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Financial Inclusion and Small Enterprise Growth in Africa: Emerging Perspectives and Research Agenda

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Abstract

Purpose – The purposes of this paper are to review the streams of studies that link financial inclusion to small enterprise growth in Sub-Sahara Africa (SSA), to identify the research gaps they provide, and to prepare an agenda for future research in the field.

Design/methodology/approach – The study employs systematic literature search method to identify relevant literature from journals. It then adopts a narrative approach for the review, highlighting the findings from the prior studies and gaps requiring research attention.

Findings – The discussions reveal that there is a need for future studies that can unpack small enterprise growth determinants, identify growth-enabling entrepreneurial characteristics and examine the contextual variabilities that shape their effectiveness.

Originality/value – There is currently no comprehensive/integrated review exploring the link between financial inclusion and small enterprise growth in SSA. This review therefore provides insights that contribute to the development of this stream of research.

Keywords: Financial inclusion, entrepreneurship, small businesses, enterprise growth, Africa

Paper type: Literature review

1. Introduction

Some development economists argue that private enterprise-led growth is the only effective solution to Sub-Sahara Africa's (SSA) hitherto endemic poverty. In particular, small owner-managed enterprises enhance their owners' capacity to care for themselves and their families and provide jobs for the youth. Furthermore, as these enterprises grow, they tend to provide larger sources of tax revenues necessary for anti-poverty and welfare policies of governments (Kuada, 2015). In line with this understanding, several scholars have called for investigations into the key determinants of small enterprise growth in SSA, arguing that existing knowledge is insufficient to inform viable growth-enhancing policies (Abu & Haruna, 2017; Atiase, *et al.*, 2017). This awareness has resulted in the emergence of different streams of research aimed at providing improved insights into small enterprise creation and growth process.

The firststream of research forwards the view that funding gapsexist in the small enterprise sectors in Africa and these gaps seriously constrain their growth (Beck & Cull, 2014). Thisis partly becausethe financial sectors in most African countries have remainedrisk averse, limited in outreach, and skewed against small businesses (Atiase, *et al.*, 2017). Financial inclusion has therefore become a major policy concern in SSA (Quartey *et al.*, 2017). The second stream of researchhas been guided by classical business growth theory that views enterprise growth as a process of change, which is influenced by a combination of both internal (firm-specific) and external (context-specific) factors (Stam *et al.,* 2006). The general conclusion from these studies is that small enterprise growth trajectories in Africa areinfluencedby a confluence of multiple factors. Finance may be one of these factors, but not always the major factor (McKenzie & Paffhausen, 2017). Hence, the limited growth of small businesses in SSA may be partly due to non-financial constraints such as market failures, limited entrepreneurial growth ambitions and management capabilities, as well as debilitating operational environments (Domeher, *et al.*, 2017).

Although these two streams of research have a common domain of investigation, there have been limited conversations and cross-references between them. Some scholars have therefore called for a new stream of research that positions itself in the intersection between the other two (Sheriff & Muffatto, 2015; Flynn & Sumberg, 2018).The present study responds to this call and seeks to make twocontributions to the current body of knowledge. First, itprovides a synthesis of the available literature by bringing together the differenttheoretical perspectives that have informed investigations into both financial and non-financial constraints to small enterprise growth in SSA.

Second,by drawing on theories and perspectives thatprevious studies have omitted, the discussions underscore the symbiotic confluence of small enterprise growth variables and advocates the development ofan integrative framework for subsequent investigations. In sum,the study helpsgauge the current level of knowledge about the challenges of small enterprise development in SSA,identifies gaps in the existing body of knowledgeand maps out future research opportunities.

The paper continues in the next section with an overview of approaches adopted in selecting the available literature reviewed in the paper. This is followed by a discussion of the dominant theoretical perspectives that have guided the scholars in their hypotheses generation, research strategies and analyses. Since most of the papers have focused attention on how to address the challenges of financial inclusion, section fourof the paper explores the main challenges identified and the different approaches suggested to address them. The study then proposes an integrative framework for studying enterprise growth by linking the financial inclusion discussions to dominant perspectives in classical firm growth literature. These discussions lead on to an outline of the gaps in the literature and the opportunities for future research that they provide. The paper ends with a conclusion section that highlights the main arguments and contributions.

