

Evaluation of the Major Growth Factors of Micro, Small and Medium Enterprises (MSMEs) in Afghanistan

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Abstract—It is generally accepted that the role of Micro Small & Medium Enterprises (MSMEs) is the most important to fulfilling the socio-economic objectives of an economy. This study is focused on determining the major growth factors of MSMEs in Afghanistan. For this purpose, the survey was conducted on 136 participants including founders, management staff, and employees of the MSMEs. The collected data was coded, quantified, and analyzed quantitatively using of statistical package for social sciences (SPSS). The ANOVA analysis was used to analyze and test the collected data. The results were split into the general presentation and divided by the characteristics of enterprises like the source of finance, size of the enterprises, sector of the economy, number of founders, and development stages. The most important growth factors of MSMEs were denoted; Management capacity and effective leadership, Access to the domestic market, Availability, and usage of technology, focus on needs and feedback from customers, and Access to the international or global market. Moreover, the growth factors differ for MSMEs with different characteristics. The major limitations of the study were the unfavorable economic condition of Afghanistan and, physical and proportional access to the target population of the study. This study recommends, to be explored every important growth factor of MSMEs comprehensively in the future.

Index Terms: Growth Factors, MSMEs, SMEs, Afghanistan

I. INTRODUCTION

In many countries, MSMEs are assumed the major factor in domestic and regional development. The significance of the MSMEs can be well displayed globally by its vital contribution to fulfilling the different socio-economic objectives, like increasing employment rate, output level, boosting exports, and promoting entrepreneurship. The MSMEs put forward about 90% of businesses and more than 50% of employment globally, and as well as the formal contribution of MSMEs are around 40% of the gross domestic product in emerging economies,

while in case of informal this rate can be higher (Bank, 2021). Moreover, according to the International Finance Corporation (IFC) estimation 65 million MSMEs are there in the world. Empirical studies have denoted that the MSMEs contribution to the GDP and employment are respectively 55% and 65% in high-income countries, while in low- and middle-income countries the contribution to GDP are respectively 60% and 70% and in employment 70% and 95% (Singh & NA, 2017). On the other hand, the market economy has been introduced as the economic system of Afghanistan in 2001. In this economy, privatization plays a significant role in economic reform and prosperity, and MSMEs are weighted as the backbone of economic growth and development. In Afghanistan MSMEs represent 80 – 90 % of all economic activities and enterprises, these enterprises produce 50% of GDP, and 75% of employment (MoCI, 2018). In Afghanistan SMEs development is important due to two main reasons; first, to reduce the unemployment rate of the economy, which is very high now. Secondly, to realize economic growth and development to control poverty. (Taraki, 2018)

The above discussion proves the importance and role of MSMEs as vital criteria for economic growth and development in developing and developed economies. Especially, the importance of MSMEs in developing economies is ponderable. Afghanistan as a developing economy requires the further contribution of the private sector and specifically the contribution of MSMEs are most essential. This contribution can be enhanced while the business environment paves the way for MSMEs growth. Although, in the last two decades hundreds of billions of US Dollars as development aids from the global community flew to the country, in which the big portions were specialized for the socio-economic objectives (reconstruction of infrastructures, health, education, economic reforms, etc.) which have a

direct and indirect effect on the growth of the private sector and MSMEs, but due to various reasons, the development aids were not optimized properly. This can be further explored by comparing the current condition of MSMEs in Afghanistan with ten to fifteen years back condition; it shows the growth in MSMEs is lower compared to the resources allocated for the development of MSMEs. However, there were different reasons for ineffective use and optimization of international aid to promote the MSMEs sector, but one of the reasons to which the government and policymakers should pay attention was exploring the actual growth factors of MSMEs by differentiating the sectors and industry, type of business, source of finance, development stages, and demographic of the enterprises. However, the literature study shows many kinds of research are done on the different aspects of MSMEs such as; financing strategy of SMEs, access of SMEs to formal financing sources, challenges and opportunities for SMEs. But, the evaluation of MSMEs growth factor for various groups is still a gap to be discussed.

In the study, it is tried to explore the major MSMEs growth factor by targeting 136 MSMEs. Moreover, the study evolves the factors for different sources of finance (external, internal and composition of both), different development stages of MSMEs and different operating classes (Micro, Small & Medium) of MSMEs.

The importance and need for the evaluation of MSMEs growth in Afghanistan have been discussed. The questions which should be answered at the end of this study are listed below:

- 1) What are the major factors for the growth of MSMEs in Afghanistan?
- 2) How do the growth factors vary for the financial sources of the MSMEs?
- 3) How do the growth factors vary for the operating classes of (Micro, Small, and Medium) MSMEs?
- 4) How do the growth factors vary for the development stages of MSMEs?
- 5) Are there any correlations between groups by which the MSMEs are classified?

