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Firm Characteristic Dimension and Business Growth in Selected Micro and Small Enterprises in Abia State, Nigeria

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Abstract

Micro and small enterprises make a considerable contribution to local and national economies, creating jobs, offering a wide variety of goods and services, and providing an income stream for the government as well. They are key drivers of economic development by providing employment opportunities to the unemployed. In addition, larger businesses often benefit from having smaller businesses in the same vicinity, relying on them for outsourcing and access to raw materials. Despite their importance, many small businesses have not managed to reach their full potential due to the many difficulties associated with their size, lack of financial leverage, and age. Hence, this study examined effect of firm characteristics dimensions on business growth in the selected micro and small enterprises in Abia State, Nigeria. The study adopted survey research design. The population of study was 962,092 owner/managers of selected micro and small enterprises in Abia State, Nigeria. The sample size of 499 was determined using research advisors table. Simple random sampling technique was adopted in selecting respondents. A structured and validated questionnaire was used for data collection with Cronbach's alpha reliability coefficient for the constructs were above 0.7. The response rate was 78.9%. Data were analyzed using descriptive and inferential statistics. The findings revealed that firm characteristics dimensions have a significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria ($R = 0.544^a$, $R^2 = 0.295$, Adjusted $R^2 = 0.290$, $F = (3,389) = 54.388$). The study concluded that firm characteristics dimensions have a significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria. The study recommended that management should adopt growth strategies to increase firm size, such as expanding their market share and diversifying their products or services to improve business growth.

Keywords: *Business growth, Firm characteristics, Firm age, Firm size, Leverage*

1.1 Introduction

Micro and small businesses play a significant role in local economies by promoting development and creativity within the community and the nation as a whole. They achieve this by generating employment opportunities, offering a wide range of products and services, and contributing to the tax revenue of the country. Additionally, these enterprises stimulate economic growth by providing jobs for the unemployed. Moreover, larger corporations often benefit from the presence of small businesses in the same local community, as they rely on them for outsourcing certain business functions and obtaining raw materials. Despite the importance of micro and small businesses, they face various firm characteristic challenges related to their size, financial leverage, and longevity, which prevent them from fully realizing their potential.

Globally, micro and small enterprises have a tendency to attract talented individuals who create new products or implement fresh solutions for existing ideas (Krishnan & Scullion, 2017). In the United States, these enterprises play a significant role in driving the economy by generating local employment opportunities, promoting innovation, and encouraging entrepreneurship among women, minorities, veterans, and other segments of the population. Small businesses accounted for 48% of all American jobs and contributed 43.5% of the country's Gross Domestic Product (GDP) in 2019 (Matt & Rauch, 2020). Despite being considered the backbone of the economy, small businesses

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have faced severe economic and existential challenges during the COVID-19 pandemic. Nevertheless, despite these ongoing difficulties, small businesses remain crucial for a comprehensive recovery in the future (Goolsbee & Syverson, 2021; Sharif, Aloui, & Yarovaya, 2020).

According to a 2018 enterprise survey conducted in Asia, it was found that micro and small enterprises constituted an average of over 96% in 2018 and 98% in 2022 of all enterprises. These enterprises also made up 62% of the national labor force and contributed approximately 42% of the gross domestic product (GDP) or manufacturing value in Asian countries (Asa, 2022; Madan, 2020). Specifically, in Japan, micro and small enterprises accounted for about 70% in 2018 and 97% in 2021 of all employed workers in 2019. More than half of these enterprises belonged to the manufacturing industry. In terms of trade, China and India had micro and small enterprises representing over 40% of their total export values, followed by Thailand with 26%, the Republic of Korea with 19%, and Indonesia with 16% between 2017 and 2019, respectively (Ahmad, Chahal & Rais 2021; Tambunan, 2021).

Micro and small businesses accounted for 90% of all existing businesses in Nigeria, and employing up to 75% of the workforce in different industries. Micro and small businesses contribute significantly to the country's economic growth within 2016-2019, in the manufacturing sector alone, micro and small businesses account for 70% to 90% of all business establishments within 2016-2019 (Etim, & Daramola, 2020; Etim, & Daramola, 2020). It is common knowledge that well-managed and healthy micro and small businesses in Nigeria are important sources of employment and wealth creation, their activities benefit citizens in terms of employment, income generation, and economic development, as well as the government in terms of tax revenue generation (Adepoju & Akinwale, 2019; Ogenyi, 2020).