2. Method of Selecting Relevant Publications

The study follows a systematic approach to select the papers reviewed. According to Jesson *et al,* (2011:104), this approach provides a "transparent means for gathering, synthesizing and appraising the findings of studies on a particular topic" This is in contrast to conventional approaches to literature selection that are frequently characterized as being whimsical, subjective, variable, chaotic and idiosyncratic. The study is also guided by Petticrew and Roberts' (2006) seven stage framework consisting of the following steps:

1. Clearly define the question that the review is setting out to answer
2. Determine the types of studies that need to be located in order to answer your question
3. Carry out a comprehensive literature search to locate those studies
4. Screen the results of that search

5. Critically appraise the included literature
6. Synthesize the studies and assess heterogeneity among the study findings
7. Disseminate the findings of the review

The first step has been covered by the introduction to the paper. The second and third steps, have involved a systematic search of the database ABI/Inform, Complete (i.e. ProQuest) database as well as Google Scholar, EBSCO, and Africa related journal websites to identify the relevant papers. The basic keywords used for the search were 'financial services', 'financial inclusion', 'banking', 'small business','small firms','firm growth',and 'Africa'. Different combinations of the keywords were then used to screen the papers from January 01, 2000 to December 31, 2020. The initial search produced 49 articles (from 38 journals), covering subject areas such as finance, economics, econometrics, entrepreneurship, and business management. However, a reading of the abstracts of these papers revealed that only 22 papers dealt directly with both inclusive financing and small enterprise growth in Africa and have therefore been accepted as part of the review.It is pertinent to note that this review does not include conference papers, research reports, unpublished dissertations, feature articles, magazine articles, as well as books and book chapters. Table 1 provides an overview of the journals from which the papers have been drawn, while an overview of the papers is presented in appendix 1. The discussions follow steps 5 – 7 of Petticrew and Roberts' (2006) guidelines.

Please insert Table 1 about here

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3. Theoretical Foundations of the Literature

Financial economists argue that inclusive financial sector development in SSA is not only desirable but also feasible granting the existence of appropriate institutional mechanisms (Atiase *et al.,* 2017). In their view, there is no shortage of financial resources within the global economy. Rather, the ability to move money from the sender to the receiver (the so-called distributional effect of money) is the main obstacle in SSA's financial sector development (Asongu, 2014). Despite the abundance of financial resources within the global economy, access to finance remains a fundamental problem in Africa's development because less than 20% of households on the continent have access to financial services in the formal banking sector (Asongu, 2017).

This is partly because financial sectors in SSA countries areunderdeveloped, and slanted against the poor, the youth and small businesses (Aterido *et al.,* 2013). The banking sector in particular has been found to be unwilling or unable to tap into the large "under/unbanked" segments of populations across the sub-continent, thereby keeping parts of the economies non-monetized and less productive (Kuada, 2019). Hence,financial inclusion initiatives that provide access and usage of financial services to an increasing number of unbanked African citizens constitute a key requirement for small enterprise growth. Access in this context relates to availability of financial services in terms of physical proximity and affordability, while usage and quality relate to the volume and frequency with which people source the financial resources. Byextending financial outreach in this way, the amount of money in circulation within an economywill multiply and this will increase demandfor goods and services offered by small enterprises, and thereby stimulate their growth (Asongu & Odhiambo, 2018). These perspectives have also informed the research focus as well as theoretical perspectives adopted by studies reviewed in this paper. These theories include (1) resource based view of firms, (2) agency theory, and (3) institutional theory. They are discussed in details in this section.

3.1 Resource-based view and Financial Inclusion

According to resource-based view (RBV), an organization can be viewed as a collection of three sets of resources: physicalresources, human resources, and organizational resources (Barney, 1991). Examples of these resources include finance, organizational processes, employees, information or knowledge, all ofwhich contribute to the implementation offirm strategies.The proponents of this view argue that the most valuable, rare,imperfectly imitable and imperfectly substitutable among the resources are those that enable businesses to sustain their competitive advantages within market economies (Barney, 2001).

The reviewed papers have applied RBV in two ways in their studies. First, they see financial institutions as business entities that require resources in order to operate effectively. Second,they see finance as a resource that enables small businesses to build sustainable competitive advantages and grow. With regard to the first, RBV offers an efficiency-based explanation to performance differences among financial institutions (Adomako, *et al.*, 2016). The scholars

argue that the degree of competitiveness that banks achieve within their operational environments tends to depend on the efficient manner in which they manage their resources. Firms that are able to deliver greater benefits to their customers at a given cost (or can deliver the same benefit levels at a lower cost) tend to be more successful than their competitors are.Consequently, the concern for efficiency has discouraged conventional financial institutions such as banks from lending to small firms in Africa (Alhassan & Ohene-Asare, 2016). In order to control costs, banks prefer to make a smaller number of larger loans, than a larger number of smaller loans, and this practice works against small businesses (Mullineux, & Murinde, 2014).

