Article

Influence of Family Ownership on Firm Performance: A Study of SMEs in Kabul

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Abstract

This paper aims to investigate the relationship between family ownership and the performance of SMEs based in Kabul. A sample of 335 SMEs was surveyed, classified as family-owned, considering the family participation in the capital and the board of directors. Four variables of performance, three of accounting and one of the markets, were considered. Correlation and regression analysis were used to analyze the relationship between family participation and firm performance. The test of mean was used to compare performance and other variables. Graphical analysis was used to verify the extent to which family involvement contributes to better performance. The results show that family-owned companies have low performance. Furthermore, the results indicate a positive relationship between family participation (ownership) and the performance of SMEs. It is also revealed that the performance of family-owned companies is maximized when family involvement reaches 60 and 65 percent. The survey conducted on Afghan SMEs shows partially consistent results with those observed by Shyu (2011) in Taiwanese companies. Similarities were found in the relationship between family involvement and the performance of the company. However, the results differ concerning the performance of family-owned companies and the optimal level of family participation that can maximize performance. The researcher recommends that the family-owned businesses follow a formal business structure, hire expertise and technical staff other than family members, and seek credits from commercial banks rather than relying only on family capital to improve their business performance.

Keywords: *Family Ownership, SME's, Firm Performance, Access to Finance and Expertise*

JEL Codes: *C32, D22, M13*

Introduction

A family-owned business considers two unique environments: the family and the business, necessitating a continuous search for a balance between the two. According to Muoz (2012), the business and family environments coexist exclusively in family-owned businesses, but they are interdependent since conflicts, particularly economic ones, are more likely. Despite the diversity of surroundings and conflicts, the value of these businesses to a country's economy is undeniable. In recent decades, the presence of family-owned businesses in national economies and global marketplaces has drawn attention, leading to the publication of various studies (Basco, 2010). According to Silva and Majluf (2008), family-owned businesses account for a significant portion of the economy. La Porta *et al.* (1999) and Faccio and Lang (2002), who investigated enterprises in Western Europe, are two studies that have pushed the boundaries of knowledge on family-owned businesses. They discovered that family members control the vast majority of publicly-traded companies and that this control is maintained through involvement and regular executive representation. Family control is frequent in publicly traded corporations around the world, according to Burkart et al. (2003). When Anderson and Reeb (2003) looked into American enterprises, they discovered that one-third of them are family-owned. Basco (2010) discovered that family-owned enterprises in Spain account for one million and a half firms and produce 75% private jobs. According to Melo *et al*. (2008), the value of family-owned businesses in Brazil is indisputable in many spheres: economic, social, cultural, etc. According to Exame magazine, around 41% of the 500 largest companies in Brazil are family held, according to Oro et al. (2009). Other relevant studies on organizational effectiveness in this segment stand out as a way to deepen our understanding of family-owned businesses. Maury (2006) examined the profitability of family-owned and non-family-owned businesses in Western Europe and found that family-owned businesses were more profitable than non-family-owned businesses. Silva and Majluf (2008) explored the impact of family ownership on performance in an emerging economy and discovered that performance is influenced by ownership concentration and institutional relatedness.

Various researchers have stated that family-owned firms are more profitable than non-family ones, basing their assertion on certain advantages such as the lower agency costs of dealings between family members and a longer-term management perspective (Bunkanwanicha *et al.*, 2015; Chen *et al.*; 2014, D' Aurizio *et al*., 2015). However, others take the opposite view, arguing that family businesses have significant disadvantages stemming from their limited capacity to hire external managers for key executive positions and the ever-present possibility that they may expropriate value from minority stakeholders. Either of these phenomena could presumably damage market confidence in family-owned companies; negatively affect their share prices, size, and age (D' Aurizio *et al*., 2015). In Afghanistan, family-owned businesses have advantages and disadvantages. According to (*Ministry of industry and commerce,* 2018), one of the reasons for the weak exportability of Afghan firms is their family-owned structure. It causes them to have limitations in accessing, collecting, absorbing, using useful quality trade information and primarily relying on traditional information sharing, which affects the size and life of the firm (*MoIC,* 2018). Furthermore, the businesses have limitations in access to professional services like IT, accounting, auditing, legal, and marketing due to the family-owned structure, which is the key to expanding and developing their businesses (*MoIC,* 2018). In this scenario, some previous studies that investigated the family influence on companies were identified, like Anderson and Reeb's (2003), Barontini and Caprio's (2006), Andres' (2008), and Cucculelli and Micucci's (2008).