II. LITERATURE REVIEW

The major challenge to knowing exactly about the MSMEs is the non-existence of a universally acceptable definition of them, and it is defined using

various parameters by different global organizations, countries, and institutions. For instance, some countries are based on the labor force (Ibrahim, 2012). In some research, the definition is displayed by using some financial indicators like the turnover (Xuedong, S., & Xueyuan, L., 2011) or assets. Likewise, according to the World Bank income categorization of countries based on per capita Gross National Product (GNP), a study has defined the MSMEs into four for high, upper-middle, lower-middle, and low-income countries. The study defines the MSMEs in High income countries for Micro annual turnover range is up to \$124,760, Small turnover range \$124,760 – \$6,300,380 and medium-range is \$6,300,381 - \$15,000,000. In Upper Middle countries, Micro is up to \$124,750, Small range is \$124,751 – \$6,299,775 and Medium is \$6,299,776 – \$12,477,000. In Lower Middle countries, Micro is up to \$40,350, Small range is \$40,351- \$2,037,675 and Medium is \$2,037,676- \$4,035,000. Finally, in Low-income countries, Micro is up to \$10,250, Small range is \$10,251- \$517,625 and Medium is \$517,626- \$1,025,000 (Esubalew Amare Abawa, Raghuram A, 2017).

According to the Ministry of Commerce and Industry of Afghanistan; microenterprises; up to 5 employees, a total investment of 2.5 million AFs in manufacturing, and 1 million AFs in the service sector, Small enterprise: between 5 – 19 employees, the total investment of 2.5 – 5 million Af in manufacturing and 1 - 2 million AFs in services. Medium enterprise: between 20 – 99 employees, the total investment of 5 – 10 million AFs in manufacturing and 2 – 5 million AFs in services. So, SMEs include enterprises with 5 – 99 employees and 2.5 – 10 million AFs investment in manufacturing and 1 – 5 million AFs investment in services.

The Micro, Small, and Medium Enterprises (MSMEs) and economic growth of an economy are two inter-related factors and both of them have a positive correlation. The numerous studies assessed the MSMEs as one of the major growth factors of economic growth and development in developed and developing countries. Specifically, this relation can be declared by looking at the contribution and role of MSMEs in the indices of economic development; such as the role of MSMEs in employment, GNI (Gross National Income), BOP (Balance of Payment), etc. (Bello, A., Jibir, A., & Ahmed, I,

2018). Not only, the effects of MSMEs on economic growth and development are enough, but the factors which determine and ensure the growth of MSMEs are also important. There are the factors that may affect the MSMEs positively or negatively.

The factors which have negative effects on MSMEs in developing countries, are “the lack of business training, capital constraints, a lack of finance, poor infrastructure, a lack of collateral, poor production, poor technologies, tight regulations, corruption, poor market accessibility, the motivation of the business owners, limited access to information, a lack of human competencies and inadequate raw materials” (Nkwabi, J., & Mboya, L, 2019). Likewise, a study in Western Balkan Countries is listing the barrier of SMEs growth; “access to finance, tax rates, tax administration, corruption, inadequately educated labor force, competition in the informal sector and political instability” (Rehman, N. U., Ćela, A., Morina, F., & Gura, K. S, 2019). On the other hand, there are the factors that influence the MSMEs growth positively. A study in Nigeria suggests the availability of sources of finance, infrastructure, and training are the engine of boosting the performance of SMEs (Abdullahi, M. S., Ghazali, P. L., Awang, Z., Tahir, I. M., & Ali, N, 2015). Furthermore, “the VRIO (Value Rarity, Inimitability, and Organization) resources and capability, foreign market knowledge, and internationalization, significantly influenced production process improvement of MSMEs ” (Kaukab, M. E., Adawiyah, W. R., Setyanto, R. P., & Suroso, A, 2020). In addition, one of the major factors which ensure the growth of MSMEs in developing countries is the migrants’ contribution to their families and friends. In the last few decades due to various causes migration from back warded to developed countries is increased and mostly the migrants support the households and small enterprises financially through sending funds and aid. According to the OECD (Organization for Economic Co-operation and Development) report, more than 10 developing countries are fulfilling their balance of payment through 20% receipt of remittances (OECD, 2017). The World Bank report shows that “in 2021, the flow of remittances to low- and middle-income countries (LMICs) is about \$589 billion and the top five remittance recipients in current US dollar terms were India, China, Mexico, the Philippines, and the Arab Republic of Egypt. As a share of gross domestic