Some strands of the RBV research contend that firm performance depends not only on the adoption of best practices, but in the development of dynamic capabilities within individual firms – i.e. the use of unique resources that are rooted in processes, procedures or rules for conducting business activities in dynamic environments. Thus, the unwillingness of banks to grant loans to small businesses constrains the ability of these enterprises to acquire most other resources that may facilitate their development of dynamic capabilities (Adije, 2020). Furthermore, access to financial resources depends on such factors as cost of credit (Abor and Quartey, 2010), the degree of financial literacy of business owners (Adomako, *et al.,* 2016), as well as the banking policies and strategies in a given country (Mullineux, & Murinde, 2014).

3.2 Agency Theory and Financial Inclusion

Several of the authors found agency theory useful in investigatingthe nature and challenges of cooperation between financial service providers and small enterprises (e.g. Boateng & Abdulrahman, 2013; Atiase *et al.*, 2017). The theory argues that parties involved in principal-agency relationships will act in their self-interest to maximize their own goal attainment, thereby resulting in the adoption of malfeasant behaviours of the parties. There are therefore two impediments to effective contractual performance: adverse selection or the misrepresentation of ability by the agent, and moral hazard or the lack of effort on the part of the agent. Adverse selection in this paper refers to the problem of financial institutions selecting small businesses that are ill-suited for loans, whereas moral hazard is the problem of selecting small businesses that appear appropriate based on their past records but do not put in their best efforts to generate enough

revenue to pay back the loans (Boateng & Abdulrahman, 2013). These anticipated behavioural tendencies may arise due to information asymmetries between finance providers and business owners (Boadi *et al.*, 2017). Hence, the focus of the theory is on the ways in which the principal can improve the efficiency of contracts with the agent – i.e. minimize the costs of monitoring the contracts and ensuring the commitment of the agent. Consequently, financial service providers generally prefer borrowers who have good records of profitability, some degree of longevity, and assets that can be used as collateral. They tend to raise the interest rate on loans to riskier borrowers such as small businesses to reflect the greater uncertainty of repayment (Abor, *et al.*, 2014).

It has, however, been suggested in the reviewed papersthat some of the key assumptions of the agency theory lack solid empirical support. In practice, financial service providers are not always risk neutral. Some tend to engage in cheating practices or exert their authorities to the detriment of small businesses (Boateng & Abdulrahman, 2013). Furthermore, the theory attributes variations in business owners' performance solely to variations in their efforts and therefore ascribes their inability to honour contracted obligations exclusively to strategy failures.However, as subsequent discussions in this paper will show, there is a wide range of factors outside the control of both small business owners and financial service providers that may derail the outcome of well-intentioned efforts (Kuada, 2021).

3.3 Institutional Theory and Financial Inclusion

Institutions are generally definedboth as structures and as mechanisms that reproduce and convey norms, rules, conventions, and habits that govern and shape economic and political life (Abor *et al.*, 2014). However, some scholars seeinstitutions as arrangements that define networks of relationships within societies, including markets, states, corporate hierarchies, and administrative units (Atiase *et al.*, 2017).They devise and influence the ways in which economic actors get things done in contexts that involve human interactions. These mechanisms are also repositories of value sets that help to contain the socially undesirable consequences of unguarded market systems, thereby levelling the playing field for all stakeholders. Seen in relation to inclusive financial sector development, it has been argued that an efficient financial sector requires a number of important institutional developments including financial market liberalization and development, efficient

regulation, as well as supervision, all of which tend to enhance efficient allocation of resources (Brixiová *et al.*, 2020).

Some of the studies have argued that institutional weaknesses could influence the efficiency of financial transactions and constrain the distributional effects of money within African economies. Included among these weaknesses are rigid regulations, bureaucratic bottlenecks, and weak contract enforcement mechanisms (Abor *et al.*, 2014). A well-functioning institutional framework creates the right “rules of the game” within the financial market in order to reinforce responsible practices and behaviours of financial institutions and helps small businesses build trust and confidence in the financial services that they are offered. Consequently, the institutional weaknesses in most African countries render reliance on formal contractual arrangements insufficient to propel enterprise growth. Instead, social processes within and outside small enterprises, in the form of business and social network ties,help enhance owners’ ability to leverage both tangible and intangible resources to shape the growth processes of their businesses (Bosso *et al.*, 2013).

4. Addressing Financial Inclusion Challenges

Leaning on financial cycle theory, some scholars argue that firms’ financial needs vary with size and growth rate (Abor *et al.*, 2014). Thus, a meaningful discussion of financial gaps in SSA’s business landscape should start with a clear understanding of the various categories of firms under consideration. Most of the studies reviewed have adopted Teal’s (2002) classification of enterprises into four main groups: (1) micro – those with less than 5 employees, (2) small – those between 5 and 29 employees (3) medium-size- those with 30 to 99 employees, and (4) large – those with 100 or more employees (e.g. Domehera *et al,*, 2017). Sincemicro enterprises often lack ‘collateralizable assets’ when they start, they usually rely on their owners’ savings or contributions and loans from family members and friends. Over time and with good records, some are able to leverage funds informal and small-scale financial intermediaries such as microfinance institutions and a rotating savings and credit association (Oluyombo, 2012). Bridging the financial gaps of enterprises within the small and medium-sized categories (SMEs) poses greater challenge. They have therefore received greater attention in the literature.

