MICRO, SMALL AND MEDIUM SCALE ENTERPRISES IN GHANA: CHALLENGES AND PROSPECTS. A CASE STUDY OF SEKONDI-TAKORADI METROPOLIS

by

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A Thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology in partial fulfillment of the requirements for the degree of

COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION

February 2012

DECLARATION

I hereby declare that this submission is my own work towards the Degree of Commonwealth Executive Masters of Business Administration and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

Dedicated to my beloved wife, Mrs. Hilda Sarpong Adjei, who has been very dear to me throughout, and will continue to be as long as I live. You have in many ways enriched my life. Thank you for the thoughtfulness, the well wishes and the prayers. I deeply appreciate you.

ACKNOWLEDGEMENT

I am greatly indebted to Mr. Kofi Kwarteng, my supervisor. He had been patient and kind in guiding me through the study. He also offered me constructive criticisms, encouragement and useful suggestions. I owe a great deal to him. I must mention that I have learnt a lot from him.

My sincere thanks go to my extended and nuclear family and entire staff of National Board for Small Scale Industries for their enormous contributions in diverse ways in making this study a success.

My profound gratitude goes to the Authority of KNUST particularly the institute of distance learning, which offered me admission to make my studies up to this level a reality.

Finally, may I state that I am solely, accountable for any flaws that this contribution to knowledge may contain.
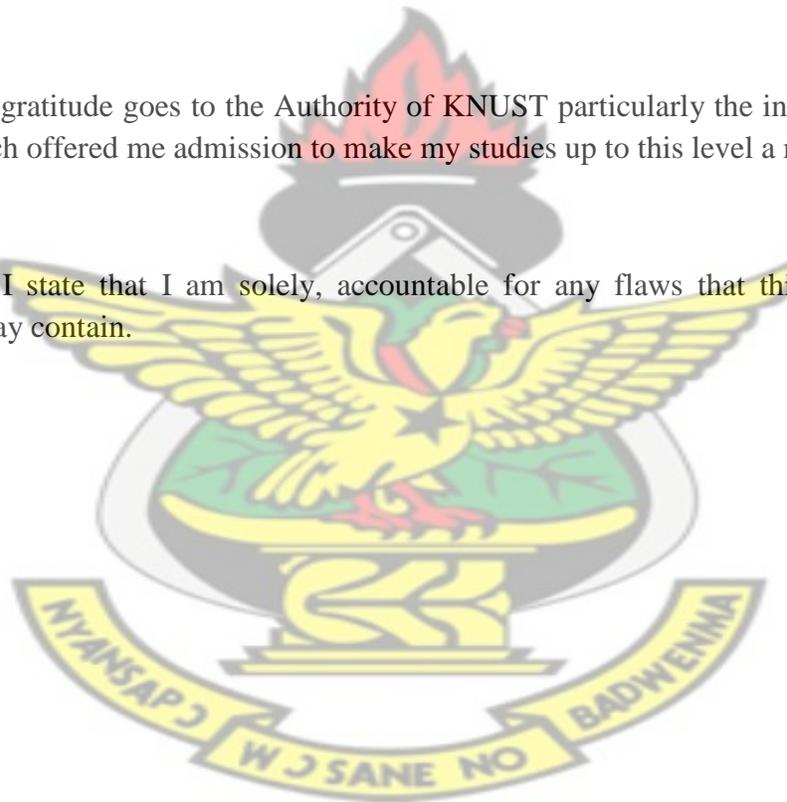
ABSTRACT

Micro, Small and Medium Scale Enterprises contributes a colossal percentage to Gross Domestic Product (GDP) in ensuring economic growth, employment, income stability and poverty reduction in most developing countries like Ghana. In-spite of the above roles most of these industries are now collapsing as a result of not performing creditably well. It is in line with this that this study identifies the challenges of these industries and come out with ways and means, which will establish and sustain the vibrancy for SME's so that they can play the expected vital roles as the engine of growth in our economic development.

