that there is an association between types of capital tested.

5. *Measurement of observed or manifest Variables*

The measurement of the dependent and independent variables of the SEM is provided in Table 4.9.

Table 4.9: SEM Variables and Measurement

Dependent Manifest Variables	Rectangle Code	Measurement
Small Business Performance in terms of labour employment	D_1	Number of people (continuous)
Small Business Performance in terms of profits	D_2	CFA franc Cameroonian currency (absolute value)
Small Business Performance in terms of sales revenues	D_3	CFA franc Cameroonian currency (absolute value)
Independent Manifest Variables		**Measurement**
8 Financial capital indicators	A_1	Scale of 1 to 7
11 Social capital indicators	B_2	Scale of 1 to 7
8 Human capital indicators	C_3	Scale of 1 to 7

Source: Author's own compilation.

Several steps are to be followed in the conduct of a SEM analysis. These steps are summarised in the figure 4.3 below.

Figure 4.3: Important Steps in SEM
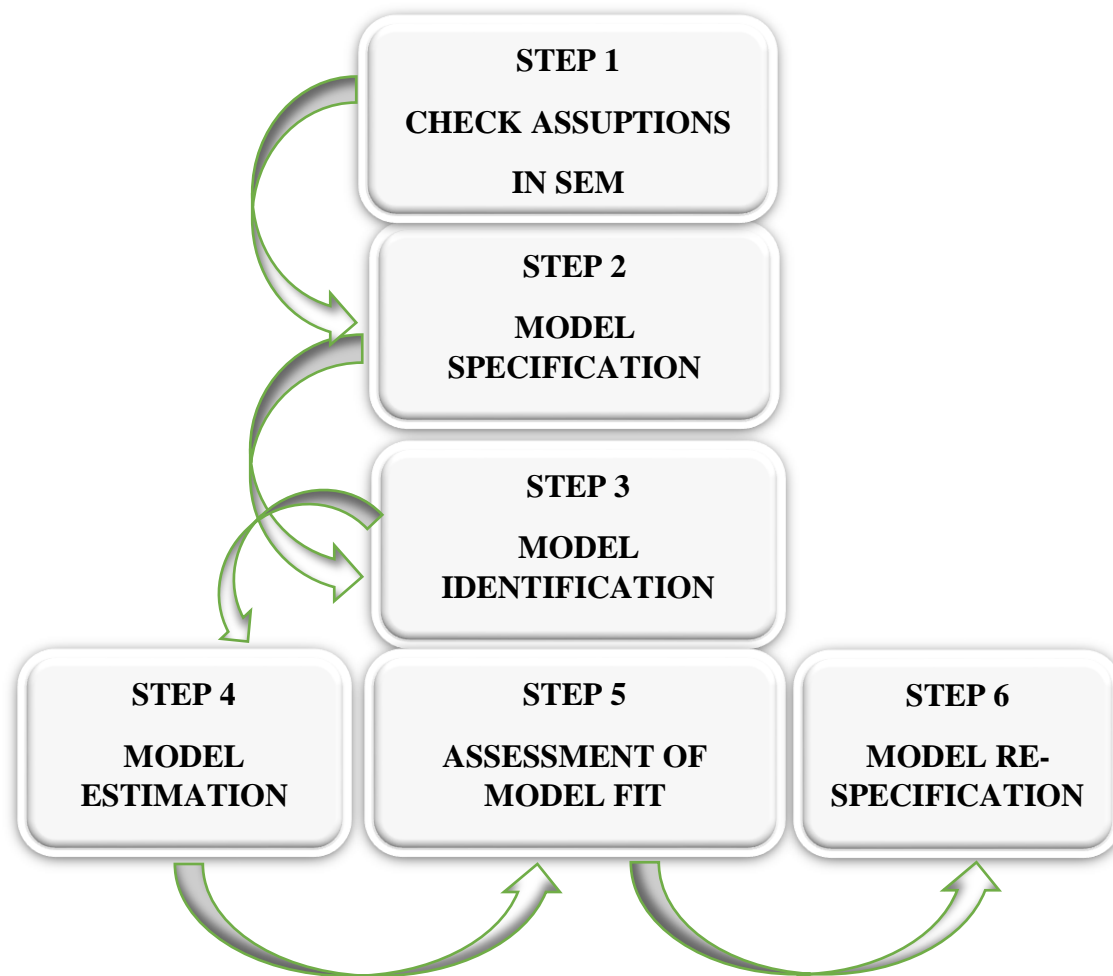
Source: Author's Own compilation adapted from (Byrne, 2016).

Step 1: Diagnostic Tests of the SEM

Prior to conducting a SEM, several tests and assumptions are to be verified. This includes the Mahalanobis, sample size adequacy, multicollinearity, and heteroscedasticity tests.

➢ T**he Mahalanobis Test**

The Mahalanobis Distance (MD) refers to the distance between two points in a multivariate space. It measures the distance of cases from the means of the predictor variables. This distance accounts for the variance of each variable and the covariance between variables. The Mahalanobis test consists of checking whether the model has outliers.

According to Barnett and Lewis (1995), an outlier refers to an observation or subset of observations which appear to be inconsistent with the remainder of the dataset. Outliers may be univariate or multivariate. Multivariate outliers refer to observations that are inconsistent with the correlational structure of the dataset. A classical way of identifying multivariate outliers in a multivariate normal dataset is to calculate Mahalanobis' distance. This distance uses estimates of the location and scatter to identify values that are far away from the main cloud of data.

In the dataset used in this study, SPSS (under its menu analysis and sub-menu transformation) enables the researcher to calculate the MD of each respondent. The researcher was interested in identifying the critical value of the MD. This enables the researcher to select in the data, any respondent with a Mahalanobis critical value below the MD regarded as threshold. In other words, any critical value above the MD threshold, was considered an outlier, and therefore omitted from the dataset. Furthermore, outliers can be detected by merely calculating the probability MD and omitting any probability of the MD below 0.001 for each respondent (Byrne, 2016). Hence, the researcher determined *the effective sample size* (without outliers) to be used in the SEM for the assumption of multivariate normality to not be violated.

➢ **Sample size adequacy**

SEM generally requires a large sample size. A typical sample size for a study using SEM is about 200 (Byrne, 2016). Once the number of outliers, if identified, are omitted from the initial sample size of 370, the researcher will ensure that the *effective* remaining sample size without outliers is above 200 and still large enough for the SEM analysis.

➢ Multicollinearity Test

Multicollinearity problems in a regression model arise when there is a high correlation between more than two independent variables. The Variance-Inflating Factor (VIF) test is employed to check for multicollinearity.

VIF is calculated by looking at the value of R^2. Guajarati (2003:351) suggests that VIF can be determined by knowing the tolerance (TOL) value, obtained through the formula $TOL_i = 1 - R^2$, also known as the inverse of the VIF (TOL = 1/VIF). The implication is that, as R^2 gets near 1 (perfect collinearity, TOL = 0), the value of VIF tends to be infinite. This indicates that, as the extent of collinearity rises, the variance of an estimator rises and might, at the limit, become infinite. Following this logic, a VIF higher than 10 (or TOL below 0.1), would indicate a problem of multicollinearity in the regression model (Gujarati, 2008; 2010).

Any variable having a VIF value above 10, or a Tolerance value below 0.1, was to be omitted from the SEM, to ensure no multicollinearity problem.

➢ Heteroscedasticity Test

Heteroscedasticity refers to the situation in which the variance of the error terms (residuals) is not constant for all the predictor observations (Gujarati, 2010). This study will use a scatterplot to check for heteroscedasticity, noting that a scatterplot with a loese line, almost horizontal would suggest no presence of heteroscedasticity (Gujarati, 2010).

As the study involves cross-sectional data, there is no autocorrelation diagnostic test to be carried out. Autocorrelation exists when the residuals of two observations in a regression model are correlated.

Once the diagnostic tests are complete, steps 2 to 4 consist of building the measurement model using observed variables, represented by the rectangles in the proposed SEM framework (Figure 4.3). The researcher will be interested in seeing how the observed variables in the model line-up with the constructs (social, human and financial capital) (Figure 4.3).

Steps 5 and/or 6 are used to build the structural model to check whether the SEM confirm a given theory based on the selected data. In a sense, the researcher intended to check whether there is a match between the measurement (data) and structural (theory) models. If this match exists, this would be an indication that the data set of the current study supports the theory. In

this study, the SEM leans on the resource-based-theory using both human, financial and social capital elements as detailed in chapter 4. The researcher was interested in testing the interplay between constructs (social, human, and financial capital) and assessing their influence on small business performance. Furthermore, the researcher aimed at checking whether the use of these exogenous constructs were a good fit in supporting the theory in this study (step 5). If these exogenous constructs were found not a good fit, step 6 (Model re-specification would be needed). Details of step 2 to 6 are presented below.

Step 2: Model Specification

The model specification is used in this study to ensure that there are indeed a specific number of constructs the SEM claims it should have after conducting an EFA. Based on the proposed SEM framework (See Figure 4.2, page 125), the researcher's expectation is that there are at least 3 constructs hopefully representing the social human and financial capital. Furthermore, the Cronbach's Alpha of each individual construct obtained from the EFA will be calculated using SPSS 25 to ensure that each individual construct is reliable.

Step 3: Model Identification

The SEM can be under identified, just identified or over identified. SEM is under identified if a unique value cannot be obtained from the observed data for one or more free parameters. The model is referred to as just identified if for each free parameter a value can be obtained through one and only one manipulation of the observed data. This means one would get unique parameter estimates, but the model cannot be tested. Furthermore, SEM is over identified if a value for one or more free parameters can be obtained in multiple ways from the observed data. Overidentification is the best condition in which there are more equations than unknown independents. This is the appropriate type of model identification needed for SEM (Byrne, 2016).

In SPSS, the degree of freedom (df) = Number of distinct sample moments (or number of observations) minus the number of distinct parameters to be estimated (or number of parameters). The sign of df will determine whether the model is suitable for the SEM, as summarised in Table 4.10.

Table 4.10: Summary of model identification in SEM

	Sign of df = (A)-(B)		
Number of distinct sample moments (A)			
Number of distinct parameters to be estimated (B)			
Degrees of freedom (df)	df<0	df=0	df>0
Default Model	**Under-identified**	**Just identified**	**Overidentified Suitable for SEM**

Source: Author's own compilation adapted from Byrne (2016).

Step 4 Model Estimation

The most commonly employed estimation method is Maximum Likelihood (ML) estimation. Furthermore, ML estimators are those that maximise the likelihood of a sample that is observed (Winer *et al*., 1991). The ML estimation assumes that the population distribution for the endogenous variable is multivariate normal. Other methods are based on various parameters estimation theories and require explicit justification (Hoyle, 1995). Also, most types of ML estimation in SEM are simultaneous, meaning that estimates of model parameters are calculated all at once. Hence, ML estimation is regarded in the statistical literature as a full information method (Byrne, 2016).

The model estimation in this study, intended to determine and interpret regression weights of the constructs' latent variables on small business performance. Furthermore, correlation coefficients between pair of construct latent variables (or pair of entrepreneurial capital), as tested in the hypotheses testing in Table 4.8 in SEM, estimates can be either unstandardised or standardised parameters.

Unstandardised parameter estimates retain scaling information of variables and can only be interpreted with reference to the scale of the variables. Whereas, standardised estimates are transformations of unstandardised estimates which remove scaling information and can be used for informal comparison of parameters throughout the model. Standardised parameter

estimates were used in this study for the interpretation of results. This interpretation looks at the sign, coefficient weight (magnitude) and significance level ($p < 0.05$) of parameter estimates. Standardised path coefficients with absolute value < 0.1 would suggest a 'small' direct effect, whereas, values around 0.3 and greater than 0.5, would suggest a 'medium' and 'large' direct effect, respectively (Surh, 2006).

Step 5: Assessment of Model fit

The assessment of model fit consists of looking at the extent to which the overall theory (hypothesised) in the model is consistent with the data collected. Scholars use numerous goodness-of-fit indicators generated by the Analysis of Moment Structures (AMOS - SPSS) to assess the SEM. (Hair *et al*., 2010). Some model fit indices often used by researchers are summarised in Table 4.11.

Table 4.11: Cut-off Criteria for Several Fit Indices

FIT INDICES	SHORTHAND	THRESHOLD	SOURCE
Absolute fit			
Chi-square/df (CMIN/df)	χ^2	<3 good, <5 allowed	(Hu and Bentler, 1999)
p	p	>0.05	(Diamantopoulos and Siguaw, 2000)
Goodness of Fit	GFI	$\geq$ 0.90 for acceptance	(Mak, 2001)
Adjusted Goodness of Fit	AGFI	$\geq$ 0.90 for acceptance	(Hooper *et al*., 2008)
Relative fit/other fit			
Comparative fit index	CFI	$\geq$ 0.95 for acceptance	(Hu and Bentler, 1999)
Normed fit index	NFI	$\geq$ 0.90 for acceptance	(Bentler, 2009)

FIT INDICES	SHORTHAND	THRESHOLD	SOURCE
Standardized RMR	SRMR	>0.05	(Hu and Bentler, 1999)
Root mean square error of approx.	RMSEA	< 0.06	(Hu and Bentler, 1999)

Source: Author's own compilation

According to Hair *et al*. (2010), a commonly used absolute fit index to test the model fit in a SEM is the Chi-square statistic (χ^2), whereas, relative fit indices evaluate whether the SEM under investigation is better than competing models. Details about model fit indices in Table 4.11 are provided below.

Chi-square (χ^2) Goodness of fit

The chi-square (χ^2) value is an old way of assessing overall model. According to Hooper *et al*. (2008), the chi-square goodness of fit metric measures the correspondence between theoretical specification and empirical data in the CFA. By default, the null hypothesis of SEM is that the observed sample and SEM estimated covariance matrices are equal, meaning perfect fit. A significant Chi-square (p <0.05) relative to the degrees of freedom shows that the observed and implied variance–covariance matrices differ. The chi-square statistic is sensitive to sample size. According to Hooper *et al*. (2008:54), the chi-square index is likely to reject the model when large samples (n>200) are used. Because of this, scholars have developed alternative model fit indices for SEM.

The relative/normed chi-square (CMIN/df) is an alternative index to the Chi-square index, because it minimises sample size sensitivity. The degree of freedom (df) shows the amount of mathematical information available to test model parameters. For a good relative/normed chi-square (CMIN/df) should be lower than 5 (Hu and Bentler, 1999).

Standardised Root mean square residual (SRMR) index

The Standardised RMR represents the square root of the difference between the residuals of the sample covariance matrix and the hypothesised covariance model (Hooper *et al*., 2008:54). The range of the SRMR is based on the scales of each indicator (or observed variable). A popular cut-off value for this index is 0.05 or less. This cut-off value is

compared to that of the present SEM to be determined. If the SRMR > 0.05, the SEM used in this study was considered acceptable.

Goodness-of-fit index (GFI and AGFI)

The Goodness of Fit Index (GFI) estimates the proportion of variance that is accounted for by the estimated population covariance. GFI is analogous to a squared multiple correlation (R^2) except that the GFI is a kind of matrix proportion of explained variance. It ranges from 0 to 1, with GFI = 1 indicating perfect model fit, a historic optimal level being greater than .090 may represent good fit, while values close to zero may represent very poor model fit (Mak, 2001). The GFI value of the SEM in this study will be compared to the cut-off to check whether it complies with the desired guideline.

The Adjusted goodness-of-fit (AGFI) is also associated with AMOS. It varies from the GFI as it adjusts for the number of df in the specified model. The GFI and AGFI can be regrouped as absolute indices.

Comparative fit index (CFI)

The Comparative Fit Index (CFI) is a relative fit index. The CFI values range between 0 and 1, with values closer to 1.0 suggesting a good fit. The CFI index, contained in all SEM programmes, is one of the most commonly reported goodness of fit indices, least affected by sample size. A cut-off criterion for CFI ≥ 0.90 is historically advanced as a desired measure of fit (Mak, 2001), but a revised cut-off criterion to 0.95 was recommended by Hu and Bentler (1999).

Root mean square error of approximation (RMSEA)

RMSEA shows how well the model estimates would fit the population's covariance matrix. It is regarded as one of the most robust fit indices because of its sensitivity to the number of estimated parameters in the SEM. RMSEA favours parsimony in choosing the model fewer number of parameters. Additionally, RMSEA values above 0.10 show a poor fit, values between 0.06 to 0.10 suggest a mediocre fit and values below 0.06 indicate a good fit (Hu and Bentler, 1999). The RMSEA value of the SEM was compared to the provided cut-off to check whether it complies with the desired guideline.

Root Mean Square Residual (RMR)

The RMR is the square root of the mean of the standardised residuals. Lower RMR values indicates better fit and higher values indicate a poor fit. Recommended value of RMR is < 0.02.

Step 6: Model Re-specification

The purpose of this step in SEM is to make adjustment of the specified model by adding or deleting certain parameters to enhance the model fit. Therefore, any adjustments to the specified model enhancement should be essentially meaningful and interpretable (Byrne, 2016).

4.10 Conclusion

This chapter explained the design and methodology employed in the study. It covered the sample selection, data collection method, questionnaire design, and method of data analysis.

Data were gathered from secondary and primary (structured questionnaire) sources. Data analyses are in line with the study objectives and hypotheses. The study uses factor analysis and SEM to examine the interplay of different types of capital on business performance in Yaoundé and Douala. Principal component analysis is also used to determine the constraint factors to business performance and government institutional factors amplifying or delaying business performance in Cameroon.

The next chapter presents a discussion of the findings.

CHAPTER FIVE

DATA ANALYSIS AND PRESENTATION OF RESULTS

5.1 Introduction

This chapter presents the research findings based on the methodology reported in chapter five. It consists of six main sections. The first deals with the socio-demographic characteristics of small business owners in Yaoundé and Douala, in Cameroon. This is essentially a description of the demographic features of the business owner, the type of business activities they are involved in, and the features of their businesses. Based on a factor analysis approach, the second section presents the findings on the factors that motivate owners to engage in formal small business activities in Yaoundé and Douala.

Section three, provides an analysis of human, financial and social capital and the interplay between these entrepreneurial capitals and how these three forms of capital influence small business performance using structural equation modelling (SEM). This analysis serves to meet the second research objective of the present study.

Section four covers the constraints to small business performance. The challenges hindering business performance are examined by using principal component analysis, and this approach serves to meet the third objective of the current study.

Section five looks at the role of government institutions in strengthening or hampering small business performance, using factor analysis and multivariate linear regression model (MLRM). Small business performance is examined in terms of labour employment, profit and sales revenue, and these are regressed on government institutional components using a MLRM in SPSS. The statistical approaches undertaken in this section serve to meet the fourth research objective of the study. Section six presents a synthesis of the main findings and a conclusion.

5.2 Socio-Demographic Profile of the Small Business Owners

The socio-demographic profile of the surveyed small business owners in both Yaoundé and Douala is presented in Table 5.1.

Table 5.1: Socio-demographic data of small business owners

Demographic	Measure	Douala Frequency	Yaoundé Frequency	Total Frequency	Total %
1. Gender	Male	126	108	234	63%
	Female	59	77	136	37%
2. Age	18-25	10	1	11	3.0%
	26-35	39	21	60	16.2%
	36-45	81	101	182	49.2%
	46-55	48	52	100	27%
	56-65	7	9	16	4.3%
	Above 65	0	1	1	0.3%
3.Entrepreneur Origin	Cameroonian	170	166	336	91%
	Non-Cameroonian	15	19	34	9%
4. Highest education level	Some/all primary education	17	7	24	6%
	Some/all secondary education	49	39	88	24%
	Diploma or certificate	37	35	72	19%
	Bachelor's degree	66	89	155	42%
	Postgraduate degree	16	15	31	8%
	Others	0	0	0	0%
5.Previous work experience prior to self-employment	No experience	5	1	6	1.6%
	Less than 1 year	8	8	16	4.3%
	1 to less than 4 years	45	53	98	26.5%
	From 4 to less than 8 years	57	76	133	35.9%
	8 to less than 12 years	43	34	77	20.8%
	12 to less than 16 years	15	11	26	7%
	Above 16 years	12	2	14	3.8%
6. Business age	Less than 3 years	29	16	45	12.2%
	3 to less than 6 years	71	84	155	41.9%
	6 to less than 9 years	44	62	106	28.6%
	9 to less than 12 years	23	16	39	10.5%
	Above 12 years	18	7	25	6.8%

Source: Author's own computation.

As shown in Table 5.1, data was collected from a total of 370 business owners, 185 from Yaoundé (for the Centre region) and another 185 from Douala (for the Littoral region). Of the sample, 63% of the business operators were male, and 37% female. In terms of age, the most represented group is the 36-45 years category, which makes up 49.2% of the overall sample, and the least represented group (above 65 years) makes up only 0.3%. Regarding the entrepreneur's origin, 91% are Cameroonians and only 9% are non-Cameroonians.

With regards to education, 42% of the surveyed operators have a bachelor's degree 24% have some secondary education, while 19% had completed a specific training diploma or certificate. It is also observed that, in the lower and higher education category, only 6% of small business owners had some or all primary education, while 8% had tertiary education (postgrad degree).

The question related to whether small business owners had prior work experience in an enterprise before starting their own business was examined. As shown in Table 5.1, the findings show that 35.9% of the respondents had 4 to 8 years' previous work experience as employees. It is followed by the group of business owners having between 1 to less than 4 years' previous work experience, which makes up 26.5% of the sample, and those operators having between 8 to 12 years' previous work experience, which makes up 20.8% of the sample. The least represented group is that of respondents with no previous work experience making up 1.6% of the overall sample, while respondents with the highest years of previous work experience (more than 16 years) were very few. This group makes up 3.8% of the sample.

In terms of business age, about 41.9% of the small businesses in both Yaoundé and Douala were at most 6 years old, of which 28.6% were between 6 and 9 years. Only a small proportion (6.8%) was in the oldest age group of 12 years and above (see Table 5.1).

5.3 Economic Activities of Small Business Owners and Employment History

This section looks at the economic activities the business owners are involved in and their prior experience before starting their own businesses. The results are presented in Table 5.2.

Table 5.2: Sector of activities of small business owners and employment history

	Measure	Douala Frequency	Yaoundé Frequency	Total Frequency	Total %
7. Sector of activity	Construction	8	14	22	5.9%
	Traveling agencies	12	16	28	7.6%
	Insurance agencies	6	12	18	4.9%
	Beauty salons	10	12	22	5.9%
	Fashion design agencies	10	17	27	7.3%
	Restaurants	34	37	71	19.2%
	Electronic items	17	17	34	9.2%
	Pub	25	24	49	13.2%
	Livestock	26	17	43	11.6%
	Advertising agencies	9	11	20	5.4%
	Admin/stationary stuff sales	11	0	11	3.0%
	Decoration agencies	8	8	16	4.3%
	Video and photography	9	0	9	2.4%
8. Previously employed	Yes	101	79	180	48.6%
	No	84	106	190	51.4%
9. Sector previously employed	Public sector	12	7	19	10.6%
	Private sector	82	47	129	71.7%
	NGOs	7	25	32	17.7%

Source: Author's own computation.

The respondents are involved in various activities. As highlighted in chapter two (see section 2.4.2.3), the tertiary sector is the driving force of the Cameroonian economy. Accordingly, most small business owners in Yaoundé and Douala are involved in services. Of the sample, 19% are involved in restaurant-related activities, 13.2% in pubs, and 11.6% in livestock (Table 5.12). A small proportion was involved in electronic and personalised services (9.2%), traveling agencies (7.6%), and fashion design agencies (7.3%) (see Table 5.2).

With regards to prior work experience as an employee before venturing into self-employment, 51.4% of the respondents stated that they had never worked before, only 48.6%

had worked before. Amongst those who worked before, about 71.7% were from private sector, 17.7% from the NGOs, and 10.6% from the public sector.

Yaoundé had the highest number of small businesses involved in restaurant-related activities (37) compared to Douala (34). Furthermore, more business owners in Douala had prior work experience as an employee before venturing into self-employment compared to operators in Yaoundé. Most business owners who had worked before were in the private sector mainly in Douala. More details about these activities are presented in Table 5.3.

Table 5.3: Description of economic activities of small business owners in Yaoundé and Douala

ECONOMIC ACTIVITY	DESCRIPTION
Construction	Retail sale of construction equipment/materials.
Traveling agencies	Small businesses specialised in making the necessary arrangements for travellers.
Insurance agencies	Small businesses that sell a variety of an insurance and financial products which include health, travel, and car insurance.
Beauty salons	Small businesses where hairdressing, make-up and other cosmetic treatments are conducted professionally.
Fashion design agencies	Small businesses specialised in creating/developing new trend of clothing.
Restaurants	Small businesses formally registered to cook and serve food on the premises.
Electronics items	Small businesses specialised in selling electrical/mechanical machines used for various functions (i.e. to cook, clean, or preserve food).
Pub	Small business owner of a place where alcohol is legally sold and consumed.

Livestock business	Process of breeding animals (i.e. goats, cattle and sheep). for production/selling purposes
Advertising agencies	Small businesses that create, plan and handle advertising and sometime other forms of promotion and marketing for its clients
Admin/stationary stuff sales	Office stationary suppliers (i.e. paper, cut paper, envelopes used for writing, typing or printing), also assist clients to print, scan and photocopy documents
Decoration agencies	Small businesses specialised in decorating, or hiring material such as chairs, tents, carpets, dishes at conferences, weeding, and funeral events.
Video & photography agencies	Small businesses that sell photos, footage and digital images to their clients

Source: Author's own computation.

5.4 Motivations for Engaging in Small Business Activities

The first objective of the present study is related to the motivations that drive business owners to self-employment in Yaoundé and Douala.

5.4.1 Descriptive Statistics for Some Motives to Start a Small Business

Various factors motivate individuals to start a business. As indicated in section 3.13 of chapter three, some of these factors could be of a push nature (necessity) Mahadea *et al*. (2011), while others could be of a reward pull nature (opportunistic) (Friedman *et al*., 2012; Dej *et al*., 2012). The factors motivating the surveyed respondents to start their own small business are summarised in Table 5.4 below.

Table 5.4: Motives for engaging in a small business in Yaoundé and Douala

Reasons for starting a small business		Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
10.1 Found a suitable business opportunity	Count	18	29	9	17	58	153	83	368
	%	4.9%	7.8%	2.4%	4.6%	15.7%	41.4%	22.4%	99.5%
10.2 Earn a source of income for family	Count	33	26	5	15	39	171	79	368
	%	8.9%	7.0%	1.4%	4.1%	10.5%	46.2%	21.4%	99.5%
10.3 Invest my savings in a productive venture	Count	2	1		1	2	19	8	368
	%	5.4%	3.0%	2.4%	4.9%	7.8%	53.2%	22.7%	99.5%
10.4 Independence of entrepreneurship	Count	1	1		1	3	18	9	368
	%	4.6%	4.1%	2.2%	3.8%	8.4%	50.3%	24.9%	98.1%
10.5 Retrench payment to start a business	Count	24		9	33	7	18	7	368
	%	65.1%	14.3%	2.4%	8.9%	1.9%	4.9%	1.9%	99.5%
10.6 Enough work experience from a previous job	Count	35	47	12	26	34	147	68	369
	%	9.5%	12.7%	3.2%	7.0%	9.2%	39.7%	18.4%	99.7%
10.7 Follow family business tradition	Count	51	41	13	36	28	98	101	368
	%	13.8%	11.1%	3.5%	9.7%	7.6%	26.5%	27.3%	99.5%

Source: Author's own computation.

As presented in Table 5.4, seven motives were considered (10.1-10.7 on the questionnaire, see page 262). These motives were assessed using a seven - point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree).

As per the results above (Table 5.4), most small business owners chose 'Agree or Strongly agree' as their motivating reasons; these are related to finding a suitable business opportunity, making a source of income for family, investing one's savings in a productive venture, being

independent, using one's experience from a previous job before venturing into self-employment or following a family business tradition. Investment of one's capital or savings in a productive venture appears to be the main motive for starting a formal business, with 53.2% business owners choosing this option. This motive is followed by the desire for greater independence obtained from entrepreneurship, with 50.3 % of respondents agreeing to it. Making a source of living for the family is another prime reason for 77% of the respondents.

Inversely, most small business owners (65.1%) strongly disagree that retrench payment is a push factor to start a business as a response. Similarly, only 39.7% of respondents chose to agree that using experience from their previous job pushed them to start their own small businesses.

The motives identified in Table 5.4 are regrouped into clusters of motivations influencing business formations. The technique of factor analysis is applied to this end.

5.4.2 Factor Analysis for Motivations to Start a Small Business

Before conducting a factor analysis, one needs to check for the suitability of data to ensure the factorability of the selected motives (variables). For this reason, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's test of sphericity are applied. The results are presented in Table 5.5 below.

Table 5.5: KMO and Bartlett's Test for motivations to start a small business

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.739
Bartlett's Test of Sphericity	Approx. Chi-Square	327.778
	df	21
	Sig.	0.000

Source: Own computation, results obtained from SPSS.