product, the top five remittance recipients in 2021 were smaller economies: Tonga, Lebanon, the Kyrgyz Republic, Tajikistan, and Honduras. The United States was the most significant source country for remittances in 2020, followed by the United Arab Emirates, Saudi Arabia, and Switzerland” (Rata, 2021). Moreover, in a study in the Indian context foreign exchange rate, fixed investment, and financial support of the government were listed as more important factors that affect the export performance of MSMEs (Bandopadhyay, K., & Khan, T. L, 2020). The factors which affect the growth of MSMEs can be divided into internal and external factors. A study in Afghanistan explores the internal and external factors which affect the growth of SMEs and findings show that “management of SMEs, access to technology, marketing the goods and services, experts, and structure and size of the enterprises are the internal factors affecting SMEs’ growth. Role and policies of the government, education curriculum and SMEs knowledge, access to finance, loyal customers, and competition from foreign companies are external factors affecting the SMEs’ growth” (Khan, W., & Adel, K, 2019). Furthermore, a study in Kabul, Afghanistan discovers the prevalence of government regulation including; taxation, bureaucracy in licensing, along with complicated procedures are some of the specific challenges that small enterprises are faced with (Ahmadjanovna, M. T., & Ghafor, F. M. G. I. A, 2021). As well as, a study in Nangarhar, Afghanistan suggests the Accounting Information System (AIS) and Working Capital Management (WCM) have a positive significance on the financial performance of SMEs (Hussain, J., & Stanikzai, I. U, 2021).

All the economic activities around the globe require a source of finance to be completed. Similarly, the business activities need to have access to the source of finance. The source of finance is varying not only for the small and big size enterprises, but also it differs for enterprises due to differing in geographical, demographical, and other conditions (Abbasi, W. A., Wang, Z., & Abbasi, D. A, 2017). For instance, in the Nigerian context, the financial sources of SMEs are listed in the following three categories. Firstly, formal financial institutions (commercial banks, merchant banks, savings banks, insurance companies, and development banks), secondly, informal financial institutions “money

lenders, landlords, credit and savings associations (co-operative societies), friends and families” and the last one is personal savings. It is important to note that, more than 73% of SMEs depend on personal savings while the percentage of the formal financial source is only 2% (Ekpenyong, D. B., & Nyong, M. O, 1992). Likewise, a study was launched in India to explore the sources of finance of MSMEs in different growth stages and the result shows that the sources of finance at the startup stage; personal and family sources, from friends, and public (i.e., government-owned) banks. At the survival stage; public banks and moneylenders, followed by personal funds and private banks. At the growth stage; public banks, personal and family sources, and to a lesser extent from private and cooperative banks, finally, at the sustenance stage the sources were found; personal funds, cooperative banks, public banks, and private banks (Singh, C., & Wasdani, P, 2016). On the other hand, leasing and factoring, and forfeiting have the important as an alternative cheaper source of financing the MSMEs as per a study in Ghana (Kwarteng, F. S., & Li, Y, 2015).

Similarly, in the context of Afghanistan, the various financing sources of MSMEs are recommended in the literature. For instance, according to a survey, on 327 SMEs, the main sources of financing were explored as; personal investment, loans from relatives, loans from banks / financial institutions, and the loan from donors (Rasoli, A., & Mirza, A, 2019). Likewise, venture capital financing is an alternative financing source for MSMEs. However, the development of the venture capital market is being constrained by the economic condition, lack of a proper financial market, and as well as no regulatory framework to control market mechanism and corporate governance. But, the development of entrepreneurship can be ensured by having an active venture capital market, and a stable economic and regulatory framework that protects investors (Mirza, A., & Sabah, F, 2018). In addition, a study was launched on 50 small and medium enterprises in Afghanistan to determine the major factors, which affect external finance and show the relationship between bank loans and SMEs growth. The result of the study indicates; that the major constraints to SMEs' access to finance are the high collateral requirements, short loan duration, high-interest rate, inadequacy in maintaining reliable financial statements and bookkeeping, high

frequency of loan repayment, and loan disbursement amount. Furthermore, the bank loan has a significant impact on SMEs' growth in the province, considering all identified explanatory variables such as loan disbursement amount, loan duration, collateral requirement, and frequency of loan repayment. However, the impact of interest rate is statistically insignificant in the sample data (Habibi, 2016).

The study of literature on small and medium enterprises (SMEs) suggests “that all SMEs go through different stages of growth, also commonly called life cycles. Though, the terms used by different authors may vary, the events through which each enterprise passes remain more or less the same” (Hill, J., Nancarrow, C., & Wright, L. T, 2002). The enterprises move through five distinguishable stages of growth. Each phase contains a relatively calm period of growth that ends with a management crisis. These five phases and crises of growth are creativity, direction, delegation, coordination, and collaboration (Masurel E, Montfort KV, 2006).