Performance can be described as a measurement of how well a firm uses its assets from its primary mode of business to generate income. The term is also used as general measure of a firm's overall financial health over a given period of time. Certain firm characteristics have been associated with firm performance such as age, firm size, liquidity, and leverage (DeMiguel, Martin-Utrera, Nogales, & Uppal, 2017; Dioha, Mohammed & Okpanachi, 2018; Jiang, Tang & Zhou, 2018). The performance of firms could be affected by both internal and external firm characteristics. The internal characteristics are those management controllable factors which account for the inter-firm differences in profitability. On the other hand, external characteristics are those uncontrollable factors which affect firms' decisions and which management has no control over (Han, He, Rapach, & Zhou, 2020).

Small and medium-sized enterprises (SMEs) in Aba, like in many other regions, face a range of performance challenges. Aba, located in Nigeria, is known as a major industrial and commercial center, particularly in the textile, garment, and manufacturing sectors. SMEs often struggle to obtain adequate financing from financial institutions. Banks and other lenders may perceive SMEs as high-risk borrowers, leading to limited access to loans and capital. This lack of financial resources can hamper their growth potential and limit investment in technology, equipment, and skilled labor. Insufficient infrastructure, including poor transportation networks, unreliable power supply, and limited access to water and sanitation facilities, can significantly hinder SMEs' operations and productivity. These infrastructural deficiencies increase operating costs and create logistical challenges for SMEs in Aba. It is against this background that it becomes pertinent to examine firm characteristics dimensions (firm size, leverage, and firm age) and organizational performance of micro and small enterprises in Aba, Abia State, Nigeria.

Several researchers have identified the impact of various dimensions of firm characteristics on the business growth of different enterprises in various research contexts (Buvanendra, Sridharan, & Thiyagarajan, 2017; Eddleston, Ladge, Mitteness, & Balachandra, 2016; DeMiguel, Martin, Utrera, Nogales, & Uppal, 2017). Jiang, Tang, and Zhou (2018) specifically examined firm characteristics in relation to Chinese stocks, while Dioha, Mohammed, and Okpanachi (2018) focused on the effect of firm characteristics on the profitability of listed consumer goods companies in Nigeria. Bassiouny (2016) explored the influence of firm characteristics on earnings management, while Wakaisuka-Isingoma, Aduda, Wainaina, and Mwangi (2016) investigated corporate governance, firm characteristics, external environment, and business growth of financial institutions in Uganda. However, the specific impact of firm characteristics, measured by factors such as firm size, leverage, and firm age, on micro and small enterprises in Aba, Abia State, Nigeria, has not been fully established. This knowledge gap necessitates further research, and thus, this study aims to investigate how firm characteristics affect the organizational business growth of micro and small enterprises. These types of enterprises significantly contribute to the economic development of nations, but in the South-East region, there has been a noticeable decline in their business growth due to a lack of comprehensive evaluation of the factors that play a significant role in their organizational business growth.

2.1 Literature Review

2.2 Firm Characteristics

Firm characteristics are traits or identities that define a company and help it stand out from the competition (Gachoka, Aduda, Kaijage & Okiro, 2018). They refer to a company's distinct inherent characteristics that distinguish it from other companies. Firm characteristics refer to qualities of an organization that identify measurements and relate to that company in promoting or demoting its environmental sustainability policies or initiatives in the context of environmental performance. There is evidence that firm characteristics influence the internal governance mechanism chosen by the firm, particularly when it comes to performance measures such as environmental reporting (Uyagu, Okpanachi, Nyor & Muhammad, 2017). Various studies interpret firm characteristics differently based on the criteria utilized to define it. However, the majority of studies appear

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to support the idea that company features are linked to firm resources and organizational goals (Mgeni & Nayak, 2016). Three criteria can be used to examine a firm's resources and objectives: structure, market, and capital-related firm characteristics (Gachoka, Aduda, Kaijage & Okiro, 2018). Structural firm characteristics include firm size, age, profitability, and ownership (Onyali & Okafor, 2018).