As shown in Table 5.5, the KMO measure of sampling adequacy with respect to the motives to start a small business was found to be 0.739. The Bartlett's Test of Sphericity (BTS) was statistically significant (chi-square = 327.778; p= 0.000). As the KMO is found to be greater than 0.5 and the BTS is significant, the data were appropriate for factor analysis (Field, 2009). The Kaiser's criterion is used for retaining factors. Accordingly, all factors with an eigenvalue of 1 or above are retained in the factor analysis.

The factor analysis findings indicate a set of two extracted factors (as per the Kaiser criterion) which explain about 50.7% of the total variance in motives influencing owners to start a small business in Yaoundé and Douala. Table 5.6 identifies these two factors with eigenvalues of 2.389 and 1.161. The third group of emerged factors has an eigenvalue of 0.918. Since this is less than 1, this third cluster is not considered in the analysis.

Table 5.6: Total Variance Explained for motivations to start a small business

Total Variance Explained								
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.389	**34.124**	34.124	1.752	25.022	25.022	1.405	20.077	20.077
2	1.161	**16.586**	**50.710**	.472	6.736	31.758	.818	11.682	31.758
3	0.918	13.108	63.817						
4	0.745	10.636	74.453						
5	0.643	9.187	83.640						
6	0.633	9.047	92.687						
7	0.512	7.313	100.00						
Extraction Method: Principal Axis Factoring.									

Source: Own computation, results obtained from SPSS.

The study also reports the results of the rotated factor matrix in Table 5.7. A factor loading of 0.4 or greater is recognised as making a considerable contribution to the component factor (Coakes and Steed, 2003). Hence, factor lodgings below 0.4 are ignored, as they influence the component factors less. In addition, a scree plot (see appendix 8a, page 277), is provided and confirms the extraction of two components with an eigenvalue above 1.

Table 5.7: Rotated Factor Matrix for motivation to start a small business

Rotated Factor Matrix[a]

	Factor	
	1	2
10.3 3 Invest my savings in a productive venture.	0.653	
10.4 Independence of entrepreneurship.	0.644	
10.1 Found suitable business opportunity.	0.465	
10.6 Enough work experience for previous job.	0.420	
10.7 7 Follow family business tradition.		0.584
10.2 2 Earn a source of income for family.		0.469
10.5 Retrench payment to start a business.		0.285
Variance explained (Total =50.7%)	**34.12%**	**16.58%**
Cronbach's Alpha	**0.635**	**0.557**
Labels	**opportunities to use one's talent**	**Family income generating**

Extraction Method: Principal Axis Factoring.

a. Rotation Method: Varimax with Kaiser Normalization.

Source: Own computation, results obtained from SPSS

As shown in Table 5.6, two clusters jointly explain 50.7% of the total variance in motivation for starting a small business. The variables that constitute these two clusters are presented in Table 5.7. The results indicate that the first cluster accounts for 34.12 % of the variance, while the second cluster explains 16.58% (see Table 5.7). The rotated factor matrix was determined with the aim of ignoring or (removing) the motives questions which were not loading on each of the two factors. This is depicted by the highlighted or shaped boxes in Table 5.7. The first cluster identifies a set of four motives and the second has only two factors.

The first factor is labelled '*opportunities to use one's talent*', it regroups four motives with loadings ranging from 0.653 to 0.420 (see Table 5.7). These motives are: Investing savings

in a productive venture (loading = 0.653); wanting the independence of entrepreneurship (loading of 0.644); suitable business opportunity (loading = 0.465) and enough experience from a previous job (loading 0.420). Furthermore, factor one was tested for reliability and generated a Cronbach's alpha value of 0.635, making it not a strongly reliable instrument (Pallant, 2006). However, other scholars argue that an alpha value of 0.6 is still acceptable (Coakes and Steed, 2003; Loewenthal, 2004).

The second factor is labelled '*family income generating*' and regroups two motives with loadings 0.584 and 0.469 (see Table 5.7). These motives include the desire to start a family business (loading 0.584) and the desire of making a source of income for family (loading = 0.469) (see Table 5.7). Factor two was found less reliable, with a Cronbach's alpha value of 0.557. However, this cluster is retained due to its relevance to the study, as also suggested by Field (2009). The overall Cronbach's alpha of the seven motives (items) generated a value of 0.656 (see appendix 5, page 268-269). This overall Cronbach's alpha was improved to 0.68 after deleting one motive question from the analysis (item: Retrench payment to start a business) (see Table in appendix 5.2, page 269).

5.5 Influence of Human, Financial and Social Capital on Small Business Performance

This section describes three forms of capital (human, financial, and social capital), and how they interplay to influence small business performance, using a SEM approach. This is in line with achieving objective two of the current study.

5.5.1 Descriptive Statistics of Human, Financial and Social Capital

As highlighted in section 3.14.1 of chapter three, human capital refers to investment people make in themselves (or by their organisations) with the idea of improving their economic productivity and life outcomes (Parker, 2009; Lucas, 2015). This investment is done via education, skill, experience and training.

In this study, eight variables were used to describe human capital of the surveyed 370 small businesses in Yaoundé and Douala. These variables were assessed by the respondents in terms of their agreement to each statement, using a 7=point Likert Scale, ranging from 1 (Strongly disagree) to 7 (Strongly agree) and 4 considered as neutral. The results in respect of human capital are summarised in Table 5.8.

The descriptive statistics of human capital reveals that most small business owners agreed to have the adequate level of education (43.8% agreed to it); the skill for the business (59.2%);

have received training for the business (34.3%). They also agreed that the education level of their employees is adequate to handle the business (31.6%); their employees have some work experience in the business (30.0%) and have the skill for it (29.7%). In terms of small business owner's experience to handle the business, at least 30 % of them agreed to have some work experience (Table 5.8).

Table 5.8: Description of Human Capital in Yaoundé and Douala

Capital	Measurements – Human Capital		Frequency Distribution							
			Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
Human	11.1 Level of education of the entrepreneur adequate	Count	27	28	12	11	37	162	93	370
		%	7.3%	7.6%	3.2%	3.0%	10%	43.8%	25.1%	100%
	11.2 Entrepreneur has the skill for the small business	Count	6	5	7	8	30	219	95	370
		%	1.6%	1.4%	1.9%	2.2%	8.1%	59.2%	25.7%	100%
	11.3 Entrepreneur has the experience in the small business	Count	8	12	11	10	39	178	112	370
		%	2.2%	3.2%	3.0%	2.7%	10.5%	48.1%	30.3%	100%
	11.4 Entrepreneur has received training for the small business	Count	28	58	16	23	36	127	82	370
		%	7.6%	15.7%	4.3%	6.2%	9.7%	34.3%	22.2%	100%
	11.5 Level of education of the employees adequate	Count	26	34	21	36	61	117	75	370
		%	7.0%	9.2%	5.7%	9.7%	16.5%	31.6%	20.3%	100%
	11.6 Employees have the experience in the small business	Count	2	16	36	52	111	111	42	370
		%	0.5%	4.3%	9.7%	14.1%	30.0%	30.0%	11.4%	100%
	11.7 Employees have received training for the small business	Count	3	25	46	32	96	136	32	370
		%	0.8%	6.8%	12.4%	8.6%	25.9%	36.8%	8.6%	100%
	11.8 Employees have the skill for the small business	Count	1	19	57	75	78	110	30	370
		%	0.3%	5.1%	15.4%	20.3%	21.1%	29.7%	8.1%	100%

Source: Author's own computation.

Table 5.9: Description of Financial Capital in Yaoundé and Douala

Capital	Measurements – Financial Capital		Frequency Distribution							
			Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
Financial	12.1 Loans from microfinances enables me to run my business	Count	7	25	40	37	105	130	26	370
		%	1.9%	6.8%	10.8%	10.0%	28.4%	35.1%	7.0%	100%
	12.2 Loans from banks enables me to run my business	Count	7	31	35	127	103	39	28	370
		%	1.9%	8.4%	9.5%	34.3%	27.8%	10.5%	7.6%	100%
	12.3 Credit history enables me to access loans	Count	40	76	41	61	82	53	17	370
		%	10.8%	20.5%	11.1%	16.5%	22.2%	14.3%	4.6%	100%
	12.4 My cash flow enables me to run this business	Count	42	94	57	79	39	50	9	370
		%	11.4%	25.4%	15.4%	21.4%	10.5%	13.5%	2.4%	100%
	12.5 Donation received from business angels enables me to run this business	Count	95	57	50	53	76	28	10	369
		%	25.7%	15.4%	13.5%	14.3%	20.5%	7.6%	2.7%	99.7%
	12.6 My personal savings enables me to run this business	Count	40	53	66	115	50	41	5	370
		%	10.8%	14.3%	17.8%	31.1%	13.5%	11.1%	1.4%	100%
	12.7 My financial standing, enables me access loans	Count	7	21	126	79	88	46	3	370
		%	1.9%	5.7%	34.1%	21.4%	23.8%	12.4%	0.8%	100%
	12.8 Loans from close friends and/or cooperatives enables me to run this business	Count	6	95	12	86	118	49	4	370
		%	1.6%	25.7%	3.2%	23.2%	31.9%	13.2%	1.1%	100%

Source: Author's own computation.

Table 5.10: Description of Social Capital in Yaoundé and Douala

Capital	Measurements – Social Capital		Frequency Distribution							
			Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
Social	13.1 I There is a good relationship between my business and similar businesses	Count	6	4	9	18	62	188	80	367
		%	1.6%	1.1%	2.4%	4.9%	16.8%	50.8%	21.6%	99.2%
	13.2 There is good relationship between employees and customers	Count	5	6	5	19	55	205	74	369
		%	1.4%	1.6%	1.4%	5.1%	14.9%	55.4%	20.0%	99.7%
	13.3 There is good relationship between my employees and I	Count	20	15	12	23	46	167	86	369
		%	5.4%	4.1%	3.2%	6.2%	12.4%	45.1%	23.2%	99.7%
	13.4 The business follows ethical practices	Count	16	9	11	6	25	62	41	170
		%	4.3%	2.4%	3.0%	1.6%	6.8%	16.8%	11.1%	45.9%
	13.5 Business activity deadlines are met on time	Count	43	28	22	26	56	139	56	370
		%	11.6%	7.6%	5.9%	7.0%	15.1%	37.6%	15.1%	100%
	13.6 The suppliers are paid on time	Count	6	13	15	20	64	160	91	369
		%	1.6%	3.5%	4.1%	5.4%	17.3%	43.2%	24.6%	99.7%
	13.7 I have good relationship with business angles	Count	7	8	16	17	69	147	103	367
		%	1.9%	2.2%	4.3%	4.6%	18.6%	39.7%	27.8%	99.2%
	13.8 I have good relationship with close friends and family and/or cooperatives	Count	1	7	18	47	110	156	28	367
		%	0.3%	1.9%	4.9%	12.7%	29.7%	42.2%	7.6%	99.2%
	13.9 I have good relationship with my suppliers	Count	1	0	11	55	99	161	43	370

Capital	Measurements – Social Capital		Frequency Distribution							
			Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
		%	0.3%	0.0%	3.0%	14.9%	26.8%	43.5%	11.6%	100%
	13.10 I have good relationship with the financial institutions	Count	3	9	48	112	156	41	0	369
		%	0.8%	2.4%	13.0%	30.3%	42.2%	11.1%	0.0%	99.7%
	13.11 I have good relationship with the government	Count	5	9	9	54	106	157	28	368
		%	1.4%	2.4%	2.4%	14.6%	28.6%	42.4%	7.6%	99.5%

Regarding Financial Capital, it is money invested or available in the business (Bridge and O'Neil, 2018). Eight variables were used to describe financial capital of the surveyed businesses in Yaoundé and Douala. These variables were assessed by the respondents in terms of their agreement to each statement, using a 7-point Likert Scale, ranging from 1 (Strongly disagree) to 7 (Strongly agree) and 4 considered as neutral. The results in respect of financial capital are summarised in Table 5.9.

The results of the financial capital show that 35% of small business owners agreed that loans from the microfinances enable them to run their small businesses. In providing access to finance for business owners, microfinance intends to bring credit, savings, and other financial services within the reach of the poor entrepreneurs sometimes referred to as 'unbankable', to be served by commercial banks due to their inability to offer enough collateral (Newman *et al.*, 2017). Microfinance tends to be more flexible than commercial banks in granting loans to business owners in Cameroon. Respondents chose to slightly agree with the statements that loans from banks enable them to run their businesses (27.8% slightly agreed to it) and that their credit history enables them access loans (22.2%). Furthermore, concerning loans from close friends and/or cooperatives enabling them to run their small businesses, 31.9% chose to slightly agree with this statement (Table 5.9).

Concerning the questions of whether entrepreneurs' personal savings and financial standing enable them to run their business at a profit or access more loans when needed, 31.1% and 34.1% chose to be neutral and slightly disagreed (Table 5.9). Furthermore, in terms of the donations received from business angels, 25.7% strongly disagreed with that statement. This suggests that most small business owners did not receive support from business angels (see Table 5.9).

Social capital, as mentioned in section 3.14.2 of chapter three, is grounded in the social network idea (Putman, 2001). This form of capital enables members to act and bond together to effectively pursue business and social objectives (Putman, 2001). In this study, eleven variables were used to describe social capital of the surveyed business operators. These variables were assessed by the respondents in terms of their agreement to each statement, using a 7-point Likert Scale, ranging from 1 (Strongly disagree) to 7 (Strongly agree) and 4 considered as neutral. The results in respect of social capital are summarised in Table 5.10.

The results indicate that most small business owners agreed that there is a good relationship between their employees and customers (55.4%), followed by a good relationship between

the owners' business and similar other businesses (50.8%). Some agreed that there is a good relationship between the owner and his/her employees (45%), with suppliers (43.5% agreed), and suppliers who are paid on time (43.2% agreed), and others agreed to have a good relationship with close friends and family and/or cooperatives (42.2%).

Concerning whether business activity deadlines are met on time, and the relationships between the business owners and business angels, at least 30% of the respondents agreed. However, 42.2% of small business owners slightly agreed that they have a good relationship with the financial institutions, such as banks and microfinances. The question of whether these small businesses follow ethical practices recorded a very poor count, as less than 100 respondents out of 370 answered the question. Due to several missing data recorded, this variable was omitted in the current study (Table 5.10).

5.5.2 Descriptive Statistics of Small Business Performance

Business performance is an indicator of the reward of going into business for the risk-taking individuals. As highlighted in the literature chapter, performance can be measured in both qualitative and quantitative terms. In this study, a quantitative measure of performance is used. The performance is first analysed in terms of labour employment, specifically whether employment by the firm had decreased, remained the same or increased during the past 2 years as summarised in Table 5.11.

Table 5.11: Small business performance in term of labour employment in Yaoundé and Douala

Performance	Number in Douala	Number in Yaoundé	Total	Total %
Decreased by				
1 person	6	8	14	3.8%
2 people	2	1	3	0.8%
3 people	1	1	2	0.5%
More than 3 people	0	2	2	0.5%
Remained constant over the past 2 years	26	39	65	17.6%
Increased by				
1person	9	14	23	6.2%
2 people	25	27	52	14.1%
3 people	18	16	34	9.2%
4 people	25	25	50	13.5%
5 people	28	25	53	14.3%
6 people	17	9	26	7.0%
More than 6 people	28	18	46	12.4%
Total	185	185	370	100%

Source: Author's own computation.

As shown in Table 5.11, the average number of people employed over the past two years decreased by 1 person in 14 small businesses both in Yaoundé and Douala, representing 3.8% of the sample. Similarly, a total of 65 small firms in both regions had maintained constant 6 employees for the past two years; this represents about 17% of the sample. On the other hand, there were many ventures in both Douala and Yaoundé, which increased their labour employment during the past two years. A total of 53 small firms in both regions had increased their employment by 5 people from an initial number of 6 employees; this represents about 14% of the sample.

A second indicator of business performance considered in the study was sales revenue. Small businesses were asked to indicate whether their sales had increased, remained constant or decreased in the past two years. The results of small business performance in terms of sales

revenues are presented in Table 5.12. The results show that business performance in terms of sales revenue, over the past two years, decreased by up to 100 000 CFA francs (about US$188) on an average monthly basis in 48 small businesses, both in Yaoundé and Douala. This decrease represents 13% of the sample (highest frequency). Similarly, sales revenue remained constant in 88 small businesses, making-up 23.8% of the sample. Most entrepreneurs' sales revenue increased between 200 001 CFA francs (about US$375) and 300 000 CFA francs (about US$560) on an average monthly basis in 129 small businesses of the sample. This represents about 34.9% of the sample (Table 5.12).

Table 5.12: Small business performance in terms of average sales revenue in Yaoundé and Douala

Performance	Number in Douala	Number in Yaoundé	Total	Total %
Decreased by				
Up to 100 000 CFA franc	14	34	48	13.0%
1000001 – 200 000 CFA franc	3	7	10	2.7%
Above 200 00 CFA franc	0	0	0	0%
Remained constant over the past 2 years	43	45	88	23.8%
Increased by				
Up to 100 000 CFA franc	12	14	26	7.0%
100001 – 200 000 CFA franc	35	21	56	15.1%
200 001 – 300 000 CFA franc	68	61	129	34.9%
300 001 – 400 000 FCA franc	6	1	7	1.9%
400 001 – 500 000 CFA franc	4	2	6	1.6%
500 001 – 6000 000 CFA franc	0	0	0	0.0%
Above 600 000 CFA franc	0	0	0	0%
Total	185	185	370	100.0%

Source: Author's own computation

A third indicator of business performance considered in the study was profit. Small businesses were asked to indicate whether their profit had increased, remained constant or decreased in the past two years. The results of small business performance in terms of profit are presented in Table 5.13.

Table 5.13: Small business performance in terms of profit in Yaoundé and Douala

Performance	Number in Douala	Number in Yaoundé	Total	Total %
Decreased by				
Up to 50 000 CFA francs	9	39	48	13.0%
50001 – 100 000 CFA francs	1	20	21	5.7%
100 001 – 200 000 CFA francs	1	2	3	0.8%
Above 200 000 CFA francs	0	0	0	0%
Remained constant over the past 2 years	17	8	25	6.8%
Increased by				
Up to 50 000 CFA francs	69	35	104	28.1%
50001 – 100 000 CFA francs	18	9	27	7.3%
100 001 – 1500 000 CFA francs	59	68	127	34.3%
150 001 – 200 000 CFA francs	9	4	13	3.5%
200 001 – 250 000 CFA francs	2	0	2	0.5%
250 001 – 300 000 CFA francs	0	0	0	0.0%
300 001 – 350 000 CFA francs	0	0	0	0%
Above 350 000 CFA francs	0	0	0	0%
Total	185	185	370	100%

Source: Author's own computation.

Small business performance in terms of profit (see Table 5.13) decreased by 100 000 CFA francs (about US$188) on an average monthly basis in 48 small businesses, both in Yaoundé and Douala; this represents 13% of the sample (Table 5.13). The performance in terms of profit remained the same in 25 businesses, representing 6.8% of the sample. Similarly, performance in terms of profit increased between 100 001 CFA francs (about US$188) and 150 000 CFA francs (about US$280) on an average monthly basis in 127 small businesses representing 34.3% of the sample (Table 5.13).

5.5.3 Hypotheses Testing of the SEM

The three aspects of capital (human, financial and social) considered, in this study, together make up the building blocks of entrepreneurial capital, in the structural equation modelling approach. These capitals are used for hypotheses testing in the study.

As mentioned in the methodology chapter, structural equation modelling (SEM) by means of Analysis Moment of Structure Software (AMOS) is used to examine the interplay of different aspects of entrepreneurial capital in influencing business performance. A set of 6 hypotheses is under investigation. These hypotheses are once more mentioned below:

- *Hypothesis 1: H_1 There is a relationship between social capital and human capital.*
- *Hypothesis 2: H_2 There is a relationship between financial capital and human capital.*
- *Hypothesis 3: H_3 There is a relationship between financial capital and social capital.*
- *Hypothesis 4: H_4 –Financial capital has an influence on small business performance in Cameroon.*
- *Hypothesis 5: H_5 –Social capital has an influence on small business performance in Cameroon.*
- *Hypothesis 6: H_6 –Human capital has an influence on small business performance in Cameroon.*

5.5.4 Results of the SEM

Before conducting the SEM, certain diagnostic tests were run to ensure the robustness of the SEM results and that assumptions underpinning regression and SEM are not violated. The following sections present the different steps undertaken.

Step 1: checking for assumptions in SEM (Diagnostics tests)

✓ **Multivariate normality**

SPSS was employed to calculate the Mahalanobis Distance (MD). The critical value for the largest MD obtained was 21.84 with a probability of MD =0.01137>0.001 (see appendix 11a, page 279), implying that any respondent with a Mahalanobis critical value below 21.84 (MAH_1<21.84) can be selected. The calculation of the Mahalanobis Distance showed that any critical value above 21.84 (MAH_1>21.84) with a probability below 0.001, is to be considered as an outlier and will therefore be omitted from the dataset.

Based on the data collected, 6 outliers were detected and omitted from the initial sample size of 370. The calculation of the MD also ensures that the assumption of multivariate normality is not violated. Hence, the SEM *effective sample size* was then reduced to 364. Thus, 182 small business owners in each province (Douala and Yaoundé), were selected using the stratified random sampling method.

✓ **Multicollinearity**

The Variance-Inflating Factor (VIF) test was employed to detect the problem of multicollinearity. A multivariate regression model is used to regress human, social, and financial capital on business performance in terms of labour employment, sales revenue, and profit. Table 5.14 shows that all the variables had a VIF value below 10 or a Tolerance value below 0.1, indicating no problem of multicollinearity. The VIF table including the omitted variables is provided (See appendix 12a, page 280). Additionally, a correlation matrix on entrepreneurial capital was conducted (See appendix 12b, page 289). No multicollinearity problem was detected.

Table 5.14: Multicollinearity check

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	HC1: Level of education of the entrepreneur	0.604	1.657
	HC2: Experience of the entrepreneur	0.629	1.590
	HC3: Entrepreneur has the skill for the business	0.612	1.634
	HC4: Entrepreneur has received training for the business	0.567	1.764
	HC5: Level of education of the employees	0.466	2.147
	HC6: Skill level of employees for the business	0.336	2.976
	HC7: Employees have received training for the business	0.259	3.868
	HC8: Experience level of employees for the business	0.388	2.580
	FC1: Loans from microfinance	0.295	3.391
	FC2: Loans from banks	0.314	3.184
	FC5: Donation from business angles	0.713	1.403
	FC7: Entrepreneurs' savings	0.283	3.531
	FC8: Loans from close friends and or cooperatives	0.237	4.223
	SC8: I have good relationship with close friends and family and/or cooperatives	0.500	1.998
	SC9: I have good relationship with my suppliers	0.494	2.023
	SC10: I have good relationship with the financial institutions (banks and/or microfinance)	0.521	1.920
	SC11: I have good relationship with the government	0.859	1.164

Source: Author's own computation from SPSS.

✓ **Heteroscedasticity Test**

Heteroscedasticity is detected when the variances are not equal (Studenmund, 2011:337). In this case, the size of the error term is different across values of an independent variable. The heteroscedasticity problem might occur because of the nature of the relationship being examined, outlier in data, and misspecification of the model (Gujarati, 2010). Furthermore, a more serious issue associated with heteroscedasticity is the fact that the standard errors are biased. As the standard error is essential to conducting significant tests and calculating confidence intervals, biased standard errors might lead to invalid conclusions about significance of the regression coefficient.

Several tests exist for the remedial measuring for heteroscedasticity. The assumption of heteroscedasticity was checked. As shown in the scatter plot (see appendix 11b, page 279), the loess line designed is relatively straight, which indicates that the dataset is homoscedastic.

Step 2: Model specification

✓ **Exploratory Factor Analysis (EFA)**

To examine the underlying relationship among the variables (financial, social and human capital), an exploratory factor analysis was undertaken. The Bartlett's test of sphericity (BTS) and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy were used to examine the appropriateness of factor analysis (Table 5.14).

Table 5.15: KMO and Bartlett's test for entrepreneurial capital to small businesses

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.822
Bartlett's Test of Sphericity	Approx. Chi-Square	3181.490
	df	136
	Sig.	0.000

Source: Author's calculation, based on SPSS

The BTS value at 3181.490 and p = 0.000, and the KMO value at 0.822 (greater than 0.5) in Table 5.14, show that the correlation between items were sufficiently large for PCA and the sample is acceptable to extract factors. Additionally, Kaiser (1974) recommends that a KMO statistic with values between 0.7 and 0.8 are good. Similarly, using the Kaiser's criterion,

capital components that have an eigenvalue of 1 or more are selected to determine how many components meet this criterion.

A total of 17 variables (8 variables for human capital, 5 for financial capital and 4 for social capital) were run on Principal Component Analysis (PCA) with varimax rotation. The total variance explained in the PCA is provided in Table 5.16. The EFA results indicate 4 components with eigenvalue greater than 1. These 4 components represent about 65.59% of the total variance explained in human, financial and social capital.

Table 5.16: Initial Eigenvalues and Total Variance Explained

Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.834	34.317	34.317	5.834	34.317	34.317	3.415	20.088	20.088
2	2.034	11.963	46.281	2.034	11.963	46.281	2.858	16.811	36.899
3	1.881	11.064	57.345	1.881	11.064	57.345	2.709	15.935	52.834
4	**1.401**	**8.241**	**65.586**	**1.401**	**8.241**	**65.586**	**2.168**	**12.752**	**65.586**
5	0.867	5.098	70.684						
6	0.775	4.556	75.240						
7	0.694	4.080	79.321						
8	0.638	3.752	83.073						
9	0.603	3.547	86.620						
10	0.446	2.622	89.242						
11	0.420	2.471	91.713						
12	0.368	2.165	93.878						
13	0.343	2.019	95.897						
14	0.297	1.748	97.645						
15	0.198	1.165	98.809						
16	0.128	0.756	99.565						
17	0.074	0.435	100.000						
Extraction Method: Principal Axis Factoring.									

Source: Author's calculation, based on SPSS

The factor analysis findings indicate a set of four extracted factors (as per the Kaiser criterion) explain about 65.56% of the total variance in entrepreneurial capital in Yaoundé and Douala. Table 5.16 identifies these four factors or components, with eigenvalues ranging from 5.834 to 1.401 (Table 5.16). Furthermore, a screen plot (see appendix 8b, page 277), is provided and confirms the extraction of four components with an eigenvalue above 1.

Table 5.17: The Rotated Components Matrix

Measurement Variables	Components			
	1	2	3	4
HC$_7$: Employees have received training for the business	0.861			
HC$_8$: Experience level of employees for the business	0.814			
HC$_6$: Skill level of employees for the business	0.794			
HC$_5$: Level of education of the employees	0.707			
FC$_1$: Loans from microfinance		0.892		
FC$_2$: Loans from banks		0.872		
FC$_7$: Entrepreneurs' savings		0.634		
FC$_8$: Loans from close friends and or cooperatives		0.631		
FC$_5$: Donation from business angles		0.476		
SC$_9$: I have good relationship with my suppliers			0.840	
SC$_{10}$: I have good relationship with the financial institutions (banks and/or microfinance)			0.832	
SC$_8$: I have good relationship with close friends and family and/or cooperatives			0.805	
SC$_{11}$: I have good relationship with the government			0.670	
HC$_2$: Experience of the entrepreneur				0.777
HC$_3$: Entrepreneur has the skill for the business				0.710
HC$_1$: Level of education of the entrepreneur				0.669
HC$_4$: Entrepreneur has received training for the business				0.667
Reliability Test (Cronbach's Alpha)	**0.855**	**0.817**	**0.818**	**0.70**
Label	**Employees Human Capital (EHC)**	**Financial Capital (FC)**	**Social Capital (SC)**	**Owner Human Capital (OHC)**
Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 6 iterations.				

Source: Author's calculation, based on SPSS

The Rotated Components Matrix (Table 5.17) provides the coefficient loadings of each variable regrouped under each component. The first component has 4 items with factor loadings ranging from 0.861 to 0.707 (Table 5.17), all related to education, skills, training and experience. Hence, it is labelled as employees' human capital (EHC), with an eigenvalue of 5.834 and a variance of 34.317% (Table 5.16). The second component, consisting of 5 financial-related items with factor loadings ranging from 0.892 to 0.476 (Table 5.17) is labelled as financial capital (FC), and has an eigenvalue of 2.034 and a variance of 11.963% (Table 5.16). The third component, with an eigenvalue of 1.881 and variance of 11.064%, consists of 4 items which range from 0.840 to 0.670 (Table 5.17). It is labelled as social capital (SC) (Table 5.17). The fourth component is labelled as owner human capital (OHC) with loadings ranging from 0.777 to 0.667 and has an eigenvalue of 1.401 and a variance of 8.241%. These four capital components will be further discussed in the next Chapter.

The reliability of each component as a cluster of entrepreneurial capital is confirmed by the Cronbach's Alpha. Cronbach's Alpha value of 0.7 or higher is regarded as a good and acceptable model (Pallant, 2006). The Cronbach values of all the four components were reliable, ranging from 0.855 to 0.70 (Table 5.17).