III. RESEARCH METHODOLOGY

This research is launched to evaluate and explore the major growth factors of MSMEs in Afghanistan, which are varying for different groups of categorizations of the MSMEs. Such as source of finance, operating classes and development stages of enterprises. The collected data is the composition of quantitative and qualitative, but depends mostly on quantitative. As well, the data is primary and collected through a formulated questionnaire. The data is collected from the owners, management staff, and employees of the MSMEs, randomly chosen from different (Central, Eastern, Northern, Western, and Northern) regions of Afghanistan by launching an online questionnaire, which was formed in Google Form in English, Pashto, and Dari (Pashto and Dari are the national languages of Afghanistan). The designed questionnaire includes only close questions such as multiple-choice, Likert scale, and checkboxes. The 150 participants were chosen randomly, among them only 136 responded to the questionnaire, which shows about (90%) response rate. Before analysis, the collected data was prepared. The range of (Strongly disagree to Strongly agree) was converted to (1 - 5) scale. Likewise, some criteria of MSMEs were defined and originated from

different ranges, which were used in the questionnaire. As well, the dataset was checked for missing data and outliers. The software which was used to analyze and pre-process the collected dataset was the SPSS and Excel Sheet. For all statistical tests in the research, the significance level (α) is set at the 0.05 level and all the hypotheses were verified with the use of different statistical methods available in SPSS.

First of all, the major limitation is the recent changes in the situation of Afghanistan, which is subject to enormous political, social, and economic fluctuations and downturns.. In such circumstances, many and more other biases are accompanied by the growth factors of MSMEs. Secondly, the data collection method and sample size were the big challenges in executing this study. Collecting data through online channels is not that much effective as compared to physical visiting with respondents, but due to the unavailability of flights to Afghanistan, we focused only on an online survey. The size of the sample is important to avail a bigger statistical significance level for the test, but we couldn't increase the sample size to the required level.

IV. ANALYSIS AND INTERPRETATION OF THE DATA

This chapter presents the analysis, presentation, discussion, and interpretation of the data collected from the prepared questionnaires. The gathered data was edited and cleaned for completeness in preparation for coding. Descriptive statistics such as frequency distribution, mean and standard deviation were used to analyze the data. Moreover, some statistical tests were applied to verify the significance

level of the study.

1. Major factors of MSMEs Growth

To find out the most important factors for the growth of MSMEs, the data from several questions is needed. In the beginning, it is valuable to take a look at the frequency of the positive answer to questions measured by the Likert scale. In Table I positive answers (“agree” & “strongly agree”) are counted and presented and only those factors are picked up which were chosen by more than 95 respondents. The top two important factors are Management capacity and effective leadership and focus on needs and feedback from customers.

Table I: counted positive answers about the factors for variables with more than 95.

Factors	No
Management capacity and effective leadership	119
Focus on needs and feedback from customers	113
Access to the domestic market	108
Availability and usage of technology	107
Existence of infrastructure and energy	105
Availability of experts	104
Availability of raw materials	102
Beneficial government policies & regulations	99
Exchange rate stability of the Afghani	99
Viable business model	97

Nonetheless, the frequency of the answers is not the only factor by which we can consider a factor important. Another key aspect is its strength. First of all, it was checked by running the ANOVA to test if there are any outliers of averages from all answers for

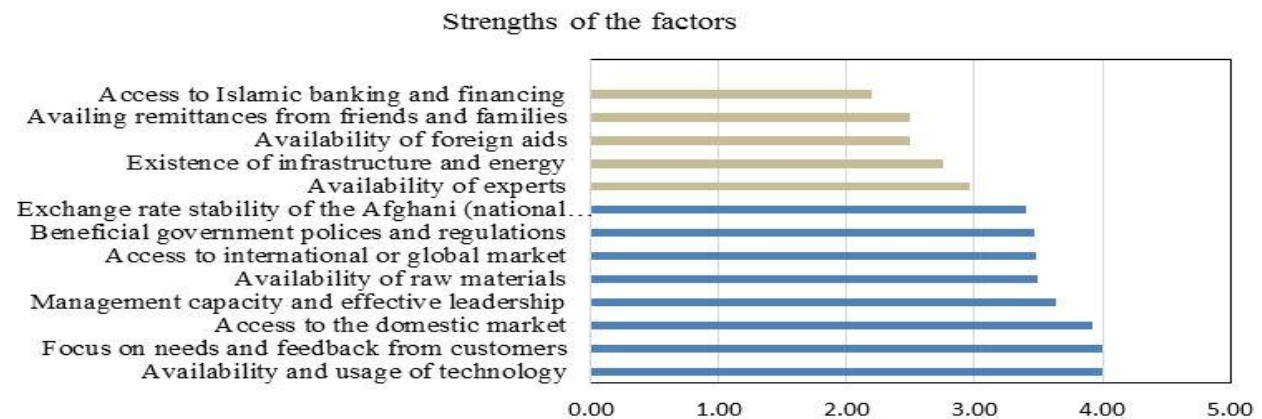


Fig 1: Strengths of the factors

Table II: Result of ANOVA

Level	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	28.274	12	2.356	1.912	.039
Within Groups	151.601	123	1.233		
Total	179.875	135			

