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STATEMENT OF THE PROBLEM
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RELATIONSHIP BETWEEN FIRM RESOURCES AND SMALL FIRM GROWTH IN BANGLADESH

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ABSTRACT
The significant contributions of small enterprises towards the social and economic development have captured the attention of different stakeholders including national governments and some other international development organizations. Different concepts and theories of firm growth have been developed through the workings of diverse group of academicians and researchers although these are very fragmented and inconsistent. Still there is no single overarching model exists that can explain best about the growth matter for small firms. Hence, it is critically important to study on small firm growth and to identify the reasons that are associated with growth. As small businesses around the world do not have the same characteristics and their growth is multifaceted, it is quite difficult for researchers to conclude with a certain number of reasons. Studies in many countries focused on some specific factors and no comprehensive research on this issue is available to draw the conclusion. Therefore, the current study intends to propose a model to understand how different resources affect the growth of small firms operating in Bangladesh which will be tested empirically in future. From the proposed model it is assumed that the resources will enhance the growth of small firms and the government and private organization supports will enhance the relationship between these resources and small firm growth. It is expected that from the proposed model all the stakeholders will have at least the basic idea about the impact of these resources on small firm growth. This idea can be used for different policy initiatives and further development of small businesses.

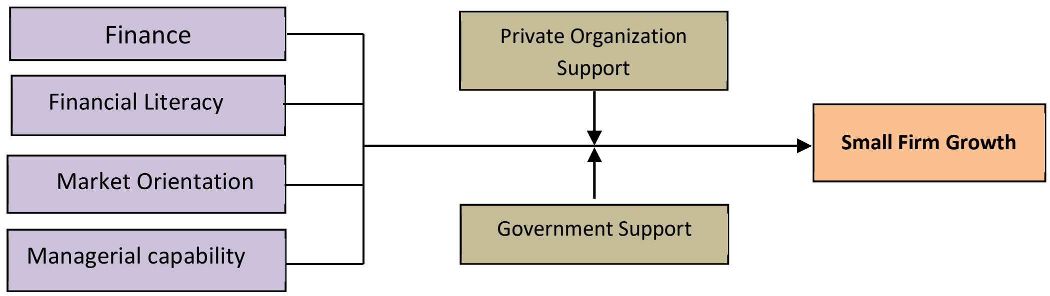
KEYWORDS
Bangladesh, firm resources, small firm growth, government support, private organization support.

1. INTRODUCTION
The significant contributions of small enterprises towards the social and economic development have captured the attention of different stakeholders including national governments and some other international development organizations. Small Enterprises (SEs) play a very significant role in the developing economy in terms of sustainable growth, employment creation, development of entrepreneurship and contribution to export earnings (Mamun, Hossain & Mizan, 2013). They are more productive compared to the micro enterprises and large firms, to some extent, by driving employment and competition. Small businesses are important due to their geographic location and the inclusion of women entrepreneurs in the labour forces. They are also significant for the society for building social network, ensuring life standard of poor people, export earnings, reducing social unrest, creating new entrepreneurs, satisfying consumers' needs with competitive price, fulfilling the requirements of many large businesses etc.

Considering the significant contributions and potentialities of small businesses towards the economic development, researchers of many developed and developing countries have motivated to work on small firms' growth and its determinants for many years. Different concepts and theories of firm growth have been developed through the workings of diverse group of researchers although these are very fragmented and inconsistent. There is no specific theory to explain the small firm growth and the factors constraining or stimulating the growth (Olaore, 2014). Even there is no single overarching model exists that can explain best about the growth matter for small firms (Dobbs & Hamilton, 2007; Omar, Lim, & Basiruddin, 2014). Moreover, many researchers are confused why some small firms grow and others do not when they operate their activities in the similar situation (Tuck & Hamilton, 1993; Wiklund & Shepherd, 2003). The reality is that since firms can grow in different ways (for example, through expansion of sales or asset size, increasing employment and so on), the growth of a firm follows a multidimensional phenomenon and these various forms of growth may have different determinants and effects (Delmar, Davidsson, & Gartner, 2003).