✓ **Confirmatory Factor Analysis (CFA)**

A Confirmatory Factor Analysis (CFA) using AMOS in this study is undertaken by checking for both convergence and discriminant validity. The aim of a convergent validity is to test and confirm that constructs of the SEM are expected to be correlated. Statistically, it is done by checking that the Composite Reliability (CR) of each component is greater than 0.7 and that the Average Variance Extracted (AVE) is equal or greater than 0.5 for each component (Hair, 2014) as shown in Table 5.18. On the other hand, the discriminant validity looks at the extent to which a construct (item) is truly distinct from another construct by comparing the squared correlations and AVE scores for each of the pairwise constructs as shown in Table 5.18.

Table 5.18: Convergent Validity Result

CONVERGENT VALIDITY	OWNER HUMAN CAPITAL(OHC)	EMPLOYEES HUMAN CAPITAL (EHC)	FINANCIAL CAPITAL (FC)	SOCIAL CAPITAL (SC)
AVE = SUM λ^2/N ≥ 0.5	0.5100	0.633501566	0.516678334	0.623680138
CR = SUM$(\lambda^2)^2$/ (SUM$(\lambda^2)^2$+1- λ^2) > 0.7	0.799140083	0.873102145	0.835662708	0.873102145
CONVERGENT VALIDITY	ESTABLSIHED	ESTABLSIHED	ESTABLSIHED	ESTABLSIHED

Source: Author's calculation, based on SPSS.

As shown in Table 5.18, all variables have an AVE value greater than 0.5 and a CR greater than 0.7. The owner human capital (OHC) component has an AVE = 0.51 and CR = 0.799. Similarly, employee's human capital (EHC) has an AVE=0.63; CR=0.87; financial capital (FC) has an AVE=0.51; CR=0.83 and social capital (SC) has an AVE=0.62; CR=0.87 (see Table 5.18). As the result reveals, one can claim that the research (SEM) has met the convergent validity. Full calculation of the AVE and CR are provided in the appendix 14, page 294-296). Hence, as each of the four components has an AVE that is greater than 0.5 and a CR greater than 0.7, one can confirm that the convergence validity is established.

Table 5.19: Discriminant Validity Result

DISCRIMINANT VALIDITY	FACTOR CORRELATION (r)	CORRELATION SQUARED (r^2)	AVE$_1$	AVE$_2$	DISCRIMINANT VALIDITY
SC<-->FC	0.402	0.16160	0.62368	0.51667	ESTABLISHED
FC<-->OHC	0.530	0.28090	0.51667	0.51000	ESTABLISHED
OHC<-->EHC	0.610	0.37210	0.51000	0.63350	ESTABLISHED
FC <-->EHC	0.560	0.31360	0.51667	0.63350	ESTABLISHED
SC <-->EHC	0.322	0.10368	0.62368	0.63350	ESTABLISHED
SC <-->OHC	0.347	0.12040	0.62368	0.51000	ESTABLISHED

Source: Author's calculation, based on SPSS.

To detect the value of discriminant validity, the analysis should be connected to the principle that different constructs should not have high correlation (Abdillah and Hartono, 2015). Furthermore, discriminant validity is met when all variables have an AVE value greater than 0.5 and have an AVE root square valued above 0.7 (Hair, 2014).

As shown in Table 5.19, the squared correlations (r^2=0.16) for the pairwise construct (SC⇔FC) is lower than AVE scores (AVE_{SC}=0.62; AVE_{FC}=0.516). This suggests that SC and FC constructs are distinct from each other. Similarly, the squared correlation (r^2=028) for the pairwise construct (FC⇔OHC) is lower than AVE scores (AVE_{FC}=0.516; AVE_{OHC}=0.510), indicating that FC and OHC are distinct from each other.

The squared correlations (r^2=0.37) for the pairwise construct (OHC⇔EHC) is lower than the AVE scores (AVE_{OHC} =0.510; AVE_{EHC}= 0.633). This also suggests that OHC and EHC constructs are distinct from each other. Furthermore, the squared correlation (r^2 = 0.31) for the pairwise construct (FC⇔EHC) is lower than AVE scores (AVE_{FC} =0.516; AVE_{EHC}= 0.633), indicating that FC and EHC are distinct from reach other.

The squared correlation (r^2=0.310) for the pairwise construct (SC⇔EHC) was also found to be lower than the AVE scores (AVE_{SC} =0.62; AVE_{EHC}= 0.633), implying that SC and EHC constructs are distinct from each other. In the same vain, the squared correlation (r^2=0.12) from the pairwise construct (SC⇔OHC) was found to be lower than the AVE score (AVE_{SC} =0.62; AVE_{OHC}= 0.51), indicating that SC and OHC constructs are distinct from each other.

Overall, the result shows that (OHC⇔EHC); (FC⇔EHC); (SC⇔EHC) and (SC⇔OHC) are distinct from each other (Table 5.19). One can thus confirm that divergent validity is established. The CFA results indicate that both convergence and discriminant validity are established. Hence, construct validity is established, as suggested in section 4.5.2 of the methodology Chapter.

Step 3: Model Identification

A structural model can be just-identified, over-identified or under-identified. A just-identified model refers to a model in which there is a one-to-one correspondence between the data and the structural parameters. This suggests that the number of data variance and co-variances equals the number of parameters to be assessed. On the other hand, an under-identified model shows that the number of parameters to be assessed is greater than the number of variance and co-variances. Hence, the model would contain inadequate information for getting a result (Byrne, 2016).

An over-identified model is one whereby the number of estimable parameters is less than the number of data point or number of observations (i.e. variances and co-variances of the observed variables). Such a model results in positive degrees of freedom which allow for

rejection of the model, thereby rendering it of scientific use (Byrne, 2016). The goal in SEM thus is to specify a model which is over-identified. The result of the model identification is presented in Table 5.20 below:

Table 5.20: AMOS Output: Computation of degrees of freedom

Number of data point or number of observations	210
Number of estimable parameters:	54
Degrees of freedom (210-54):	156

Source: Author's calculation, based on AMOS (SPSS)

As shown in Table 5.20, the proposed model is over-identified with positive degrees of freedom (156). The model has 210 number of data points, and 54 distinct parameters to be estimated, leaving 156 degrees of freedom which is positive (df>0). Thus, because the model is over-identified, one can proceed with the estimation of variables for the SEM analysis.

Step 4: Model estimation

The SEM to be tested was explained in Chapter four (see section 4.6.5.3). The results of this SEM are presented in the framework below and further elaborated.

Figure 5.1: SEM results

Chi-Square=313.706, df=156; Prob= 0.000; cmin/df= 2.011; GFI=0.922; AGFI=0.896; CFI= 0.951; RMSEA=0.052
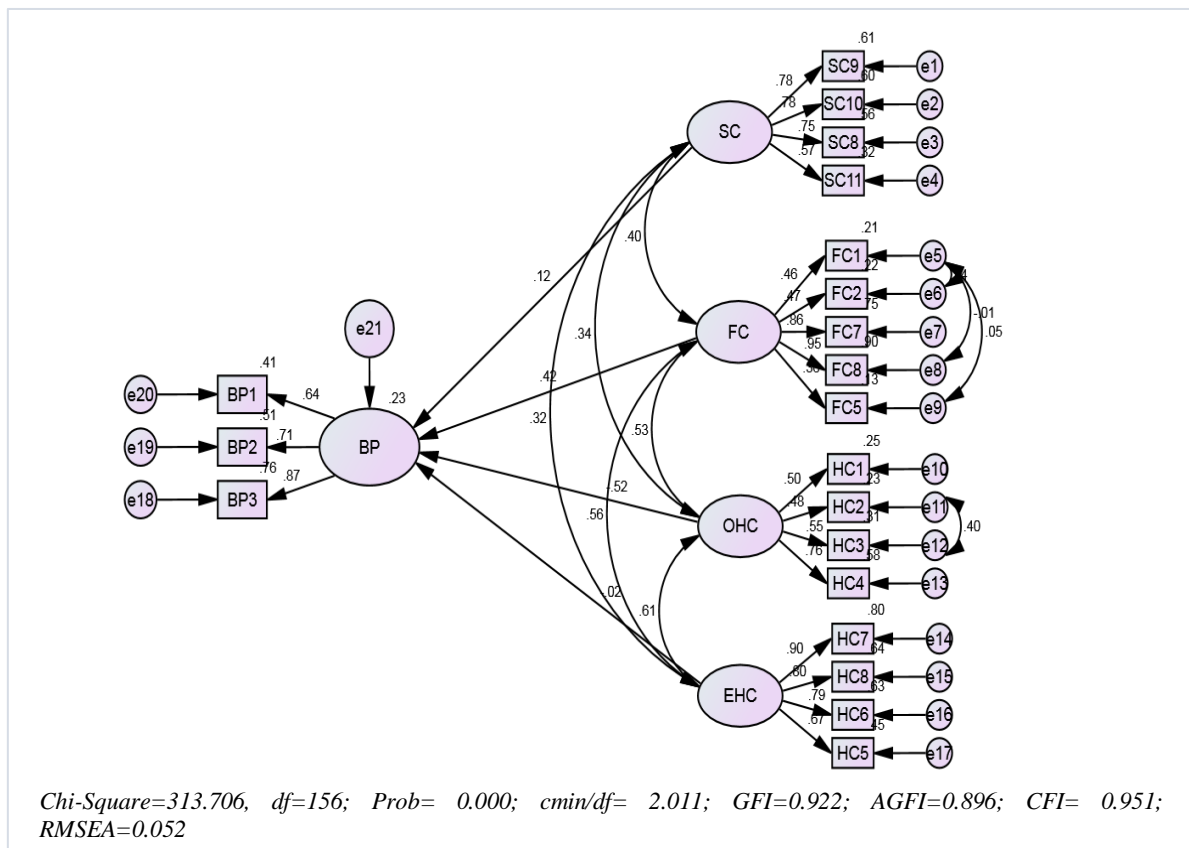
In the SEM Figure 5.1 (calculation, based on AMOS-SPSS), small business performance (BP) is the dependent variable, and the independent latent variables are owner human capital (OHC), employees' human capital (EHC), social capital (SC) and financial capital (FC). There is a positive interaction between SC and FC; FC and OHC, OHC and EHC as well as SC and EHC. Each of these independent latent variables is measured with a set of at least 4 manifest variables on average.

The SEM also shows the effect of these forms of capital on small business performance (BP). Performance expressed in terms of **sales revenue** has the highest weight ($BP_3 = 0.87$), followed by performance in terms **of profit** ($BP_2 = 0.71$) and small business performance in terms of **labour employment** ($BP_1 = 0.64$) (Fig 5.1).

A detailed correlation analysis between the capitals is presented in Table 5.21.

✓ *The interplay between human, financial and social capital*

An important use of the SEM consists of estimating a series of inter-related dependence relationships simultaneously. As a multivariate technique, the SEM in this study assesses the

interplay between owner human capital, employees' human capital, financial and social capital to check whether these entrepreneurial aspects of capital move in the same direction (complement each other) or opposite direction (substitute each other).

The results of the correlation analysis between human financial and social capital is presented in Table 5.21 below.

Table 5.21: Correlation Analysis Results of the SEM

Constructs			Estimate	S.E.	C.R.	P	Label
SC	<-->	FC	**0.404**	0.04	5.17	***	Sig
FC	<-->	OHC	**0.530**	0.06	5.02	***	Sig
OHC	<-->	EHC	**0.610**	0.10	5.89	***	Sig
FC	<-->	EHC	**0.560**	0.07	6.34	***	Sig
SC	<-->	EHC	**0.322**	0.06	4.97	***	Sig
SC	<-->	OHC	**0.347**	0.05	4.15	***	Sig

Source: Author's calculation, based on AMOS (SPSS)

A strong, positive and significant correlation is found to exist between Owner Human Capital (OHC) and Employee Human Capital (EHC), with a coefficient of r = 0.610, p=0.000 (Table 5.21). This is followed by a fairly strong correlation between the Financial Capital (FC) and the EHC (r = 0.560, p=0.000), and by another fairly strong correlation between FC and OHC (r = 0.530, p=0.000). The correlations are slightly lower between Financial (FC) and Social Capital (SC) (r = 0.404, p=0.000); between social capital (SC) and OHC (r = 0.347, p=0.000); and between the SC and EHC (r = 0.322, p=0.000) (Table 5.21).

These correlations are all positive and statistically significant. Thus, one can reject the null H_1s that there is no relationship between human, financial, and social capital (see H_1, H_2 and H_3). Accordingly, one can accept the alternative hypothesis that there is a relationship between social capital and financial capital; between financial capital and human capital, between social capital and human capital as well as owner human capital and employees' human capital. This implies that the interplay between social and human capital; social and financial capital; and human and financial capital are complements to each other.

The SEM shows standard regression weight results of SC, FC, OHC and EHC on performance (BP) in Table 5.22.

Table 5.22: Standardised Regression Weight Results

Estimation path			Estimate	Label
BP	<---	**SC**	**0.120***	significant
BP	<---	**FC**	**0.420*****	significant
BP	<---	**OHC**	**0.528*****	significant
BP	<---	**EHC**	**0.207****	significant
BP$_3$	<---	BP	0.870***	significant
BP$_2$	<---	BP	0.705***	significant
BP$_1$	<---	BP	0.637***	significant

*$p<0.05$, **$p<0.01$, ***$p<0.001$. (Author's calculation based on AMOS (SPSS)

Small business performance (BP) is measured in terms of sales (BP$_3$), profits (BP$_2$) and labour employment (BP$_1$). Owner human capital (OHC) has the strongest effect on small business performance in Yaoundé and Douala (with a coefficient weight of 0.528) (Table 5.22). This is followed by the financial capital (FC) (with a coefficient weight of 0.420); the employees' human capital (EHC) (with a coefficient weight of 0.207) and the social capital (SC) (with a coefficient weight of 0.120).

The results show that the effect of OHC and FC and EHC on the performance of small businesses are all positive and statistically significant at 0.01 level, and SC is significant at 0.05 level. This suggests that one can reject the null hypotheses that human, financial and social capital have no influence on small business performance. The findings will be further discussed in the next Chapter. To ensure that the data of the SEM in this study supports the theory, an assessment of the model-fit was conducted using the measures of both absolute and relative fit. The results are presented in Table 5.23.

Step 5: Assessment of model fit

The model fitting process involves the determination of the goodness-of fit (GOF) between the hypothesised model and the sample data. As mentioned in section 5.6.5.3 of chapter five (Table 4.11, page 134), each GOF measure is unique, but the measures are classified into three groups: absolute, relative and parsimony fit measures.

A summary of the fit measures and their criteria in comparison to the hypothesised model tested in this study are presented in the Table 5.23 below.

Table 5.23: Analysis of the structural model using multiple reflective indicators.

Measures	Threshold	Indices of the hypothesized model	Comment
Absolute fit			
Chi-square/df (cmin/df)	<3 good, <5	**2.011**	Acceptable
p (p-value)	>0.05	**0.000**	Not acceptable
GFI	> 0.9	**0.922**	Acceptable
AGFI	Equal to or >0.8	**0.896**	Acceptable
Relative fit			
CFI	>0.95	**0.951**	Acceptable
NFI	>0.9	**0.908**	Acceptable
Parsimony fit			
RMSEA	<0.06	**0.052**	Acceptable
Standardized RMR	>0.05	**0.054**	Acceptable

Source: Author's calculation, based on AMOS (SPSS).

As shown in Table 5.23, the Root Mean Square Error of Approximation (RMSEA) value for the structural model is 0.052, indicating that a reasonable fit exists as 0.052 is below the 0.06 threshold. The Standardise Root Mean Square Residual (RMR) is above the threshold (0.052>0.05). Furthermore, the Goodness of Fit Index (GFI=0.922>0.9), the Adjusted Goodness of Fit Index (AGFI=0.896>0.8), the Normal Fit Index (NFI=0.908>0.9), and the Comparative Fit Index (CFI=0.951>0.9) all had values that meet the indicated thresholds, thus confirming the goodness of fit of the SEM. Further details on the goodness of fit of the model is provided in the appendix 13a, page 291).

The researcher also looked at model fit for the CFA before proceeding with the SEM. The findings show cmin/df =251.557 and df=112, default model=2.246<3); GFI =0.928>0.9; AGFI=0.902>0.8; NFI=0.914>0.9; CFI= 0.95>0.9 and RMSEA=0.058<0.06. One can thus, conclude that model fit for the CFA is established (appendix 13b, page 292).

After checking for most of the GOF fit statistics in Table 5.23, one can therefore conclude that the data used to conduct the SEM in this study, support the hypotheses that owner human capital, employees' human capital, financial and social capital interact with each other and impact on business performance.

5.6 Constraints to Small Business Performance

As highlighted in the literature Chapter, numerous constraints impact on the performance of businesses. In this study, principal component analysis is applied to the variables identified as constraints to determine the main limitations that affect business performance in Yaoundé and Douala. A PCA of the constraints to enterprise performance was conducted in line with achieving objective three of the study. Accordingly, 17 constraints were examined, ranging from a problem in obtaining a loan to excessive business competition, as presented in Table 5.24.

5.6.1 Descriptive statistics on Constraints to small business performance

Table 5.24: Constraints to small business performance

Constraints		Frequency Distribution							
		Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
18.1 Difficulty in getting a loan.	Count	27	47	16	33	56	134	57	370
	%	7.3%	12.%	4.3%	8.9%	15.1%	36.4%	15.4%	100%
18.2 Lack of collateral security.	Count	30	54	12	42	62	111	59	370
	%	8.1%	14.6%	3.2%	11.4%	16.8%	30.0%	15.9%	100%
18.3 Lack of business relationships.	Count	38	108	45	46	37	79	17	370
	%	10.3%	29.2%	12.2%	12.4%	10.0%	21.4%	4.6%	100%
18.4 Lack of expertise in financial management and planning.	Count	49	44	39	30	113	73	22	370
	%	13.2%	11.9%	10.5%	8.1%	30.5%	19.7%	5.9%	100%
18.5 Lack of adequate training in bookkeeping or accounting.	Count	36	53	46	31	107	72	25	370
	%	9.7%	14.3%	12.4%	8.4%	28.9%	19.5%	6.8%	100%
18.6 Lack of managerial skill.	Count	43	67	37	42	43	115	23	370
	%	11.6%	18.1%	10.0%	11.4%	11.6%	31.1%	6.2%	100%
18.7 Lack of experience and training in business management.	Count	49	113	39	30	44	73	22	370
	%	13.2%	30.5%	10.5%	8.1%	11.9%	19.7%	5.9%	100%
18.8 Shortage of raw materials.	Count	41	98	26	43	52	78	32	370
	%	11.1%	26.5%	7.0%	11.6%	14.1%	21.1%	8.6%	100%

Constraints		Frequency Distribution							
		Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
18.9 Shortage of clients.	Count	23	96	25	27	70	97	32	370
	%	6.2%	25.9%	6.8%	7.3%	18.9%	26.2%	8.6%	100%
18.10 Difficulty in completing the registration process for business licensing.	Count	17	21	22	52	69	139	50	370
	%	4.6%	5.7%	5.9%	14.1%	18.6%	37.6%	13.5%	100%
18.11 Municipal harassment.	Count	25	29	13	33	67	119	84	370
	%	6.8%	7.8%	3.5%	8.9%	18.1%	32.2%	22.7%	100%
18.12 Poor access to technology.	Count	129	128	16	34	15	36	12	370
	%	34.9%	34.6%	4.3%	9.2%	4.1%	9.7%	3.2%	100%
18.13 Poor communication.	Count	88	165	16	42	14	29	16	370
	%	23.8%	44.6%	4.3%	11.4%	3.8%	7.8%	4.3%	100%
18.14 Irregular electricity.	Count	50	29	30	49	33	85	94	370
	%	13.5%	7.8%	8.1%	13.2%	8.9%	23.0%	25.4%	100%
18.16 High business transaction costs.	Count	26	72	35	46	40	109	42	370
	%	7.0%	19.5%	9.5%	12.4%	10.8%	29.5%	11.4%	100%
18.17 Excess competition.	Count	22	33	9	32	42	140	92	370
	%	5.9%	8.9%	2.4%	8.6%	11.4%	37.8%	24.9%	100%

Source: Author's own computation.

As shown in Table 5.23, small business owners agreed that difficulty in getting a loan (36.4%), lack of collateral security (30.0%), lack of managerial skills (31.1%), difficulty in completing the registration process for business licensing (37.6%), municipality harassment (32.2%) and excess competition (37.8%), were fundamental constraints of their businesses. About a quarter of the respondents strongly agreed that irregular electricity (25.4%) and poor road for transport of goods, supplies and inputs (23.0%) hinder their businesses. Furthermore, 30.5% of the respondents chose 'slightly agree' to lack of adequate training in bookkeeping or accounting (28.9%) and lack of expertise in financial management and planning as major constraints to their businesses.

On the other hand, small business owners chose 'strongly disagree' to poor access to technology (34.9%) as a major challenge to their business performance. Similarly, they chose 'disagree' to shortage of raw materials (26.5%) and poor use of communication (44.6%) as fundamental constraints to their venture performance.

5.6.2   Principal Component on Constraints to Small Business Performance

After identifying 17 constraints to business performance in Yaoundé and Douala, a PCA is used to regroup these variables in a few clusters. The findings of the PCA are presented in Tables 5.24 and 5.25 respectively.

Table 5.25: KMO and Bartlett's Test on constraints to small business performance

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.781**
Bartlett's Test of Sphericity (BTS)	Approx. Chi-Square	1943.014
	df	136
	Sig.	**0.000**

Source: Own computation, results obtained from SPSS

The KMO measures the sampling adequacy for constraints to business performance data which was found to be 0.781 (greater than 0.5) and the BTS value was statistically significant (p of 0.000; approx. Chi-square of 1943.014 and df =136). This implies that the data or variables are acceptable for factor analysis.

Table 5.26: Initial eigenvalues and Total Variance Explained on Constraints to Small Business Performance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.52	26.60	26.604	4.523	26.604	26.604	3.47	20.464	20.464
2	1.84	10.875	37.479	1.849	10.875	37.479	1.86	10.991	31.455
3	1.80	10.628	48.107	1.807	10.628	48.107	1.79	10.585	42.040
4	1.13	6.660	54.766	1.132	6.660	54.766	1.67	9.826	51.866
5	1.07	6.332	61.098	1.076	6.332	61.098	1.56	9.232	61.098
6	0.96	5.665	66.763						
7	0.85	5.028	71.792						
8	0.78	4.629	76.421						
9	0.69	4.100	80.521						
10	0.57	3.400	83.921						
11	0.55	3.262	87.183						
12	0.53	3.157	90.339						

Source: Own computation, results obtained from SPSS

The factor analysis findings indicate a set of five extracted factors (as per the Kaiser criterion) that explain about 61.09% of the total variance on constraints to business performance in Yaoundé and Douala. Table 5.26 identifies these five factors with eigenvalues ranging from 4.22 to 1.07 (Table 5.26). Additionally, a scree plot (see appendix 9, page 278), is provided and confirms the extraction of five components with an eigenvalue above 1.

Table 5.27: Rotated Factor Matrix on Constraints to Small Business Performance

Rotated Component Matrix[a]					
	Component				
	1	2	3	4	5
Lack of adequate training in bookkeeping.	0.840				
Lack of expertise in financial management.	0.801				
Lack of managerial skills.	0.780				
Lack of experience in business management.	0.691				
Lack of business relationship.	0.547				
Shortage of raw materials.		0.720			
Shortage of clients.		0.643			
Irregular electricity supply.		0.607			
Poor roads for transport of goods/ supplies and inputs.		0.602			
Poor technology.			0.864		
Poor use of communication systems.			0.817		
Municipal harassment.				0.695	
Difficulty in completing the registration process.				0.605	
High business transaction costs.				0.587	
Business experience excessive competition.				0.426	
Difficulty in getting loans.					0.737
Lack of collateral security.					0.668
Cronbach's Alpha	**0.852**	**0.606**	**0.767**	**0.500**	**0.720**
Variance Explained (Total=61%)	**26.604**	**10.875**	**10.628**	**6.660**	**6.332**
Components Labels	**Financial and Managerial Skills**	**Inputs availability**	**Infrastructure**	**Transaction cost and Regulations**	**Credit access**
Extraction Method: Principal Axis Factoring.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 7 iterations.					

Source: Own computation, results obtained from SPSS

With Varmax rotation, a set of five clusters emerged as constraints. As shown in Table 5.27, five components jointly account for 61.09% of the total variation in constraints to small business performance (see scree plot, appendix 9, page 278).

Table 5.27 reports the rotated factor matrix on constraints to small business performance. The first component (or cluster) accounts for 26.604% of the total variation. It consists of five variables which include lack of adequate training in bookkeeping (loading = 0.840), lack of expertise in financial management (loading = 0.801), lack of managerial skills (loading = 0.780), lack of experience in business management (loading = 0.691), and lack of business relationship (loading = 0.547). Hence, this component is labelled as 'financial and managerial skills.' Furthermore, this component was found to be reliable, recording a Cronbach alpha of 0.852.

 The second cluster accounts for 10.875% of the total variation and is represented by four variables. These are shortage of raw materials (loading = 0.720), shortage of clients (loading = 0.643), irregular electricity supply (loading =0.607) and poor roads for transport of goods and inputs (loading = 0.602). This component has a Cronbach alpha of 0.606 and it is labelled as 'inadequate inputs'. A low Cronbach alpha (0.606) reflects that these factors are not as substantive compared to the first constraint component (see Table 5.27, page 178); nevertheless, it was retained because of its relevance as suggested by Field (2009).

The third component accounts for 10.626% of the variation and has a Cronbach alpha of 0.767. It comprises of only two variables. These are poor technology (loading = 0.864) and poor use of communication systems (loading = 0.817). This component is labelled as 'infrastructure'.

The fourth component accounts for 6.660% of the total variation and is made up of four variables. These are municipal harassment (loading = 0.695), difficulty in completing the registration process (loading = 0.605), high business transaction costs (loading = 0.587) and business experience excessive competition (0.426). This component has a Cronbach alpha of 0.5, and it is labelled as 'transaction cost and regulations'.

The fifth component accounts for 6.332% of the variation and has a Cronbach alpha of 0.720. It is represented by two variables; difficulty in getting loans (loading = 0.737) and lack of collateral security (loading = 0.668) and it is labelled 'credit access'.

Although the Cronbach alpha of components 2 and 4 were below 0.7, these components were retained in the current study, because they are critical constraints to small business development in Yaoundé and Douala.

5.7 Government and Private Financial Institutions and Small Business Performance

As the current study looks at the interconnection between the four aspects of capital (owner human capital (OHC), employees' human capital (EHC), financial capital (FC) and social capital (SC), it is clear that this interplay should occur in an environment with certain government institutions in place. Government and private financial institutions play an important role in an economy. These institutions can either amplify or hinder the relationship between human, financial and social capital, and therefore, can affect business performance, in a positive or negative way.

Capital may come from government and private financial institutions. This suggests business performance may be influenced not just by entrepreneurial capital, but also by institutions. Hence, this section looks at the influence of government institutions in hindering or strengthening business performance in Yaoundé and Douala to achieve objective four of the current study.

Three steps are required to achieve this objective: Firstly, a principal component analysis is used on the selected institutional variables (presented in Table 5.28), to determine government institution clusters or components. Secondly, a component score for each principal component will be automatically generated from the principal component analysis using SPSS, as mentioned in section 5.6.5.3 of the methodology chapter. Lastly, small business performance in terms of labour employment, profit and sales revenues are regressed on government and private financial institutional components using a multivariate linear regression model (MLRM).

5.7.1 Descriptive Statistics of Government and Private Financial Institution Indicators

Table 5.28: Role of Government and Private Financial Institutions on Small Business Performance

Government and private financial institutions - Statements		Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
		Frequency Distribution							
20.1 I am aware of the availability of government funds.	Count	48	51	12	18	59	114	68	370
	%	13.0%	13.8%	3.2%	4.9%	15.9%	30.8%	18.4%	100%
20.2 I am aware of the availability of commercial bank funds.	Count	26	32	26	58	100	118	10	370
	%	7.0%	8.6%	7.0%	15.7%	27.0%	31.9%	2.7%	100%
20.3 I am aware of government grant application requirement and procedures.	Count	121	55	14	28	61	32	59	370
	%	32.7%	14.9%	3.8%	7.6%	16.5%	8.6%	15.9%	100%
20.4 I am aware of funds from microfinances.	Count	5	13	49	48	19	114	122	370
	%	1.4%	3.5%	13.2%	13.0%	5.1%	30.8%	33.0%	100%
20.5 I am aware of funds from close friends and family.	Count	48	70	64	69	82	31	6	370
	%	13.0%	19.8%	17.3%	18.6%	22.2%	8.4%	1.6%	100%
20.6 I am aware of funds from business angels.	Count	60	87	88	69	29	29	8	370
	%	16.2%	23.5%	23.8%	18.6%	7.8%	7.8%	2.2%	100%
20.7 Government encourages business education and training.	Count	6	13	35	45	107	127	37	370
	%	1.6%	3.5%	9.5%	12.2%	28.9%	34.3%	10.0%	100%

Government and private financial institutions - Statements		Frequency Distribution							
		Strongly disagree	disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree	Total
20.8 Government facilitate network and partnership of businesses.	Count	65	10	12	68	104	110	1	370
	%	17.6%	2.7%	3.2%	18.4%	28.1%	29.7%	0.3%	100%
20.9 Tax levies affect the performance of my business.	Count	7	19	36	35	82	153	38	370
	%	1.9%	5.1%	9.7%	9.5%	22.2%	41.4%	10.3%	100%
20.10 Time required for registration or renewal business license is adequate.	Count	53	6	99	62	20	23	107	370
	%	14.3%	1.6%	26.8%	16.8%	5.4%	6.2%	28.9%	100%
20.11 Government regulations affect the performance of my business.	Count	4	9	15	41	82	98	121	370
	%	1.1%	2.4%	4.1%	11.1%	22.2%	26.5%	32.7%	100%
20.12 Corruption affects the performance of my business.	Count	44	74	40	28	37	63	84	370
	%	11.9%	20.0%	10.8%	7.6%	10.0%	17.0%	22.7%	100%
20.13 Crime in my environment affects the performance of my business.	Count	70	116	54	28	22	47	33	370
	%	18.9%	31.4%	14.6%	7.6%	5.9%	12.7%	8.9%	100%

Source: Author's own computation

As indicated in Table 5.28, small business owners chose to agree that they are aware of the availability of government funds (30.8%), they are aware of the availability of commercial bank funds (31.9%) and they are aware of funds from microfinance institutions (30.8%). Only 8.4% slightly agree that they are aware of funds from close friends and family. Furthermore, small business owners agreed that government encourages business education and training (34.3%), government facilitates network and partnership of businesses (29.7%), government regulations affect the performance of their businesses (26.5%) and that tax levies affect the performance of their businesses (41.4%).