This study aims to look at the link between family ownership and SME performance in Kabul. From an economic, social, and cultural standpoint, the importance of family-owned businesses in Afghanistan justifies the study. This relevance is underscored when one considers that Afghanistan is a developing country with a high involvement rate of SMEs in the economy, which is higher than in industrialized countries and regional and worldwide markets. The rest of the study is structured with section two discussing the literature review; section three discusses the methodology, followed by section four encompassing results and discussions, and finally, section five concludes the study with recommendations.

2. Literature Review

2.1 SMEs Performance

The company's performance is an essential aspect of management because it represents the company's competitiveness. Organizational performance measurement is vital for the company's existence, as performance is crucial for the company's existence (Macedo and Corrar, 2010). Olson and Slater (2002) highlight the relevance of studying organizational performance by saying that it is necessary for business management control. As a result, it is critical to comprehend the factors that influence performance. For research analysts and working executives, assessing firm success in today's economic environment is a crucial problem. "In general, firm success is described as "the organizational capacity to fulfill the needs of the main shareholders of the corporation" (Dieguez et al., 2016), and it must be measured to determine the achievement of an enterprise (Mokhber et al., 2017). Benefits, return on investment (ROI), turnover or amount of consumers, design efficiency, and product improvement are standard metrics used to evaluate market success (Cahydin, 2017). Figal et al. (2015) and Gomezelj et al. (2016), however, propose that business performance be calculated by the Business Performance Measurement (BPM) method, as it is a crucial instrument in many fields of study, particularly in business and social science studies. This framework analyzes and evaluates any quality that affects the business output of an organization, categorizing business performance into two broad areas: organizational business performance (OBP) and strategic business performance (SBP). The critical role of the scheme is to analyze all the activities of a company at high and low levels of operation (Torchia et al., 2018); it is appropriately implemented to assess the efficiency of small and medium businesses. Small and medium-sized companies are also hesitant to report their actual financial results publicly, and researchers have deliberated on the need for subjective metrics measuring market performance, such as the seven-point Likert scale in academic research (Classen et al., 2014; Filser et al., 2018). The facets of distinction that may theoretically be confounded between subjective (also defined as essential service) and objective metrics should be considered (Altuntas et al., 2018).

2.2 Family Business Ownership

Family enterprise refers to a business owned and run by a family (Bunkanwanicha et al., 2015; Chen et al., 2014). D'Aurizio et al. (2015) describe the family business as one in which decision-making is taken through ownership and representatives of a "kinship community." Minetti et al. (2018) also characterize family engagement in the company as "a major family role in ownership, governance, management, succession, and jobs." However, one where a family holds enough resources to assert advantage over policy and is active in top management roles is a broad description of the family business. This concept is ambiguous since it does not refer to the degree of regulation needed or the number of top management roles required but represents some of the sociological hypotheses of entrepreneurship that speak to individual and social/situational causes. Because of their inherent diversity, it is also impossible to provide a simple concept of a family company (Pan et al., 2016; Peruzzi, 2017). In these organizations, family values and their roots are of considerable value, and younger generations have continued to stay loyal to the way their family conducts business (Zahra, 2003; Aronoff et al., 2016). These dimensions are vital because the family's history and values are preserved unchanged and become a practice that anchors decision-making. Compliance of values teaches existing young family management of where the enterprise originated from and provides a basis for potential decision-making. It acknowledges the ideals of previous generations, encourages the next generations, and serves as a source of pride for the company's families and workers. However, family ownership of family business practices is complicated by non-traditional techniques that are more in line with non-family business projects to preserve family resources and status. Peruzzi et al. (2017) and Aronoff et al. (2016) argued, "Family entrepreneurship was gradually replaced by bureaucratic capitalism in the large corporate sector, and the entrepreneurial families were displaced.