Looking back to the earliest contributions towards firm's growth, it is observed that the prominent researchers Penrose (1959) and Barney (1991) considered firm as a collection of bundle of resources which provide the means to take some advantages and offer opportunities to grow. These resources are related to the internal and external environments which influence small firms' growth. According to Barber, Metcalfe, and Porteous (1989) some of these factors are external to the firm where they operate and which cannot be altered but many of the factors are internal which generated from the inherent characteristics of a firm and its manager. Therefore, the major objective of the study is to propose a model to understand how different resources affect the growth of small firms operating in Bangladesh and will suggest a roadmap for the stakeholders, financial institutions to the large extend, for formulating and implementing their policies and strategies to boost up the small firm's growth in future. Figure 1 shows the integrated model that will be empirically tested in future.

FIGURE 1: PROPOSED RESEARCH FRAMEWORK



2. RESEARCH DESIGN

The study will employ a quantitative research approach and the structured questionnaire will be used as the research instrument. A cross-sectional analysis will be done as data will be collected for a specific point in time. The target populations of the study are the small businesses operating in Bangladesh. The study will include three broad sectors of small businesses namely, manufacturing, trading and service sectors operating in three divisions (it is evident that most of the small businesses are located in Dhaka, the capital city; Chittagong, the commercial hub and Rajshahi divisions) of Bangladesh. According to Economic Census 2013 of Bangladesh Bureau of Statistics (BBS) there are 859,318 small firms operating in Bangladesh. Out of total number, 598,645 small firms are located in three selected divisions. But, there is no comprehensive list or addresses of these small firms. Hence, based on the Krejcie and Morgan (1970) table 384 small businesses are selected as the sample size. Since the focus of the study is the growth of small firm, the unit of analysis is small firms operating in Bangladesh. The owner will be interviewed (managers will be considered where owners are absent from their businesses operation) for collecting data.

The variable finance will be measured by 11 items adapted from the study of Shariff and Peou (2008) and modified some items as per the contextual requirement. Two items will be deleted and another two items will be added from the study of Federico et al. (2012). The financial literacy will be measured through 10 questions adapted from Lusardi and Mitchell (2007). Market orientation strategy will be measured by 12 items adapted from Suliyanto and Rahab (2012) and managerial capability from two dimensions with 18 items from Bourne and Franco-Santos (2010). The government support have 9 items adapted from Indarti and Langenberg (2004); Yusuf (1995); Hansen et al. (2009); Rashid (2012); Abdullah (1999); Hung et al. (2011) and private organization support has two dimensions and 8 items from Indarti and Langenberg (2004), Geringer et al. (2002) and Chen (2003). Finally, the growth of small firm will be measured by seven growth indicators (both financial and non-financial) adapted from Wickham (2006), Arrighetti (1994), Federico et al. (2012) and Ahmad et al. (2011).

3. FIRM RESOURCES

In general, firm of any size use different resources to support its start-up, operations, growth and survival. The resources which influence firm growth or performance can be distinguished as internal (financial capital, management capacity, knowledge and skills, physical resources, technological, etc.) and external (market condition, institutional arrangements, etc.) resources (Buckley, 1989). According to the theory of *Resource Based View*, the bundle of resources firms have directly and indirectly affects firm's performance and growth by generating competitive advantages. Barney (1991), defines the resources concept of an organization as all kinds of assets, different capabilities, organizational processes, business attributes, information, strategies, education and knowledge, etc. Based on the concept of RBV, the proposed model uses various resources namely, finance, financial literacy of owner-manager, market orientation strategy and the managerial capability as independent variables and will test their impact on the growth of small firm operating in Bangladesh.