In order to investigate the challenges, a conceptual and theoretical framework of the study was designed. These guided the design of data collection instrument to suit the research. The study combined survey and case study methods of data collection and analysis.

The study revealed among other things that: high female and youth domination, low level of education among entrepreneurs, lack of qualified personnel, poor co-ordination methods used by supporting institutions, high percentage of self-financing of SME's, lack of access to credit, dominance of importation of foreign goods, etc.

In view of these challenges, major recommendations proposed include the need for; setting up a common board to regulate the activities of the SME's support institution, setting up SME's fund at all the District, Metropolitan and Municipal level to support SME's activities, Establishment of SME's Bank in Ghana and Formation of SME's policies to control them.

Finally, effective implementation of the recommendation could lead to growth of SME's sector in Sekondi-Takoradi Metropolis and eventually result in creation of employment as well as poverty reduction in Ghana.

ABBREVIATIONS
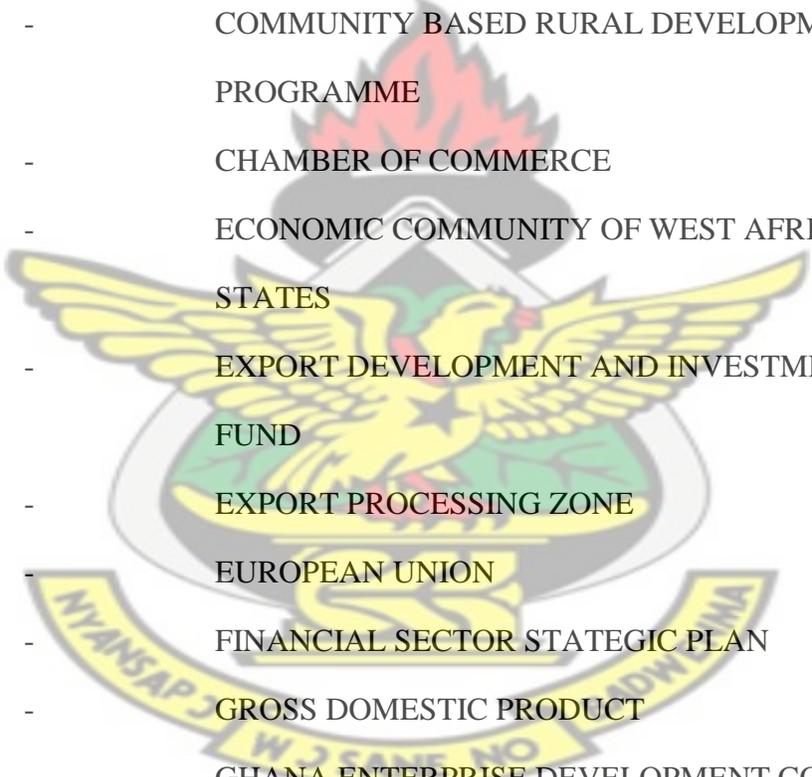
ADB	-	AGRICULTURAL DEVELOPMENT BANK
AGI	-	ASSOCIATION OF GHANA INDUSTRIES
AGOA	-	AFRICAN GROWTH AND OPPORTUNIT ACT
ASIP	-	AGRICULTURAL SERVICE INVESTMENT PROJECT
ASSI	-	ASSOCIATION OF SMALL SCALE INDUSTRIES
BAC	-	BUSINESS ADVISORY CENTRE
CBRDP	-	COMMUNITY BASED RURAL DEVELOPMENT PROGRAMME
COC	-	CHAMBER OF COMMERCE
ECOWAS	-	ECONOMIC COMMUNITY OF WEST AFRICAN STATES
EDIF	-	EXPORT DEVELOPMENT AND INVESTMENT FUND
EPZ	-	EXPORT PROCESSING ZONE
EU	-	EUROPEAN UNION
FINSSP	-	FINANCIAL SECTOR STATEGIC PLAN
GDP	-	GROSS DOMESTIC PRODUCT
GEDC	-	GHANA ENTERPRISE DEVELOPMENT COMMISSION
GRATIS	-	GHANA APPROPRIATE TECHNOLOGY INDUSTRIAL SERVICE
GSS	-	GHANA STATISTICAL SERVICE
ISO	-	INTERNATIONAL STANDARDS ORGANISATION
ISSP	-	INDUSTRIAL SECTOR SUPPORT PROGRAMME