Although other scholars such as Stacchini et al. (2015) recognize that if they acted more like non-family enterprises, the continuity of family companies would be more successful, the emphasis of the debate is on professionalism and rewards. Bammens et al. (2015) note that certain kinds of non-family company ideas may be relevant in family businesses. Calabro et al. (2017) found that 118 family companies profit from the usage of non-family business principles such as quest and availability, performance-based compensation, and empowerment strategies for workers. Calabro et al. (2018) concluded that non-family organizations implementing non-family methods inefficient work processes outperformed non-family firms, whereas those that did not perform underperformed non-family firms. These difficulties have emerged primarily because of expanded growth opportunity and fierce rivalry, and innovative entrepreneurship practices could be necessary for family companies to thrive in the ever-changing marketplace. Cesinger et al. (2016) define the role of families in promoting entrepreneurial activity in family businesses. The dynamics of a family company and the motors of entrepreneurship are complementary. Each family company is built on an entrepreneurial spirit, and a vivid entrepreneurial spirit would allow new possibilities for development for each generation over its life cycle (Chrisman et al., 2015; Classen et al., 2014). Even if they are similarly relevant to the survival of the family business, the positions of the family business owner and the management of a corporation must be treated as different and distinct. The main problem here is that while the family company owner as management can carry two hats in decision-making, it is challenging to play more than one position at a time. The next segment focuses on family-owned and operated companies instead of conventional company ventures (Chrisman et al., 2015; Classen et al., 2014; Covin et al., 2016).

2.2.1 Access to Credit in Family Business

Despite the importance of family firms' credit access, the literature on the subject is still sparse and lacks univocal conclusions. The presence of family firm funding restrictions has been explored via the study of investment-cash flow sensitivity in finance studies. Other researchers found that family ownership increases credit access by reducing investment-cash flow dependency (Chrisman et al., 2015; Classen et al., 2014; Covin et al., 2016). According to Craig (2014), bank loans to Italian family companies expanded considerably less since the Lehman Brothers failure than credit provided to non-family firms. De Massis et al. (2015) add to the evidence that family ownership played a favorable position during the recent financial crisis. They discovered that in 2007-2009, family businesses were correlated with a significant interest discount by reviewing a study of Italian companies listed in the EU-EFIGE survey. Cucculelli et al. (2019) use the same study to prove that family companies that appoint family CEOs have closer loan partnerships than non-family businesses. However, these related links do not increase the credit availability of family businesses. Voordeckers and Steijvers (2016), Steijvers et al. (2015), Pan and Tian (2016), found contradictory results (Cahydin, 2017). These findings show that family ownership positively impacts the likelihood of companies pledging higher amounts of advantage and being exposed to deep screening procedures in the bank loan industry by assessing family firms' lending relationships. The conflicting evidence on the effect of family ownership on credit availability reflects two opposing theories on family firms (Burkart et al. 2003; Betrand and Schoar, 2006; Minetti et al., 2015b): the efficiency-based theory, which views family ownership as a source of comparative advantage, and the cultural theory, which suggests that strong family ties can induce family owners to maximize the Family-owned businesses have a long-term perspective, according to assumptions on competitive advantage. The connection between current and potential generations provides family businesses with "patient money," emphasizing long-term returns and a willingness to seek investment opportunities that myopic non-family businesses would pass up (Dieguez *et al.,* 2016). This long-term outlook improves expenditure productivity while reducing potential financial constraints. The ability to pass the business on to future generations can even contribute to risk tolerance in family businesses. Family owners might be less inclined to strategically default in order to preserve their family's integrity and guarantee the firm's stability, which has a positive impact on debt redemption probabilities and credit supply (Anderson et al., 2003; Anderson et al., 2012; D'Aurizio et al., 2015). According to the latest literature, family businesses prosper from the network of market connections their owners create (Anderson et al., 2003). There is proof that family businesses devote a significant amount of time and money to cultivating interpersonal relationships with rivals, clients, and policymakers (Ferreira et al., 2019; Filser et al., 2016). There is also a network of partnerships with banks, offering greater access to credit for family-owned businesses (Maury, 2006).