3.1 FINANCE

Irrespective of the size, all the firms either large or small require financial resources for fulfilling business start-up needs, funding investment and to facilitate the operation, expansion and growth potential. According to RBV, financial resources are the most significant resources for growth and performance of small business (Wiklund, Patzelt, & Shepherd, 2009). This resource includes the ability of the firm to generate internal funds and the capacity to borrow from external sources, as well as other financing mechanisms that include cash balances, supplier credit, advance receipts, venture capital, leasing, factoring, etc. Different theories and approaches describe the financial behaviour of small firms differently but the general agreement suggest that all over the world small firms face constraints of financial resources and the internal and external financing has great implication on small firm growth and performance.

3.2 FINANCIAL LITERACY OF OWNER-MANAGER

Financial literacy can be defined as the ability of a person to manage the financial resources effectively. More specifically, financial literacy is the bundle of skills and knowledge of a person by which he/she can make any informed financial decisions. Due to the complexity in the business finance arena, owner-manager of small businesses is confronted with complex financial decisions in order to operate their businesses. Financial literacy therefore becomes very urgent for them for making financing decisions. However, empirical studies reveal that in most of the advanced and developing economies, the level of financial literacy is very low and only a few people understand the basic financial concepts (Cole, Sampson, & Zia, 2009; Lusardi & Tufano, 2009). Due to the less attention to develop financial literacy, this situation creates a significant challenge for the owner-managers of small firms to achieve their businesses performance.

3.3 MARKET ORIENTATION STRATEGY

Market orientation can be defined as the strategy of a firm by which it discovers and meets the needs and expectations of its customers with the product mix. The previous marketing strategies focused on selling existing products through establishing the selling points. However, the concept of market orientation is exactly the opposite, and it attempts to design and produce products according to the demand of customers. The market orientation concept has been identified as one of the important issues for the organizational performance. Many of the earlier studies (Kotler & Levy, 1969; Lawton & Parasuraman, 1980; Levitt, 1960; McNamara, 1972) argue that the primary purpose of almost every organization is to serve according to the needs of their customers to satisfy them as like to their daily management routines. Day by day this concept became popular and used as the marketing concept (McNamara, 1972), which has subsequently been used to represent market orientation (Ghani & Mahmood, 2011). This model also argues that firm can ensure customer satisfaction through fulfillment of their needs, wants and aspirations in order to achieve its success.

3.4 MANAGERIAL CAPABILITY

According to Makadok (2001), capability is a special type of resource which is firm-specific and non-transferable, the primary aim of which is to enhance the productivity of other resources. Hence, managerial capability is one kind of resources and can be defined as the set of skills and abilities of a manager (Castanias & Helfat, 2001). These kinds of skills and abilities are required for an individual to carry administrative and operational functions of a firm. For SEs, managerial capability generally means the relevant capability of the owner-manager to acquire necessary resources, proper utilization and management of those resources in order to achieve the goal of the firm. Most of the problems of SMEs that are related to the marketing, finance, operations, production, distribution, personnel management, quality control, Bookkeeping, etc., are essentially the managerial problems. Therefore, by developing the capabilities that are required to enhance managerial effectiveness, owner-managers may avoid or minimize the negative impact of such problems on firm survival.

4. SMALL FIRM GROWTH

There are many variables to measure the growth of a firm. Ardishvili, Cardozo, Harmon, and Vadakath (1998) and Delmar (2006) identify many possible and almost identical growth indicators such as sales, assets, market share, employment, profits or income, and physical output through rigorous literature review. Since every growth measure has some advantages and disadvantages, no single measure can be thought as the best one for firm growth (Davidsson, 1989). The fundamental characteristic of the small firms is the heterogeneity in nature implying that all the firms in different categories and clusters do not grow in the same way and can vary significantly over time. Thus, the growth of small firms is not uni-dimensional rather it is a multidimensional phenomenon. For various groups of small business, it is advantages to use multiple measures to uncover different empirical relationships. Some prominent researchers' advised composite measures using different indicators (Davidsson, 1989; Delmar, 2006). Therefore, a different form of measure and method for firm's growth is important for better understanding of the firm growth process (Delmar et al., 2003). The study uses sales, profit, capital asset size, market share and employment to measure the growth of small firm.