Whereas, small business owners chose to disagree that corruption and crime in their environment affect the performance of their businesses (31.4% and 22.7% respectively). They also slightly disagree that they are aware of funds from business angels (23.8%) and strongly disagree that they are aware of government grant application requirements and procedures (32.7%).

5.7.2 Principal Component of Government and Private Financial Institutions

Table 5.29: KMO and Bartlett's Test of government and private financial institutions

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.741
Bartlett's Test of Sphericity	Approx. Chi-Square	2708.589
	df	91
	Sig.	0.000

Source: Own computation, results obtained from SPSS

As shown in Table 5.29, the KMO measuring the sampling adequacy for government and private financial institutions data was found to be 0.741 (greater than 0.5), with the BTS value also statistically significant (p of 0.000; approx. Chi-square of 2708.589 and df = 91). This implies that the data or variables were sufficiently large for factor analysis. 13 variables on government and private financial institutions were selected for the PCA. The results of the PCA is presented in Tables 6.30 and 6.31.

Table 5.30: Total Variance Explained of the government and private financial institutions variables

	Total Variance Explained								
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.684	28.336	28.336	3.684	28.336	28.336	3.015	23.195	23.195
2	2.648	20.368	48.705	2.648	20.368	48.705	2.868	22.060	45.255
3	1.452	11.168	59.872	1.452	11.168	59.872	1.597	12.281	57.536
4	1.172	9.012	68.884	1.172	9.012	68.884	1.475	11.348	68.884
5	0.992	7.627	76.511						
6	0.734	5.647	82.158						
7	0.652	5.017	87.175						
8	0.503	3.870	91.045						
9	0.422	3.244	94.290						
10	0.346	2.664	96.953						
11	0.184	1.412	98.366						
12	0.136	1.046	99.412						
13	0.076	0.588	100.000						
Extraction Method: Principal Component Analysis.									

Source: Own computation, results obtained from SPSS.

The factor analysis findings indicate a set of four extracted factors which are generated (as per the Kaiser criterion) jointly account for about 68.9% of the total variance mainly in government institutions influencing business performance in Yaoundé and Douala. Table 5.30 identifies these four factors, with eigenvalues ranging from 3.684 to 1.712 (Table 5.30). Furthermore, a scree plot (see appendix 10, page 278) is provided and confirms the extraction of four components, with an eigenvalue above 1.

Table 5.31: Rotated Factor Matrix of Government and Private Financial Institutions Variables

Rotated Component Matrix[a]				
	Component			
Institution indicators	1	2	3	4
19.4 I am aware of funds from microfinances	0.902			
19.2 I am aware of the availability of commercial bank funds.	0.872			
19.1 I am aware of the availability of government funds.	0.726			
19.3 I am aware of government grant application requirement and procedures.	0.591			
19.5 I am aware of funds from close friends and family.	0.568			
19.6 I am aware of funds from business angels.	0.429			
19.9 Tax levies affect the performance of my business.		0.939		
19.10 Tax laws affect the performance of my business.		0.915		
19.11 Government regulations affect the performance of my business.		0.915		
19.7 Government encourages business education and training.			0.839	
19.8 Government encourages network and partnership of businesses.			0.786	
19.12 Corruption affects the performance of my business.				0.715
19.13 Crime in my environment affects the performance of my business.				0.569
Cronbach's Alpha	**0.806**	**0.943**	**0.720**	**0.483**
Variance Explained (Total=68.88%)	**28.33%**	**20.37%**	**11.17%**	**9.01%**
Label	**Awareness of source of funds**	**Government regulations**	**Government support**	**Corruption and crime**
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 7 iterations.				

Table 5.31 reports the rotated factor matrix of government and private financial institutions variables. The first component accounts for 28.33% of the variance explained. It comprises six variables which include 'I am aware of funds from microfinances' (loading = 0.902), 'I

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am aware of the availability of commercial bank funds' (loading = 0.872), 'I am aware of the availability of government funds' (loading = 0.726), 'I am aware of government grant application requirements and procedures' (loading = 0.591), 'I am aware of funds from close friends and family' (loading = 0.568) and 'I am aware of funds from business angels' (loading = 0.429). Since all these variables within this cluster are related to awareness of funds, this component is labelled as 'Awareness of source of funds'. Furthermore, this component was found to be reliable with a Cronbach alpha of 0.806.

The second component accounts for 20.37% of the variation and has a Cronbach alpha of 0.943. It comprises variables such as 'tax levies affect the performance of my business' (loading = 0.939), 'tax laws affect the performance of my business' (loading = 0.915) and 'government regulations affect the performance of my business' (loading = 0.915). This component is labelled as 'government regulations'.

The third cluster accounts for 11.17% of the total variation of government and private financial institutions variables and is represented by variables such as 'government encourages business education and training' (loading = 0.839) and 'government encourages network and partnership of businesses' (loading = 0.786). This component has a Cronbach alpha of 0.720 and is labelled as 'government support' (Table 5.31).

The fourth component accounts for only 9.01% of the total variation and is made up of variables such as 'corruption affects the performance of my business' (loading = 0.715) and 'crime in my environment affects the performance of my business' (loading = 0.569). This component has a very poor Cronbach alpha of 0.483 and is labelled as 'Corruption and crime' (Table 5.31).

Although crime and corruption are known to affect the performance of businesses, this component is omitted for further use in the current study, as its Cronbach alpha (0.483) was very low, below 0.7 (see Table 5.31).

After identifying government and private financial institutional clusters using PCA, the next step toward achieving objective four of this study, is to test whether these variables have a positive or negative influence on business performance using a multivariable linear regression model (MLRM).

In the MLRM, small business performance (BP) is the dependent variable expressed in terms of labour employment (BP1), profit (BP2) and sales revenue (BP3), and the independent

variables are generated from the principal component analysis. These variables range from awareness of source of funds and government regulations to government support components (see Table 5.32). A component score for each cluster was automatically generated using SPSS's compute variable function (by clicking on the following command, score, save as variables, regression). This is a predicted component score for each observation (total 370) and is automatically saved for each observation in the main dataset. A similar approach was also used to generate growth constraint factors in a research on informal sector entrepreneurs' willingness to formalise their businesses (Mukorera, 2014; Zogli, 2017).

To generate a score for each component using SPSS, the computation of variables is done by multiplying each component loading (Table 5.32) to the government and private financial variables, as indicated in the first three components of the rotated matrix. The fourth component was not chosen because of its low Cronbach alpha (0.483), as indicated earlier. (the computed SPSS results are provided in the appendix 17, page 305). The generation of component scores is as follows:

1. For component (1) labelled as *awareness of source of funds* = [(0.902 * I am aware of funds from microfinances) + (0.872 * I am aware of the availability of commercial bank funds) + (0.726 * I am aware of the availability of government funds) + (0.591 * I am aware of government grant application requirement and procedures) +(0.568 * I am aware of funds from close friends and family) + (0.429 * I am aware of funds from business angels)].

2. For component (2) labelled as *government regulations* = [(0.939 * tax levies affect the performance of my business) + (0.915*tax laws affect the performance of my business) + (0.915 * government regulations affect the performance of my business)].

3. For component (3) labelled as *government support* = [(0.839 * government encourages business education and training) + (0.786 * government encourages network and partnership of businesses)].

5.7.3 Application of the Multivariate Linear Regression Model to the Study

After generating the required variables in SPSS, small business performance, in terms of labour employment, profit and sales revenue, as the dependent variable, is regressed on awareness of source of funds, government regulations and government support (the

independent variables) using a multivariate linear regression model (MLRM). The initial model (1) is written as follows:

Small business performance (BP$_i$) = $\boldsymbol{\beta_0}$ + $\boldsymbol{\beta_1}$*awareness of source of funds + $\boldsymbol{\beta_2}$* government regulations + $\boldsymbol{\beta_3}$* government support + error term (Model 1).

With i ranging from 1 to 3.

- 1= small business performance in terms of labour employment, measured in number of people employed.
- 2 = small business performance in terms of sales revenue, measured in hundred thousand CFA francs.
- 3= small business performance in terms of profit, measured in hundred thousand CFA francs.

5.7.3.1 Hypothesis Testing using the MLRM

Null hypothesis (NH): Government and private financial institutions variables *do not influence small business performance*

Alternative hypothesis (AH): Government and private financial institutions variables *influence small business performance.*

The MLRM is applied to determine whether the cluster of government and private financial institutions variables generated, hinder, or amplify small business performance. The MLRM results are presented in Table 5.32.

Table 5.32: Regression Results: Effect of Government and Private Financial Institutions Variables on Small Business Performance

Dependent Variable	Parameter	β	Std. Error	t	Sig.	95% Confidence Interval[d] Lower Bound	Upper Bound
Change in employment[a] (model 1)	Intercept	3.386	0.154	21.935	0.000	3.083	3.690
	Awareness of source of Funds	0.231	0.155	1.494	0.136	-0.073	0.535
	Government regulations	-0.145	0.155	-00.938	0.349	-0.449	0.159
	Government support	0.601	0.155	3.885	**0.000**	0.297	0.905
Change in sales revenue[b] (model 2)	Intercept	0.781	0.068	11.566	0.000	0.648	0.914
	Awareness of source of Funds	**0.146**	0.068	-2.164	**0.031**	-0.279	0.130
	Government regulations	**-0.197**	0.068	-2.913	**0.004**	-0.330	-0.064
	Government support	**0.178**	0.068	2.636	**0.009**	0.045	0.311
Change in profit[c] (Model 3)	Intercept	0.665	0.069	9.608	0.000	0.529	0.801
	Awareness of source of Funds	0.175	0.069	-2.523	**0.012**	-0.311	0.390
	Government regulations	-0.044	0.069	-0.638	0.524	-0.181	0.092
	Government support	0.175	0.069	2.521	**0.012**	0.038	0.311

a. R squared = 0.48 (Adjusted R squared = 0.37); F (4, 366) = 45.56   Prob> F = 0.001

b. R squared = 0.51 (Adjusted R squared = 0.41);   F (4, 366) = 70.15   Prob> F = 0.000

c. R squared = 0.47 (Adjusted R squared = 0.36),   F (4, 366) = 44.74   Prob> F = 0.002

d. Model computed using alpha = 0.05

Source: Own computation, results obtained from SPSS.

5.7.3.2 Interpretation of the Regression Results (Model 1) – Labour Employment

The effect of government and private financial institutions on small business performance in terms of labour employment can be written as:

Small business performance (labour employment) = 3.386 + 0.231*awareness of source of funds - 0.145*government regulations + 0.601* government support + ε (Model 1).

The results also show the overall significance of the second model (model 1) [F(4, 366) =45.56; Prob>F =0.001], suggesting that the three variables: awareness of source of funds (β = 0.231, p=0.155), government regulations (β = -0.145, p =0.349) and government support (β = 0.601, p=0.000) together impact on small business performance and account for about 48% (R^2 =0.48) of the variation in labour employment (see Table 5.32).

Labour employment is measured in terms of the number of people employed in the business. The regression results show that the sign of the three-explanatory variables in model 1 are consistent with the literature. The beta coefficient for awareness of source of funds (β = 0.231) is positive, which implies that there is a positive relationship between awareness of funds and performance in terms of labour. As entrepreneurs are made aware of various sources of funds, more seed capital may be found and injected in businesses, which may result in more possible job creation. However, the influence of the awareness of source of funds on performance in terms of labour employment was not significant (p=0.155>0.05) in model 1. Hence, one failed to reject the null hypothesis that government and private financial institutions variables do not influence performance in terms of labour employment in Yaoundé and Douala.

Furthermore, the regression equation shows an inverse relationship between government regulations and performance in terms of labour employment (β = -0.145). Though government regulations appear to be a hindrance to the performance (in terms of labour employment), its effect on labour employment was not significant (p=0.349>0.05) in model 1. Government regulations do not contribute to job creation, which is much needed in Cameroon.

In terms of government support, the result in model 1 shows a positive beta coefficient (β = 0.601; p=0.000). This finding shows that government support is a significant contributor to performance in terms of labour employment in Yaoundé and Douala. More government support is helpful to job creation in Cameroon.

5.7.3.3 Interpretation of the Regression Results (Model 2) – Sales Revenue

Among the three regression models presented in Table 5.32, the middle one (model 2) with small business performance in terms of sales, as the dependent variable is found to be the 'best model' since its R^2 = 0.51. Its Adjusted R^2= 0.41 is greater than the two other regression models. Hence, the interpretation and discussion of results will be based mainly upon this model. The 'best' model can be written as:

Small business performance (in terms of sales revenue) = 0.781 + 0.146*awareness of source of funds - 0.197*government regulations + 0.178* government support + ε (**Model 2)** (Table 5.32).

The results also show the overall significance of the second model (model 2) [$F_{(4, 366)}$ =70.15; Prob>F =0.000], suggesting that the three variables: awareness of funds (β = 0.146, p=0.031), government regulations (β = -0.197, p =0.004) and government support (β = 0.178, p=0.009) together, impact on small business performance and account for about 51% (R^2 =0.51) of the variation in sales revenue (Table 5.32).

Sales revenue is measured in monetary terms expressed in hundred thousands of CFA francs. According to the MINSSEP (2018), small businesses are defined with an initial capital investment of 500 000 CFA francs. Furthermore, whether business performance in terms of sales revenue is good or bad, entrepreneurs are likely to make up sales revenue going up to at least by hundred thousand CFA francs, on an average monthly basis (NIS, 2010).

The present study confirms the NIS's (2010) statement in section 6.5.2 (Table 5.10), as 26 small businesses (representing 7.0% of the sample), in Yaoundé and Douala increased their sales revenue by up to 100 000 (hundred thousand) CFA francs over the past two years. 56 small businesses (15.1%) increased their sales revenues between 100 001-200 000 CFA francs, 129 small businesses (34.9%) increased their sales revenues between 200 001– 300 000 CFA francs and only 13 small businesses (3.5%) small businesses increased their sales revenues beyond 300 000 CFA francs, over the same period (2years). As such, sales revenue is measured in hundred thousand CFA francs monetary terms to facilitate the interpretation of the results in this study.

In terms of awareness of source of funds, the findings reveal that as the perceived awareness of source of funds increases by one-point, small business performance in terms of sales increases by 1.46 hundred thousand of CFA francs (14600 CFA francs) per month on average, *ceteris paribus.*

This finding suggests that as 'government regulations' increases by one-point, small business performance in terms of sales revenue **decreases** by 0.197 hundred thousand of CFA francs (19700 CFA francs) per month on average, ceteris paribus.

As the perceived government supports increase by one-point, small business performance in terms of sales revenue increases by 0.178 hundred thousand of CFA franc (i.e. 17800 CFA franc) per month on average, *ceteris paribus.*

Table 5.31 also shows that in model 2 the three explanatory variables are statistically significant at 1% and 5% level. (Awareness of source of funds, p=0.031; business regulations, p=0.004 and government supports, p=0.009). This implies that one would reject the null hypothesis that government and private financial institution variables (awareness of source of funds, government regulations and government support) have no effect on small business performance. Therefore, the availability of sources of funds, combined with less government regulations and more government support are critical for business performance viewed in terms of sales outcomes. Implications of results would be discussed in greater detail in the next chapter. Overall, the result tends to support Baumol's sales revenue model.

5.7.3.4 Interpretation of the Regression Results (Model 3) - Profit

The effect of government and private financial institutions on small business performance in terms of profit, can be written as:

*Small business performance (profit) = 0.665 + 0.175*awareness of source of funds - 0.044*government regulations + 0.175* government support + ε (**Model 3**) (Table 5.32).*

The results also show the overall significance of the third model (model 3) [$F_{(4, 366)}$ =0.47; Prob>F =0.002], suggesting that the three variables: awareness of source of funds (β = 0.175, p=0.012), government regulations (β = -0.044, p =0.524) and government support (β = 0.175, p=0.012) together, impact on small business performance and account for about 47% (R^2 =0.47) of the variation in profit (Table 5.32).

Profit is measured in monetary terms, expressed in hundred thousand of CFA francs, similar to sales revenue. In terms of awareness of source of funds, its effect on profit is positive and significant (β = 0.175, p=0.012<0.05). The findings reveal that as the perceived awareness of source of funds increases by one-point, small business performance in terms of profit increases by 0.175 hundred thousand of CFA francs (i.e. by 17500 CFA francs) per month on average, *ceteris paribus.*

This finding suggests that as 'government regulations' increases by one-point, small business performance in terms of profit decreases by 0.044. However, the effect of government regulations on performance in terms of profit was not statistically significant (p=0.524>0.05).

As the government support increases by one-point, small business performance in terms of profit increases by 0.175 hundred thousand of CFA francs (17500 CFA francs) per month on average, *ceteris paribus*. The finding shows that government support impacts significantly on performance in terms of labour employment and sales revenue, as shown in model 1 and 2, and in terms of profit in model 3. Therefore, for profit performance there is a need for entrepreneurs to be more aware of various sources of funds available and for government to strengthen its support to small business. Government support is helpful to business performance across all investigated measures, whereas government regulations play a negative role, and hence hinder business performance.

5.8 Synthesis

The results of the present study show that business owners are motivated to engage in business activities as a way of investing their capital or savings in a productive venture, but also enjoying the independence of entrepreneurship. Furthermore, small business owners need human, financial and social capital to ensure business performance.

On the other hand, various constraints adversely affect business development. The current study found that the major constraints to small business performance in Yaoundé and Douala are 'lack of adequate training in bookkeeping', 'shortage of raw materials', 'poor technology', 'municipal harassment', and 'difficulty in getting loans'. Government support helps in improving business performance, while government regulations are one of the main barriers to business growth.

5.9 Conclusion

The study is driven by four objectives. The first objective is related to the motivation for engaging in small business activities. Two main motives emerged which included opportunities to use one's talent and family resources to generate income, and benefits of independence from entrepreneurship as being one's boss. These motives account for approximately 50.71% of the total variance in motivation for business activities in Yaoundé and Douala.

The second objective looks at the interplay between human, financial, and social capital and the extent to which these three forms of capital influence business performance. Using a SEM approach, a positive correlation was found between human, financial, and social capital. Hence, these three elements of entrepreneurial capital complement each other. However, the factor analysis indicated that a fourth element of capital, namely employee human capital (EHC), is also critical as part of entrepreneurial capital. Together, SC, FC, OHC and EHC accounted for 65.586% of total variance in entrepreneurial capital.

The study found that owner human capital (OHC) has the strongest effect on small business performance in Yaoundé and Douala with a coefficient weight of 0.528. This is followed by the financial capital (FC) with a coefficient weight of 0.420; the employees' human capital (EHC) with a coefficient weight of 0.207; and the social capital (SC) with a coefficient weight of 0.120 respectively. Furthermore, the effect of OHC and FC and EHC on the performance of small businesses are all positive, and statistically significant at 0.01 level, and SC is significant at 0.05 level.

Regarding the third objective relating to the constraints to small business performance, five major constraints were identified. These ranged from skills and finance inadequacies to government regulations. Together, these represented about 61% of total variance in constraints to business performance.

The study also looked at whether the influence of mainly government and private financial institutions hinder or support business performance in order to achieve objective four. The results indicate that government regulations have the strongest adverse impact on small business performance in terms of sales revenue and employment generations as well as profit. However, government support was found to enhance performance significantly across the three investigated measures.

The next Chapter provides a discussion of the findings from this chapter.

CHAPTER SIX

DISCUSSION OF FINDINGS

6.1 Introduction

This chapter discusses the research findings based on data analyses presented in the previous chapter. The chapter begins by discussing the demographics of small business owners (section 6.2) and their economic activities (section 6.3), followed by the main factors influencing their entry into business entrepreneurship in Cameroon (section 6.4). Section 6.5 looks at the interplay between different types of entrepreneurial capital and business performance; followed by a discussion of the constraints to business performance (section 6.6). The role of government and private financial institutions in strengthening or hindering the performance of small businesses in Cameroon is discussed in the last section.

6.2 Demographics of Small Business Owners

In this study, most business owners surveyed in Yaoundé and Douala were male (63%) (see Table 5.1). The study investigated the difference in profit performance between males and females using a t-test analysis. The result indicated that on average, male business owners tend to have an edge (mean performance = FCFA 23061) over females (FCFA 19705) in profit; however, the result was not significant (t=0.580; p=0.562). Similarly, male operators tend to employ, on average, more labour (mean = 8.54) than their female counterparts (mean = 7.84); this result was significant (t=3.130; p=0.02). Further, male entrepreneurs tend to perform better, on average (mean performance = FCFA 332024.65) than females (mean performance = FCFA 295399.57), in terms of sales revenue; the result was significant at 10% level (t=1.128; p=0.084). (See appendix 16 a-b, page 299-300, for more details).

Performance results in terms of gender in the current study corroborates with the findings of Fairlie and Robb (2009) who in a study in the United States of America (USA), found that more males than females tend to go into self-employment; and male-owned ventures are more successful than their female counterparts. In making comparisons between male-owned ventures and their female counterparts, Fairlie and Robb (2009) argue that poor performance of female-owned businesses is attributed to their inability to secure start-up capital, and low human capital acquired through prior work experience in a similar enterprise than male business owners. Furthermore, female business owners work fewer hours and may have different goals for their businesses, which may have implications on business performance

(Fairlie and Robb, 2009). Similarly, Zinger *et al.* (2005) provide evidence from Canada that suggests levels of performance of female-owned businesses are more modest than those owned by their male counterparts.

Other studies also tend to support the view that female-owned businesses perform worse than their male counterparts in terms of sales revenue, assets, profit margins, and likelihood of survival in the UK (Rosa *et al.*, 1996) and in Kenya (Kimuyu, 2002). However, Chirwa (2008) in Malawi found no significant difference in profit margins between the performance of firms owned by females and those owned by males. However, he found that female-owned businesses tend to grow more rapidly in terms of employment than male-owned ones.

In terms of age, the current study indicates that most business owners were in the age range of 36-45 (49.2%) (Table 5.1). This result may suggest that Cameroonian business owners, regardless of their gender, are young and more likely to be productive compared to their older counterparts. Moreover, with the young people being more tech-savvy and able to apply new technology easily, their businesses can advance faster than those owned by their older counterparts (Pinazo et al., 2016). However, there are critics that believe that age has no significant influence on performance of businesses (Akehurst *et al.*, 2012; Mas-Tur *et al.*, 2015).

The current study also found that 42% of business owners have a bachelor's degree (Table 5.1). An increase in knowledge should lead to an increase in productivity. This means that the more knowledge one has, the more useful she/he is. Another benefit of knowledge, such as education is that, it is perpetual. Thus, once knowledge is developed, it can continually be used to benefit entrepreneurs and enhance their businesses. Dobbs and Hamilton (2007) support the argument that education improves communication skills, develops critical thinking, and assists in making rational decisions, which contribute to business performance. In addition, one may argue that education can enhance entrepreneurial effectiveness, which comprises the ability to hire and manage a larger number of individuals. The present study lends support to the work of Daniels and Mead (1998:63) who found that entrepreneur education has a positive and significant effect on business performance in Kenya.

As much as business owners are encouraged to enhance their education level, they need to motivate their employees to further their education as well. Mkocha (2005), puts it succinctly that, more educated personnel tended to be more productive in generating sales revenue in a business in Tanzania as compared to their less educated counterparts. Moreover, businesses

with educated staff are likely to keep more business records compared to those with an uneducated workforce (Mkocha, 2005).

Additionally, the current study found that 35.9% of entrepreneurs in Yaoundé and Douala had about 4 to 8 years' work experience prior to self-employment (Table 5.1). Prior working experience can possibly increase entrepreneurs' ability to exploit market opportunities, establish and maintain business connections with potential buyers or suppliers, government, financial institutions and microfinances, as well as family and close friends. Such prior working experience can help entrepreneurs enlarge their network and strengthen their business ties. Regarding prior work experience, the result of the present study is consistent with those of Dyke *et al*. (1992:79), and Stuart and Abbetti (1990), who also found a significant relationship between prior working experience and business performance.

In the current study, 91% of the surveyed entrepreneurs were Cameroonians. Furthermore, 41.9% of the surveyed entrepreneurs had been in business for 3 to 6 years (Table 5.1). However, most of the businesses have been operating for almost 2 years. These findings show that the surveyed Cameroonian business ventures are relatively young with great potential to grow. This result is somewhat consistent with the findings of Davidsson (2002) who found a positive association between business age and performance.

The study investigated whether there is a locational difference in performance i.e., whether average performance in Douala is different from that in Yaoundé. The t-test result indicated that on average, entrepreneurs in Douala tend to have an edge in profit (mean performance = FCFA 25734.58) over their counterparts in Yaoundé (FCFA 17956.87) However, the result was not significant (t=1.403; p=0.162) (See Appendix 16d, page 302). Similarly, business operators in Douala tend to employ, on average, more labour (mean = 8.37) than their counterparts in Yaoundé (mean = 7.98). This result was also not significant (t=1.161; p=0.246). However, entrepreneurs in Douala tend to perform better, on average, (mean performance = FCFA 336400.82) than their counterparts in Yaoundé (mean performance = FCFA 301120.04) in terms of sales revenue. The result was significant at 10% level (t=1.075; p=0.083) (See Appendix 16f, page 304 for more details).

6.3 Economic Activities of Small Business Owners

The study found that most small business owners in Yaoundé and Douala are involved in the service sector (Table 5.2). This sector seems attractive to several aspiring and established entrepreneurs. This finding may be attributed to the fact that, far less financial capital is

required than that typically required to open a manufacturing, construction, or wholesale business. The study lends support to the work of Eljaer (2014) who argued that entrepreneurship in both the private and public service sector dominate modern society in terms of jobs and production. The use of new technology in this sector may enable business owners in Cameroon to be more competitive in the labour market and hence, be able to create jobs.

6.4 Discussion of Factors Influencing Entry into Small Business Entrepreneurship in Cameroon

The first objective of the study sought to find out the factors influencing entry into small business in Yaoundé and Douala. To achieve this objective, a factor analysis was used. Push factor in the form of retrenchment was not found to be a major motivation.

Entrepreneurs constitute a very diverse group of individuals. Each of them has a different incentive for engaging in entrepreneurial ventures. The result of the factor analysis indicated that opportunities to use one's talent as motivation for entrepreneurship, is the main composite factor influencing entry into small business in Yaoundé and Douala (34.12% of the variance explained in rotated factor matrix; see Table 5.7, page 147). This motivation encompasses four variables, namely: investing capital (or savings) in a productive venture (loading = 0.653), desire for independence (loading = 0.644), suitable business opportunity (loading = 0.465), and adequate experience from previous jobs (loading = 0.420). The finding suggests that the attractions of investment returns from running one's own business, self-independence, autonomy, income generation for the family, and the joy of exploiting a business opportunity, are the main factors that pulled individuals into small business entrepreneurship in Yaoundé and Douala. These pull factors are consistent with what was obtained in the literature. Furthermore, the result is consistent with Aziz et al. (2013) who observed that people are motivated to start an entrepreneurial venture for the sake of being able to control, not just one's work life, but also having control over one's own time and work, making independent decisions, and having flexibility to combine both work and one's personal life.

6.5 Interplay between Entrepreneurial Capital and Small Business Performance

Capital is a critical input in the formation and growth of a firm. There cannot be a firm without entrepreneurship, and for the exercise of effective entrepreneurship, entrepreneurial capital is indispensable. Drawing from the resource-based theory, the second objective of the

present study was aimed at finding out how the interplay between human, financial and social capital influences small business performance in Cameroon, using structural equation modelling (SEM).

6.5.1 Entrepreneurial Capital: Human, Financial and Social Capital

The findings of this study show that in the entrepreneur-owner human capital (OHC) cluster, entrepreneurs' experiences had the highest loading (0.777), followed by their business skills (loading = 0.710) (see Table 5.17, page 168). From these findings, one can argue that most small business owners used their previous job experiences and skills to build their own businesses.