each variable. The results are presented in Table II. The significance value of 0.039 shows that there is at least one group with a statistically different average from others, to determine which one, the post-hoc Bonferroni test was conducted. From the results distinguished in Fig.1 with all averages, we can infer that the two top factors have statistically higher averages than others; Focus on needs and feedback from customers and Availability and usage of technology. Overall, factors with an average higher than 3 can be treated as relevant (stronger than neutral and negative ones, eight factors meet this condition.

In the questionnaire, there was another question about the factors that determined the growth of MSMEs. The respondents were asked to select factors from the above-mentioned list of the factors, according to their point of view had the most important impact on the growth. The answers to the question were counted and presented in Table III. The most frequent factors are Access to international or global market, Availability of experts, Beneficial government policies and regulations.

Based on the results derived above the important growth factors of MSMEs overall are; Management capacity and effective leadership, Access to the domestic market, Availability, and usage of technology, Focus on needs and feedback from customers, and Access to the international or global market.

Table III: The most important growth factors- answer more than 7

Factors	No
Access to international or global market.	27
Availability of experts.	24
Beneficial government policies and regulations.	15
Access to domestic market	13
Management capacity and effective leadership.	11
Availability and usage of technology.	10
Exchange rate stability of the	10
Existence of infrastructure and energy.	8

2. Growth factors for different sources of finance of MSMEs

The factor source of finance expresses how the enterprises were financed. Undertakers could select the multiple answers for this factor. The status of the answers from the given criteria in the questionnaire to the external, owner, and composition of external and owner groups with frequencies of respectively; 56, 53, and 27 observations.

To find out the result, firstly we have checked whether are there any statistically significant differences between groups or not, for testing the ANOVA with Bonferroni Post-Hoc comparison of mean was launched. It procreated that at least one group mean is statistically different from another; the results of Post-Hoc analysis are given in Table IV.

Secondly, we will try to find out which factors are most crucial for each group. To do so, we have to choose the five factors for each group with the highest mean value (Appendix 1).

For the enterprises financed by owner only, the major growth factors are Management capacity and effective leadership; Focus on needs and feedback from customers, Availability, and usage of technology, Existence of infrastructure and energy, and Access to the domestic market. On the other hand, for the enterprises financed by both owners and external sources, the 5 major growth

Table IV: ANOVA – Bonferroni Post-Hoc, factor: Financial Sources

Financial Sources	Financial Sources	Mean Difference	Std. Error	Sig.	Lower Bound	Upper Bound
Owner only	Owner & External	-.706*	.237	.010	-1.28	-.13
	External	-.417	.229	.214	-.97	.14
Owner & External	Owner only	.706*	.237	.010	.13	1.28
	External	.289	.247	.734	-.31	.89
External	Owner only	.417	.229	.214	-.14	.97
	Owner & External	-.289	.247	.734	-.89	.31

Table V: ANOVA results for Availing remittances from friends and families

		Sum of Squares	Df	Mean Square	F	Sig.
Availing remittances from friends and families	Between Groups	11.605	2	5.803	4.58	.012
	Within Groups	168.270	133	1.265		
	Total	179.875	135			

factors are; Management capacity and effective leadership, Existence of infrastructure and energy, Focus on needs and feedback from customers, Availability of experts, and Availability of raw materials. Finally, for the enterprises' finance by external sources, the 5 high average factors are; Management capacity and effective leadership, Focus on needs and feedback from customers, Availability of experts, Access to the domestic market and Availability and usage of technology.

The third step is to test possible differences in the importance of every factor between groups. To attain it, the ANOVA was launched and the only statistical differences between the groups were caught in the factor of Availing remittances from friends and families. As shown in Table V.

The averages of groups are 3.04 for owner only, 3.74 for owner and external sources, and 3.45 for external sources. This factor has a truly high strength for the second group, medium for the third, and lowers for the first one. Companies who invested in MSMEs without using only owner resources were much and more valuing the factor Availing remittances from friends and families. It looks logical that enterprises that are not financed by their own resources are well known for the importance of the Availing remittances from friends and families growth factor.