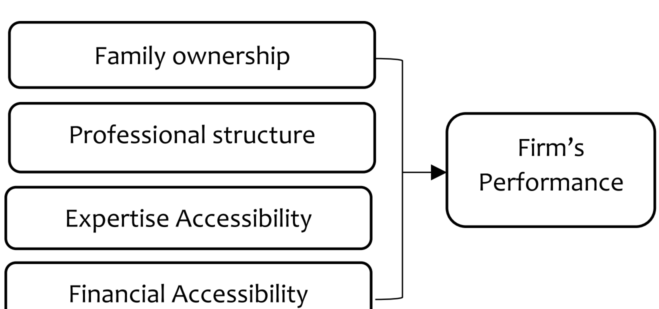
2.2.2 Structure in Family-Owned Business

The tasks and responsibilities expected of people to fulfil the business's goals are described by the organizational structure. The structure can therefore assist individuals in achieving their own professional and personal objectives. Concerns about morals and coordination can influence the hierarchical framework. The manager has four goals in mind when defining an organizational structure: (1) job segregation, (2) management of efforts and tasks among individuals and enterprises, (3) power over how tasks are executed, and (4) knowledge flow (Minetti *et al.,* 2015). In the structured family firms, there is a lack of skills and experience, family conflicts, favoritism, and sometimes it is difficult for the owners to decide who should be in charge of what, and this results in low firm performance (Chung *et al.,* 2018; Chrisman *et al.* 2011). Though Alves *et al.* (2020) believe in a family-owned business structure, there are shared values, strong commitment, stability, loyalty, and decreased costs, positively affecting the firms' performance.

2.2.3 Access to Expertise in Family Business

It is usual for a family company to hire members of the family, particularly in executive roles. When a small firm initially starts, family members are often the first individuals employed, and their responsibilities expand as the company expands (Bratnicka et al., 2019). Experience has shown that a family firm that employs family members is less likely to succeed; bringing in the new thinking that comes with outside knowledge may be beneficial at all levels of a corporation. One of the most crucial and challenging recruiting choices a family company owner will have is recruiting professional managers or critical personnel. Professional managers are often defined as external, non-family, and non-owner managers, implying that professional and the family management are mutually incompatible (Binz et al., 2017). Aronoff et al. (2016) believe that family businesses that do not hire key staff externally rely only on the family members' skills as every business needs different skills, innovative ideas that all do not come from the family members who do not are a part of the business. He believes family firms that bring expertise from outside tend to perform more effectively as firms, which rely only on the capabilities of the family members.

2.3 Theoretical Framework



Source: Adapted from Beuren,Politelo and Martins, 2015 and (Afghanistan National export strategy, 2018), Stacchini et al., 2015; Bammens et al., 2015; Calabro et al., 2017; De Massis et al., 2015; Alves et al., 2020 and other sources are used for adoption of the questionnaire and the questions in the questionnaire are used to measure the impact of the name independent variables on the dependent variables.

In order to investigate the impact of family-owned business on a firm's performance, there are four independent variables identified, and five questions are developed for each of the variables in the questionnaire, which are used later for collection of the primary information and later it is analysed quantitatively to see the impact of these four independent variables on the dependent variable of the study. A semi-structured survey questionnaire is employed for data collection for each variable.