According to Musamali and Tarus (2013), firm characteristics refer to specific factors that are unique to a firm, including its size, age, ownership structure, and industry affiliation. These characteristics are believed to influence the firm's performance. Fatoki and Asah (2011) also define firm characteristics as traits of an enterprise that impact its operation, such as size, age, availability of collateral, and business information. Kira and He (2012) further expand on these definitions, stating that firm characteristics encompass both positive and negative attributes that affect the firm's operations. These attributes include the firm's legal status (ownership or incorporation), age, industry, size, collateral, and business information. However, some studies combine collateral and business information with size and industry, arguing that larger firms in capital-intensive industries tend to invest more in non-current assets that can be used as collateral.

2.3 Firm Size

According to Oluwamayowa (2020), the concept of firm size refers to determining whether a corporation is large or small. It can be assessed based on the company's total assets or total sales. Assets are economic resources owned by an entity, with their cost or fair value being objectively determined at the time of acquisition (Onyali & Okafor, 2018). This definition highlights four key points: assets are acquired through transactions, they represent economic resources, they are held by the entity, and their cost or fair value is objectively measured. A company's size is determined by the total value of the assets it owns and uses for its operations. The natural logarithm of a company's total assets is often used as a variable to calculate its size. Additionally, the company's manufacturing capacity, variety of services, and ability to cater to consumers are also indicators of its size. The size of a corporation plays a significant role in assessing its performance, drawing from the concept of economies of scale in the traditional neoclassical perspective of firms (Ahmad, 2017). Compared to small businesses, large businesses have a stronger competitive advantage during competitions. With greater resources, large enterprises can seize more opportunities during high-capital competitions, leading to increased profit. Firm size can be classified as large or small using various criteria, including total assets, logarithmic size, sales, and market capitalization (Agustia & Suryani, 2018).

Firm size is a major factor in determining company profitability because of a concept known as economies of scale that can be found in the traditional view of the company, Indonesia stock exchange. (2019). It can be interpreted that companies can produce goods at a much lower cost by large companies. The size of the company is an increase in the company's employees who have a large market capitalization and describes the size of a company. The higher the total assets that indicate the assets or assets owned by the company. Company size can be measured using total assets, sales, or company capital, Chartered Institute of Management Accountants (2013). Companies that have large total assets are considered to have good prospects in a relatively stable period and are able to generate profits compared to companies that have small total assets, Chen, Cheng, and Hwang (2015). Large-scale companies have a higher competitiveness than small companies because large companies have a large market so they have a great opportunity to obtain large profits (Darmawan & Toro, 2012).

2.4 Leverage

According to Rajan and Zingales (2017), leverage is the ratio of total liabilities to total assets. It refers to the proportion of debt to equity in the capital structure of a firm (Salehi, 2019). Firm leverage is a combination of equity and liability that a company uses to finance its assets. Debt and/or equity can be used to fund a company's investments (Arkan, 2016). Preference capital may also be used by the corporation. Regardless of the company's rate of return on assets, the interest rate on debt remains constant. A company's leverage is designed to make more on fixed charges funds than it costs. As debt grows, so does financial leverage (Shaibu, 2020). Firm leverage is used by businesses to boost shareholder returns in times of good economic conditions. It is believed that funds with fixed charges (such as a loan) would be used. Fixed-charges funds (such as loans from financial institutions and other sources or debentures) are considered to be available at a lower cost than the firm's net asset return. Leverage is a measurement which shows how much the firm assets are financed by debts which is measured by total debts divided by total assets, high leverage indicates that the debts use more than equity, if the debts used more than equity it will lead to increase the financial cost as a result. In case of high Finance cost earning per share is affected negatively, Ali, Tahira, Amar, Ullah Tahir, Shah, Khan, and Tariq (2022).

Leverage refers to the proportion of debt to equity in the capital structure of a firm. The financing or leverage decision is a significant managerial decision because it influences the shareholder’s return and risk and the market value of the firm. The ratio of debt-equity has implications for the shareholders’ dividends and risk, this affect the cost of capital and the market value of the firm (Tikkiwal & Pandey, 2017). Firm Leverage refers the amount of debt and equity used by a firm to finance its operations and assets. It indicates how firms finance their overall operations and growth by using debts like long-term notes payable and equity-like common stock, Chakma, (2018). Leverage is not merely the extent of debt within the capital structure of a firm. Leverage consists of both financial leverage and operating leverage otherwise known as combined leverage (Mohohlo & Halif, 2018).