Several of the reviewed papers have concerned themselves with the challenges of the SMEs and have suggested different approaches to addressing them. Prominent among the solutions includefinancial literacy, creating financial information centres, extending financial outreach through the adoption of mobile technology, and coordination with donors (Islam, *et al.*, 2018; Flynn & Sumberg, 2018). A key requirement for financial inclusion mechanisms that target small businesses is that the business owners can make informed decisions concerning the financial services that are available to them. The authors argued that since the demand and usage of inclusive financial services are predetermined by the mindsets and attitudes of the targeted users, it is imperative to prepare them to make the right decisions. This requires that they have enough financial knowledge and skills to be able to evaluate financial information and comprehend their meanings (Oseifuah, 2010). This is the goal of financial literacy. The understanding presented in the papers is that the more financially literate small business owners, they more capable they become in making informed loan decisions (Oseifuah, 2010; Nkundabanyanga, *et al.,* 2014).

As noted above, several of the scholars lean on agency theory to argue that the problem of asymmetric information between a borrower and potential creditor tends to impede the flow of credit to profitable firms. Financial institutions in general and banks in particular, have responded to the lack of information about small businesses by (a) demanding collateral security and guarantees, and (b) by undertaking creditworthiness search. In order to tackle this problem effectively, Asongu and Odhiambo (2018) suggest the establishment of information service offices (ISOs), such as public credit registries (PCRs) and private credit bureaus (PCBs). In their view,ISOs enable banks to establish a more accurate prediction of the repayment probabilities of borrowers. That is, the information obtained from these sources allows them to make better assessments of the borrowers' characteristics and this reduces the adverse selection from the banks. Furthermore, information sharing also reduces the moral hazard problem that agency theory envisages and thereby enhances the incentives of borrowers not to default on their debts either through a disciplining effect or via the reduction in the rents of the banks.

With regard to the extension of financial outreach, the studies have referred to the expansion of innovative financial products, including mobile money, as providing new mechanisms for serving hitherto unbanked customers (Kuada, 2019). They argue that mobile technology allows users to deposit and transfer funds as well as purchase a range of goods and services without going to brick

and mortar banking outlets. Mobile financial transactions also have cost advantages that reinforce their expansion. A study by McKay and Pickens (2010) found that on average branchless banking (including mobile money) was 19 percent cheaper than alternative services. However, information technology's overall contribution to financial inclusion tends to depend on a range of factors, including the strength of mobile operators within a country, the speed of innovation adoption and the institutional mechanisms that facilitate the process to ensure product offerings and service quality (Kuada, 2018).

The limited outreach of formal financial services has also created an opportunity for informal financial services such as rotating savings and credit associations (ROSCAs) to flourish. Their transactions are found to be trust-based and cost-effective. There is some evidence indicating that formal financial institutions have begun tapping into the trust-based relationships to extend their outreach, guided by their expectation that the informal relationships can help attenuate information asymmetries and enforcement problems explained in agency theory (Lindvert *et al,*, 2015; Ajide, 2020). Motivated by the increasing popularity of these types of financial arrangements, some scholars have suggested the use of "correspondent" or "agent" banking in which people can deposit into and withdraw money from their bank accounts using non-bank agents such as retail stores. Their reasoning is that rural entrepreneurs with established operational locations such as building material shops, depots and filling stations can then serve as "bank correspondents" (Kuada, 2021).

A few of the studies have advocated for adding gender considerations to the financial inclusion-small enterprise growth research. The available evidence indicates that women are more likely (than men) to be self-employed in the developing countries, and thus are in greater need of access to financial services (Aterido *et al.*, 2013). However, women face greater barriers than men do in accessing finance because of poor credit history, lack of collateraland limited financial literacy (Hansen & Rand, 2014). It means that in the absence of inclusive financial systems, women will rely a lot more on internal resources or support from family members to take advantage of promising growth opportunities. However, these informal sources, most often, do not provide adequate funding for growth (Kairiza, *et al.*, 2017).

Some scholars have viewed international trade, especially the participation of some African firms in the global value chain (GVC) as a promising source of finance for firm-level investments. The argument is that GVCs can help African countries leverage financial resources as well as technology from offshore outsourcers in order to build their growth capabilities. The experience so far is that foreign investors have been less involved in global value chain expansion in Africa and their limited investments are mostly in the agricultural sector. With the potentials of agro-processing firms having multiplier effects in terms of job creation and value addition pertaining to its forward and backward linkages, this limited focus was initially not considered a serious constraint to overall economic growth (Sampath 2016). However, the anticipated functional and inter-sectoral upgrading within the economies have so far not materialized (Ahmad, 2020).