5. GOVERNMENT AND PRIVATE ORGANIZATION SUPPORT

The study uses government and private organization support as the moderating variables with the expectation that these two variables will moderate the relationships between firm resources and small firm growth. In any country either developed or developing, government play a pivotal role for developing the SME sector (Handoko et al., 2014) as this sector has been recognised as one of the main drivers for economic development. Baum and Locke (2004) argue that the success of the entrepreneurship business primarily depends on the role that any government plays for developing the business. However, it is recognized that small businesses all over the world lack access to finance and other supportive help from the formal sector. Therefore, it is a major concern for the government to develop and support the small businesses for the economic development of the respective countries (Vargas-Hernández, 2012).

Government of every country, especially in developing country, has been undertaken different initiatives, policies and programs for supporting small enterprises. However, it is quite difficult for the government to provide every kind of support in order to address their heterogeneous needs for certain number of reasons. First of all, this sector is very heterogeneous and their needs and expectations are also multifaceted. Secondly, the sector is much unorganized and each and every firm may has some unique problems. Thirdly, the sector is very sensitive with the change in environment and so forth. In these consequences, beside the government they need some supports from other private supporting institutions. Realizing the importance of such support, along with the government initiatives some other private organizations (for example, MIDAS, some private commercial banks, NBFIs, NGOs, Jubo Unnoyan, FBCCI, WECCI, NASCIB, and others) in Bangladesh provide different financial and non-financial supports to small enterprises for strengthening the SME sectors.

6. PROPOSITION DEVELOPMENT

6.1 FINANCE AND SMALL FIRM GROWTH

In every country it is the common problem for the small firm to have better access in formal finance and therefore the lack of such resources hider their normal business operation and growth. Access to finance facilitates small businesses to enter into the market, to generate growth, reduce the riskiness of the firms, and help innovation and to capture opportunities for future growth. From the start-up to the maturity, in all stages firms need financial resources in order to generate other resources to facilitate growth. Different theories and approaches describe the financial behaviour of small firms differently but the general agreement suggest that all over the world small firms face constraints of financial resources and the internal and external financing has great implication on small firm growth and performance. Therefore, the study expects that if small firms can have better access to finance according to the business requirements, it will enhance the growth of their businesses.

Proposition 1: There is a significant positive relationship between finance and small firm growth.

6.2 FINANCIAL LITERACY AND SMALL FIRM GROWTH

In order to manage the financial activities, proper investment and dealing with the external financial environment, financial literacy of the owner-manager is the precondition. For small businesses, generally the owner-manager starts the business and accepts all the responsibilities for the operations of the firm. Therefore, the performance or growth of the firm mainly depends on the qualities of the owner-manager and how they utilize their abilities to the success. The owner-managers are the important resources for the small firm who make plan, use other resources and take all kinds of decisions including the financial and investment decision as well as carry out the functional activities of their business; all of which ultimately affect the growth of the business. Lack of proper financial literacy results the poor financial access and management Thus, if the owner-manager can gain sufficient amount of financial skills and knowledge, it will help them to take proper short and long term decision regarding financial resources which ultimately gear-up their businesses growth or performance.

Proposition 2: The financial literacy of the owner-manager is significantly positively related to the growth of small business*.*

6.3 MARKET ORIENTATION STRATEGY AND SMALL FIRM GROWTH

The success of any firm largely depends on how successfully firm can sell its products and services according to the needs and desires of customers. Small businesses operate their businesses with relatively small investment and their future growth and survival mostly depends on readily available market and easy access. Many of the researchers and policy makers consider market orientation as one of the important business strategies for the success of any business (Deng & Dart, 1994; Kohli & Jaworski, 1990; Narver & Slater, 1990). Through the market orientation strategy, firm attempts to design and produce products according to the demand of customers that ultimately achieve the comparative advantages to growth and survive. market oriented firm identify the needs, wants and preferences of customers, try to provide products and services according to their needs which subsequently enhance the satisfaction levels of the customers and therefore increase firm performance. Thus, it is expected that implementing the market orientation strategy, small firm can improve their business growth or performance

Proposition 3: Market orientation strategy is significantly positively related to the small firm growth.