2.3.1 Family Ownership

Ownership is an integral part of any business that it could be defined differently according to the different resource that the most sample one could be "participation in the capital of the company" Beuren (, 2015). Family ownership companies create a big part in many countries that, according to Stacchini *et al.* (2015), create a big part of developing countries compared to developed economies. However, Calabro et al.'s (2017) study show that many economic include developed countries like the USA, European countries like Spain, Sweden, and Germany, are family businesses. For example, it creates around 62% of the country's GDP or around 90% of the Indonesian economy in the USA. According to (Stacchini *et al.*, 2015), "The Family-owned companies are companies that controlling interest belongs to a family or the family owns a part of the company management so that the intentions and interests of the family interfere in the company's decisions." Furthermore, according to Cesinger *et al.* (2016), a "family company" is "the extent of a large family from the core headed by the entrepreneur-founder and, from this, by his heirs and successors who will continue a dream he achieved." Therefore, this type of ownership can have a significant role in the success or failure of any business and must be considered a variable on firms' performance (Cesinger *et al.*, (2016). "Family ownership" can influence the performance of firms in different ways; below is an example of some ways that they can influence the performance of companies.

2.3.2 Access to Professional Service

Professional services like IT, accounting, auditing, marketing, and legal services are essential for the development of local and international firms. The strategy concludes that family businesses have limitations in access to such services, which cause poor performance and less chance of high performance and quick improvement in the content of the Afghanistan economy. Therefore, the opportunity of family businesses to access professional services increases the level of better performance for family businesses. It is required to see how the family structure of the company brings limitations for access to professional service in the context of Afghanistan.

2.3.3 Expertise Accessibility

According to the *Ministry of Industry and Commerce, (*2018), a significant portion of the Afghan private sector comprises family-owned businesses that operate according to traditional methods. Because this is foreign ground and corporations prefer to run their operations in-house, they are often hesitant to contract external partners or outsource any aspect of their operations. Effective change management is required before potential clients show a greater willingness to contract service providers domestically. Afghan SMEs have several issues connected to knowledge across a wide range of industries; therefore, sector enterprises will diversify markets to some level to serve these businesses. It is especially true for managerial, scientific, and technical consulting services (which include consulting and advising firms) and translation and interpretation firms. Domestic enterprises looking to professionalize their administrative procedures may find the accounting, tax preparation, bookkeeping, and payroll services subsector particularly useful.

2.3.4 Financial Accessibility

Enterprises will expand investment, improve efficiency, respond to new trends and market requirements, efficiently fill orders, and conform to the new and sophisticated quality and product standards thanks to their capacity to use financial services. Thus, increased access to finance is critical for Afghan businesses to invest in the future and, as a result, expand their export industry. Despite recent progress in the financial system, access to credit remains a significant barrier that has a negative impact on export sectors' competitiveness. In 2008, only 3.4 percent of Afghan enterprises had a bank loan or line of credit, compared to 30 percent on average in South Asia, and only 1.4 percent of Afghan firms used banks to finance their investments, compared to a South Asian norm of 15%. It will be impossible for Afghanistan to achieve the overall change required to create a dynamic and contemporary financial sector that supports exporting firms without a clear, result-oriented, and measurable set of actions.

2.3.5 Performance of Companies

The "performance of companies" could be measured financially or non-financially. Commonly for financially measuring, the "Return on asset" (ROA) or "Return on Equity" (ROE) is used, and for non-financially, the area of evaluation could be broad. The focus of this study is more on the non-financially area, which includes management, sustainability, development, growth, innovation, and marketing evaluation of the firms (Cahydin, 2017).

2.4 Hypothesis

- H1: Family ownership positively affects firm's performance.
- H2: Professional business structure positively affects firm's performance.
- H3: Access to expertise positively firm's performance.
- H4: Access to finance positively affects firm's performance.

3. Research Methodology

The proposed study's research philosophy is positivism, and deductive research has been used with quantitative research methodology. The unit of analysis is the individual level. The primary information is collected from 335 Kabul-based SMEs that. The respondents include 335 people from SMEs: the owners, top management, and some managerial position holder employees. For the analysis, the non-probability sampling method is used in this research to give every item the chance to make the result unbiased. Under this named method, the purposive sampling method is used, and the information is collected from those respondents who have the required information, and for measuring variables, the interval scales have been used. The "research methodology" in this proposed study is based on a quantitative approach; therefore, the hypothesis is tested through a semi-structured survey questionnaire. Based on the quantitative nature of the analysis, OLS has been employed to achieve the desired output analysis.