5. Towards an Integrative Framework

Although the declared intention of papers reviewed in the preceding sections is to explore the contribution of inclusive finance and other growth variables to small enterprise development, it is evident from the discussions that non-financial variables have not received prominent attention in the studies. As noted earlier, classical small firm literature groups growth-inducing factors into internal and external influencers. With regard to the internal factors, Wiklund *et al.,* (2009) suggest that entrepreneurs' personal values combine with their abilities and skills to influence their growth-related decisions. Some studies attribute entrepreneurs' growth enhancing skills to their entrepreneurial experience - i.e. the number of previous businesses they have established and managed. The more diversified experience the entrepreneurs have the more capable they are deemed to be in developing enterprise growth models and making appropriate strategic decisions that enhance performance (Davidsson *et al.*, 2010). There is also some evidence suggesting that growth management skills may be a function of the number of years of education or years of work experience of an entrepreneur as well as his ability to keep accurate financial records (Kuada & Mangori, 2021).

Turning to the external factors, financial resources are clearly important for growth as they enable an enterprise to acquire other value-creating resources such as human and physical resources (Trombetta, *et al.*, 2017). Market size is another important external factor that influences growth. That is, a relatively large and growing market allows firms to operate at a larger scale and reduces

overall marketing cost (Rijkers *et al.,* 2010). Finally, the degree of concentration or agglomeration of industry within which the enterprise operates is another growth-enabling factor since agglomeration knowledge spillovers can stimulate innovation and reduce transaction costs.

Some strands of entrepreneurship research forward the argument that it is erroneous to assume that small business owners constitute a homogenous group that can be targeted with inclusive financial services. Scholars such as Babatunde and Qaim (2009) have drawn distinction between necessity-driven and opportunity-driven entrepreneurs. Owners of necessity-based enterprises have been found to run their businesses as "survival workshops" and have been hardly able to grow their businesses. As noted earlier, this category of entrepreneurs tend to require limited resources to start their businesses and depend largely on family members and friends for initial capital (Kuada, 2009). Furthermore, since entrepreneurs may operate their businesses for a variety of reasons other than profit maximization, growth may not be their overriding objective (Domeher, *et al.*, 2017). This means some of these businesses may begin small and die small, never entering a significant growth stage. Opportunity-driven entrepreneurs are described as those who establish their businesses in response to hitherto unexploited opportunities. These entrepreneurs are likely to be growth-oriented and tend to demonstrate skills of opportunity recognition, risk perception, and networking as well as aspiration to grow their businesses.

Kuada (2015) provides additional insight into the characteristics of the different categories of entrepreneurs found in SSA. He argues that some entrepreneurs may build their businesses on distinctive innovations – i.e. offering values that are distinctly different from those available on the market, while others may merely imitate existing products or services without any significant value addition. Some of the innovative entrepreneurs may capture the attention of the public by drawing on their political and social networks to make their presence known and enjoy institutional support, while those without significant social capital may remain unknown and unsupported. Thus, innovative capability as well as socio-political capital constitute additional resources that may determine the growth of small enterprises in SSA. Arguably, individuals' personalities may influence their innovative capabilities. Some entrepreneurs are more able to think outside the box or to develop agile mindsets that enable them to operate within environments characterized by

institutional void than their counterparts (Kickul & Gundry, 2002). However, the innovation-personality nexus hasreceived limited attention in African entrepreneurship research.

Leaning on these discussions, it makes sense to argue that an entrepreneur's willingness to grow is an important first step on the growth path of any small business. Just like in all life's endeavours, personal decisions and choices are important. A study of 22 small entrepreneurs in three rural districts in Ghana (Kuada, 2021) revealed that 14 of them indicated that they did not want to grow beyond the levels of operation they had at the time of the study. Apparently, their start-up motivations did not persist over time due to such demographic characteristics asage and family responsibilities. Others were apprehensive about the complexity of managing bigger operations. These observations indicate that access to financial services may not necessarily result in the actual use of these services. Even those in need of finance may reject offers from micro finance institutions, while looking for alternatives sources of funds (Nagler & Naudé, 2017). Again, some Ghanaian small business owners in Kuada's (2021) study described bank loans as "impatient money" due to the conditions attached to them and therefore declined to avail themselves of such financial services. They preferred the unconditional and patient finance from family members and friends.

It is important to note that the impact of financial development on growth could vary across different sectors of the economy just as productivity of finance can vary across sectors. For example, since the agricultural sector in SSA is characterised by low productivity owing to low returns and perpetual risk of harvest failure, it is likely to attract less financial resources. The retail and estates development sectors appear to attract more investment capital, especially in the urban areas. Furthermore, it has been acknowledged in the extant literature that political and policy priorities continue to guide financial resource allocation to key sectors (Demirgüç-Kunt and Klapper 2012).