Concerning the skill of the entrepreneur, the findings show that 219 respondents (59.2%) agreed to the statement that they had adequate skills for the business, followed by 90 respondents (25.7%) who strongly agreed to that statement, while 30 respondents (8.1%) only slightly agreed to it (Table 5.8, page 150). Overall, the skill of an entrepreneur plays an important role in shaping the performance of the small business. This result is consistent with the findings of Mari et al. (2016) whose study in Italy, revealed that entrepreneurs' skill is vital to do well in businesses.

The training of the entrepreneur variable recorded the lowest loading (0.667) of the OHC cluster (Table 5.17, page 164). This item could be regarded as the entrepreneur weakness as more training of employees is needed to ensure that employees have the right skills for the small business. One can also argue that small business owners in Yaoundé and Douala use their own human capital (experience and skill) coupled with their employees' human capital (i.e. training and skills, education level pf the workers) to ensure a sound performance of the small business.

Additionally, on the education of the owner and their employees, the findings reveal that 162 out of 370 respondents (43.8%) agreed to the statement that their level of education is adequate for the small business they are involved in, and 93 respondents (25.1%) strongly agreed to the same statement. Similarly, 127 out of 370 respondents (34.3 %) agreed that their employees have an adequate level of education for the small business they are employed for, while 82 respondents (22.2%) strongly agreed that their employees have an adequate level of education (Table 5.8). This finding is consistent with Kimosop's et al.'s (2016) findings in Kenya, showing that entrepreneurs' formal education may be a vital factor in the performance of their businesses. However, formal education of the owner (coefficient loading

of 0.669) and of the employees (coefficient loading of 0.707) (Table 5.17) were not major variables to boost small business performance in Yaoundé and Douala. Furthermore, while 155 respondents out of 370 (42%) were found to have at least a bachelor's degree (Table 5.1, page 139), this did not translate into more job creation and earnings.

Moreover, financial capital in terms of microfinance loans had the highest coefficient loading (0.892), followed by loans from banks (loading = 0.872) (Table 5.17, page 164). The findings support the idea that microfinance firms tend to be more flexible than commercial banks in providing loans to business owners in Cameroon. A related study by Yunus (1999) supports this view and asserts that microfinance was the solution to help entrepreneurs in their business ventures in Bangladesh. Olowe et al. (2013), in Nigeria, also found that financial services obtained from microfinance banks (MFBs) had positive and significant influence on small and medium businesses' growth. With the use of microfinance institutions, business owners can have access to several products, such as credit, savings, and other financial services not easily accessible from commercial banks, mainly due to lack of collateral and ease access to banks (Newman et al., 2017). In this way, microfinance banks may be regarded as a financial institution which provides Cameroonian entrepreneurs with a minimal capital for the start-up and expansion of their small businesses. Furthermore, with government support and help of commercial banks, through bank loan incentives, many of these small businesses can access such loans and expand their businesses.

With regard to social capital, business owners have strong networks with government and private financial institutions; family and close friends. The study revealed that variables such as 'I have a good relationship with my suppliers' recorded the highest coefficient loading (0.840), followed by 'I have a good relationship with the financial institutions (banks and/or microfinance institutions)' (loading = 0.832) and 'I have a good relationship with close friends and family and/or cooperatives' (loading = 0.805) (Table 5.17, page 164). One can argue that while business owners maintain very good relationships with their suppliers to get the necessary inputs or raw materials needed for the running of their businesses, they also need to remain credible, and in good terms with microfinance institutions and banks to secure loans.

Additionally, small business owners' relationships with their family members and close friends are of great importance, as they enable them to receive the necessary support (moral, physical, and financial), which have a positive influence on the performance of businesses.

Family members and close friends' support can be in form of emotional encouragement, understanding, attention, and an overall positive attitude from family or close friends, which can translate to improved businesses' performance for the owners. This result, based on social capital, is consistent with the findings of Powell and Eddleston (2013) and that of Akehurst et al. (2012) which highlight that family members and close friends constitute an essential source of support to business owners and are an essential element for business performance.

6.5.2 Discussion on the Interplay between Human, Financial and Social Capital

Research hypotheses H_1, H_2 and H_3 (Table 4.8; page 126) examined the interplay between human capital of the owner and employees, financial capital, and social capital. The results (Table 5.21, page 170) indicated that there is a good and significant correlation between entrepreneur-owner human capital (OHC) and labour or employees' human capital (EHC) (r = 0.610; p = 0.000). There is a moderate and significant correlation between financial capital (FC) and employees' human capital (EHC) (r = 0.560; p = 0.000) and between financial capital (FC) and entrepreneur-owner human capital (OHC) (r = 0.530; p = 0.000) (Table 5.21). Furthermore, the results indicate a weak but significant correlation between financial capital (FC) and social capital (SC) (r = 0.40; p = 0.000); between social and entrepreneur-owner human capital (r = 0.347; p = 0.000); and between social capital and employees' human capital (r = 0.322; p = 0.000) (Table 5.21, page 170). The findings suggest that different elements of entrepreneurial capital complement each other in influencing performance.

The results of the current study corroborate the findings of Sanders and Nee (1996) who argued that an increase in human capital leads to a positive effect on social capital. These scholars claimed that human and social capital are complementary to each other. Indeed, the greatest resource a firm may possess is its people. Investment in human capital done by entrepreneurs themselves or their employees leads to higher productivity and business activities. Furthermore, because people are social creatures, their interaction with others when doing business may in turn result in better business performance.

There is also a similarity in the findings between this study and those of Harding (2002) who argued that human capital has an influence on the ability of the small business owner to secure financial capital for a business. In other words, entrepreneurs investing in the quality of human capital are more likely to keep more business records, develop sound business

plans, and acquire capabilities to decipher information and disseminate it to financial institutions. This in turn, may result in securing financial capital. In addition, the findings of the current study revealed that small business owners in Yaoundé and Douala use their social capital (i.e. networks and social ties) as an alternative way to access financial capital for their businesses.

6.5.3 Discussion on the influence of Human, Financial and Social Capital on Small Business Performance

Research hypotheses H_4, H_5 and H_6 (Table 4.8; page 126) looked at the influence of human, financial and social capital on small business performance. The SEM results show that entrepreneur-owner human capital has the strongest significant effect on business performance (with a coefficient weight of 0.528, p = 0.000) (Table 5.22, page 171). This result suggests that business owners who invest in the quality of their human capital in terms of skills, knowledge, and ability are more likely to perform well. This finding supports the work of Storey (2010) who found that more skilled entrepreneurs tend to be more self-confident and feel less vulnerable when taking risks compared to those with low skills. Lucas (2015) puts it succinctly asserting that, ability influences performance, and entrepreneurs with more abilities tend to perform better in business.

Financial capital has the second strongest effect on performance (with a coefficient weight of 0.420, p = 0.000). This finding shows that finance is vital for the survival or expansion of any business. In addition, one could agree that where the capability exists to secure capital and manage funds among business owners, there is a high probability that these firms would do well in terms of generating profits, sales revenue, and labour employment. This study lends support to the work of Storey (2010) who found that a firm without adequate access to financial capital is often excluded from entrepreneurship, but those with access tend to experience faster growth.

The result of the study shows that employee human capital had a significant, but weaker influence on performance, with a coefficient weight of 0.207, p = 0.010 (Table 5.22). This suggests that the relevance of employee human capital cannot be ignored or overlooked when it comes to the performance of any business. The findings reveal that small business owners in Yaoundé and Douala should put emphasis on training their employees (HC$_7$), which had the highest factor loading (0.861) within the employees' human capital (EHC) cluster or construct (see Table 5.17). One can argue that through regular training, employees can be

equipped with new skills and knowledge to be more creative to contribute towards small business performance.

Regarding social capital, the SEM findings also reveal a significant influence on performance (with a coefficient weight of 0.120, p = 0.040) (Table 5.22). Social capital is vital to any business as it enables entrepreneurs to interact with others when doing business. In other words, entrepreneurs with greater interactions or networks tend to have higher levels of connectedness which underpins social capital. The findings are consistent with Putnam's (1993) who also found that social networks coupled with strong ties contribute to enhancing small business performance.

In this study, most entrepreneurs agreed to have a good relationship with their suppliers (SC9). This represented the highest factor loading (0.840) of the social capital cluster (Table .17, page 168). Hence, one could argue that developing good social networks with all business suppliers and stakeholders are vital for the running of the small business, as many small businesses in the service sector need raw materials and other inputs to run their activities and expand their small businesses.

6.6 Discussion on the Constraints to Small Business Performance in Cameroon

The third objective of the study was to identify the major constraints to small business performance. As detailed in section 6.6 of chapter six, the PCA was used to determine limitations. This study identified five sets of constraints which are both internal and external. The five sets of constraints were labelled as financial and managerial skills, input availability, infrastructure, transaction cost and regulations, as well as credit access (Table 5.27).

6.6.1   Internal Constraints

As indicated in section 3.17.1 of the literature chapter, internal constraints affect the performance of a small business from within the enterprise. In the current study, internal constraints refer to finance and managerial skills, as well as infrastructure of small businesses as detailed in section 5.6. Within the financial and managerial skills component, a lack of adequate training in bookkeeping of the business owners was the most critical constraint (highest factor loading of 0.840). This was followed by a lack of expertise in financial management and planning (loading = 0.801) (Table 5.27). Lack of business relationship was the fifth variable within the first constraint component, with the lowest loading of 0.547 respectively (Table 5.27).

Due to these constraints, many small business owners in Yaoundé and Douala are unable to read and analyse their financial statements. The analysis of financial figures comprises the evaluation and interpretation of financial statements, which relate to income, balance sheets, and cash flow statements. Hence, the lack of training in bookkeeping undermines small business owners' ability to assess the financial health of their businesses and make informed financial decisions about their firms. The findings are in line with Peterson and Fabozzi (2002:4-5) who in their book: *financial management and analysis*, observed that a solid assessment of the financial health may assist in cutting costs, improving revenue, and cash flows.

Additionally, the lack of expertise in financial management and planning by small business owners in Yaoundé and Douala means they would be unable to make a reliable estimate of future cash flows. Consequently, this compromises effective cash flow management, which is considered vital for the success of small businesses. This is because cash should move continually through the business to ensure that operations run smoothly. Moore et al. (2008) added that, the uneven nature of cash flows (inflows and outflows) make it imperative for such to be well managed. Effective cash flow management could help small businesses in Yaoundé and Douala to maximise their performance in terms of sales revenue, profit, and labour employment. The findings of the study conducted by the University of Cape Town's (UCT) Graduate School of Business, on small business in South Africa, suggested that 50% of small businesses have cash flow problems and about 60% of them have exhausted their bank overdraft and failed to pay their wages (GEM, 2004:94). More recent data from the GEM (2018) support this finding and stress that entrepreneurship in South Africa is underperforming, partly because of the lack of financial skills among business owners or among those in managerial positions within the business (GEM, 2018).

Moreover, employing individuals with the right skills in small business enterprises is also not just challenging, but costly, as entrepreneurial skills are mostly scarce to find than general managerial skills (Baker and Sinkula, 2009). Furthermore, entrepreneurship is quite complex than management, and not all small business owners are good managers. As such, one could suggest that, as entrepreneurs grow, there is a need for small business owners in Yaoundé and Douala to invest in training and education, to acquire the right financial skills and expertise needed to enhance their small business performance.

Another internal constraint to small businesses identified in the current study is infrastructure. This refers to poor technology and poor use of communication systems among small businesses in Yaoundé and Douala, as indicated in section 6.6.2. While numerous small business owners could benefit from the use of new technology to boost their production and service delivery, they rely on obsolete technology because of the high cost of new technology. For instance, almost, if not all small businesses in Yaoundé and Douala still rely on cash payment method instead of electronic payment. This increases the risks of carrying large amounts of money for business operations. In addition, some of these small businesses lack the means to upgrade their equipment (i.e. computers, software), hence holding back business performance. The results of the current study are consistent with Bouazza et al.'s (2016) study in Algeria which showed that, low levels of technology within businesses is one of the variables responsible for the unstable and limited growth of businesses. Additionally, findings by Kasemsap (2018) indicated that countries with high levels of technological growth tend to have high levels of entrepreneurial growth. Overall, component one, covering deficiencies in financial and managerial skills among surveyed business operators in Yaoundé and Douala, was the most critical internal constraint to business performance, as this cluster indicated that 26% of the variation in constraints, and efforts to enhance the financial and managerial skills of the entrepreneurs can contribute to better business performance.

6.6.2 External Constraints

In this study, input availability was the second cluster of constraint to small business performance in Yaoundé and Douala (Table 5.27). As discussed in section 5.6.2 in Chapter Five, this cluster is made up of four items, of which shortage of raw materials has the highest factor loading (coefficient of 0.720; Table 5.27).

Raw materials, such as food ingredients supply (i.e. soy, corn, nuts seeds and beans, coffee, fruits and vegetables including fresh and frozen herbs and spices) and packaging are needed in the food industry, one of the biggest business activities in Yaoundé and Douala (see Table 5.24, page 174). The shortage of raw materials is in part aggravated by poor road conditions for transport of goods and inputs as well as the problem of load shedding (erratic electricity supply) in many places where small businesses are established in Yaoundé and Douala. Similarly, in the latest report of Doing Business (2018), Cameroon was ranked 121st out of 190 economies in terms of getting electricity. This rank clearly shows that obtaining

electricity captured in terms of the steps to follow, time and cost to get connected to the electricity grid, the reliability of the electricity supply and transparency of tariffs, remains a challenge for entrepreneurs. Hakala and Kohtamaki (2011) also agreed that the irregularity of electricity supply, particularly, in many African countries, constitutes a major challenge to businesses. Without regular electricity supply, numerous small businesses are incapable of managing their production and service delivery, in Yaoundé and Douala. The electricity supply constraints slow down business activities, which could result in less supply of goods and services, leading eventually to low sales revenue as well as profit. Consequently, this constraint could lead to a decrease in productivity or shut down of businesses, which in turn could force firms to lay off their employees. The challenge entrepreneurs experience with the irregular electricity supply could indirectly affect performance by decreasing labour employment, and sale.

Additionally, poor performance of small business, mainly in terms of sales revenue and profit, is accentuated by the shortage of clients in the retailing and service sector in Yaoundé and Douala because of wrong location. Some of the small businesses are established in places with limited or without public services such as dustbin and toilets, which limit their ability to meet quality standards, especially hygiene. This is a drawback to those involved in food business activities. The shortage of clients is also aggravated by poor road infrastructures in Yaoundé and mainly in Douala, characterised by excessive traffic jams and inadequate parking spots, which limit clients' accessibility to the small business locations.

Another external constraint identified in this study is transaction cost and regulations. In this constraint cluster, 'municipal harassment' was the major challenge with a coefficient loading of 0.695 (Table 5.27, page 178). Moreover, as indicated in section 3.17 (Table 3.7, page 70), the registration process of businesses in Cameroon comprises several steps, involving many departments or ministries to oversee SMEs. This could lead not only to bureaucratic delays in issuance of business licenses but also in conflict of authority among departments or ministries, as it could open room for bribery and corruption; thus, increasing transaction costs. Municipal harassment has a negative influence on small business performance not just in Cameroon, but also across many other developing countries (Mitullah, 2003; Mahadea and Zogli, 2018).

The last external constraint to small business performance found in this study is access to credit. This set consists of two factors, difficulty in obtaining loans (coefficient loading of 0.737) and collateral security (loading = 0.668) (Table 5.27). It is globally recognised that

obstacles towards obtaining finance arise because of a lack of collateral security by the entrepreneur, lack of credit history, inability to produce acceptable business plans to financial institutions, poor market research and an absence of viable business ideas (GEM, 2014). Olowe et al. (2013) in their study in Nigeria observed that, while collateral security influences the performance of small and medium businesses negatively, high interest rates for accessing loans and frequency of loan repayment also cripple the expansion of these businesses. The case of Cameroon is not an exception as it faces credit accessibility problems much the same way as other countries.

Although banks and microfinance firms in Cameroon strive to provide loans, the banking sector's contribution to the Cameroonian small business sector is very little, if not insignificant (Cameroon Financial Sector Report, 2018). As indicated in section 2.4.2.4 of chapter two, the banking sector is characterised by excess liquidity, unnecessary bank regulations for accessing loans, which could hinder small businesses from receiving adequate financial support from commercial banks. Hence, failure to access credit hampers the performance of many small businesses. Because of this credit constraint, small business owners often regard banks' regulations for accessing loans as a burden. There is a need for government to provide more support to small businesses and to encourage commercial banks to simplify access to loans by formal small business owners, as well as to monitor the use of these loans to minimise defaults and enhance business performance in Cameroon.

6.7 Discussion on Government Institutions and Small Business Performance

Government plays an important role in the survival of businesses. To achieve objective four of the study, this section assesses the role of government and private financial institutions in facilitating or hindering the performance of small businesses in Cameroon.

In this study, the PCA (Table 5.31, page 185) isolates awareness of source of funds, government regulations and government support as well as corruption and crime, as critical components that facilitate or hinder the performance of small business in Cameroon. However, the component labelled 'corruption and crime' was omitted for further analysis and discussion in this study, as it was found to have a low reliability (Cronbach alpha = 0.483<0.7) (Table 5.31, page 185).

The finding shows that government support significantly impacts not only performance in terms of labour employment and sales revenue, as shown in model 1 and 2, but also in terms of profit in model 3. The discussion of the results is based on the regression model with small

business performance in terms of sales revenue, as the dependent variable was found to be the 'best model' (Table 5.32, page 189). Considering the 'best model', the findings reveal that awareness of sources of funds positively influences performance, by increasing sales revenue by 1.46 hundred thousand of CFA franc (14600 CFA franc) per month on average, for every extra fund source, *ceteris paribus*. This implies that, the more small business owners are made aware of various sources of funds (i.e. microfinances, banks, government funds and other business angel funds), and are well-informed about the application requirements and procedures, the more likely they are to access loans from these sources and strengthen their business performance. An increase in awareness of source of funds by various stakeholders boost business performance significantly in terms of sales revenue, as well as profit (model 3) (see Table 5.32, page 189).

The finding also shows that government support influences performance significantly by increasing sales revenue by 1.78 hundred thousand of CFA francs (17800 CFA francs) per month on average for every unit support, *ceteris paribus*. This implies that the more support government provides to small businesses in Yaoundé and Douala, the more business performance is improved, as government support is translated into more sales revenue. Furthermore, government support is mainly in terms of business education and training (factor loading 0.839) and promoting networking and partnership of businesses (factor loading =0.786, Table 5.31, page 185), which play an important role in facilitating the performance of small businesses in Yaoundé and Douala.

Although the 'best model' only expressed business performance in terms of sales revenue, the finding also shows that government support in Yaoundé and Douala has a positive and significant influence on small business performance in terms of labour employment (regression coefficient 0.601, p = 0.000) and in terms of profit (regression coefficient 0.0175, p = 0.012) (Table 5.32, page 189). One can argue that, government support to businesses is one of the major tools a country like Cameroon needs to help businesses do well by making more sales revenue and profit. Most importantly, considering that unemployment is a major problem, the Cameroonian government must review the support it offers to small businesses by providing incentives to produce more; therefore, creating more job opportunities.

The results of the 'best model' reveal that government regulation in Yaoundé and Douala hinders significantly the performance of small businesses by decreasing sales revenue by 1.97 hundred thousand of CFA francs (19700 CFA francs) per month on average, *ceteris paribus,*

for every additional regulation. With Cameroon's high VAT rate (19.25% as of 2018) as per the Cameroon Directorate General of Taxation (Code General des Impots-CGI, 2018), small businesses are being affected negatively. These businesses are unable to perform well, as tax levies take a big portion of their sales revenue, which in turn reduces their profits, lowers their ability to produce more, and create more job opportunities in the country. In addition to the tax levies, there are too many regulations; and compliance with the regulation process in Cameroon which can be very confusing and prohibitive. This regulation process imposes a heavy burden on many small business owners in Yaoundé and Douala (Table 3.7, page 70), which adds to their transaction cost. In terms of paying taxes, a report by Doing Business (2018) in Cameroon, ranked the country 183rd out of 190 economies. This rank reveals the extent to which Cameroonian entrepreneurs struggle with heavy levies (payments) to comply with all tax regulations.

Government regulations in Cameroon are found to have a consistently adverse impact on employment, sales revenue generation and profit, as indicators of business performance. While government support may have an amplifying influence on business development and performance, government regulations have a negative and hindering effect on the growth and development of small business entrepreneurship in Cameroon. The findings of this study are in support of the Austrian school of entrepreneurship, who have always advocated for market flexibility and less regulations, to spur economic growth and development of enterprises. Excessive regulations are found to be a liability to business development and small venture performance. The results indicate that for Cameroon to secure an 'optimal' development of entrepreneurship at the small business level, there is need for less government regulations and more institutional support.

In essence, what matters for business performance is to have few administrative hurdles, robust legal institutions, laws, and regulations that are based on international best practices (Doing Business Report, 2018:3). This business report further revealed that regulations that are considered efficient, clear, and applied in an easy way, enable firms to innovate, expand and make it simple for potential business owners to compete on an equal footing with their counterparts globally (Doing Business Report, 2018:11).

6.8 Conclusion

This chapter discussed the findings of the current study in comparison with other studies related to business performance. While the research findings tend to corroborate the findings

of other studies, some results disagreed with the findings of others. Entrepreneurial intention was found to be the main push factor in engaging in small business activities. These small business owners used their human capital (OHC) and their employees' human capital (EHC), financial capital (FC) and social capital (SC) to influence business performance. The study found that owner human capital (OHC) has the highest effect on small business performance in terms of labour employment, sales revenue and profit. The study also found a positive interplay between human, financial and social capital which complemented each other. With regard to human capital, the study found that while many respondents had at least a bachelor's degree, this was not translated into more earnings for the business entrepreneurship.

Furthermore, the study looked at the constraints to small business performance in Yaoundé and Douala. Internal and external constraints were identified. The major internal constraint related to financial and managerial skills and the major external one related to input and finance availability.

Finally, the study assessed the role of government institutions in amplifying or hindering business performance in Cameroon. The results found that awareness of source of funds impact significantly on small business performance in terms of sales revenue and profit. Government support plays a significant role in amplifying small business performance not just in terms of sales revenue, but also in terms of labour employment and profit. However, government regulation was found to be a barrier to small business performance in terms of sales revenue, employment, and profit.

Based on the results of the current study, one is able to come up with suitable policy recommendations regarding the enhancement of business performance in Cameroon. This is covered in the next chapter.

CHAPTER SEVEN

RECOMMENDATIONS AND CONCLUSION

7.1 Introduction

The main purpose of this study was to investigate the interplay of different types of capital on amplifying small business performance in Yaoundé and Douala, in Cameroon. The forms of capital considered are human, financial, and social capital; together these make up the building blocks of entrepreneurial capital.

This final chapter concludes with a synthesis of the salient findings of the study, followed by a section on policy recommendations for policy-makers, financial institutions, entrepreneurs, and their employees. The chapter ends with some limitations and provides recommendations for further study.

7.2 Background

The field work for this study was conducted between July and October 2017. A total of 370 small business owners were interviewed using a questionnaire. The sampled businesses were randomly selected from Yaoundé and Douala. Using a stratified random sampling technique, 185 business owners were interviewed from each region.

In the study, small businesses were operationally defined as Cameroonian service ventures, which employ between 6 and 20 people. Many firms were involved in restaurant-related activities (19%), pubs (13.2%), and livestock (11.6%) respectively (see Table 5.2, page 141).

The study started by identifying the factors influencing entry into small business entrepreneurship in Yaoundé and Douala (objective one). It further examined the interplay between entrepreneurial capital, and the extent to which different forms of capital influence small business performance (objective two). Furthermore, the study looked at the constraints to small business performance (objective three) and assessed the role of government and private financial institutions in facilitating or hindering the performance of small businesses (objective four). Based on the findings, policy recommendations relating to entrepreneurial capital, enterprise development, and small business performance in Cameroon are presented.

7.3 Synthesis

To achieve the first objective, factor analysis was used (see Table 5.7, page 147). The findings revealed that two extracted factors jointly explain 50.7% of the total variance relating to motivation for entrepreneurs to engage in small businesses.

The first cluster labelled 'opportunities to use one's talent' was found to be the main push factor influencing entry into business. While small business owners are a heterogeneous group of individuals, most of them are involved in business activities because they want to invest in a productive venture (loading = 0.653) and enjoy the independence benefits from entrepreneurship (loading = 0.644) (see Table 5.7, page 147).

The second objective looked at the interplay between human, financial and social capital, and the extent to which these entrepreneurial capitals influence business performance. To this end, the structural equation modelling (SEM) was used. Prior to using the SEM, the PCA was employed to isolate financial capital, social capital, and human capital as critical components influencing business performance. Human capital is examined under entrepreneur-owner and labour-employee capital. Together, these four clusters explain about two thirds of the variation in entrepreneurship performance; with the clusters having Cronbach's alphas ranging from 0.7 to 0.85 (see Table 5.17, page 164).

The SEM results indicate that entrepreneur-owner human capital has the strongest significant effect on business performance (with a regression coefficient weight of 0.528, p = 0.000) (see Table 5.22, page 171). This is followed by financial capital (with a regression coefficient of 0.420, p = 0.000) (see Table 5.22, page 171). Employee human capital and social capital also had a significant, but weaker influence on performance (with a coefficient weight of 0.207, p = 0.010 and coefficient 0.12, p = 0.040), respectively (see Table 5.22, page 171).

The correlation analysis of the SEM indicated that there was a good and significant association between owner (entrepreneur), human capital (OHC), and labour or employees' human capital (EHC) (r = 0.61, p = 0.000); between financial capital (FC) and EHC (r = 0.560, p = 0.000); between FC and OHC (r = 0.530, p = 0.000); between FC and social capital (SC) (r = 0.40, p = 0.000); between OHC and SC (r = 0.34, p = 0.000), and between the SC and EHC (r = 0.322, p = 0.000) (see Table 5.22, page 171). This result suggests that different elements of entrepreneurial capital are complementary to each other in influencing performance.

Regarding the third objective of the study, internal and external constraints affected business performance, with the clusters having Cronbach's alphas ranging from 0.50 to 0.852. The main internal constraint labelled 'financial and managerial skills' was mostly related to variables such as lack of adequate training in bookkeeping (loading = 0.840), lack of expertise in financial management (loading = 0.801) and lack of managerial skills (loading = 0.780) (see Table 5.27, page 178). Another major internal constraint labelled 'infrastructure' was identified. It related to poor technology (loading = 0.864) and poor use of communication systems (loading = 0.817) (see Table 5.27, page 178).

While looking at external constraints, components labelled 'inputs availability', 'transaction cost and regulations' and 'credit accesses' were identified. Among these, variables such as, difficulty in getting loans (loading = 0.737), shortage of raw materials (loading = 0.720) and municipal harassment (loading = 0.695), as well as the registration process (loading = 0.695) and high transaction costs (loading = 0.605) were found to be the major challenges to small business performance in Cameroon (Table 5.27, page 178).

Looking at the fourth objective of the study, the SEM findings show that components labelled 'awareness of source of funds' ($\beta = 0.0146$, $p = 0.031$) and 'government support' ($\beta = 0.178$, $p = 0.009$) play a positive and significant role in strengthening small business performance in terms of sales revenue and profit (Table 5.29, page 183). The regression result indicated that the component labelled 'government regulations' ($\beta = -0.197$, $p = 0.004$) had a negative and significant influence on business performance in terms of sales revenue (Table 5.29). Similarly, government regulations had a negative effect on employment and profit generation.

7.4 Policy Recommendations

According to the Ministry of SME Social Economy and Handicraft, the Cameroonian government is focusing on ameliorating the business climate in Yaoundé, Douala and the other regions. Based on the findings of this study, entrepreneurial capital, in terms of financial, social capital and human capital of both entrepreneurs and employees in a venture are complementary to each other and positively influence the performance of small businesses in Cameroon. Thus, these elements of entrepreneurial capital are to be strengthened if Cameroon is to experience a greater supply of effective entrepreneurship. Furthermore, small firms encounter various hurdles in their quest to grow and develop. These constraints need to be addressed and through this, small firms can contribute to job creation

and poverty reduction. The following section offers some recommendations for policy makers, financial institutions, entrepreneurs and their employees, based on the findings of the study and the literature.

7.4.1 Policy Recommendations for Government and Private Financial Institutions

Banerjee (2014), argued that entrepreneurs provide a channel through which jobs may be created, goods and services produced, and ideas innovated. Moreover, an entrepreneur who performs well contributes positively to his/her country's economic growth and the living standards of its citizens (Cant and Wii, 2013).

Small business owners alone are unable to provide all types of entrepreneurial capital required for business performance. There is a need for policy interventions, essentially from government and private financial institutions.