3. Growth factors for different operating classes of MSMEs

The variable operating class determines the size of MSMEs, which are micro, small, and medium. The categorization of the micro, small and medium enterprises is done by the range of investments of an enterprise. The enterprises which invest up to 2.5 million Afghani are considered Micro, likewise, the small and medium-sized enterprises are those, whose investment range is respectively 2.5 – 5.0 and 5.0 – 10.0 million Afghani. The distribution of the MSMEs size is presented in Table VI.

Table VI: Operating Classes of MSMEs

Operating Class	Frequency	Percent
Micro	94	69.1
Small	12	8.8
Medium	30	22.1
Total	136	100.0

Similarly, to check the result for this variable, firstly we have to check if there are statistically significant differences between groups, and the ANOVA was conducted. It showed that at least one group's mean is statistically different from another. The result of the ANOVA analysis is given in Table VII.

Table VII: ANOVA, factor: Operating Class

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	14.924	2	7.462	5.609	.005
Within Groups	176.951	133	1.330		
Total	191.875	135			

Secondly, I will find out the most important and crucial growth factors for each size of MSMEs. For this purpose, I selected those 5 factors which have the highest mean or average (Appendix 1). For micro-enterprises, the 5 major growth factors are Management capacity and effective leadership; Focus on needs and feedback from customers, Availability of experts, Availability, and usage of technology, and Access to the domestic market. For small-size enterprises the 5 important factors of growth are Management capacity and effective leadership, Existence of infrastructure and energy, Focus on needs and feedback from customers, Availability of experts, Availability and usage of technology. Finally, for the medium size enterprises the important factors are Management capacity and effective leadership, Existence of infrastructure and energy, Focus on needs and feedback from customers, Availability, and usage of technology, Availability of raw materials.

The third stage of testing is to check differences in the importance of every factor between the groups. To avail it, the ANOVA was launched. The statistical differences between the groups with no an equal size of enterprises were noticed in factors Access to the domestic market, Focus on needs & feedback from customers, Availability and usage of technology,

Table VIII: ANOVA results for significant variables, while factor: Operating Class

		Sum of Squares	Df	Mean Square	F	Sig.
Access to the domestic market	Between Groups	9.416	2	4.708	4.303	.015
	Within Groups	145.518	133	1.094		
	Total	154.934	135			
Focus on needs and feedback from customers	Between Groups	7.300	2	3.650	4.035	.020
	Within Groups	120.318	133	.905		
	Total	127.618	135			
Availability and usage of technology	Between Groups	7.971	2	3.985	3.592	.030
	Within Groups	147.559	133	1.109		
	Total	155.529	135			
Management capacity and effective leadership	Between Groups	6.074	2	3.037	3.427	.035
	Within Groups	117.860	133	.886		
	Total	123.934	135			
Availability of experts	Between Groups	8.725	2	4.362	3.449	.035
	Within Groups	168.209	133	1.265		
	Total	176.934	135			

Management capacity and effective leadership, Availability of experts. Table VIII.

The means in groups for Access to the domestic market are 3.25 for small, 3.80 for medium, and 4.13 for micro-size enterprises. Focus on needs and feedback from customers 3.50, 3.97 and 4.27 Availability and usage of technology 3.47, 3.77, 4.18 Management capacity and effective leadership 3.58, 4.17 and 4.33 Availability of experts 3.42, 3.77 and 4.18. The pattern for all of these factors is the same – the two first groups small and medium don't consider these factors that much important, while for the micro size enterprises these variables are the most critical. Moreover, the above discussion proves that the growth possibility of micro-size enterprises is more than small and medium-size enterprises in the context of Afghanistan.

4. Growth factors for the different development stages of MSMEs

The variable development stages of MSMEs represent that in which stage of development the enterprises are operating. The stages asked in the survey were startup, growth, maturity, and decline. The respondents' distribution of observation for this question is shown in fig. 2. There is no need for transformation of the variable.

For analyzing the different factors of growth for each stage of development, firstly, we have to check whether there are statistically significant differences between the groups or not. The ANOVA with

Bonferroni Post-Hoc comparison was conducted. It presented that at least one group's mean differs statistically from another. The result of the Post-Hoc analysis is shown in Table IX. The table shows which of the means statistically vary from the others. As it can be seen from the significance level, the startup, growth, and maturity groups don't have statistically different means, while all other averages are different statistically from each other.