Table 1: Operationalization of Variables

Variables	Number of Questions	Source
Family-ownership	5 questions	Stacchini et al., 2015 Bammens et al., 2015
Professional Structure	5 questions	Calabro et al., 2017 De Massis et al., 2015 Alves et al., 2020
Access to expertise	5 questions	Bammens et al., 2015 Calabro et al, 2017 (Aronoff et al. 2016)
Access to finance	5 questions	De Massis et al. 2015 Calabro et al , 2017
Firm's Performance	5 questions	Altuntas et al., 2018. De Massis et al.,, 2015 Calabro et al , 2017

Source: Data output from SPSSv.24

As shown by the table above, there are four independent variables and one dependent variable, and the questions in the questionnaire are adopted from different sources. The data in this study is analyzed quantitatively. The analysis portion includes reliability analysis, regression analysis, data normality, correlation test, VIF test, Durbin Watson test.

4. Findings & Analysis

This section consists of the study findings on a firm's performance and family-owned businesses and their relation. The primary analysis includes the responders' demographic information, descriptive tables, regression analysis, and reliability.

4.1 Responders' Demographic

Table 2: Demographic Data

	Frequency	Percent
Gender:		
Male	258	77.0
Female	77	23.0
Experience:		
1-3	85	25.4
4-6	153	45.7
Above 6	97	29.0
Age group:		
20-25	58	17.3
26-30	147	43.9
31-35	95	28.9
Above 35	35	10.4
Total	100.0	100.0

Source: Data output from SPSSv.24

Seventy-seven percent of these respondents are male, and twenty-three percent of them are female. Furthermore, the respondents who are involved in the study have different years of working experience. 45.7 percent of these respondents have four to six years, 25.4 percent have one to three, and 29.0 percent have over six years of working experience. In addition, the responders in this study have different ages. 43.9 percent of these responders are 26 to 30, 28.4 percent are between 31 to 35, 10.4 percent are above 35, and 17.3 percent are between 20 to 25.

4.2 Reliability

Table 3: Reliability Statistics

	Cronbach's Alpha Based on Standardized Items	N of Items
Family-owned businesses	.642	5
Professional Structure	.712	5

Access to expertise	.791	5
Access to finance	.601	5
Firm's performance	.601	5

Source: Data output from SPSSv.24

The reliability analysis portrays the consistency level among the statement of each variable of the current study. The consistency for family-owned businesses statement is .64, .71 for professional structure, .79 for access to expertise, .60 for access to finance, and .60 for firm's performance, thus reflecting substantial consistency between the statement of each variable.

4.3 Data Normality

Table 4: Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Family-owned Business	.166	335	.000	.939	335	.052
Professional Structure	.101	335	.002	.966	335	.061
Access to Expertise	.114	335	.000	.962	335	.064
Access to Finance	.103	335	.000	.963	335	.063
Firm's Performance	.175	335	.000	.920	335	.059

a. Lilliefors Significance Correction

Source: Data output from SPSSv.24

In order to apply regression or OLS model, the pretensions were made; and data found to be normal.

4.4 VIF Test

Table 5: Test of Coefficients[a]

		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	(Constant)		
	Family-owned Business	.491	2.036
	Professional Structure	.389	2.570
	Access to Expertise	.470	2.126
	Access to Finance	.561	1.782

Source: Data output from SPSSv.24

If the value for VIF tests exceeds 10, then there is a multicollinearity problem, and the same is the case if the tolerance value is less than 1, there is no multicollinearity problem. Furthermore, the data for VIF shows the tolerance is within the limit and is acceptable.

4. 5 Durbin Watson Test

Table 6: Test of Durbin Waston

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.794[a]	.631	.619	.37501	2.091

a. Predictors: (Constant), Access to Finance, Access to Expertise, Family-owned Business, Professional Structure

b. Dependent Variable: Firm's Performance

Source: Data output from SPSSv.24

The Durbin Watson value between 1.5 to 2.4 is considered normal. As the DW tests show, the value for this test is 2.09, and thus the data is homoscedastic.