In sum, the emerging understanding is that it is analytically inadequate to perceive finance as the indisputable constraint to small enterprise growth. Therefore, researchers must go beyond the conventional financial bottleneck perspective and accept the view that a set of mutually

dependentvariables shape the growth process. This entails an adoption of integrative approach to small enterprise growth research. Such an approach must include factors such asentrepreneurial cognition, motivation to enter business, as well as business owners' growth ambition and management skills.These factors combine with resource availability and industry characteristics to define the growth opportunity frontiers of nascent entrepreneurs. Future research is therefore required to provide insight into the interplay of the various variables that shape small business growth in SSA.

6. Gaps in the Existing Literature and Future Research Directions

Although each of the reviewed papers remained loyal to their specific research objectives, together their main contribution to the small enterprise growth literature lies in their insight into the challenges that formal financial institutions encounter in extending financial services to small businesses and alternative avenues for addressing the constraints. In spite of the useful insights provided, the authors have been mute on some key issues. This section of the paper elaborates on some of the issues and outlines the opportunities they present in future studies of the financial-nonfinancial resource link in small enterprise growth in SSA countries.

6.1 Decomposing Growth Determinants

As the preceding discussions show, an interplay of many factors shape the growth trajectories of small enterprise development process. These includeentrepreneurs' motives for starting their businesses, their willingness to grow, as well as their human resource capacity combine with external factors such as demand structure, access to and usage of resources and the dynamism of their operational environments (Berg *et al.*, 2015; Fiala, 2018). However, we have noted earlier that the relationship between business owners' efforts and their outcomes may be tenuous due partly to the unpredictability of the interaction between the factors. It is therefore purposeful for future studies to determine the interplay and relative importance of the variables for any given set of entrepreneurs.

In addition to these considerations, there is a growing acknowledgement of the view that for many small businesses in Africa, social network based resources (e.g. social capital) can serve as catalysts that facilitate the bonding of the different set of resources. The term "social capital" is used in the management literature as a summary construct of benefits that accrue to an individual by virtue of his participation in social ties or networks (Nahapiet and Ghoshal, 1998). The benefits include new information about business opportunities, lower costs of transactions due to lower monitoring costs, willingness of business partners to engage in joint resource creation and ability to leverage external resources by the aid of referrals. It is conceivable that in situations of institutional void business people tend to rely a lot more on their social relations to access key economic resources to advance the growth of their enterprises. Hence, it will be useful to undertake investigations into the differential effects of social ties (both internal and external) on overall firm resource management and performance.

6.2 Entrepreneurial Characteristics

The general understanding forwarded in the enterprise growth literature is that entrepreneurs play dominant roles in the early life of small firms, and events in their lives can have decisive impacts on the growth of their businesses. Thus, growth is not a unidirectional process that is propelled by adequate funding; there are sub-processes that may be iterative, halting or regressing at times due to specific events in the lives of the entrepreneurs. The growth pathway may therefore be influenced by such entrepreneurial characteristics as individual business owner's cognition, mindset, life style and idiosyncrasies (Fraser, *et. al.,*2015).

Distinction is often drawn between fixed and growth mindsets of entrepreneurs (Kuada, 2018). A fixed mindset assumes that an individual's character, intelligence, and creative ability are static givens. In contrast, those with a growth mindset tend to thrive on challenges and experience failure as a springboard for growth. In reality, most owner-managers will show features that position them somewhere in between those two ends of the spectrum. These factors commingle frequently and collectively underlie all economic arrangements that small business owners undertake. Since these considerations have not been explicitly factored into the reviewed studies, they require some attention in future investigations.

6.3 Contextualization

There is some argument in the literature that the extent to which a society becomes a home to growth-oriented entrepreneurs is contingent on the characteristics of the operational environment. That is, the extent to which a society perceives entrepreneurial activities to be desirable has a tremendous influence on such decisions (Shapero, 1982). For example, if a society considers entrepreneurial drive as a value on its own, entrepreneurs will emerge in that society. However, if the society encourages individuals to see themselves as being entitled to the wealth of others through birth or ascription (rather than to create their own wealth) very few within that society will choose the tortuous entrepreneurial path. Furthermore, the socio-cultural context can also be a source of constraining forces in the form of collective inefficiencies and disadvantages as well as inclinations to mediocre performance of firms and institutions (Kuada, 2020). Contextual characteristics also determine whether businesses are started out of sheer necessity or the entrepreneurs are growth-oriented right from the start. It is therefore erroneous to view entrepreneurs as a homogenous entity whose growth challenges can be addressed with singular policy instruments.