ITTU	-	INTERMEDIATE TECHNOLOGY TRANSFER UNITS
JHS	-	JUNIOR HIGH SCHOOL
MASLOC	-	MICRO-FINANCE AND SMALL LOAN CENTRE
MOTI	-	MINISTRY OF TRADE AND INDUSTRIES
MPSD	-	MINISTRY OF PRIVATE SECTOR DEVELOPMENT
MTDP	-	MEDIUM TERM DEVELOPMENT PLAN
NBSSI	-	NATIONAL BOARD FOR SMALL SCALE INDUSTRIES
NGO	-	NON GOVERNMENTAL ORGANISATION
NVTI	-	NATIONAL VOCATIONAL AND TRAINING INSTITUTE
OIC	-	OPPORTUNITY INDUSTRIALISATION CENTRES
PSI	-	PRESIDENT'S SPECIAL INNICIATIVE
REP	-	RURAL ENTERPRISE PROJECT
RFSP	-	RURAL FINANCE SERVICE PROJECT
RGD	-	REGISTRAR GENERALS' DEPARTMENT
SIF	-	SOCIAL INVESTMENT FUND
SME	-	MICRO, SMALL AND MEDIUM SCALE ENTERPRISES
STMA	-	SEKONDI-TAKORADI METROPOLITAN ASSEMBLY
UNDP	-	UNITED NATIONS DEVELOPMENT PROGRAMME
UNIDO	-	UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION

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INTRODUCTION

1.1 BACKGROUND OF THE STUDY

There is growing recognition of the important role Micro, Small and Medium Scale Enterprises (SME's) play in economic development. They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, SME's Sector is the largest employer of workers. Interest in the role of SME's in the development process continues to be in the forefront of policy debates in most countries. Governments at all levels have undertaken initiatives to promote the growth of SME's (Feeney and Riding, 1997: Carsamer, 2009).

Micro, Small and Medium Enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Aryeetey, 2001). SME's are also believed to contribute about 70% to Ghana's Gross Domestic Product (GDP) and account for about 92% of businesses in Ghana. SME's therefore having a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries. SME's development can encourage the process of both inter and intra-regional decentralization; and, reckon force in catching up with economic superpowers of larger economies in the developed world. More generally, the development of SME's is seen as accelerating the achievement of wider socioeconomic objectives, including poverty alleviation (Cook and Nixson, 2000).

A lot has been said and written about SME's the world over. It has also formed the subject of discussions in so many seminars and workshops both locally and internationally. In the same token, governments at various levels (local, state and regional levels) have in one way or the other focused on the Micro and Small Enterprises. Governments almost all over the world had formulated policies aimed at facilitating and empowering the growth, development and performance of the SME's. Some of the governments' efforts relate to focus on assisting the SME's to grow through soft loans, managerial training and other fiscal incentives through support from international agencies and organizations like World Bank and United Nations Industrial Development Organisation (UNIDO).

It has however been worrisome that despite the incentives, policies, programmes and support aimed at revamping the SME's, they have performed rather below expectation in Ghana. Different people, organisations, and operators have advanced various reasons as to why SME's have not been able to live up to their expectations. While an average operator would always hinge his failure on lack of access to finance, some others think otherwise arguing that inappropriate management skills, huge some of foreign substitute goods, lack of entrepreneurial skills and know how, poor infrastructure etc. are largely responsible.