1. In this study, only 35% of the surveyed small businesses were owned and managed by female entrepreneurs (Table 5.1). Though the study found that businesses are male dominated in Yaoundé and Douala, Chirwa (2008) in Malawi, found no significant difference in profit performance between firms owned by females and males. Chirwa (2008) further argued that female-owned businesses tend to grow more rapidly in terms of employment than their male counterparts. Female-owned businesses also contribute a greater share of their business revenues to the upkeep of the family. Thus, policy-makers in the Cameroonian government should consider implementing policies for small businesses that are gender and activity differentiated to meet the business needs of each gender. Such policies should partly contribute to females' motivation to engage in business ventures in the country. Mkocha (2005) is of the same view, in a study of the influence of human capital on the performance of small and micro manufacturing ventures in Tanzania. This scholar added that, a uniform business strategy may not be suitable, considering the sensitivity of gender and difference in activities among business entrepreneurs. Because small business owners have diverse opportunities, needs and challenges in Cameroon, policies should be tailored to reflect such variances.

2. The greatest resource a firm may possess is its people. Investment in human beings is done by individuals themselves (employees) or their employers, via education, skill, experience, and training. It was found in this study, that entrepreneur-owner human

capital (OHC) had the strongest significant influence on business performance (coefficient regression of 0.528, p = 0.000) (Table 5.22, page 171). As such, policy-makers should improve on the quality of human capital of both individuals and employers by focusing on 'Public-Sector Training Providers'. These training organisations deliver apprenticeships and provide a range of support to business owners and their employees. Cameroonian policy-makers may consider setting-up various centres for business management to provide short courses such as , basic financial and book-keeping skills, financial management, finance for non-financial managers, SMEs management, and writing a business plan. Furthermore, centres for information technology could provide entrepreneurs with technology to enhance their practical and operational skills. If done well, these training centres may empower entrepreneurs with the ability to generate more sales, profits, and job opportunities.

Literature has shown that Public Sector Training Providers, such as the Small Enterprise Development Agency (SEDA) in South Africa, improves businesses' performance (SEDA, 2010). As part of Cameroon business development plan to support the country's vision 2035 (Table 2.9, page 40), policy-makers could consider adopting SEDA type initiatives to assist existing and new small businesses in Cameroon. The SEDA initiatives include:

- SEDA Business Talk – government can help individuals with training and information on how to start a new small business, as well as the registration formalities involved.
- SEDA Business Start – government can provide individuals who are interested in engaging in small business with tools and techniques related to business planning and counselling, and access to financial resources.
- SEDA Business Build – Government assistance may be provided in terms of mentorship, tender advice, export and franchising opportunities.
- SEDA Business Growth – government can assist small business owners to expand domestically and abroad, hence promote business performance.

3. Financial capital is found to have the second strongest and significant influence on small business performance in Cameroon (coefficient regression of 0.420, p = 0.000) (Table 5.22, page 171). As finance is the lifeblood of any business, Cameroonian policy-makers should alleviate the restrictions that they imposed on entrepreneurs

when seeking government loans. Policy-makers should perhaps also intervene in alleviating restrictions imposed by commercial banks and microfinance institutions on small businesses to access financial resources. As such, commercial banks should be encouraged to simplify the procedure of accessing loans for business owners to have greater ease in obtaining and monitoring the use of funds. The inability to obtain the necessary funding in a timely manner negatively impacts on business performance.

4. The study has shown that government regulations impact small business performance negatively and significantly (β = -0.197, p = 0.004) (Table 5.32, page 193). Government should consider alleviating tax imposed on businesses as a way of encouraging entrepreneurship. Furthermore, the banking sector in Cameroon is characterised by unnecessary regulations, which partly hinder small businesses from receiving adequate financial support from commercial banks. Small businesses often regard government regulations as a burden, particularly pertaining to regulation compliance and access to credit. As such, policy-makers in financial institutions such as banks and microfinances should consider lessening their conditions for borrowing and raise the repayment over a long period. This could improve credit cash flow, boost investment in small businesses, and amplify their performance in Cameroon.

5. The irregular electricity supply is one of the main challenges in small businesses in Cameroon (Table 5.27, page 178). Hence, there is an urgent need to improve the electricity supply as businesses are incapable of managing their production and service delivery to their full capacity, given the frequent power supply interruptions in Yaoundé and Douala. It is recommended that business owners consider investing in generators and solar panels, as an alternative power back up for electricity disruption.

7.4.2 Policy Recommendations for Small Business Owners and Employees

1. In this study, entrepreneur-owner human capital (OHC) (coefficient regression of 0.52, p = 0.000) and employees' human capital (EHC) (coefficient regression of 0.207, p = 0.001) were found to significantly impact business performance (Table 5.22, page 171). Hence, entrepreneurs should consider improving not only the quality of their human capital, but also their employees' human capital through training and education empowerment.

   i. **Employers and Employees' Education**

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Education is important for intellectual and productivity development of any business owner and his/her employers. Accordingly, it is recommended that small business entrepreneurs in Cameroon consider hiring educated employees, who fit their business values and needs, who possess the required competencies and are capable of meeting strategic goals. Furthermore, small business owners should encourage their workers to continually upskill themselves through further education and training.

ii. Employers and Employees' Training

Training employers and their staff constitutes one of the most critical parts of the work experience. The training enhances the capabilities of an individual, enabling him/her to perform better at work. Thus, one would recommend that both employers and employees empower themselves with training that is directly connected to the practical needs of their business. Such training may occur inside the firm through staff induction programs to help employees understand their responsibilities and the business owner's expectations. The induction program may also help to ensure long term effectiveness of employees. Moreover, internal training may occur through job shadowing whereby new employees follow an experienced staff member for a particular period. This training may also occur through coaching, where the business owner regularly monitors his/her employees' work and provides advice about how they can enhance their performance. Through mentoring, a business owner may support and encourage employees who are ready to take on more responsibilities in a leadership role.

Finally, other internal training may involve group training workshops, technical skills development (e.g. data analysis, social media management), soft skills development training (e.g. communication, presentation, problem-solving, leadership skills) and products and services training.

Training may also be done externally by specialised institutions. Moreover, vocational training and apprenticeship programmes should be encouraged, as continuous training may provide employees with some incentives to remain longer in the business, thus enhancing their commitment and trust. This may, in turn, contribute to the performance of the small business.

2. The results of this study revealed that social capital has a significant influence on performance (coefficient regression of 0.120, p = 0.040) (Table 5.22, page 171). As human beings are social creatures, they need to interact with others when doing business. There is a need for business owners to perhaps consider strengthening their social ties and enhancing their networking with customers, suppliers and referrals. With strong social, community and business ties, business entrepreneurs can access labour and capital on favourable terms from family members, close friends and community support organisations in Cameroon.

7.5 Contribution and Originality of the Study

The study made a significant and analytical contribution in using structural equation modelling to examine enterprise performance in an integrated approach using different indicators. The study concluded that different elements of entrepreneurial capital play significant and complementary roles in enhancing business performance. The study provides baseline data upon which further research may be conducted and policy formulation promulgated to enhance small business entrepreneurship in Cameroon. The study also creates awareness among small businesses on the various interventions they need to undertake to improve their performance. The study shows that business performance can be enhanced by acquiring the necessary human capital through education, skill, training and experience. However, although enhancement of human capital of both the entrepreneur and labour is necessary, it is not sufficient in optimally amplifying business development in Cameroon. Business owners are also required to invest in social capital by developing networks and good relationships with stakeholders, such as government, financial institutions, service providers, family members and friends. In addition, financial capital is a critical constraint to enterprise formation and development. The interplay of these capital elements boosts effective business entrepreneurship. Hence, policy focus should not only be on the entrepreneur as a business founder, but on labour and social capital network as well. The researcher therefore asserts that a holistic approach is needed to stimulate business entrepreneurship and small firm performance.

Finally, the study underscores the importance of addressing the constraints that impede people from taking risks and venturing into business if an economy has to enhance business development. The study found that government and private financial institutions played both a positive and negative role regarding enterprise performance in terms of sales revenue,

profit, and labour employment. Consequently, government must provide a conducive and supportive environment for small businesses to grow. Moreover, government regulations that hinder business development and enterprise performance must be removed to spur sales revenue, profit and employment creation.

7.6 Limitations and Suggestions for Further Study
7.6.1　Limitations of the Study

The present study is not without limitations. Owing to resource and time constraints, the study was based on only 2 regions and a sample of only 370 firms was considered. More value would have been added if other regions were considered in the survey. Hence, care would have to be exercised, as the findings of the present study cannot be generalised to the whole Cameroon region.

The study is also restricted to small business owners employing between 6-20 people, with most small businesses operating in the retailing and service sectors (NIS, 2010). Furthermore, due to data limitation on small business in Cameroon, a panel data regression and time series analysis could not be considered. Hence, the study was restricted to a cross-sectional approach which serves as a base for further studies. Additionally, although the informal business sector is recognised as an important contributor to job creation in many developing economies, the study was restricted to formal small businesses, which have received less attention in Cameroon in the past years.

The study was restricted to the performance of formal small businesses in Yaoundé and Douala. In the Cameroonian context, there are a few large firms, but many micro and informal sector ventures. Business development is dynamic over time. Some firms may graduate from micro or informal sectors to the small formal sector. It is not possible to understand the dynamics of this development as it focused on formal small firms only. A time-series study involving firms of different sizes over a few years is suggested.

7.6.2　Suggestions for Further Study

As this study was limited to a single survey using cross-sectional data, the researcher was not able to establish longitudinal effects. There is a need for further studies that apply longitudinal approaches to establish the causality of the relationships obtained in the present study. Moreover, longitudinal studies could investigate the effect that the macroeconomic environment, including changes in interest rate, inflation, economic growth, corruption and

unemployment levels along with government initiatives have on small business performance in challenging environments over time.

The current study's sample size is adequate in comparison to other recent studies and therefore provides extended validity. Conducting comparative studies using other theoretical lenses and countries may bring about additional insight into the performance of small businesses in Cameroon, as well as how policy-makers may effect constructive change towards entrepreneurship.

Moreover, research that focuses on female entrepreneurship dynamics are needed to understand the influence of gender difference on business performance. Similarly, one may be interested in comparing small business performance based on the entrepreneur's origin (Cameroonian and non-Cameroonians).

7.7 Conclusion

One of the major challenges currently faced by the Cameroonian government is to absorb as many young Cameroonians as possible into the labour market, generate higher production volumes, boost exports, and bring about innovative ideas and entrepreneurship skills. Increasing business entrepreneurship is vital to tackle the high levels of unemployment and underemployment among the youth in Cameroon. For small business performance to be effective, several determinants are to be understood and considered. The current study looked specifically at motives for engaging in small businesses (objective one), entrepreneurial capitals (objective two), challenges to small business performance and the role of government and private financial institutions in amplifying small business performance (objectives three and four respectively). The study concludes that Cameroonians are mainly involved in small businesses with the idea of investing in a productive venture and wanting the independence of entrepreneurship as a remedy to the unemployment issue. Furthermore, entrepreneurial capital, namely entrepreneur-owner human capital (OHC), employees' human capital (EHC), financial capital (FC) and social capital (SC) are complementary and jointly impact on small business performance positively and significantly in terms of sales revenue, profit, and labour employment.

Even though small businesses in Cameroon contribute to the country's economic growth and job creation, they are still faced with numerous obstacles, such as difficulty in accessing loans, managerial skills and infrastructure. These internal and external constraints hamper small businesses' growth and development. The government is already striving to ameliorate

the business climate in Yaoundé and Douala. Government support is significant in amplifying business performance in terms of sales revenue, labour employment and profit. However, government regulations were found to be a barrier to small business development in terms of sales revenue, profit, and employment creation. Consistent with the classical and monetarist schools of thought, Cameroon needs less regulation and more government support for its small business sector to flourish, and by extension for more jobs to be created and more sales and tax revenue to be generated.

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APPENDICES

APPENDIX 1a: ETHICAL CLEARANCE

UNIVERSITY OF ™
KWAZULU-NATAL

INYUVESI
YAKWAZULU-NATALI

19 July 2017

Mr Martin Mulunda Kabange (211558898)
School of Accounting, Economics & Finance
Pietermaritzburg Campus

Dear Mr Kabange,

Protocol reference number: HSS/0975/017D
Project title: The interplay of different types of Capital on amplifying Small Business Entrepreneurship Performance in Cameroon: A case study of Douala and Yaoundé

Approval Notification – Expedited Application

In response to your application received on 26 May 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted FULL APPROVAL.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Professor Darma Mahadea
Cc Academic Leader Research: Dr Harold Ngalawa
Cc School Administrator: Ms Seshni Naidoo

Humanities & Social Sciences Research Ethics Committee
Dr Shenuka Singh (Chair)
Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbap@ukzn.ac.za / snymanm@ukzn.ac.za / mohunp@ukzn.ac.za
Website: www.ukzn.ac.za

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APPENDIX 1b: AUTHORIZATION LETTER FOR DATA COLLECTION IN CAMEROON

REGION DU CENTRE

DEPARTEMENT DU MFOUNDI

PREFECTURE DE YAOUNDE

SERVICE DES AFFAIRES SOCIALES
ET CULTURELLES

N° 00 00 52 9
N° _____ /L/06/SASC

REPUBLIQUE DU CAMEROUN
- Paix - Travail - Patrie

LE PREFET DU DEPARTEMENT DU MFOUNDI

A

MONSIEUR MARTIN MULUNDA KABANGE
*ETUDIANT DOCTORANT EN ECONOMIE, DEPARTEMENT
DE COMPTABILITE, ECONOMIE ET FINANCE DE
L'UNIVERSITE DE KWAZULU-NATAL*
-AFRIQUE DU SUD-

OBJET : Autorisation de recherche sur « L'INTERACTION DU CAPITAL SUR L'AMELIORATION DE LA PERFOMANCE DE L'ENTREPRENARIAT DANS LES PETITES ENTREPRISES AU CAMEROUN : CAS DE DOUALA ET YAOUNDE ».-

Monsieur,

Comme suite à votre demande en date du 19 Juillet 2017, relative à l'objet susmentionné,

J'ai l'honneur de vous faire connaître, après examen de votre dossier, que vous êtes autorisé à effectuer une enquête dans la ville de Yaoundé pour une période de 06 (six) mois; afin d'obtenir des informations relatives à l'interaction entre le capital humain, le capital financier et le capital social, ainsi que la manière dont ces formes de capitaux influent conjointement sur le rendement (performance) des entreprises au Cameroun.

Veuillez agréer, Monsieur l'expression de mes salutations distinguées.

UNIVERSITY OF
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

APPENDIX 2: INFORMED CONSENT DOCUMENT

Researcher: **Martin Mulunda, Kabange**, (PhD Economics candidate, School of Accounting, Economics and Finance) at the University of KwaZulu-Natal (UKZN), South Africa. Telephone: +27 71 73 79 455, E-mail: 211558898@stu.ukzn.ac.za.

Supervisor: Prof Darma Mahadea (School of Accounting, Economics and Finance - UKZN), Telephone: +27 332605910, Email: MahadeaD@ukzn.ac.za

Humanities and Social Sciences Research Ethics Committee (HSSREC) Contact details: University of KwaZulu- Natal Research office, College of Law and Management Studies, Govan Mbeki Building, Private Bag X54001 Durban 4000; Email: hssreclms@ukzn.ac.za, or contact Mariette Snyman (HSSREC Administrator): snymanm@ukzn.ac.za, Tel: +27 31 260 8350; Fax: +27 31 260 3093, Westville Campus , South Africa.

Research Topic: The Interplay of Different types of Capital on Amplifying Small Business Entrepreneurship Performance in Cameroon: A case study of Douala and Yaoundé.

Re: Invitation to participate in a PhD research study

Dear participant,

Thank you for taking part in this research project; your time is greatly appreciated.

Purpose of study: The purpose of the study is to determine the main factors influencing entry into small business entrepreneurship, and look at the interaction between human, financial and social capital and how these forms of capital jointly influence business performance in Cameroon. The study also seeks to understand the constraints to business performance, assess the role of institutional factors in amplifying or limiting small business entrepreneurship, and suggest potential strategies to enhance current policy measures on amplifying small business entrepreneurship in Cameroon.

What will be done: The study involves administrating a structured research questionnaire, which comprises four sections: Section 1 - Demographics of the respondent; Section 2- Characteristics of the small business; Section 3 - Constraints to small business performance;

Section 4 - Role of government institutions in strengthening or limiting business. The duration of your participation if you voluntary choose to enrol and remain in the study is expected to be 25-30 minutes.

Decision to quit at any time: You do not have to participate at all, or, even if you agree now, you can terminate your participation at any time without prejudice.

Benefits of participation: There are no direct financial benefits to the subjects. However, it is hoped that your participation will help researchers learn more about the development constraints faced by small business operators and on the basis of which can suggest policy measures to enhance your business performance.

Risk: There are no known risks or discomforts associated with this study.

Confidentiality: Questionnaires will be numerically coded to maintain anonymity. The completed questionnaires will be stored safely and not made available to anyone not directly involved in this project. There will be no mention of nay name in the study.

The use of the findings: The results of the study will be used for scholarly purposes only. The results will be presented at professional conferences and might be published in a professional journal in the field of Economics.

In terms of the University's policies governing research, you are requested to sign the following statement indicating your willingness to participate in the research project.

I ……………………………………………………………. (full name of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

……………………………   …………………   …………………………

Signature of the participant   Date   Email address
[13](Optional)

---

[13] This email will be used to send to the participant a report of the findings of this study

APPENDIX 3: QUESTIONNAIRE
Location:

Douala	Yaoundé
1	2

SECTION 1: DEMOGRAPHICS OF THE RESPONDENT

1. **Gender:**

Male	Female
1	2

2. **Age:**

18-25	26-35	36-45	46-55	56-65	Above 65
1	2	3	4	5	6

3. **Entrepreneur origin:**

Cameroonian	Non-Cameroonian
1	2

4. **Highest education level completed:**

Some/all Primary	Some/all Secondary	Diploma or Certificate	Bachelor's degree	Postgraduate degree	Other (specify) _____
1	2	3	4	5	6

5. **Indicate your experience in the business management field**

No experience	Less than 1 year	From 1 to less than 4	From 4 to less than 8	From 8 to less than 12	From 12 to less than 16	16+ years
1	2	3	4	5	6	7

SECTION 2: CHARACTERISTICS OF THE SMALL BUSINESS

6. **How old is your business?**

Less than 3 years	From 3 to less than 6 years	From 6 to less than 9 years	From 9 to less than 12 years	12+ years
1	2	3	4	5

7. **In which ONE sector does your business <u>mainly</u> operate?**

Retail or Wholesale	Service	Construction	Manufacturing	Agriculture	Other (please specify) _____
1	2	3	4	5	6

8. **Have you, as the owner, currently or previously been formally employed elsewhere?**

Yes	No
1	2

9. **If your answer to question 8 is YES, where are/were you employed?** (Tick <u>all</u> that apply)

9.1 Public sector	9.2 Private sector	9.3 NGOs
1	2	3

10. Indicate your agreement that the following reasons motivated you to start your own business

Reasons for starting a business	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
10.1 I found a suitable business opportunity.	1	2	3	4	5	6	7
10.2 I wanted to make a source of income for my family.							
10.3 I wanted to invest my savings in a productive venture.							
10.4 I wanted the independence of entrepreneurship.							
10.5 I had used my retrenched payment to start a business.							
10.6 I had enough work experience from my previous job that made me capable of starting my own business.							
10.7 I wanted to start a family business.							

Human Capital Assessment

11. Indicate your agreement with the following statements:

Statements	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
	1	2	3	4	5	6	7
11.1 My education level is adequate for the business I do.							
11.2 I have the necessary skills for the business I do.							
11.3 I have experience in the business I do.							
11.4 I have received training for the business I do.							
11.5 The education level of the employees, is adequate for this business.							
11.6 My employees have experience.							
11.7 My employees have received training for this business.							
11.8 My employees have the necessary skill for this business.							

Financial Capital Assessment

12 Indicate your agreement with the following statements

Statements	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
	1	2	3	4	5	6	7
12.1 Loans from microfinances enables me to run my business.							
12.2 Loans from banks enables me to run my business.							
12.3 My credit history enables me to access a loan.							
12.4 My cash flow enables me to run this business.							
12.5 Donation received from business angels enables me to run this business.							
12.6 My personal savings enables me to run this business.							
12.7 My financial standing, enables me access loans.							
12.8 Loans from close friends and/or cooperatives enables me to run this business.							

Social Capital Assessment

13. Indicate your agreement with the following statements

Statements	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
	1	2	3	4	5	6	7
13.1 I There is a good relationship between my business and similar businesses.							
There is good relationship between employees and customers.							
13.3 There is good relationship between my employees and I.							
13.4 The business follows ethical practices.							
13.5 Business activity deadlines are met on time.							
13.6 The suppliers are paid on time.							
13.7 I have good relationship with business angles.							
13.5 I have established a good working relationship with relevant government offices.							
13.6 The suppliers are paid on time.							
13.7 I have good relationship with business angles.							
13.8 I have good relationship with close friends and family and/or cooperatives.							
13.9 I have good relationship with my suppliers.							
13.10 I have good relationship with the financial institutions (i.e. banks, microfinance).							
13.11 I have good relationship with the government.							

Business performance

14. How many people, including yourself, were employed in the business at the beginning _____

15. How many people, including yourself, are currently employed in the business? _____

16.

16.1 What, on average, are the current monthly sales figures (in CFA franc) **for your business.**

Up to 50000	50001-200000	200001-400000	400001-600000	600001-800000	800001-1000000	above 1000000

16.2 What, on average, were the monthly sales figures (in CFA franc) **for your business 2 years ago.**

Up to 50000	50001-200000	200001-400000	400001-600000	600001-800000	800001-1000000	above 1000000

17.

17.1 After all business expenses (cost of production and tax) are catered for, how much profit (in CFA franc) **is currently made by the business on an average month?**

Up to 20000	20001-50000	50001-80000	80001-100000	100001-130000	130001-160000	More than 160000

17.2 What, on average, was the profit (in CFA franc) **of your business 2 years ago.**

Up to 20000	20001-50000	50001-80000	80001-100000	100001-130000	130001-160000	More than 160000

SECTION 3: CONSTRAINTS TO SMALL BUSSINESS PERFORMANCE

18. Indicate your level of agreement that the following have been <u>constraints</u> to the performance of your business

Constraints to business performance	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
	1	2	3	4	5	6	7
18.1 Difficulty in getting a loan							
18.2 A lack of collateral security.							
18.3 A lack of business relationships.							
18.4 A lack of expertise in financial. management and planning.							
18.5 A lack of adequate training in bookkeeping.							
18.6 A lack of managerial skills.							
18.7 A lack of experience and training in business management.							
18.8 There is a lack/shortage of clients.							
18.9 There is a shortage of raw material.							
18.10 Difficulty in completing the registration progress of the business licensing and permit.							
18.11 Municipal harassment.							
18.12 Poor access to technology.							
18.13 Poor use of communication systems (e.g.: telephone, fax, internet (email).							
18.14 Irregular electricity supply.							
18.15 Poor roads for transportation of goods, supplies and inputs.							
18.16 High business transaction costs.							
18.17 Excess competition.							

ROLE OF GOVERNMENT AND PRIVAE FINANCIAL INSTITUTIONS IN STRENGTHENING BUSINESS

19. Indicate your level of agreement with the following statements regarding the role of government and private financial institutions in aiding your business

Government and private financial indicators	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
	1	2	3	4	5	6	7
19.1 I am aware of the availability of government funds.							
19.2 I am aware of the availability of commercial bank funds.							
19.3 I am aware of government grant application requirement and procedures.							
19.4 I am aware of funds from microfinances.							
19.5 I am aware of funds from close friends and family.							
19.6 I am aware of funds from business angels.							
19.7 Government encourages business education and training.							
19.8 Government facilitate network and partnership of businesses.							
19.9 Tax levies affect the performance of my business.							
19.10 Time required to acquire business license is adequate.							
19.11. Government regulations affect the performance of my business.							
19.12 Corruption affects the performance of my business.							
19.13 Crime affects the performance of my business.							

THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY

APPENDIX 4: KREJCIE AND MORGAN (1970) TABLE FOR DETERMINING SAMPLE SIZES

Total	Sample	Total	Sample	Total	Sample
10 ⇒	10	220 ⇒	140	1200 ⇒	291
15 ⇒	14	230 ⇒	144	1300 ⇒	297
20 ⇒	19	240 ⇒	148	1400 ⇒	302
25 ⇒	24	250 ⇒	152	1500 ⇒	306
30 ⇒	28	260 ⇒	155	1600 ⇒	310
35 ⇒	32	270 ⇒	159	1700 ⇒	313
40 ⇒	36	280 ⇒	162	1800 ⇒	317
45 ⇒	40	290 ⇒	165	1900 ⇒	320
50 ⇒	44	300 ⇒	169	2000 ⇒	322
55 ⇒	48	320 ⇒	175	2200 ⇒	327
60 ⇒	52	340 ⇒	181	2400 ⇒	331
65 ⇒	56	360 ⇒	186	2600 ⇒	335
70 ⇒	59	380 ⇒	191	2800 ⇒	338
75 ⇒	63	400 ⇒	196	3000 ⇒	341
80 ⇒	66	420 ⇒	201	3500 ⇒	346
85 ⇒	70	440 ⇒	205	4000 ⇒	351
90 ⇒	73	460 ⇒	210	4500 ⇒	354
95 ⇒	76	480 ⇒	214	5000 ⇒	357
100 ⇒	80	500 ⇒	217	6000 ⇒	361
110 ⇒	86	550 ⇒	226	7000 ⇒	364
120 ⇒	92	600 ⇒	234	8000 ⇒	367
130 ⇒	97	650 ⇒	242	9000 ⇒	368
140 ⇒	103	700 ⇒	248	10000 ⇒	370
150 ⇒	108	750 ⇒	254	15000 ⇒	375
160 ⇒	113	800 ⇒	260	20000 ⇒	377
170 ⇒	118	850 ⇒	265	30000 ⇒	379
180 ⇒	123	900 ⇒	269	40000 ⇒	380
190 ⇒	127	950 ⇒	274	50000 ⇒	381
200 ⇒	132	1000 ⇒	278	75000 ⇒	382
210 ⇒	136	1100 ⇒	285	100000 ⇒	384

Source: Krejcie and Morgan's (1970).