4.6 Regression

4.6.1 Model Summary

Table 7: Regression Analysis Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795[a]	.631	.620	.37587

a. Predictors: (Constant), Access to Finance, Access to Expertise, Family-owned Business, Professional Structure

Source: Data output from SPSSv.24

The first analysis in regression shows the level of impact on the dependent variable by the study's independent variables. The value of R-Square is .631, which shows that 63.1% variating in the dependent variable, i.e., firm performance, is caused by the four independent variables used in this study. The rest of the 36.9% variations might be because of other variables not used in this study.

4.6.2 Anova

Table 8: Test of Anova

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	30.486	4	7.621	53.945	.000[b]
1	Residual	17.801	126	.141		
	Total	48.287	130			

a. Dependent Variable: Firm's Performance

b. Predictors: (Constant), Access to Finance, Access to Expertise, Family-owned Business, Professional Structure

Source: Data output from SPSSv.24

The second regression analysis shows the overall model significance because the "sig" value is zero, which shows a significant relationship between variables. It means the 63% effect that independent variables on the dependent variable are based on statistical support because the "sig" value is less than 0.05, and the overall model is significant.

4.6.3 Coefficient

Table 9: Estimation Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.546	.196		2.792	.006
	Family-owned Business	.367	.084	.334	4.348	.000
	Professional Structure	.019	.093	.018	.207	.036
	Access to Expertise	.236	.086	.215	2.738	.004
	Access to Finance	.439	.086	.371	5.137	.000

a. Dependent Variable: Firm's Performance

Source: Data output from SPSSv.24

The coefficients analysis shows the effect of independent variables on dependent variable individually and its significance. The value of standardized coefficients shows that access to finance is significant determinant of firm's performance with a value of 0.371 followed by family-owned business (0.334), access to expertise (0.215) and professional structure (0.18). The significant values are less than 0.05 (family-owned business, access to expertise and access to finance, professional structure), thus rejecting the null hypothesis confirming the positive deterministic nature of the variables.

4.7 Test of Hypothesis

Table 10: Hypothesis Tests Result

Hypothesis	Sig	Acceptance/Rejection
H1: Family-owned businesses positively affects firm's performance	.000	Accepted
H2: Professional business structure positively affects firm's performance	.036	Accepted
H3: Access to expertise firm's performance	.004	Accepted
H4: Access to finance positively affects firm's performance	.000	Accepted

The hypothesis testing result shows a statistically significant relationship between family-owned businesses, access to expertise, professional business, and access to finance with the firm's performance, thus accepting the alternative hypothesis. The literature supports these findings, as demonstrated by Shyu, 2011, and Beuren, Politelo, and Martins, 2015.

4.8. Disucssion of Results

This research focused on evaluating the influence of family-owned structures on SMEs' performance in Afghanistan. In order to gain a better and deeper understanding of family-owned SMEs, the dimensions (family-owned business, professional business structure, access to expertise, and access to finance) were evaluated in understanding their role in determining the performance. Based on the findings, family ownership, access to expertise accessibility, and financial accessibility positively affect family business performance. Still, it is not like that for the professional structure, and it is not much effect on the firm's performance as a result of the analysis shows on the regression analysis.

In terms of family-owned business structure, the result of the study shows it has a positive effect on firms' performance. The businesses have a family-owned structure that positively affects the performance of the businesses. The family-owned business usually has good experience of the business and performs well. There is a high commitment level as a result of (Zahra, 2003; Aronoff et al., 2016) study shows the similar result that family values and their roots are of considerable value and younger generations have continued to stay loyal to the way their family conducts business and less operation cost in the family-owned business. Still, there is a lack of stability, and the decision-makers are only the owners of these types of businesses. Scholars such as Stacchini et al. (2015) recognize that if they acted more like nonfamily enterprises, the continuity of family companies would be more successful. The study outcomes on access to expertise variables show a lack of skills and expertise in family-owned businesses. However, family-owned businesses usually hire experts from outside. It also shows that in family-owned businesses, the expertise has limitations for sharing their skills. The expertise has to work as per the owners' favors, and family businesses have fewer development and promotion opportunities. In this regard, Aronoff et al. (2016) believe that family businesses that do not hire key staff externally and rely on only the skills of the family members performance low as every business need different skills, innovative ideas that all do not come from the family members who are a part of the business. He believes family firms that bring expertise from outside tend to perform more effectively as firms, which rely only on the capabilities of the family members.