Some others have argued that the bane of SME's in Ghana is the lack of long-term loans since most loans in the Ghana market are short-term while what SME's require to grow and become really successful is long-term patient capital. The key ones include inadequate infrastructural facilities (road water electricity etc), insecurity of lives and property, inconsistent monetary, fiscal and industrial policies, limited access to markets, multiple taxation and levies, lack of modern technology for processing and preserving products, policy reversals, capacity limitations, data inadequacies, harsh operating environment, fragile

ownership base, fragile capital base. While some of the challenges that SME's face are induced by the operating environment (government policies, globalization effects, financial institutions, local government policies, attitude to work etc), other challenges are driven by the inherent characteristics of the SME's themselves and it is with this issue why the researcher wish to look at the challenges that face SME's in Ghana.

1.2 STATEMENT OF THE PROBLEM

Micro, Small and Medium Scale Enterprises contribute a colossal percentage to Gross Domestic Product (GDP) in ensuring growth, employment and income stability of a country. In view of the fact that SMEs are labour intensive, they are more likely to succeed in smaller urban centers and rural areas, where they can contribute to a more even distribution of economic activity in a country and can help to slow the flow of migration to large cities. SME's also improved the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long-term economic growth. SMEs also seem to have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions, given their broadly skilled technologies. They are able to withstand adverse economic conditions because of their flexible nature. The sector has the potential to contribute towards reducing poverty among both rural and urban cities in most developing countries like Ghana and others in the sub-Sahara Africa.

In-spite of the above roles and advantages that Micro and Small Enterprises (SME's) has over others yet most of these industries are now collapsing since they have not performed

creditably well and hence have not played the expected vital role in the economic growth and development of Ghana. This situation has been of great concern to the government, citizenry, operators, practitioners and the organised private sector groups. Year in year out, governments, non-governmental organizations and other donor countries have made budgetary allocations, policies and pronouncements with the aim of promoting the growth of SME's due to the crucial role of the SME's sub-sector of the economy.

There have also been fiscal incentives, grants, bilateral and multilateral agencies support, aids as well as specialized institutions all geared towards making the SME'S sub-sector vibrant. Just as it has been a great concern to all and sundry to promote the welfare of SME's, it has also been a great cause of concern to all, the fact that the vital sub-sector has fallen short of expectation. The situation is more disturbing and worrying when compared with what other developing and developed countries have been able to achieve with their SME's.

The poor performance of SME's in the face of numerous policies by different groups like governments, Non-governmental organizations and other donor countries means that if Ghana wants to achieve an appreciable success towards attaining the Vision 2015 Goals, then one way would be to vigorously pursue the development of its SME's properly. The under performance SME's may indeed make Ghana's vision be a mirage unless there is a turnaround of our SME's' fortunes sooner than later. The time is now to do something surgical operation to the situation of our SME's given the aggravating level of poverty in Ghana and the need to meet up with the Vision 2015 Goals.

In the face of these enormous supports, little is known about the actual and main challenges militating against SME's growth in Ghana. There must be some survival strategies, which are not known to many SME's promoters. This research is also intended to explore and unravel some of the key business survival strategies which are of vital role to SME's growth and development. Unravel of key business survival strategies of SME's will enable reduce to the barest minimum unemployment and poverty situation in the country because of the immense contribution of the sub-sector to their economic growth and development. This means that a lot more needs to be done including a paradigm shift in the focus and administration or implementation of the policies and programmes to the more vibrant ways of developing SME's in Ghana. It is in line with the above that is why the study therefore looks at the challenges that SME's faces in Ghana.

1.3 OBJECTIVES OF THE STUDY

The overall objective of this research is to identify ways and means, which will establish and sustain the vibrancy for Ghanaian SME's, so that they can play the expected vital role as the engine of growth in our economic development.

SPECIFIC OBJECTIVES:

In other to achieve the overall objective of the research the study will attempt the following:

❖ To find out the causes of the low patronage by SME's of bank loans

- ❖ To identify the challenges which have militated against the SME's from playing the vital role in the Ghanaian economic growth and development

- ❖ To ascertain first hand, the opinions, feelings and the pulse of some key SME's operators as well as professionals in the SME sub sector of the economy with respect to the unhealthy state of SME's in Ghana

- ❖ To assess the contribution by SME support or developmental organisation towards the growth of the sector in Ghana

- ❖ To make appropriate recommendations for solving or at least eliminating the identified challenges of SME's.