APPENDIX 5: CRONBACH'S ALPHA FOR MOTIVES TO START A SMALL BUSINESS

Appendix 5.1 Cronbach's Alpha including all 7 motives (for starting a small business)

Reliability Statistics	
Cronbach's Alpha	N of Items
.656	7

Item Statistics			
	Mean	Std. Deviation	N
Earn a source of income for family	5.28	1.845	369
Follow family business tradition	4.76	2.186	369
Found suitable business opportunity	5.33	1.694	369
Investing capital (or savings) in a productive venture	5.59	1.546	369
Independence of entrepreneurship	5.64	1.539	369
Retrench payment to start a business	1.86	1.558	369
Enough work experience from previous job	4.87	2.001	369

Item-Total Statistics			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Earn a source of income for family	28.04	37.408	.442	.596
Follow family business tradition	28.57	36.184	.373	.621
Found suitable business opportunity	27.99	39.862	.377	.617
Investing capital (or savings) in a productive venture	27.74	38.828	.497	.586
Independence of entrepreneurship	27.69	42.086	.317	.633
Retrench payment to start a business	31.46	45.682	.127	**.679**
Enough work experience from previous job	28.45	36.131	.443	.594

Appendix 5.2: Cronbach's Alpha if Item Deleted (Retrenched or resigned and used my severance pay to start my business)

Reliability Statistics	
Cronbach's Alpha	N of Items
.680	6

Appendix 5.3 Cronbach Alpha: Component 'opportunities to use one's talent'

Reliability Statistics	
Cronbach's Alpha	N of Items
.635	4

Item Statistics			
	Mean	Std. Deviation	N
Investing capital (or savings) in a productive venture	5.59	1.546	369
Independence of entrepreneurship	5.64	1.539	369
Found suitable business opportunity	5.33	1.694	
Enough work experience for previous job	4.87	2.001	

Appendix 5.4 Cronbach's Alpha: Component 'Family income generating'

Reliability Statistics	
Cronbach's Alpha	N of Items
.557	2

Item Statistics			
	Mean	Std. Deviation	N
Earn a source of income for family	5.26	1.851	369
Follow family business tradition	4.75	2.185	369

APPENDIX 6: CRONBACH'S ALPHA CONSTRAINTS VARIABLES

Reliability Statistics	
Cronbach's Alpha	N of Items
0.797	17

Item Statistics			
	Mean	Std. Deviation	N
Lack of business relationship.	3.65	1.862	370
Lack of experience in business management.	3.78	1.904	370
Lack of adequate training in bookkeeping.	3.74	1.905	370
Lack of managerial skills.	3.59	1.906	370
Lack of expertise in financial management.	3.58	1.948	370
Difficulty in getting loans.	4.82	1.879	370
Lack of collateral security.	4.68	1.923	370
Shortage of raw materials.	3.89	1.972	370
Shortage of clients.	4.20	1.911	370
Difficulty in completing the registration process.	5.03	1.596	370
Municipal harassment.	5.11	1.801	370
Poor technology.	2.55	1.788	370
Poor use of communication systems.	2.68	1.721	370
Irregular electricity supply.	3.79	1.998	370
Poor roads for transport of goods/ supplies and inputs.	4.39	2.252	370
Business experience excessive competition.	5.24	1.807	370
High business transaction costs.	4.34	1.925	370

Item-Total Statistics			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted

Item-Total Statistics				
Lack of business relationship.	65.41	214.004	0.484	0.780
Lack of experience in business management.	65.28	207.096	0.604	0.772
Lack of adequate training in bookkeeping.	65.32	207.161	0.602	0.772
Lack of managerial skills.	65.46	210.195	0.543	0.776
Lack of expertise in financial management	65.48	209.269	0.546	0.776
Difficulty in getting loans.	64.24	215.938	0.441	0.783
Lack of collateral security.	64.38	208.762	0.564	0.774
Shortage of raw materials.	65.17	214.445	0.441	0.783
Shortage of clients.	64.86	219.379	0.367	0.788
Difficulty in completing the registration process.	64.03	225.094	0.338	0.790
Municipal harassment.	63.95	233.669	0.126	0.803
Poor technology.	66.51	225.920	0.274	0.794
Poor use of communication systems.	66.38	227.793	0.252	0.795
Irregular electricity supply.	65.27	222.165	0.297	0.793
Poor roads for transport of goods/ supplies and inputs.	64.67	220.963	0.266	0.797
Business experience excessive competition	63.82	234.096	0.117	0.804
High business transaction costs.	64.72	222.296	0.310	0.792

Appendix 6.1. Cronbach's Alpha: Component 'Credit access'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.720	2

Item Statistics			
	Mean	Std. Deviation	N
Difficulty in getting loans	4.82	1.879	370
Lack of collateral security	4.68	1.923	370

Appendix 6.2 Cronbach's Alpha: Component 'Transaction cost and regulations'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.500	4

Item Statistics			
	Mean	Std. Deviation	N
Difficulty in completing the registration process	5.03	1.596	370
Municipal harassment	5.11	1.801	370
Business experience excessive competition	5.24	1.807	370
High business transaction costs	4.34	1.925	370

Appendix 6.3 Cronbach's Alpha: Component 'Infrastructure'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.767	2

Item Statistics			
	Mean	Std. Deviation	N
Poor use of communication systems.	2.68	1.721	370
Poor technology.	2.55	1.788	370

Appendix 6.4: Cronbach's Alpha: Component 'Inputs availability'

Reliability Statistics

Cronbach's Alpha	N of Items
0.606	4

Item Statistics			
	Mean	Std. Deviation	N
Shortage of raw materials	3.89	1.972	370
Shortage of clients	4.20	1.911	370
Irregular electricity supply	3.79	1.998	370
Poor roads for transport of goods/ supplies and inputs	4.39	2.252	370

Appendix 6.5: Cronbach's Alpha: Component 'Financial and Managerial Skills'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.852	5

Item Statistics			
	Mean	Std. Deviation	N
Lack of business relationship	3.65	1.862	370
Lack of experience in business management	3.78	1.904	370
Lack of adequate training in bookkeeping	3.74	1.905	370
Lack of managerial skills	3.59	1.906	370
Lack of expertise in financial management	3.58	1.948	370

APPENDIX 7: CRONBACH'S ALPHA ON GOVERNMENT AND PRIVATE FINANTIONAL INSTITUTIONS

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.765	0.767	13

Item Statistics			
	Mean	Std. Deviation	N
Corruption affects the performance of my business	4.26	2.179	370
I am aware of the availability of government funds	4.63	2.101	370
I am aware of the availability of commercial bank funds	4.78	2.008	370
I am aware of government grant application requirement and procedures	4.70	1.958	370
I am aware of funds from close friends and family	2.81	1.738	370
I a m aware of funds from business angels	2.42	1.473	370
I am aware of funds from microfinances	3.50	1.598	370
government regulations affect the performance of my business	2.95	1.438	370
Tax levies affect the performance of my business	4.97	1.709	370
Tax laws affect the performance of my business	5.10	1.438	370
government encourages business education and training	2.95	1.438	370
government encourages network and partnership of businesses	2.54	1.292	370
Crime in my environment affects the performance of my business	3.24	1.978	370

Appendix 7.1 Cronbach's Alpha: Component 'Awareness of source of funds'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.806	6

Item Statistics			
	Mean	Std. Deviation	N
I am aware of the availability of government funds.	4.63	2.101	370
I am aware of the availability of commercial bank funds.	4.78	2.008	370
I am aware of government grant application requirement and procedures.	4.70	1.958	370
I am aware of funds from close friends and family.	2.81	1.738	370
I am aware of funds from business angels.	2.42	1.473	370
I am aware of funds from microfinances.	3.50	1.598	370

Appendix 7.2 Cronbach's Alpha: Component 'Government regulations'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.943	3

Item Statistics			
	Mean	Std. Deviation	N
Tax laws affect the performance of my business.	5.10	1.438	370
Tax levies affect the performance of my business.	4.97	1.709	370
government regulations affect the performance of my business.	2.95	1.438	370

Appendix 7.3 Cronbach's Alpha: Component 'Government supports'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.720	2

Item Statistics			
	Mean	Std. Deviation	N
government encourages business education and training.	2.95	1.438	370
government encourages network and partnership of businesses.	2.54	1.292	370

Appendix 7.4: Cronbach's Alpha: Component 'Corruption and crime'

Reliability Statistics	
Cronbach's Alpha	N of Items
0.483	2

Item Statistics			
	Mean	Std. Deviation	N
Crime in my environment affects the performance of my business.	3.24	1.978	370
Corruption affects the performance of my business.	4.26	2.179	370

APPENDIX 8a: SCREE PLOT ON ENTREPRENEURIAL MOTIVES
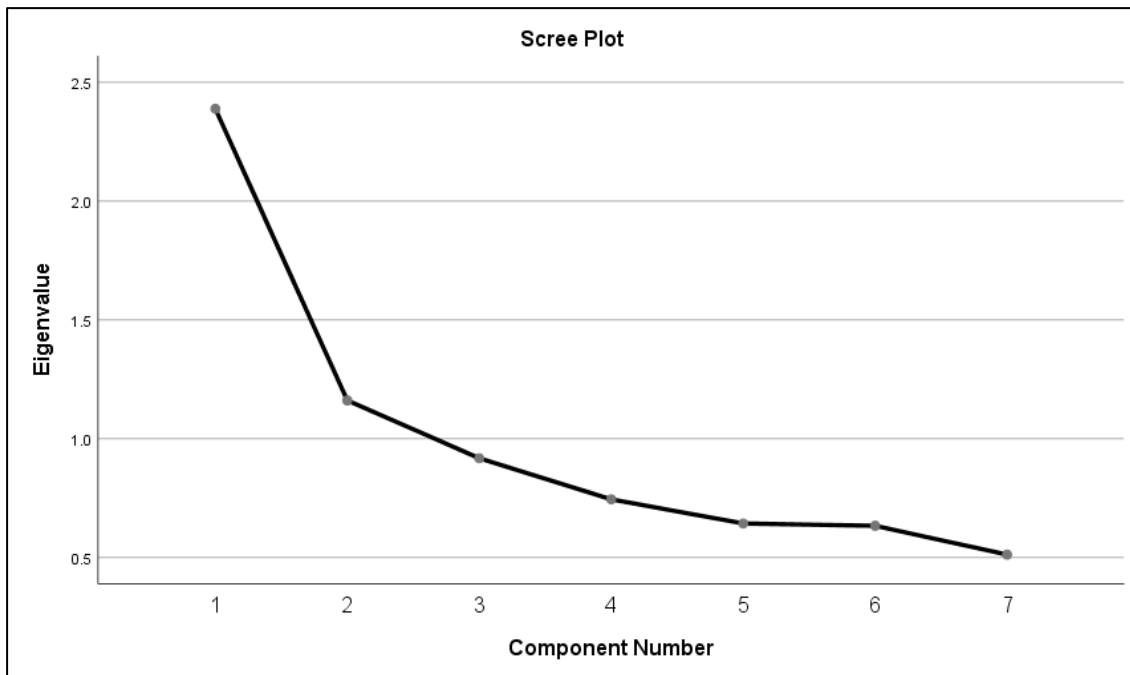
APPENDIX 8b: SCREE PLOT ON ENTREPRENEURIAL CAPITAL
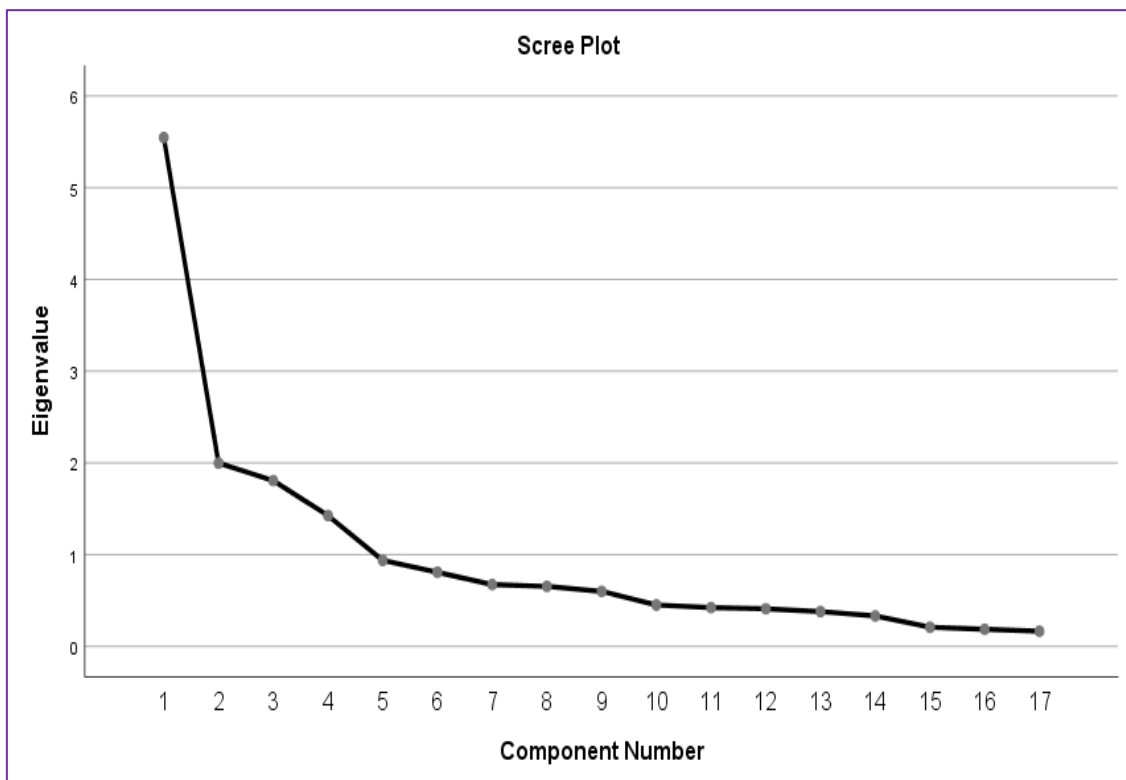
APPENDIX 9: SCREE PLOT ON CONSTRAINTS TO SMALL BUSINESS PERFORMANCE
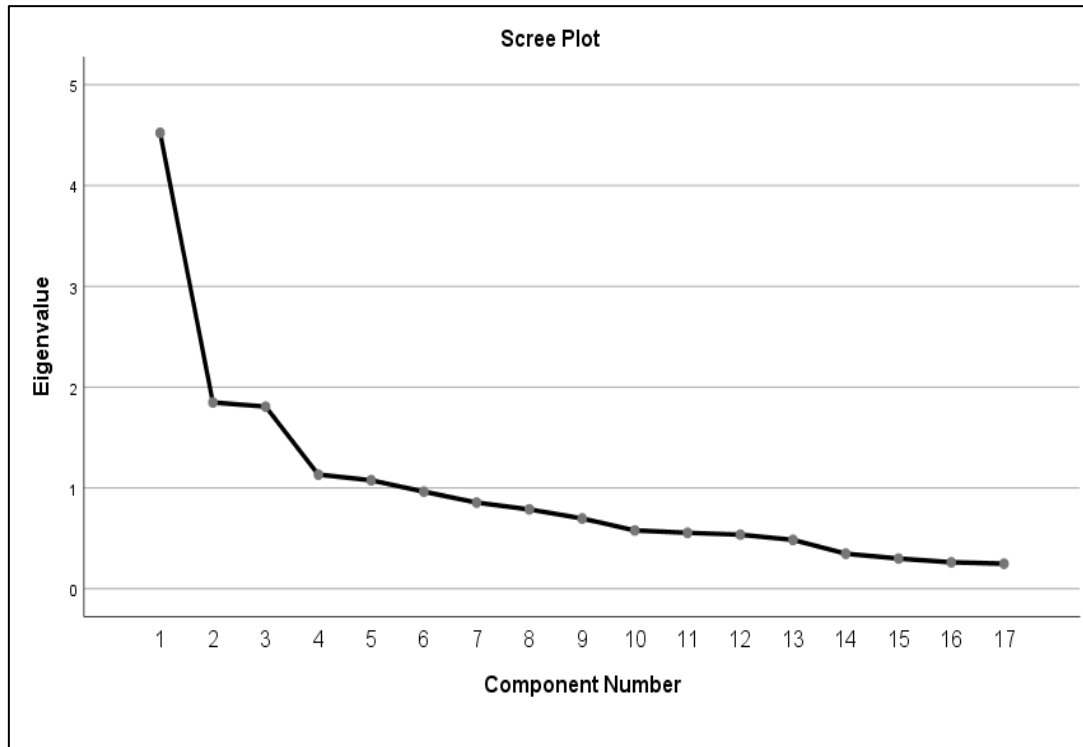
APPENDIX 10: SCREE PLOT ON GOVERNMENT AND PRIVATE FINANCIAL INSTITUTIONS VARIABLES
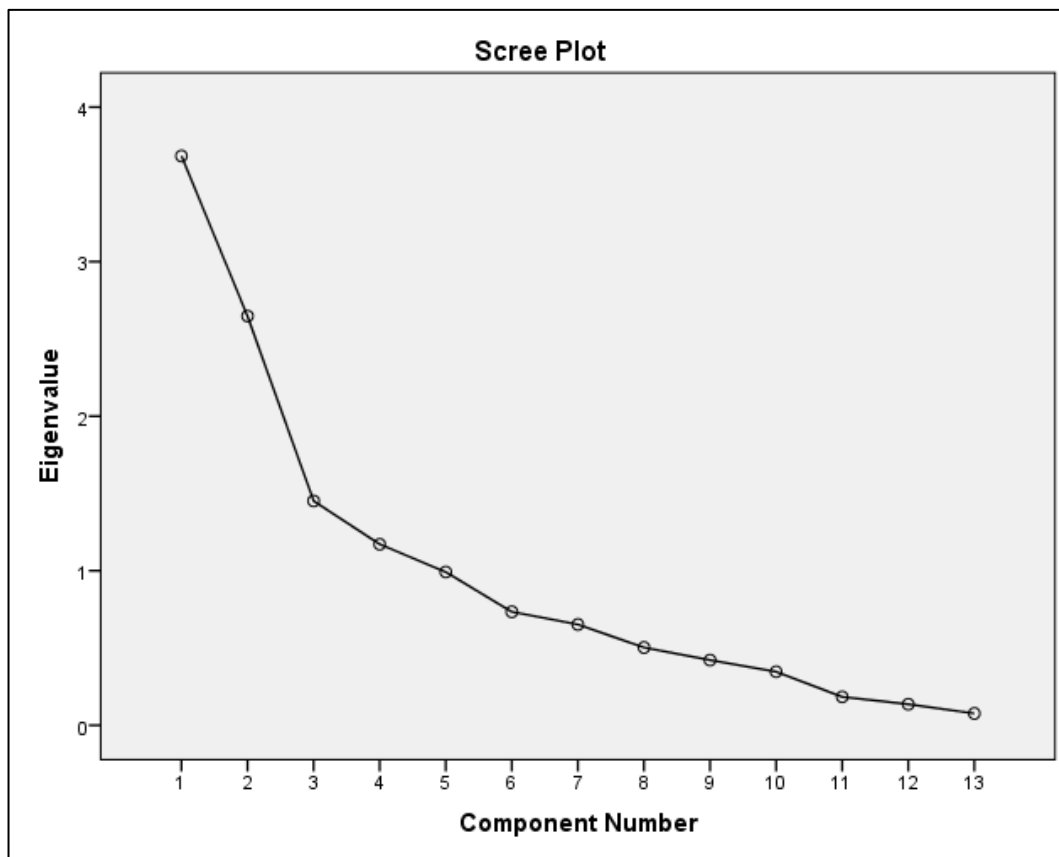
APPENDIX 11a: MAHALANOBIS TEST – DETECTION OF OUTLIERS

	Respondent	MAH_1	Probaility_MD	Outlier
1	114	26.74227	0.00054	Yes
2	76	24.66168	0.00037	Yes
3	107	23.57843	0.00020	Yes
4	62	23.30995	0.00054	Yes
5	71	23.17923	0.00081	Yes
6	108	22.60500	0.00015	Yes
	89	21.84808	0.01137	No

Source: Autor's own Computation from result obtained from SPSS

APPENDIX 11b: HETEROSCEDASTICITY CHECK - ENTREPRENERURIAL CAPITAL
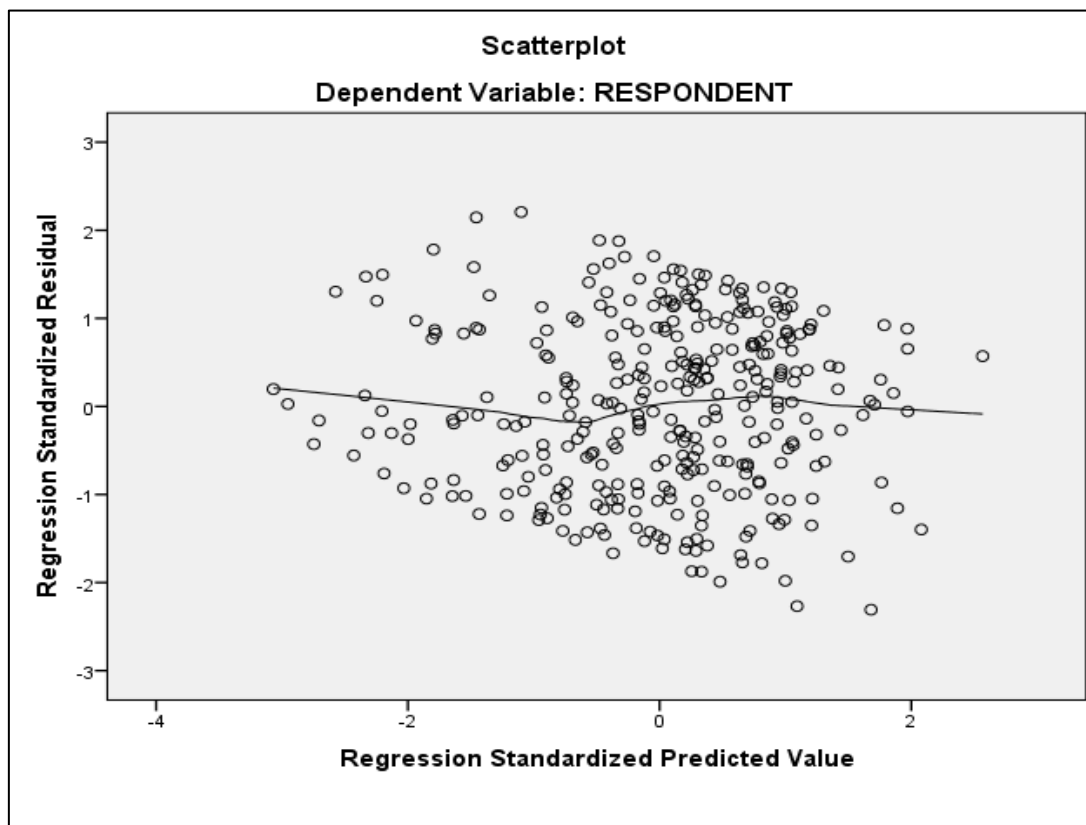
Source: Result obtained from SPSS

APPENDIX 12a: MULTICOLLINEARITY CHECK

Regression analysis with the entrepreneurial variable to check for multicollinearity problem

		Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.126	.787		2.701	.007		
	HC_1: Level of education of the entrepreneur.	.089	.054	.105	1.642	.102	**.604**	**1.657**
	HC_2: Experience of the entrepreneur.	.119	.113	.066	1.049	.295	**.629**	**1.590**
	HC_3: Entrepreneur has the skill for the business.	.074	.078	.059	.939	.348	**.612**	**1.634**
	HC_4: Entrepreneur has received training for the business.	.097	.052	.123	1.872	.062	**.567**	**1.764**
	HC_5: Level of education of the employees	.102	.062	.120	1.654	.099	**.466**	**2.147**
	HC_6: Skill level of employees for the business.	.100	.100	.085	.998	.319	**.336**	**2.976**
	HC_7: Employees have received training for the business.	.035	.110	.031	.321	.748	**.259**	**3.868**
	HC_8: Experience level of employees for the business.	.098	.094	.083	1.047	.296	**.388**	**2.580**
	FC_1: Loans from microfinance.	.211	.102	.189	2.074	.039	**.295**	**3.391**

	Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF	
FC$_2$: Loans from banks	.058	.097	.053	.596	.551	**.314**	**3.184**	
FC$_3$ credit history enables me to run this business.	.012	.079	.013	.148	.882	10.33	.096	
FC$_4$: cash flow enables me to run this business	.096	.085	.100	1.119	.264	10.30	.097	
FC$_5$: Donation from business angles.	.058	.055	.062	1.064	.288	**.713**	**1.403**	
FC$_6$: my financial standing enables me access loans.	.004	.058	.004	.076	.940	10.31	.096	
FC$_7$: Entrepreneurs' savings.	.024	.121	.018	.196	.845	**.283**	**3.531**	
FC$_8$: Loans from close friends and or cooperatives.	.125	.136	.094	.922	.357	**.237**	**4.223**	
SC$_1$: good relationship between my business and others.	.002	.019	.004	.080	.937	10.88	.091	
SC$_2$: good relation between my employees and customers.	.118	.089	.084	1.328	.185	10.62	.094	
SC$_3$: good relationship between my employees and I (owner).	.129	.065	.129	1.981	.049	10.56	.094	

Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
SC₄: business activity deadlines are met on time.	.142	.062	.176	2.286	.023	10.51	.094
SC₅: the suppliers are paid on time.	.136	.052	.170	2.599	.010	10.44	.095
SC₆: business follows ethical practice in all transaction.	.144	.076	.127	1.907	.058	10.53	.094
SC₇: good relationship with business angels.	.051	.077	.044	.664	.507	10.88	.091
SC₈: I have good relationship with close friends and family and/or cooperatives.	.035	.104	.023	.335	.738	**.500**	**1.998**
SC₉: I have good relationship with my suppliers.	.137	.113	.085	1.213	.226	**.494**	**2.023**
SC₁₀: I have good relationship with the financial institutions (banks and/or microfinance).	.057	.115	.034	.494	.622	**.521**	**1.920**
SC₁₁: I have good relationship with the government.	.009	.026	.018	.345	.731	**.859**	**1.164**
a. Dependent Variable: Performance in terms of Labour Employment							

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.243	.316		.767	.444		
	HC1: Level of education of the entrepreneur.	.001	.022	.003	.044	.965	**.604**	**1.657**
	HC2: Experience of the entrepreneur.	.031	.046	.043	.680	.497	**.629**	**1.590**
	HC3: Entrepreneur has the skill for the business.	.025	.031	.052	.809	.419	**.612**	**1.634**
	HC4: Entrepreneur has received training for the business.	.071	.021	.226	3.395	.001	**.567**	**1.764**
	HC5: Level of education of the employees.	.056	.025	.167	2.265	.024	**.466**	**2.147**
	HC6: Skill level of employees for the business.	.006	.040	.013	.153	.878	**.336**	**2.976**
	HC7: Employees have received training for the business.	.077	.044	.170	1.725	.086	**.259**	**3.868**
	HC8: Experience level of employees for the business.	.013	.038	.029	.356	.722	**.388**	**2.580**
	FC1: Loans from microfinance.	.053	.041	.119	1.283	.201	**.295**	**3.391**
	FC2: Loans from banks.	.031	.039	.072	.800	.424	**.314**	**3.184**

FC3 credit history enables me to run this business.	.028	.032	.077	.862	.389	10.33	.096
FC4: cash flow enables me to run this business.	.030	.034	.080	.884	.377	10.30	.097
FC5: Donation from business angles.	.016	.022	.044	.733	.464	**.713**	**1.403**
FC6: my financial standing enables me access loans.	.014	.023	.034	.598	.550	10.31	.096
FC7: Entrepreneurs' savings.	.120	.049	.233	2.466	.014	**.283**	**3.531**
FC8: Loans from close friends and or cooperatives.	.024	.055	.045	.440	.660	**.237**	**4.223**
SC1: good relationship between my business and others.	.009	.008	.063	1.192	.234	10.88	.091
SC2: good relation between my employees and customers.	.057	.036	.102	1.602	.110	10.62	.094
SC3: good relationship between my employees and I (owner).	.076	.026	.193	2.917	.004	10.56	.094
SC4: business activity deadlines are met on time.	.056	.025	.174	2.223	.027	10.51	.094
SC5: the suppliers are paid on time.	.015	.021	.048	.725	.469	10.44	.095
SC6: business follows ethical practice in all transaction.	.036	.030	.079	1.175	.241	10.53	.094

SC7: good relationship with business angels.	.064	.031	.136	2.041	.042	10.88	.091
SC8: I have good relationship with close friends and family and/or cooperatives.	.020	.042	.035	.488	.626	**.500**	**1.998**
SC9: I have good relationship with my suppliers.	.095	.045	.149	2.087	.038	**.494**	**2.023**
SC10: I have good relationship with the financial institutions (banks and/or microfinance).	.051	.046	.077	1.110	.268	**.521**	**1.920**
SC11: I have good relationship with the government.	.009	.011	.048	.884	.377	**.859**	**1.164**
a. Dependent Variable: Performance in terms of Sales revenue							

Source: Result obtained from SPSS

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.353	.257		1.373	.171		
	HC1: Level of education of the entrepreneur	.001	.018	.003	.040	.968	**.604**	**1.657**
	HC2: Experience of the entrepreneur.	.058	.037	.101	1.552	.122	**.629**	**1.590**
	HC3: Entrepreneur has the skill for the business.	.015	.026	.038	.576	.565	**.612**	**1.634**
	HC4: Entrepreneur has received training for the business.	.046	.017	.189	2.745	.006	**.567**	**1.764**
	HC5: Level of education of the employees.	.027	.020	.103	1.355	.176	**.466**	**2.147**
	HC6: Skill level of employees for the business.	.031	.033	.085	.958	.339	**.336**	**2.976**
	HC7: Employees have received training for the business.	.059	.036	.167	1.646	.101	**.259**	**3.868**
	HC8: Experience level of employees for the business.	.014	.031	.037	.448	.655	**.388**	**2.580**
	FC1: Loans from microfinance.	.031	.033	.088	.923	.357	**.295**	**3.391**
	FC2: Loans from banks.	.013	.032	.037	.401	.688	**.314**	**3.184**

Coefficients[a]

	Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients				Collinearity Statistics	
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
FC3 credit history enables me to run this business.	.006	.026	.021	.225	.822	10.33	.096
FC4: cash flow enables me to run this business.	.003	.028	.010	.105	.917	10.30	.097
FC5: Donation from business angles.	.031	.018	.105	1.719	.087	**.713**	**1.403**
FC6: my financial standing enables me access loans.	.008	.019	.024	.406	.685	10.31	.096
FC7: Entrepreneurs' savings.	.063	.040	.154	1.584	.114	**.283**	**3.531**
FC8: Loans from close friends and or cooperatives.	.008	.044	.020	.191	.849	**.237**	**4.223**
SC1: good relationship between my business and others.	.018	.006	.157	2.889	.004	10.88	.091
SC2: good relation between my employees and customers.	.041	.029	.093	1.409	.160	10.62	.094
SC3: good relationship between my employees and I (owner).	.048	.021	.153	2.240	.026	10.56	.094

	Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
SC4: business activity deadlines are met on time.	.050	.020	.198	2.463	.014	10.51	.094
SC5: the suppliers are paid on time.	.004	.017	.015	.216	.829	10.44	.095
SC6: business follows ethical practice in all transaction.	.031	.025	.087	1.259	.209	10.53	.094
SC7: good relationship with business angels	.042	.025	.115	1.678	.094	10.88	.091
SC8: I have good relationship with close friends and family and/or cooperatives.	.006	.034	.014	.191	.849	**.500**	**1.998**
SC9: I have good relationship with my suppliers.	.038	.037	.076	1.032	.303	**.494**	**2.023**
SC10: I have good relationship with the financial institutions (banks and/or microfinance).	.049	.037	.093	1.297	.196	**.521**	**1.920**
SC11: I have good relationship with the government.	.007	.009	.045	.802	.423	**.859**	**1.164**
a. Dependent Variable: Performance in terms of Profit							