2.5 Firm Age

According to Yameen, Farhan, and Tabash (2019), firm age stands for age of a company at the time period of analysis. In

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this research study, the researcher measured the firm age from difference between the year the study was conducted and the year the company was established. Maintain the existence of business for long time period is hard because the company should maintain the quality of products and there always will be new unit business comes in to the market with their products, so the company should be innovative with the products and technology used to compete with competitors and keep going concern its business. The age of a company can be determined by the foundation of a company (Paramitha & Rohman, 2020). Firm age is the length of life of a company since it was established until the period of time as long as the company still exists. A long-established company will have more experience in carrying out business activities in its industrial sector and it is better known to the broader community rather than newcomers.

According to Ilaboya (2016), they defined a firm's age as the number of years of incorporation of the company. Although some argued that listing should be used to define firm age for the reason that listing is more economical, and because a company's life starts from the moment of listing (Shumway, 2001). Others refuted this argument by stating that a company is born though incorporation as a legal person (Gitzmann, 2008). In Wang's (2011) research, he defined Firm Age as the number of years that the enterprise has experienced from its establishment to the point of investigation, while if the enterprise dies at the point of investigation, it is also called the life of the enterprise. In the dictionary, age is defined as the time of life at which some particular qualification, power, or capacity arises or rests" (Merriam-Webster, 2019).

2.6 Business Growth

According to Penrose (2018), business growth is the product of an internal process in the development of an enterprise and an increase in quality and or expansion. Business growth is defined as a change in size during a determined time span (Dobbs & Hamilton, 2017). According to Janssen (2019), a company´s growth is essentially the result of expansion of demands for products or services. It first results in a growth in sales and consequently in investments in additional production factors to adapt itself to new demands (Janssen, 2019). Achtenhagen, Naldi, and Melin (2017) research entrepreneurs´ ideas on growth and listed the following: increase in sales, increase in the number of employees, increase in profit, increase in assets, increase in the firm´s value, and internal development. Internal development comprises development of competences, organizational practices in efficiency, and the establishment of professional sales process. This was the most important index for entrepreneurs that participated in the research. However, increase in the number of employees was not necessarily considered a sign of growth. Business growth refers to the expansion and development of a company over time. It involves increasing revenue, expanding market share, and improving overall performance and profitability. Achieving sustained business growth requires a combination of strategic planning, effective execution, and adaptability to changing market conditions (Delmar, 2017; Wiklund, 2018).

Business growth is crucial for the success and sustainability of organizations. It provides financial stability, competitive advantage, and fosters innovation and adaptability. It creates job opportunities, contributes to economic development, attracts investment and talent, enhances customer value, and has a positive social impact (Leitch, Hill & Neergaard, 2016). Embracing growth strategies and managing growth effectively are essential for businesses to thrive in a dynamic and competitive business environment. According to Saleem, Rafique, Mehmood, Irfan, Saleem, Tariq, and Akram (2013), business growth entails an increase in the in the total assets of the companies throughout a given particular time. This is also known as the rate of change in a company's wealth (Muiruri & Bosire, 2014). The expansion of businesses partakes a variety of characteristics. This is able to expressed in relations to size increments, significance, and revenue of a company (Saleem et al 2013).

2.7.Theoretical Framework

The Dynamic Capabilities Approach is adopted here due to its advantage over the Resource-Based View and it focusing on both internal and external factors that are dynamic enough in creating improved performance and business growth. Whereas the resource-based view focuses more on aspects that are internal to the firm, the dynamic capabilities concentrate on factors that are both internal and external and can be reconfigured to meet up with internal and external expectations. Augier and Teece (2009) suggested that dynamic capabilities have a tripartite structure: the capability to sense opportunities; the capacity to seize opportunities; and the capacity to manage threats through combination, recombination, and reconfiguration of assets inside and outside the enterprise's boundaries which informed this research. With Dynamic Capabilities, sustained operational performance comes from the firm's ability to leverage and reconfigure its existing competencies and assets in ways that are valuable to the customer but difficult for other competitors to imitate.

Teece (2010) proposes that the dynamic capabilities framework is a valuable tool for understanding the factors that influence the performance of companies, and it is gradually evolving into a theory of contemporary organizations. This framework provides a comprehensive and interdisciplinary approach to making managerial decisions. Dynamic capabilities encompass various strategic and organizational processes, such as product development, forming alliances, and making strategic choices, all of which are deeply ingrained within companies (Eisenhardt & Martin, 2010; Nelson & Winter, 1982). According to the dynamic capabilities theory, differences in performance among firms arise from their distinct abilities to integrate, utilize, renew, and reconfigure resources in response to the changing business environment (Eisenhardt & Martin, 2010; Teece, Pisano & Shuen, 1997).