6.4 MANAGERIAL CAPABILITY AND SMALL FIRM GROWTH

Managerial Capability that derived from the set of knowledge, skills and competencies is highly require for an individual to carry administrative and operational functions of a firm. This is a special type of resource which is firm-specific and non-transferable, using by this firm can enhances the productivity of other resources Makadok (2001). It is assuming that the owner of the SME who has entrepreneurial spirit and possess a good set of management capabilities can effectively coordinate all kinds of resources to achieve efficient results. On the other hand, lack of managerial capabilities mostly hinders the operations of the business and its performance. However, researchers argue that, small firm owner-managers in both developed and developing countries lack managerial knowledge and skills (Jayne, 2007; Matlay, Redmond & Walker, 2008; Walker & Webster, 2006) that jeopardise their potentiality of growth. Therefore, it is expected that with other resources, the managerial capability of owner-manager can effectively organize and manage the business in order to generate the growth or performance of the small firm

Proposition 4: There is a strong positive relationship between Managerial capability and small firm growth.

6.5 THE MODERATING EFFECT OF GOVERNMENT SUPPORT

It is recognized that small businesses all over the world lack access to finance and other supportive help from the formal sector. Due to their characteristics of smallness and larger number, they deserve more help from the government sector for developing themselves and subsequently to contribute to the economy. According to Lütkenhorst (2006), the success of SME sector is highly linked to how the government support the business through developing the policies and programmes and creating conducive environment for the survival of the firms. From the literature it is clear that proper and adequate supports from the government which are the requirements of small businesses facilitate the growth or performance. On the other hand, the lack of such supports are highly impedes the growth or performance of small firms (Islam, 2009; Mashenene & Rumanyika, 2014; Olawale & Garwe, 2010). It is expected that if the government design good policy initiatives with a package of support, provide infrastructures facilities and also ensure the regulatory, legal and conducive environment, this variable will enhance the relationship between firm resources and small firm growth.

Proposition 5: Government support significantly moderates the relationship between firm resources (included in the proposed model) and small business growth.

6.6 THE MODERATING EFFECT OF PRIVATE ORGANIZATION SUPPORT

It is quite difficult for any government to provide every kind of support in order to address the heterogeneous needs of small firms. Since, the sector is unorganized with higher environmental sensitivity and consists a large group of enterprises with multifaceted needs, government alone cannot fulfil their needs with the policies and packages of support services. As a consequence, private organizations may solve the SEs problems as they have some expertise, skills and abilities to offer different support services for developing the SE sector of any country. Therefore, the study assumes that if the private organizations provide required support to the small business with affordable cost and make them aware, these will enhance the relationship between the resources and small firm growth.

Proposition 6: Private organization support significantly moderates the relationship between firm resources (included in the proposed model) and small business growth.

7. CONCLUSION

Throughout the world there is a consensus that the development of the economy and the society as well as the reduction of poverty depend on the high rates of economic growth. The rate at which the economies grow is generally determined by the trade and investment, government support in terms of finances and ensuring conducive environment, and institutional arrangement. Among all the economic players, small and medium enterprises, by number, dominate the whole world business segment. Therefore, by developing the small business sector through its expansion and growth, any country can ensure its economic growth. However, the growth of small business is multifaceted and a set of factors affect its growth. Therefore, the current study intends to propose a model to understand how different resources affect the growth of small firms operating in Bangladesh which will be tested empirically in future. It is expected that from the proposed model all the stakeholders will have at least the basic idea about the impact of these resources on small firm growth.

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