1.4 RESEARCH QUESTIONS

1. What role do the SME's play in the economic development of Ghana?

2. What are the challenges with SME's service delivery?

3. In what ways can the challenges faced by the SME's service delivery be solved?

1.5 SIGNIFICANCE OF THE STUDY

This research was thus intended to identify key challenges militating against the success of SME's and also made appropriate recommendations for readdressing and eliminating them so that the SME's could occupy their pride of place in the Ghanaian economy and hence play the vital role they are expected to play in the economic growth and development of Ghana.

The findings of the study would help policy makers to see the need to support SME's, which would create employment for the youth and also equip them with modern infrastructure. It would also help target groups to have solution to some of the problems facing SME's in Ghana. It was expected that the outcome of this research would go a long way in ensuring a turnaround of Ghanaian Micro, Small and Medium Scale Enterprises (SME's) sub-sector. The research would come up with a set of recommendations for various stakeholders for implementations. With the concerted efforts of all and sundry including governments, SME'S promoters, Agencies and Departments of Governments involved in the SME'S sub-sector, Non Governmental Organisations (NGOs), Banks, Investors, etc, it was hoped that the fortunes of SME's in Ghana would dramatically improve. It was also expected that the outcome of this research would help future researchers who would try to do additional research and also help SME's owners to have solutions to some of the challenges within the sector.

1.6 SCOPE OF THE STUDY

In Ghana there are so many SME's operating in the country and each one of them face some challenges which normally prevent them growing and also to contribute to the economy effectively. Within the context of this study the focus is on challenges facing SME's operating within Sekondi – Takoradi metropolitan Assembly specifically Takoradi, Sekondi, Kwesimintim and Effiekuma which will go a long way to represent the challenges facing SME's in Ghana.

Looking at the limitations of this study the researcher focused on selected SME's from the following groups to represent the whole sector. These includes: soap making, dress-making, batik, tie and dye, carpentry and shoe making. This research also take into consideration some of the organisations which works closed with the SME's within the Sekondi- Takoradi Metropolis and these includes: National Board for Small Scale Industries (NBSSI), Ministry of Trade and Industries (MoTI), Association of Small Scale Industries (ASSI), Chamber of Commerce (CoC), Association of Ghana Industries , Banks and other support institutions working within this sector.

1.7 LIMITATIONS OF THE STUDY

Certain Limitations was encountered at the course of conducting this study. One of the greatest challenges that the researcher encountered at this study related to access to and collection of hard data due to extreme data gaps situations in the country. This compelled the researcher to limit the study to Micro and Small Enterprises.

Another limitation of this study relates to time, funds and logistics constraints, which limited the intensity of the spread or area of coverage of the study. SME's were spread through out the length and breadth of Sekondi-Takoradi Metropolis but the research only covered a certain percentage of them.

The researcher was also faced with some respondents who failed to complete questionnaire given them and this limited the number of respondents who were involved in the study despite the researcher's efforts and approaches to explain the potential benefits of the study to them.

1.8 ORGANISATION OF THE STUDY

The chapter one comprises the background of the study, statement of problem, objectives, research questions, the study area, scope of the study, limitations of the study, and the significance of the study and the organization of the study. Chapter two looked at the review of the study. The researcher focused on the research methodology and profile of the metropolis at chapter three, whiles analysis of the data at chapter four. The chapter five of the study looked at the findings, recommendations and conclusions.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

At this chapter, the researcher reviewed some theoretical and empirical work on Micro and Small Scale Enterprises which has received a great deal of attention in development literature, national plans and in the lending programmes of the most development patterns. This is because it has been realized that most countries should have programs to develop this sector of the economy since it is the engine of growth for every economy and especially in all developing countries like Ghana. In addition to this there will be some conceptual work which will be used to support the study.