Secondly, the most important factors of growth have been determined for each stage of development. For this purpose, and have chosen those five factors which have the highest averages in (Appendix 1). For the enterprises which are operating in the stage of the startup, the 5 major growth factors are Management capacity and effective leadership, Existence of infrastructure and energy, Availability of raw materials, Availability of experts, Access to the domestic market. For the enterprises which are operating in the growing stage of development the top 5 factors with higher averages are Management capacity and effective leadership, Focus on needs and feedback from customers, Availability, and usage of

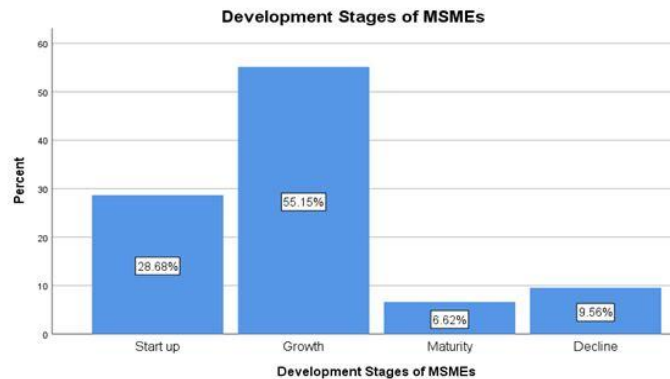


Fig.2: Development Stages of MSMEs

Table IX: ANOVA – Bonferroni Post-Hoc, factor: Development stages

(I) Development stages	(J) Development stages	Mean Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
Start up	Growth	.032	.203	1.000	-.51	.58
	Maturity	.094	.380	1.000	-.92	1.11
	Decline	1.026*	.329	.014	.14	1.91
Growth	Start up	-.032	.203	1.000	-.58	.51
	Maturity	.062	.363	1.000	-.91	1.03
	Decline	.994*	.309	.010	.17	1.82
Maturity	Start up	-.094	.380	1.000	-1.11	.92
	Growth	-.062	.363	1.000	-1.03	.91
	Decline	.932	.446	.232	-.26	2.13
Decline	Start up	-1.026*	.329	.014	-1.91	-.14
	Growth	-.994*	.309	.010	-1.82	-.17
	Maturity	-.932	.446	.232	-2.13	.26

technology, Availability of experts, Existence of infrastructure and energy. For the enterprises operating in the maturity stage, the major factors are Management capacity and effective leadership, Existence of infrastructure and energy, Availability and usage of technology; Focus on needs and feedback from customers, and viable business model. Finally, the 5 major factors with higher averages for decline stages are Focus on needs and feedback from customers, Management capacity and effective leadership, Access to the domestic market, Availability and usage of technology, and Availability of experts.

In the third step, the possible differences in the importance of each reason between the stages will be checked. To get this, the ANOVA was conducted. The only statistical differences between the stages were noticed in the reason Viable Business Model. The result is shown in Table X.

The averages for startup, growth, maturity, and decline are respectively 3.87; 3.84; 3.78, and 2.85. The first three stages have averages higher than 3, which show the importance of the factor in the growth of MSMEs. On the other hand, the average of the factor for the decline stage is less than 3, which shows the disagreement of the respondents, in other words, the Viable business model is not that much important factor for the growth of those MSMEs which operate in decline stages of development.

Table X: ANOVA results for Viable business Model, - Development stages

		Sum of Squares	df	Mean Square	F	Sig.
Viable business Model	Between Groups	11.813	3	3.938	3.721	.013
	Within Groups	139.687	132	1.058		
	Total	151.500	135			

5. The correlations between the groups of MSMEs growth

The growth factors were evaluated for different groups of variables, such as financial source, operating classes, sector of the economy, number of founders, and development stages. It is assumed that there is a possibility that the various groups are correlated with each other. To check will be there a correlation or not, the Pearson Correlation Test was conducted on the above five variables characterizing the MSMEs. The result of the test is shown in Table XI.

Table XI: Correlations

		Financial Sources	Operating Class	Development Stages
Financial Sources	Pearson Correlation	1	-.092	.322**
	Sig.		.286	.000
	N	136	136	136
Operating Class of MSMEs	Pearson Correlation	-.092	1	-.013
	Sig.	.286		.885
	N	136	136	136
Development Stages of MSMEs	Pearson Correlation	.322**	-.013	1
	Sig.	.000	.885	
	N	136	136	136

** . Correlation is significant at the 0.01 level (2-tailed).

The above analysis shows that there are only two variables that are positively correlated with each other at a high significance level. The variables are the Financial Source and Development stages. Thus, we can interpret the correlation's results that the business which is financed by owner funds in the stage of startup and growth has more possibility to have similar growth factors rather than those which are financed by external sources.

V. FINDINGS AND CONCLUSION

The major growth factors of MSMEs which were derived after conducting some descriptive and other statistical tests and analyses on data are *Management*

capacity and effective leadership, Access to the domestic market, Availability, and usage of technology, Focus on needs and feedback from customers and Access to the international or global market.