Future researchers must therefore endeavour to investigate the commonalities and differences among factors that shape the growth pathways of the different categories of small firms in different operational environments.

6.4 Methodological Diversity

Most of the empirical studies in this review are quantitative and cross-sectional and utilize survey questionnaires to collect their data. This reveals the narrow ontological and epistemological standpoints of the research community. Arguably, however, since enterprise growth is temporal in nature, more longitudinal and qualitative research protocols may be useful in exploring the numerous ways in which both internal and external variables interact to shape the trajectories of small enterprise growth processes. For example, the use of narratives based on critical incident technique, personal writings, stories, or biographies can contribute immensely to our understanding of how individual peculiarities influence small enterprise growth processes in different African countries. In addition to this, multi-level analyses can help identify and explain industry-specific needs and demands of small businesses in different socio-cultural contexts.

7. Conclusion

The discussions in this paper reveal the analytical inadequacy of financial perspective to small enterprise growth in SSA. It establishes thatthe growth processes of such enterprises harbour a mix of variables, none of which stands alone. Thus, an integration of classical firm growth literature into the inclusive finance – enterprise growth discourse will provide improved insight into the trajectories of small enterprise growth in SSA. Consequently, small enterprise promotion policies in Africa must emphasize both financial and non-financial determinants of enterprise growth. The discussions have also suggested that, in the final analysis, small enterprise growth rests on the personal choices and decisions of the entrepreneurs. Thus, understanding entrepreneurs' characteristics – especially their personality profiles and decision-making characteristics is of paramount importance in improving our insight into the growth processes of such enterprises.

In summary, future research must go beyond the traditional financial gap conception of small enterprise growth challenges and uncover the dynamic interactions of the factors that mould the different facets of the growth process and thereby improve our comprehension of the process as a whole. Such research will lead to a further refinement of the integrated framework suggested in this paper and provide a stronger foundation for small enterprise development policies and strategies in Africa.

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Table 1: Bibliographic sources of articles

Journals	Number of articles
African Journal of Economic and Management Studies	3
Agricultural Finance Review	1
Development in Practice	1
Food Policy	1
International Journal of Social Economics	1
Journal of African Business	3
Journal of African Economies	1
Journal of Development Studies	1
Journal of Emerging Market Finance	1
Journal of Financial Economic Policy	1
Journal of Small Business and Enterprise Development	1
Review of Development Finance	3
Small Business Economics	2
Structural Change and Economic Dynamics	1
Venture Capital	1
Total	22

Appendix 1: Sample of Papers on Financial Inclusion and small firm growth in African Countries

No.	Author (s) and Journal	Objective/Research focus	Research methods	Main Findings
1	Abor, J. Y., Agbloyor, E.K., &Kuipo, R. RDF	Examines the link between access to bank finance and exports of Ghanaian SMEs.	Analyses based on firm-level Panel data set on Enterprise Development (RPED) for 1991–2002.	Firms with access to bank finance are more likely to grow and export.
2	Alhassan, A. L &Ohene-Asare, K. AJEMS	Examines the relationship between competition and efficiency in the Ghanaian banking industry.	Analysis of (2004 -2011) data from 26 Ghanaian banks – Applied data envelope technique	Results reflect improvements in cost efficiency (CE) and competition within the banking industry
3	Oseifuah, E.K., AJEMS	Examines the level of financial literacy and impact on youth entrepreneurship in South Africa.	Survey and interview of youth entrepreneurs in the Vhembe District in South Africa.	Results show that financial literacy among youth entrepreneurs in the District is above national average and contributes to their entrepreneurship skills.
4	Mullineux, A.W., &Murinde, V. RDF	Explores financial sector policies for enterprise development in Africa.	Literaturereview and discussions	Government intervention helps counteract market failures that constrain financial service outreach
5	Atiase, V.Y., Mahmood, S., Wang, Y., &Botchie, D. JSBED	Investigates factors influencing depth of the entrepreneurship ecosystem in Africa.	Analyses of data from World Bank and UNCTAD	The findings indicate that access to credit currently fails to support entrepreneurship development in Africa.
6	Flynn, J., &Sumberg, J. DP	Investigates the links between income-generating activities of youth savings group and the groups' ability to mobilize investment funds.	Interviews with 57 members of youth savings groups in Tanzania, Uganda and Ghana.	The potentials of the groups to generate investment capital for their members were found to be limited
7	Adomako, S., Danso, A. &Damoah, J.O., VC	Investigates the relationship between access to finance and firm growth with financial literacy as a moderator	Survey of 201 SMEs in Ghana.	The results show financial literacy positively influences relationship between access to finance and small firm growth.
8	Boateng, A. & Abdulrahman, M. D. JEMF	Examines factors influencing the extension of bank credit to micro and small enterprises	Survey of 572 in Ghana and Nigeria.	The results indicate that size, age, ownership of firms and relationship banking positively influence credit to small firms in the two countries
9	Ajide, F. M. JFEP	Examine the impact of financial inclusion on entrepreneurship in 13 African countries.	Panel data from World Bank Development Indicators, and Entrepreneurship Survey for the period of 2005-2016.	The results show that financial inclusion has a significant and positive effect on entrepreneurship in the selected African countries.