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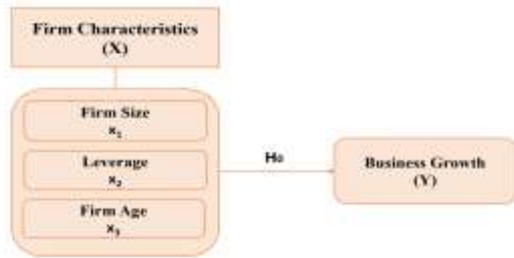
Conceptual Model



Source: Researcher's Conceptual Model (2023)

3.1 Methodology

The study adopted survey research design. The population of study was 962,092 owner/managers of selected micro and small enterprises in Abia State, Nigeria. The sample size of 499 was determined using research advisors table. Simple random sampling technique was adopted in selecting respondents. A structured and validated questionnaire was used for data collection with Cronbach's alpha reliability coefficient for the constructs were above 0.7.

Model Specification

In this study, there are two basic constructs; independent and dependent variables. The independent variable is Firm characteristics measured by sub-variables of firm size, leverage, and firm age while the dependent variable is MSMEs performance. The model for the variables is denoted in the equations below:

Y = f (X)

Y = Dependent Variable

X = Independent Variable

Y = Business Growth (BG)

X = Firm Characteristics (FC)

$Y = (y_1, y_2, y_3)$

Where:

x_1 = Firm Size (FS)

x_2 = Leverage (LV)

X_3 = Firm Age (FA)

Functional Relationship

$BG_{it} = f(FS_{it}\ LEV_{it}\ FA_{it})$ ....(1)

The above equation can be written as

$$BG_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FA_{it} + \mu_{it} \ldots\ldots\ldots\ldots (1)$$

where

β_0 is the intercept

$\beta_1, \beta_2, \beta_3$ are the coefficients of FS_{it}, LEV_{it}, and FA_{it} respectively to be estimated

μ is the stochastic or random variable

4.1 Data Analysis, Results, and Discussion of Findings

The response rate was 78.9%. The data collected were analyzed and interpreted, and the formulated hypotheses were tested to enable the researcher reach rational conclusions. Data were analyzed using descriptive and inferential statistics with the aid of Statistical Package for Social Science (SPSS) software version 26.

H_0: Firm characteristics dimensions (firm size, leverage, and firm age) has no significant effect on business growth of selected micro and small enterprises in Abia State, Nigeria.

Table 4.1: Summary of multiple regression analysis for effects of Firm characteristic dimensions (firm size, leverage, and firm age) on business growth of the selected micro and small enterprises in Abia State, Nigeria.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.223	1.040		6.942	.000
	Firm Size	.120	.044	.129	2.728	.007
	Leverage	.141	.039	.171	3.615	.000
	Firm Age	.373	.041	.407	9.054	.000
a. Dependent Variable: **Business Growth**						
$R = 0.544^a$	$R^2 = 0.295$	Adjusted $R^2 = 0.290$	$F = (3,389) = 54.388$			

Source: Field Survey, 2023

Table 4.1 shows the result of the analysis of the effect of firm characteristics dimensions (firm size, leverage, and firm age) on business growth in the selected micro and small enterprises in Abia State, Nigeria. From table 4.1, the result of the analysis revealed that firm size ($\beta = 0.120$, $t = 2.728$, $p<0.05$) had a positive and significant effect on business growth, leverage ($\beta = 0.141$, $t = 3.615$, $p<0.05$) had a positive and significant effect on business growth and firm age ($\beta = 0.373$, $t = 9.054$, $p<0.05$) have positive and significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria. The results of the analysis revealed that all the firm characteristics dimensions (firm size, leverage, and firm age) have significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria. This implies that firm size, leverage, and firm age is an important factor in the selected micro and small enterprises in Abia State Nigeria which in turn yields an increase in business growth.