The study findings on the access to finance variable of the study show that access to finance in family-owned businesses is usually dependent on the family capital. Family-owned businesses usually do not prefer access to finance from outsources. The family-owned business has weaker financial support as compared to nonfamily businesses; the family businesses have limited access to credit that According to the (*Ministry of industry and commerce,* 2018), despite recent progress in the financial system, access to credit remains a significant barrier that harms export sectors' competitiveness. In 2008, only 3.4 percent of Afghan enterprises had a bank loan or line of credit, compared to 30 percent on average in South Asia. Only 1.4 percent of Afghan firms used banks to finance their investments, compared to a South Asian norm of 15%. The family-owned businesses have a more robust performance in return for credits. Therefore, the study result help to support the family-owned business in the area of formal structure, access to expertise, and access to finance resource to improve their performance, especially in Afghanistan which is a developing country with a high involvement rate of SMEs in the economy, which is higher than in industrialized countries, as well as in regional and worldwide markets.

5. Conclusion

The study investigated the impact of family ownership on SMEs' performance with Kabul-based SMEs' case study. Various scholars have maintained that family enterprises are more lucrative than nonfamily ones, basing their argument on various advantages such as the lower agency costs of deals amongst family members and a longer-term management perspective. However, others take the opposite perspective, believing that family enterprises have considerable disadvantages deriving from their restricted capacity to engage external management for key executive roles and the ever-present danger they may expropriate assets from minority owners. Either of these events is likely to erode market trust in family businesses and have a detrimental impact on their share prices, size, and age. The study seeks to measure the impacts of family ownership on firms' performance in Afghanistan case study of Kabul SMEs to see the effect of family ownership on the firms' performance. The "research methodology" in this proposed study is based on a quantitative approach and using hypotheses testing for the research and collect data through a survey based on a questionnaire. This proposed study analyzes the relationship between two variables: "family ownership" as an independent variable and SMEs' performance as a dependent variable. The study first did the demographic and descriptive analysis and then run some diagnostic checks, including data normality, reliability, multicollinearity, and autocorrelation. The study used correlation and regression analysis to find the relation and influence of family ownership on SMEs' performance. The study findings show a lack of formal structure in the family-owned business, lack of expertise, and issues accessing finance, contributing to law firm's performance in these organizations. The researcher recommends that the family-owned businesses follow a formal business structure, hire expertise and technical staff other than family members, and seek credits from commercial banks rather than relying only on family capital to improve their business performance. The study findings show a lack of formal structure in the family-owned business, lack of expertise, and issues accessing finance, which contributes to low firm performance in these organizations.

5.1 Recommendations

The study findings show a lack of formal structure in the family-owned business, which declines the firm's performance as conflict arises. The researcher recommends the family-owned businesses follow a formal business structure and prevent informal business structure. There must be a formal structure of the organization; employees should be asked to strictly follow the chain of command, which significantly contributed to the overall organizational performance. The study findings show that favoritism exists in the family-owned business, negatively affecting these firms' performance. Therefore, it is strongly recommended that these organizations prevent favoritism and treat all the employees based on their education, experience, and performance. In the family-owned business, there is usually a lack of expertise, as the family members tend to do all the tasks, which declines the organizational performance. It is strongly recommended for these organizations to hire experts and professionally for the business's technical activities to improve the overall performance of the business. The study findings show that usually, there are fewer development and promotion opportunities for the external employees in the family-owned business. It results from dissatisfaction and declines the organizational and employee's performance. The study recommends that these companies provide all employees with equal benefits and treatments to improve the firm's performance. Finally, the study findings show that lack of finance in family-owned businesses diminishes the firm's performance. The study recommends that these businesses not rely only on family capital and seek outsourcing of the required funds to enhance business activities and performance.

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