The MSMEs growth factors which were influencing and varying for different sources of finance were turned out as; For the enterprises financed by owner only, the major growth factors are *Management capacity and effective leadership, Focus on needs and feedback from customers, Availability and usage of technology, Existence of infrastructure and energy and Access to the domestic market.* On the other hand, for the enterprises financed by both owner only and external sources, the 5 major growth factors are; *Management capacity and effective leadership, Existence of infrastructure and energy, Focus on needs and feedback from customers, Availability of experts, and Availability of raw materials.* Finally, for the enterprises' finance by external sources, the 5 high average factors are; *Management capacity and effective leadership, Focus on needs and feedback from customers, Availability of experts, Access to the domestic market, and Availability and usage of technology.* The most important one in which the variation level was higher than other factors was *Availability of experts.*

The most important and crucial growth factors for each size of MSMEs; for micro-enterprises, the 5 major growth factors are *Management capacity and effective leadership; Focus on needs and feedback from customers, Availability of experts, Availability and usage of technology, Access to the domestic market.*

For small-size enterprises the 5 important factors of growth are *Management capacity and effective leadership, Existence of infrastructure and energy, Focus on needs and feedback from customers, Availability of experts, Availability and usage of technology.* Finally, for the medium size enterprises the important factors are *Management capacity and effective leadership, Existence of infrastructure and energy, Focus on needs and feedback from customers, Availability and usage of technology, Availability of raw materials.* *Access to the domestic market* was the most important factor in which the variance level between the averages was higher.

The development stages of MSMEs were another variable for which we tried to differentiate the factor of MSMEs growth. The enterprises which are operating in the stage of startup the 5 major growth factors are *Management capacity and effective leadership, Existence of infrastructure and energy, Availability of raw materials, Availability of experts, Access to the domestic market.* For the enterprises

which are operating in the growing stage of development the top 5 factors with higher averages are *Management capacity and effective leadership, Focus on needs and feedback from customers, Availability and usage of technology, Availability of experts, Existence of infrastructure and energy.* For the enterprises operating in the maturity stage, the major factors are *Management capacity and effective leadership, Existence of infrastructure and energy, Availability and usage of technology; Focus on needs and feedback from customers, viable business model.* Finally, the 5 major factors with higher averages for decline stages are *Focus on needs and feedback from customers, Management capacity and effective leadership, Access to the domestic market, Availability and usage of technology, Availability of experts.* The most important one was noted the *viable business model.*

Finally, we tried to find out the correlation between the variables through which we grouped the MSMEs to find the different factors of growth for each of them. There were only two variables that were positively correlated with each other. The variables were Financial Source and Development stages of MSMEs.

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Appendix 1

Factors	sub categories of factors	Access to the domestic market	Access to international or global market	Access to Islamic banking & financing	Availability & usage of technology	Availability of experts	Availability of foreign aids	Availability of raw materials	Availing remittances from friends & families	Beneficial government policies	Exchange rate stability of the Afghani	Existence of infrastructure and energy	Focus on needs & feedback from customers	Management capacity and effective leadership	Viable business model	Averages
		3.87	3.64	3.64	3.96	3.89	3.23	3.78	3.26	3.69	3.77	3.97	4.05	4.16	3.65	3.75
Operating Class	Micro	4.13	3.86	3.78	4.18	4.18	3.55	4.02	3.50	3.90	4.00	4.12	4.27	4.33	3.81	3.97
	Small	3.25	3.25	3.33	3.33	3.42	2.42	3.33	2.58	3.33	3.25	3.58	3.50	3.58	3.33	3.25
	Medium	3.80	3.53	3.63	3.97	3.77	3.20	3.87	3.30	3.73	3.70	4.00	3.97	4.17	3.73	3.74
Development Stages	Startup	4.10	3.59	3.69	4.00	4.10	3.15	4.10	3.33	3.97	3.95	4.13	4.08	4.26	3.87	3.88
	Growth	3.99	3.89	3.77	4.15	4.11	3.56	4.01	3.51	3.88	3.91	4.09	4.17	4.24	3.84	3.94
	Maturity	3.78	3.78	3.56	4.11	3.67	3.22	3.44	3.44	3.11	3.78	4.11	3.89	4.11	3.78	3.70
	Decline	3.69	3.23	3.46	3.69	3.54	3.08	3.23	2.69	3.46	3.46	3.46	4.23	4.15	2.85	3.45
Financial Sources	Owner	3.83	3.66	3.51	4.02	3.83	3.30	3.77	3.04	3.70	3.75	3.91	4.02	4.11	3.58	3.72
	O & E	4.05	3.77	3.90	4.10	4.15	3.54	4.15	3.74	3.79	3.92	4.23	4.18	4.31	3.79	3.97
	External	4.09	3.80	3.77	4.07	4.14	3.32	3.91	3.45	3.98	3.95	4.05	4.23	4.30	3.91	3.93