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The coefficient of multiple determination, adjusted R^2 is 0.290; *F* (3, 389) = 54.388p=0.000) revealed that firm characteristics explained about 29.0% variation in business growth in the selected micro and small enterprises in Abia State, Nigeria while the remaining 71.0% could be attributed to other factors not included in this model. Also, the F-statistics (df = 3,389) = 54.388 at p = 0.000 (p<0.05) indicates that the overall fitness of the model which implies that firm characteristics used in this study are good predictors of business growth is an important factor in the selected micro and small enterprises in Abia State, Nigeria. From the results, the resultant multiple regression model is expressed thus:

BG = 7.223 + 0.120FS +0.141LV + 0.373FA ………… eq. ii
Where: BG = Business Growth
FS = Firm Size
LV = Leverage
FA = Firm Age

The regression model shows that holding firm characteristic combined to constant zero, business growth would be 7.223 implying that without firm characteristic, performance of the selected micro and small enterprises in Abia State, Nigeria would be 7.223. The result further shows that a one-unit increase in firm size, leverage, and firm age will improve performance of the selected micro and small enterprises by 0.72 units. From the results of the multiple regression, firm characteristic (firm size, leverage, and firm age) is the important determinant of business growth of the selected micro and small enterprises in Abia State, Nigeria. Therefore, the null hypothesis two (H_02) which states that firm characteristic dimension (firm size, leverage, and firm age) has no significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria was rejected.

Discussion of Findings

The test hypothesis one revealed that firm size (β = 0.120, t = 2.728, p<0.05) had a positive but significant effect on business growth, leverage (β = 0.141, t = 3.615, p<0.05) had a positive and significant effect on business growth and firm age (β = 0.373, t = 9.054, p<0.05) have positive and significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria. The results of the analysis revealed that all the firm characteristics dimensions (firm size, leverage, and firm age) have significant effect on business growth in the selected micro and small enterprises in Abia State, Nigeria. This implies that firm size, leverage, and firm age is an important factor in the selected micro and small enterprises in Abia State Nigeria which in turn yields an increase in business growth.

As shown in the table in the coefficient of multiple determination, adjusted R^2 is 0.290; *F* (3, 389) = 54.388p=0.000) revealed that firm characteristics explained about 29.0% variation in business growth in the selected micro and small enterprises in Abia State, Nigeria while the remaining 71.0% could be attributed to other factors not included in this model. Also, the F-statistics (df = 3,389) = 54.388 at p = 0.000 (p<0.05) indicates that the overall fitness of the model which implies that firm characteristics used in this study are good predictors of business growth is an important factor in the selected micro and small enterprises in Abia State, Nigeria. The implication is that firm characteristics had a positive and significant effect on business growth. These findings is in line with Gathara, Kilika, and Maingi (2019) examined effect of leverage on financial performance of selected companies listed in Nairobi securities exchange, Kenya using causal or explanatory research design, findings revealed that Leverage had significant positive effect on financial performance of selected companies listed at NSE, Kenya. Chen (2020) carried a study on the impact of financial leverage on firm performance based on the moderating role of operating leverage, the study employed ordinary least square method, the findings indicate that the relationship between financial leverage and firm performance is significantly negative while operating leverage positively moderates this relationship. Nwanna and Ivie (2017) examined the effect of leverage on firm's performance: a study of Nigerian banks (2006 -2015) the study explored the ordinary least square multiple regression technique, findings reveal that that financial leverage has positive effect on profitability and efficiency. No significant effects were found on liquidity, size, and market capitalization value.

Gweyi and Karanja (2014) examined the effect of leverage on financial performance of deposit-taking savings and credit co-operative in Kenya using descriptive and analytical design the findings showed a perfect positive correlation between debt-equity ratio with return on equity and profit after tax at 99% confidence interval and a weak positive correlation between debt-equity ratio with return on assets and income growth. Rahman, Saima, and Jahan (2020) examined the Impact of financial leverage on firm's profitability: An empirical evidence from listed textile firms of Bangladesh using Pooled Ordinary Least Squares (OLS), Fixed Effect (FE), and Generalized Method of Moments (GMM) models, findings indicates a significant negative relationship between leverage and firm's profitability using the Pooled OLS method and also consistent with the fixed effect and GMM method.

Conclusion and Recommendation

This study explored the effect of firm characteristic dimension on business growth in selected micro and small enterprises in Abia State. From the findings of the study, the researcher concludes that firm characteristic dimensions through its measures; firm size, leverage, and firm age have significant and positive effect on business growth.

The study recommended that management should adopt strategies to increase firm size, such as expanding their market share and diversifying their products or services to improve business growth. They should also consider leveraging their assets to secure more funding to support the growth of the business. Additionally, management should prioritize investments in research and development to create innovative products and services.

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