10	Brixiová, Z., Kangoye, T., & Yogi, U., SCED	Investigates how the access to finance affects employment in SMEs in Sub-Saharan Africa.	Uses an impact evaluation-based approach on firm-level data from 42 African countries,	Results show that SMEs with access to formal financing create more jobs than those without access.
11	Hansen, H & Rand, J JDS	Examines credit constraint differentials between male and female manufacturing entrepreneurs in Africa	Uses firm-level data from 16 sub-Saharan Africa countries.	Small enterprises owned by female entrepreneurs are less likely to be credit constrained compared to their male counterparts
12	Islam, A.; Muzi, S & Meza, J.L.R., SBE	Explores whether there is a relationship between firm adoption of mobile money and firm investment.	Using firm-level data conducted by the World Bank's Enterprise Surveys (ES) for Kenya, Tanzania, and Uganda	Finds positive relationship between mobile money use and firm's purchase of fixed assets.
13	Nkundabanyanga, S.K.; Kasozi, D., Nalukenge, I., Tauringana, V. IJSE	Investigates the relationship between commercial bank lending terms, financial literacy and access to formal credit by SMEs.	Surveyed 384 business owners or managers of SMEs in Uganda.	The results suggest a positive and significant relationship between perceived commercial bank lending terms, financial literacy and access to formal credit.
14	Abu, B.M., and Haruna, I., AFR	Investigates the link between financial inclusion and agricultural commercialization in Ghana.	Survey of 2,230 maize farmers across ten regions of Ghana	Results reveal that financial inclusion promotes agricultural commercialization.
15	Kairiza, T., Kiprono, P., and Magadzire, V. SBE	Assesses existence of gender heterogeneity in the returns to financial inclusion amongst MSMEs in Zimbabwe	Using a large sample of micro, small and medium enterprises (MSMEs) from Zimbabwe	Finds statistically weak evidence of female financial exclusion in the formal financial sector.
16	Nagler, P and Naudé, W. FP	Examines the prevalence, patterns and performance of rural enterprises in 6 African countries - Ethiopia, Malawi, Niger, Nigeria, Tanzania and Uganda.	Use Living Standards Measurement Study - Integrated Surveys in Agriculture data set for the analysis	Results reveal that rural and female-owned enterprises have lower levels of labour productivity compared to urban and male-owned enterprises.
17	Lindvert, M., Yazdanfar, D. and Boter, H AJEMS	Examines the financial preferences among women entrepreneurs in Tanzania	The study is based on a unique database consisting of 114 firms, obtained by a questionnaire during 2009-2010.	Finds that women entrepreneurs perceive semi-formal capital, such as loans from MFIs, SACCOS, ROSCAS and VICOBA, as the most accessible external capital.
18	Beck, T., and Cull, R. JAE	Examines access to financial services and the importance of financing constraints for African enterprises	Used cross-country firm-level surveys	Results showed that enterprises in Africa are less likely to have a loan than in other developing regions of the world
19	Quartey, P., Turkson, E., Abor, J., & Iddrisu, A. M. RDF	Seeks to determine whether there are similarities and/or differences in the determinants of SMEs access to finance across countries in SSA.	Using data from World Bank's Enterprise Survey data set	Found that access to finance is strongly determined by factors such as firm size, ownership, strength of legal rights, and depth of credit information, firm's export orientation and the experience of the top manager.
20	Boadi, I., Dana, L.P., Mertens, G. & Mensah	Investigates the impact of SMEs financing on banks' profitability in	Employed the fixed effect model as the	The study result reveals that SMEs significantly

	JAB	Ghana	main regression tool.	contribute to banks' profitability in Ghana
21	Osei-Assibey, E. AJEMS	Investigates the effects of nature and institutional sources of start-up finance on micro and small enterprises' (MSEs) productivity growth in Ghana.	Use a unique non-farm household enterprise survey data from Ghana,	The study finds that debt finance was positively associated with productivity growth, while financing from donation or charity did not.
22	Domeher, D., Musah, G., & Hassan, N. (2017) JAB	Studies the SME financing gap on a sectoral basis	Uses a survey approach with data from 1200 SMEs from six sectors	Found sectoral differences in the SME financing gap with the agriculture sector being the most credit constrained.