Source: Result obtained from SPSS

APPENDIX 12.b: CORRELATION MATRIX – ENTREPRENEURIAL CAPITAL

Correlation Matrix[a]

		HC1	HC2	HC3	HC4	HC5	HC6	HC7	HC8	FC1	FC2	FC5	FC7	FC8	SC8	SC9	SC10	SC11
Correlation	HC1	1.000	0.392	0.282	0.393	0.332	0.219	0.310	0.212	0.005	0.032	0.117	0.225	0.265	0.184	0.112	0.239	0.105
	HC2	0.392	1.000	0.515	0.346	0.212	0.233	0.180	0.166	0.325	0.312	0.139	0.278	0.307	0.241	0.139	0.189	0.182
	HC3	0.282	0.515	1.000	0.414	0.306	0.259	0.287	0.215	0.279	0.278	0.160	0.313	0.347	0.222	0.143	0.197	0.176
	HC4	0.393	0.346	0.414	1.000	0.513	0.384	0.430	0.381	0.183	0.175	0.101	0.347	0.396	0.164	0.174	0.211	0.098
	HC5	0.332	0.212	0.306	0.513	1.000	0.544	0.595	0.515	0.192	0.229	0.239	0.408	0.445	0.178	0.201	0.227	0.113
	HC6	0.219	0.233	0.259	0.384	0.544	1.000	0.530	0.612	0.114	0.156	0.197	0.394	0.417	0.239	0.237	0.262	0.209
	HC7	0.310	0.180	0.287	0.430	0.595	0.530	1.000	0.720	0.173	0.213	0.230	0.415	0.457	0.185	0.166	0.216	0.103
	HC8	0.212	0.166	0.215	0.381	0.515	0.612	0.720	1.000	0.184	0.175	0.241	0.484	0.479	0.237	0.272	0.240	0.170
	FC1	0.005	0.325	0.279	0.183	0.192	0.114	0.173	0.184	1.000	0.162	0.318	0.461	0.480	0.230	0.178	0.130	0.205
	FC2	0.032	0.312	0.278	0.175	0.229	0.156	0.213	0.175	0.162	1.000	0.290	0.457	0.475	0.208	0.173	0.137	0.153
	FC5	0.117	0.139	0.160	0.101	0.239	0.197	0.230	0.241	0.318	0.290	1.000	0.361	0.357	0.212	0.129	0.138	0.121
	FC7	0.225	0.278	0.313	0.347	0.408	0.394	0.415	0.484	0.461	0.457	0.361	1.000	0.021	0.356	0.292	0.245	0.240
	FC8	0.265	0.307	0.347	0.396	0.445	0.417	0.457	0.479	0.480	0.475	0.357	0.021	1.000	0.375	0.288	0.262	0.234
	SC8	0.184	0.241	0.222	0.164	0.178	0.239	0.185	0.237	0.230	0.208	0.212	0.356	0.375	1.000	0.469	0.408	0.401
	SC9	0.112	0.139	0.143	0.174	0.201	0.237	0.166	0.272	0.178	0.173	0.129	0.292	0.288	0.469	1.000	0.644	0.418
	SC10	0.239	0.189	0.197	0.211	0.227	0.262	0.216	0.240	0.130	0.137	0.138	0.245	0.262	0.408	0.644	1.000	0.489
	SC11	0.105	0.182	0.176	0.098	0.113	0.209	0.103	0.170	0.205	0.153	0.121	0.240	0.234	0.401	0.418	0.489	1.000
Sig. (1-	HC1		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.465	0.278	0.015	0.000	0.000	0.000	0.019	0.000	0.026

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Correlation Matrix[a]

		HC1	HC2	HC3	HC4	HC5	HC6	HC7	HC8	FC1	FC2	FC5	FC7	FC8	SC8	SC9	SC10	SC11
tailed)	HC2	0.000		0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.005	0.000	0.000	0.000	0.005	0.000	0.000
	HC3	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.004	0.000	0.001
	HC4	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.001	0.031	0.000	0.000	0.001	0.001	0.000	0.036
	HC5	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.018
	HC6	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.017	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	HC7	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.029
	HC8	0.000	0.001	0.000	0.000	0.000	0.000	0.000		0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.001
	FC1	0.465	0.000	0.000	0.000	0.000	0.017	0.001	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.008	0.000
	FC2	0.278	0.000	0.000	0.001	0.000	0.002	0.000	0.001	0.000		0.000	0.000	0.000	0.000	0.001	0.005	0.002
	FC5	0.015	0.005	0.001	0.031	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.009	0.005	0.012
	FC7	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000
	FC8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000
	SC8	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000
	SC9	0.019	0.005	0.004	0.001	0.000	0.000	0.001	0.000	0.000	0.001	0.009	0.000	0.000	0.000		0.000	0.000
	SC10	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.008	0.005	0.005	0.000	0.000	0.000	0.000		0.000
	SC11	0.026	0.000	0.001	0.036	0.018	0.000	0.029	0.001	0.000	0.002	0.012	0.000	0.000	0.000	0.000	0.000	

Source: Result obtained from SPSS

APPENDIX 13a: SEM MODEL FIT
CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	54	313.706	156	0	2.011
Saturated model	210	0	0		
Independence model	20	3400.755	190	0	17.899

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.111	0.922	0.896	0.685
Saturated model	0	1		
Independence model	0.509	0.401	0.338	0.363

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.111	0.922	0.896	0.685
Saturated model	0	1		
Independence model	0.509	0.401	0.338	0.363

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	0.908	0.888	0.951	0.94	0.951
Saturated model	1		1		1
Independence model	0	0	0	0	0

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0.052	0.044	0.061	0.313
Independence model	0.214	0.208	0.22	0

Standardised RMR = 0.0549 (Obtained from AMOS).

Source: Result obtained from AMOS - SPSS

APPENDIX 13b: CFA MODEL FIT
CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	41	251.557	112	0	2.246
Saturated model	153	0	0		
Independence model	17	2929.344	136	0	21.539

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.137	0.928	0.902	0.68
Saturated model	0	1		
Independence model	0.583	0.389	0.312	0.346

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	0.914	0.896	0.95	0.939	0.95
Saturated model	1		1		1
Independence model	0	0	0	0	0

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0.058	0.049	0.068	0.08
Independence model	0.236	0.229	0.243	0

Source: Result obtained from AMOS - SPSS

APPENDIX 14: AVERAGE VARIANCE EXTRACTED (AVE) and COMPOSITE RELIABILITY (CR)

APPENDIX 14.1: Employees Human Capital (EHC) component

λ (factor loading)	λ^2	ε (error variance) or $1-\lambda^2$		
0.861	0.740977456292935	0.259022543707065	N = nbr of factor loading	4
0.814	0.661904754143070	0.338095245856930		
0.794	0.630890579561355	0.369109420438645	Average Variance Extracted	0.633501566
0.707	0.500233473816977	0.499766526183023		
3.176	**2.534**	**1.466**	Composite Reliability	0.873102145

Authors' own computation from Excel

APPENDIX 14.2: FINANCIAL CAPITAL (FC) COMPONENT

λ (factor loading)	λ^2	ε (error variance) or $1-\lambda^2$
0.892	0.795693861746832	0.204306138253168
0.872	0.760784513564952	0.239215486435048
0.634	0.402032701606886	0.597967298393113
0.631	0.397977367433425	0.602022632566575
0.476	0.226903225768165	0.773096774231835
sum **3.506**	**2.583**	**2.417**

N = nbr of factor loading	5
Average Variance Extracted	0.516678334
Composite Reliability	0.835662708

Authors' own computation from Excel

APPENDIX 14.3 SOCIAL CAPITAL (SC) COMPONENT

λ (factor loading)	λ^2	ε (error variance) or $1-\lambda^2$
0.840	0.705750916512885	0.294249083487115
0.832	0.692995202796045	0.307004797203955
0.805	0.647325238398363	0.352674761601637
0.670	0.448649196089392	0.551350803910608
sum **3.147**	**2.495**	**1.505**

N = nbr of factor loading	4
Average Variance Extracted	0.623680138
Composite Reliability	0.868055808

APPENDIX 14.4: OWNER HUMAN CAPITAL (OHC) COMPONENT

λ (factor loading)	λ^2	ε (error variance) or $1-\lambda^2$
0.777	0.603314351818141	0.396685648181859
0.710	0.503406983730385	0.496593016269615
0.669	0.447002185988206	0.552997814011794
0.667	0.444888999999999	0.555111000000001
sum **2.822**	**1.999**	**2.001**

N = nbr of factor loading	4
Average Variance Extracted	0.500
Composite Reliability	0.799140083

Authors' own computation from Excel

APPENDIX 15a: STATISTICIAN LETER

Gill Hendry B.Sc. (Hons), M.Sc. (Wits), PhD (UKZN)
Mathematical and Statistical Services
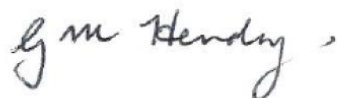
Cell: 083 300 9896
email : hendryfam@telkomsa.net

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21 November 2018

Re: Assistance with some statistical aspects of the study

Please be advised that I have assisted Martin Kabange (Student number 211558898), who is presently studying for a PhD in the School of Economics at UKZN, with the questionnaire development and validation. I also checked his interpretation of his results.

Yours sincerely

Gill Hendry (Dr)

APPENDIX 15b: EDITOR'S LETER

03 December 2018

TO WHOM IT MAY CONCERN

This is to confirm that the dissertation written by Mr. Martin Mulunda Kabange, titled **'The Interplay Of Different Types Of Capital On Amplifying Small Business Entrepreneurship Performance In Cameroon: A Case Of Douala And Yaounde'** was copy edited for layout (including numbering, pagination, heading format, justification of figures and tables), grammar, spelling and punctuation by the undersigned. The document was subsequently proofread and a number of additional corrections were advised.

The undersigned takes no responsibility for corrections/amendments not carried out in the final copy submitted for examination purposes.

Mrs. Barbara L. Mutula-Kabange

Copy Editor, Proof reader
BEd (UBotswana), BSSc Hons Psychology (UKZN),
MEd Educational Psychology (UKZN)

APPENDIX 16: INDEPENDENT SAMPLE T-TEST (ADDITIONAL TESTS)

APPENDIX 16a: INDEPENDENT SAMPLE T-TEST OF PERFORMANCE IN TERMS OF PROFIT BASED ON GENDER

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Profit Performance	Male	236	23061.04	55242.319	3595.969
	Female	134	19705.33	50120.073	4329.715

Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Profit Performance	Equal variances assumed	1.294	.256	**.580**	368	**.562**	3355.710	5781.252
	Equal variances not assumed			.596	299.196	.551	3355.710	5628.270

APPENDIX 16b: INDEPENDENT SAMPLE T-TEST OF PERFORMANCE IN TERMS OF LABOUR EMPLOYMENT BASED ON GENDER

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Labour employment Performance	Male	236	**8.54**	3.502	.228
	Female	134	**7.54**	2.556	.221

Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Labour employment Performance	Equal variances assumed	.004	0.850	2.876	368	.004	.993	.345
	Equal variances not assumed			**3.130**	345.470	**.002**	.993	.317

APPENDIX 16c: INDEPENDENT SAMPLE T-TEST OF PERFORMANCE IN TERMS OF SALES REVENUE BASED ON GENDER

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Sales revenue Performance	Male	236	**332024.65**	335150.714	21816.453
	Female	134	**295399.57**	278231.132	24035.509

Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Sales revenue Performance	Equal variances assumed	2.843	.003	1.072	368	.084	36625.081	34155.220
	Equal variances not assumed			**1.128**	319.63	**.084**	36625.081	32460.181

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APPENDIX 16d: INDEPENDENT SAMPLE T-TEST OF PERFORMANCE IN TERMS OF PROFIT BASED ON LOCATION

	Group Statistics				
	Location	N	Mean	Std. Deviation	Std. Error Mean
Profit Performance	Douala	185	**25734.58**	55743.381	4098.335
	Yaoundé	185	**17956.87**	50801.767	3735.020

Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Profit Performance	Equal variances assumed	5.280	.022	1.403	368	.162	7777.714	5544.973
	Equal variances not assumed			**1.403**	364.874	**.162**	7777.714	5544.973

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APPENDIX 16e: INDEPENDENT SAMPLE T-TEST OF PERFORMANCE IN TERMS OF LABOUR EMPLOYMENT BASED ON LOCATION

Group Statistics					
	Location	N	Mean	Std. Deviation	Std. Error Mean
Labour employment Performance	Douala	185	**8.37**	3.712	.273
	Yaoundé	185	**7.98**	2.645	.194

Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Labour employment Performance	Equal variances assumed	14.389	.000	1.161	368	.246	.389	.335
	Equal variances not assumed			**1.161**	332.531	**.246**	.389	.335

APPENDIX 16f: INDEPENDENT SAMPLE T-TEST OF PERFORMANCE IN TERMS OF SALES REVENUE BASED ON LOCATION

Group Statistics					
	Location	N	Mean	Std. Deviation	Std. Error Mean
Sales revenue	Douala	185	**336400.82**	335990.580	24702.519
Performance	Yaoundé	185	**301120.04**	294148.489	21626.227

Sales revenue Performance		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
	Equal variances assumed	2.253	**.000**	1.075	368	.083	35280.784	32831.511
	Equal variances not assumed			**1.075**	361.67	**.083**	35280.784	32831.511

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APPENDIX 17: DATA EXTRACT FROM VARIABLE GENERATION (SPSS)

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
1	4.1097	1.17144	4.9563
2	1.31611	0.53153	5.3154
3	1.45647	8.8124	1.48344
4	4.8367	6.0455	1.5765
5	8.0188	0.52615	0.02606
6	1.6119	6.8846	5.8884
7	9.8589	8.1368	5.4383
8	7.4987	6.8454	4.6097
9	1.62125	0.09767	1.89932
10	1.28852	0.31629	1.35471
11	1.32264	0.53272	0.12256
12	3.2743	0.69591	1.57228
13	1.93882	-1.30036	1.27749
14	1.49102	0.35083	1.35537
15	5.7619	1.32242	9.9886
16	1.40008	-0.1447	1.04138
17	4.2599	0.4397	0.64656
18	7.8044	9.8621	0.08097
19	7.8603	1.54868	6.4689
20	3.4518	0.11597	9.1568
21	3.8945	0.40437	2.43339
22	1.59714	0.58627	7.0995
23	0.7471	0.92069	1.71971
24	1.59171	0.32578	0.71106
25	3.9691	7.7267	9.7997
26	5.9262	1.09982	0.26881
27	9.3801	8.3636	8.4026
28	4.0594	7.8873	4.0108

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
29	4.5648	1.03774	3.1283
30	0.4661	-0.23325	4.883
31	1.24927	-2.09579	4.5131
32	5.048	9.8097	3.0352
33	1.51511	7.6023	6.6022
34	7.9707	-1.26593	0.14143
35	0.3885	9.8147	7.2235
36	6.7613	8.1352	0.28795
37	3.0366	-1.93076	1.05258
38	0.02264	0.08573	1.54625
39	1.04524	-1.95569	0.35659
40	9.0999	-1.82159	0.18883
41	1.01562	1.06989	0.46069
42	0.36704	9.6946	6.6251
43	0.44696	0.63838	7.1462
44	6.5468	7.4192	0.02722
45	0.25858	0.63374	0.08831
46	0.1247	0.39905	1.57036
47	0.20872	-1.00813	5.6783
48	5.2516	-1.06697	0.5991
49	6.2877	8.3052	0.24917
50	3.7321	7.4758	0.03206
51	6.1839	-1.24003	0.26884
52	0.43757	-0.25197	9.1604
53	0.29212	0.53073	1.63542
54	7.4699	-0.14256	3.2396
55	4.7445	0.404	0.02299
56	0.44364	-0.29253	0.1426
57	0.15956	-1.25988	0.16969
58	1.43816	-1.32066	0.53139

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
59	0.09946	1.67287	0.35928
60	1.56831	0.44849	0.43031
61	0.2482	-0.24123	2.34127
62	0.36496	-2.45826	3.1621
63	0.52342	1.72461	1.38699
64	0.01596	1.75347	1.66674
65	1.72441	6.0371	1.09488
66	0.25963	0.83116	1.33616
67	7.7203	0.78939	1.54855
68	0.11226	0.18315	0.21487
69	0.58124	-2.30286	1.57963
70	7.1274	-0.23935	1.22789
71	1.07733	-2.79097	0.01305
72	1.3129	9.2656	1.42957
73	0.12614	1.3965	1.86446
74	1.42992	-1.85907	1.29508
75	0.23162	0.89779	0.14646
76	2.70579	0.56307	2.15018
77	2.15522	1.38767	1.4679
78	0.36193	1.81649	0.66437
79	1.5161	9.5552	8.2348
80	0.38675	1.73807	0.41932
81	8.0381	5.0679	1.43102
82	0.30565	1.62653	0.2633
83	0.11546	1.79006	0.74692
84	0.32276	1.38798	0.05456
85	0.56154	1.52137	0.68374
86	0.43693	-1.37873	1.67387
87	1.21121	9.0656	1.70553
88	6.4148	4.8101	0.20874

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
89	1.20046	7.6254	1.27682
90	8.3814	-1.09015	8.1388
91	1.21046	9.9967	1.28691
92	1.6929	6.4628	1.37558
93	4.8973	4.293	1.78304
94	1.40953	0.16177	1.13504
95	0.23142	0.42642	1.42446
96	8.855	9.0879	1.0123
97	7.0282	1.65673	1.01434
98	0.03714	0.56815	0.01763
99	1.80918	-2.64996	1.26962
100	7.6423	0.83845	8.5383
101	6.9936	1.65901	0.2476
102	3.9583	8.1991	8.9661
103	0.01046	1.67503	2.73654
104	8.4253	0.48941	3.1305
105	5.0996	1.60704	1.3998
106	6.4208	-2.53821	1.17922
107	1.4668	-2.56583	6.6041
108	1.83249	1.51309	1.40792
109	0.57032	1.65945	2.26375
110	0.15463	-1.02246	0.52543
111	4.1303	-0.1503	9.8643
112	1.62654	6.0853	3.22931
113	1.39717	0.73587	1.44306
114	1.80918	-2.64996	1.26962
115	0.17031	1.51442	7.6682
116	0.21437	1.52498	1.06495
117	1.30578	0.71295	2.90768
118	1.14166	1.13829	1.21009

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
119	5.0411	7.7313	0.17091
120	0.00605	1.2854	0.12257
121	9.9241	1.6845	1.52796
122	3.9232	1.10924	0.16478
123	4.7846	9.9808	8.4819
124	0.22891	7.1324	1.16942
125	4.9174	0.20245	2.72335
126	8.5667	-0.05401	9.4889
127	5.7926	9.0889	6.2053
128	3.1758	0.6534	5.533
129	4.0283	6.5676	6.8501
130	7.7142	-0.3812	7.9962
131	4.8644	0.58069	0.09246
132	0.01188	7.7874	0.07114
133	0.04067	8.3395	9.2052
134	4.894	-0.39239	1.61166
135	0.04849	-0.13769	1.30799
136	0.18423	-1.80184	1.03285
137	3.6656	-0.48998	1.93273
138	0.12663	0.4072	1.36395
139	3.8579	0.2938	2.2433
140	8.9857	0.50516	0.1117
141	4.4606	0.33566	4.4935
142	4.095	-1.76379	0.27724
143	6.8937	-1.54161	0.36701
144	1.5524	-2.58686	-0.81271
145	5.8443	-1.97071	7.5758
146	3.5343	6.6914	0.10135
147	1.45625	0.35781	0.23653
148	7.1347	6.4515	9.7835

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
149	1.72916	6.4464	9.8239
150	1.79768	1.11514	2.39964
151	1.12288	6.1236	0.5291
152	1.18575	1.02281	1.02787
153	0.12946	-9.8743	1.18533
154	6.8937	-1.54161	0.36701
155	0.13395	-9.8161	1.04942
156	1.2946	-9.8743	1.18533
157	1.2946	-9.8743	1.18533
158	1.63418	-1.38694	0.07912
159	1.87355	-0.64008	0.30048
160	1.35306	-8.2867	1.22314
161	9.428	0.28886	0.12377
162	1.42949	0.25826	0.5487
163	0.13749	8.0683	0.15981
164	1.24786	0.0234	0.85754
165	0.08719	8.4778	0.01025
166	0.38444	4.5499	0.33302
167	0.03179	0.63315	0.40372
168	0.4681	1.5268	0.66974
169	1.27276	0.36167	1.6007
170	1.11221	0.86663	1.25646
171	0.3653	0.50112	1.01937
172	1.57253	1.09108	0.56985
173	1.3247	-2.49378	1.51315
174	1.47938	1.15463	1.51561
175	2.17423	9.2685	6.2797
176	9.1503	0.41649	1.28224
177	1.32817	7.3322	7.7242
178	0.11753	6.5899	8.7831

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
179	1.5202	9.0959	1.3672
180	8.9588	1.07134	1.34051
181	1.08179	-1.07903	2.66917
182	5.1328	-1.65002	1.37046
183	0.29888	-8.8993	9.006
184	4.6091	0.53759	1.60617
185	0.09405	0.33864	.39993
186	1.06022	0.59258	1.05257
187	1.16776	1.40466	6.6296
188	4.2308	1.41831	1.1747
189	1.55991	-0.17492	1.05673
190	1.50476	0.04854	8.7247
191	0.28217	1.49685	0.79391
192	1.26216	-1.94083	0.25844
193	1.92412	-1.27386	0.29975
194	5.0483	-2.35268	0.17683
195	1.63622	-0.60774	1.00204
196	1.81837	-1.97579	5.3348
197	0.21012	0.68125	0.39316
198	0.24493	-1.76508	5.1185
199	4.3924	-0.08152	0.01386
200	1.46202	-0.01065	1.19214
201	8.2105	0.44162	0.12664
202	5.3129	0.12492	0.33056
203	1.96334	0.05571	1.41945
204	0.17569	-0.04283	1.45203
205	5.9763	-0.25125	0.71103
206	1.52007	0.18044	0.80607
207	1.1627	-1.59587	0.98222
208	1.43529	0.07695	0.17404

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
209	8.5835	-0.20993	0.2608
210	8.2146	0.5444	0.66995
211	0.29042	8.0853	1.72669
212	0.2847	-0.03736	0.05468
213	0.05025	0.61091	0.17303
214	7.7798	0.23403	0.15304
215	0.09822	-0.37367	0.85269
216	8.6358	-0.7472	7.8844
217	0.35926	1.2946	0.01709
218	0.07454	8.7878	0.01689
219	0.01987	9.6326	0.04328
220	9.6133	5.0459	0.11143
221	8.1832	-0.03665	7.2625
222	1.86036	0.14346	0.31577
223	0.20702	-1.48988	0.24573
224	0.10645	-8.7102	1.23454
225	1.15256	-0.5474	0.11218
226	0.29523	0.1774	0.17488
228	3.8891	-0.23617	6.8159
229	0.02504	0.26668	6.8284
230	7.1632	-0.068	7.1462
231	1.61921	-1.32379	0.06477
232	1.20372	0.51271	0.05269
233	1.38939	0.56723	0.28777
234	1.65209	-0.6233	0.12081
235	1.08585	-0.64058	0.79648
236	6.2764	-0.25106	-0.47787
237	1.47697	-0.4322	0.3051
238	1.05327	-0.39393	0.07071
239	1.04277	0.19821	0.10821

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
240	8.0742	-0.42222	6.01325
241	9.5726	-0.45592	0.17053
242	9.5092	0.64617	0.44819
243	0.13907	-0.47215	9.3748
244	5.9934	-6.4949	0.49322
245	1.29715	-0.22962	0.196
246	0.16966	0.32232	0.5629
247	0.10522	8.7067	1.28598
248	6.8799	-1.14401	5.1268
249	1.47084	0.09039	7.0366
250	1.86546	0.21664	0.27231
251	9.8786	-0.74739	4.9964
252	8.7362	-0.44697	0.16533
253	4.1535	-0.38623	0.07705
254	8.6737	-0.71919	7.00615
255	0.2117	0.47368	6.6095
256	1.28927	-0.46146	0.26728
257	0.00448	0.10538	1.54602
258	9.1461	-1.79568	0.26004
259	1.81017	-0.41389	0.2688
260	0.68971	0.10484	1.57368
261	0.27319	0.22162	-9.0505
262	0.4263	-1.96454	9.3844
263	7.5035	-1.05783	0.35481
264	1.95536	-0.1814	2.06479
265	1.91639	-0.52828	1.05073
266	0.29934	-0.2236	0.07373
267	0.17827	0.0383	0.38368
268	1.68983	-6.9479	0.31901
269	3.4664	0.07811	0.20425

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
270	4.4179	-0.3258	0.49551
271	7.4561	-0.30305	0.33057
272	8.5045	0.51544	0.15374
272	1.43571	9.2695	0.21786
273	1.31321	-1.18187	0.28396
274	0.5034	-1.38595	1.07822
275	1.21705	-0.53217	9.1321
276	1.80118	-0.07042	1.29883
277	1.07166	-9.2101	0.10022
278	1.0227	-0.30997	0.07029
279	0.16957	-0.41334	0.5382
280	5.3019	-0.18435	0.66108
281	1.64765	-0.33015	0.43434
282	4.2453	-0.37537	1.85445
283	3.7066	0.20411	8.2411
284	1.23985	-0.46915	0.1693
285	1.57655	-0.552	1.34668
286	6.4443	-0.50871	0.17789
287	8.8638	-9.4091	0.08527
288	9.7936	-0.21477	0.14085
289	1.16116	-1.62097	4.0722
290	6.4298	0.44096	0.22722
291	1.28092	-8.2457	0.26017
292	4.3681	-9.4031	8.0182
293	4.9443	-0.81437	0.19449
294	9.597	-0.68221	1.36625
295	1.63054	-1.02801	0.0772
296	7.4288	-0.96058	0.5318
297	9.5638	0.3608	0.191
298	1.49056	-0.56928	0.17427

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
299	0.5047	0.838	0.09077
300	0.2157	-0.22364	0.30304
301	1.78679	-0.61847	0.51263
302	1.68869	0.77427	1.27519
303	1.58145	0.48296	1.89156
304	1.49942	0.14247	5.5197
305	1.30612	0.29439	5.4163
306	1.14031	1.06195	5.8476
307	1.00505	1.26964	6.5627
308	5.8925	0.67175	6.3062
309	1.46872	1.05152	1.26358
310	1.84387	0.20933	1.21846
311	1.78291	0.49086	9.7457
312	0.23162	0.44587	9.9261
313	8.657	-1.69883	0.12127
314	1.24325	-0.62602	8.8665
315	0.38293	-2.03023	0.44252
316	4.1053	7.1181	1.07391
317	1.77032	6.1835	2.09601
318	6.4612	1.03164	6.2804
319	1.01586	-0.02944	1.41054
320	1.15027	3.5559	4.3767
321	1.13258	-1.8664	3.5061
322	6.0347	0.19952	7.6272
323	8.0351	-0.4936	1.15057
324	1.70143	0.2517	0.03289
325	1.45155	0.15325	4.5278
326	0.12824	6.6582	0.02594
327	1.68442	-0.23346	4.8118
328	1.02519	-8.0783	5.5714

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
329	1.41908	0.05135	0.17253
330	1.09359	5.3249	1.53689
331	0.3547	-0.3449	0.29791
332	0.19611	1.03957	1.53964
333	1.76773	0.43653	1.41069
334	1.25944	0.1384	1.57666
335	0.06131	-0.11672	1.28044
336	0.16575	-0.42484	1.66715
337	6.4057	0.09189	6.2795
338	0.19936	-0.04334	8.4785
339	1.37225	-1.34528	1.21379
340	1.38533	0.00749	0.11735
341	6.1514	0.31748	1.44933
342	9.8607	0.25112	0.42073
343	1.19073	-1.61818	7.1781
344	0.07875	-0.88628	0.2289
345	1.71963	-0.74196	0.05254
346	0.21328	-1.59964	07.5748
347	1.25825	-1.98404	0.32821
348	0.10262	-0.10078	5.7463
349	0.13191	-1.07757	0.07439
350	3.40150	0.69422	1.58037
351	1.41913	-0.35765	0.71788
352	4.35560	-1.64201	1.17057
353	1.53645	-2.25973	0.08815
354	1.85339	-0.29044	2.19216
355	0.29618	-0.56758	0.8728
356	1.06290	-5.9994	4.3747
357	6.1788	0.07522	8.8285
358	0.28866	-1.32232	0.30899

RESPONDENTS	AWARENESS OF FUNDS	GOVERNMENT REGULATIONS	GOVERNMENT SUPPORT
359	0.47964	-1.55515	0.30379
360	1.34951	-1.46648	9.9829
361	4.1334	-1.99808	6.7481
362	0.08363	-1.17411	0.25801
363	0.02064	-1.04157	7.0532
364	5.730	-0.43714	9.2461
365	6.9655	-1.17064	0.31923
366	1.09953	0.46803	2.77939
367	4.10970	1.17144	0.49563
368	1.31611	5.3153	5.3154
369	1.45647	8.8124	1.48344
370	4.83670	0.6455	0.15765

Source: Result obtained from SPSS.