According, numerous development programmes and projects have been launched in many developing countries and emphasis is now shifting towards the development of Micro and Small Enterprises in order to increase the productivity, purchasing power and standard of living of their people so as to achieve economic growth and development. To achieve these, challenges of the SMEs need to be identified and come out with solutions.

2.2 DEFINITIONS AND CLASSIFICATION OF SME's IN GLOBAL CONTEXT

Definitions of Small and Medium Enterprises (SME's) vary from country to country, depending on one or more of thresholds laid down in respect of investment, employment, turnover etc. The issue of what constitutes a small or micro enterprise is a major concern in the literature. Different writers have usually given different definitions to this category of

business. SME's have indeed not been spared with the definition problem that is usually associated with concepts which have many components. The definition of firms by size varies among researchers as well as writers. Others define SME's in terms of their legal status and method of production. Some attempt to use the capital assets while others use labour and turnover level.

Bolton Committee (1971) first formulated an "economic" and "statistical" definition of a small firm. Under the "economic" definition, a firm is said to be small if it meets the following three criteria:

- ❖ It has a relatively small share of their market place;

- ❖ It is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure;

- ❖ It is independent, in the sense of not forming part of a large enterprise.

Under the "statistical" definition, the Committee proposed the following criteria:

- ❖ The size of the small firm sector and its contribution to GDP, employment, exports, etc.;

- ❖ The extent to which the small firm sector's economic contribution has changed over time;

- ❖ Applying the statistical definition in a cross-country comparison of the small firms' economic contribution.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles. There have been criticisms of the Bolton definitions. These centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach.

In Japan, small-scale industry is defined according to the type of industry, paid-up capital and number of paid employees. Consequently, small and medium-scale enterprises are defined as: those in manufacturing with 100 million yen paid-up capital and 300 employees, those in wholesale trade with 30 million yen paid-up capital and 100 employees, and those in the retail and service trades with 10 million yen paid-up capital and 50 employees. (Ekpenyong, 1992)

European Union (EU) Member States, traditionally have their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those

with fewer than 250 as "medium" By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees. Canada also defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business), and a medium-sized business as fewer than 500. (Carsamer, 2009)

Small-scale industries are defined as manufacturing units employing not more than 30 persons. For the purpose of differentiating them from the other small-scale non-farm economic activities, the emphasis is placed on the manufacturing aspect. Manufacturing means producing or making physical items. This means that pure service activities such as government services, retail trade, banking, recreation and insurance services are not included. However, repair services are included in the manufacturing enterprises because they have something to do with formally manufactured goods. The argument is that manufacturers do not always produce a finished good but only perform one stage in a sequence of a process The fact that an item can be repaired implies that there is a further stage in the manufacturing process (Chapman and Walker, 1987:p.3 cited by Dinye, 1991).

After looking at the definitions and classifications of SME's in the global perspective, it is important to examine definitions of SME's given in the context of Ghana.

2.3 DEFINITION OF SME's IN GHANAIAN CONTEXT

In Ghana various definitions have been given for Micro, Small and Medium scale enterprises but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000). In using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources.

According to the National Board for Small Scale Industries (NBSSI, 1990) SME's is defined in Ghana by applying both the "fixed asset and number of employees" criteria. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis and micro with employee less than five.

As espoused by the Ghana Statistical Service (GSS), firms less than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Ironically, the GSS in its national accounts considered companies with up to 9 employees as SME's (Kayanula and Quartey, 2000). The value of fixed assets in the firm has also been used as an alternative criterion for defining SME's.

The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions outdated (Kayanula and Quartey, 2000).

In defining small-scale enterprises in Ghana, Osei et al (1993) used an employment cut-off point of 30 employees and however, classified small-scale enterprises into three categories. These are:

(i)   Micro - employing less than 6 people;

(ii)   Very small - employing 6-9 people;

(iii)   Small - between 10 and 29 employees.

2.4 OPERATIONAL DEFINITION OF SME's

There are variations in the definitions of micro, small and medium enterprises. The most commonly used criterion is the number of employees of the enterprise. SME's in Ghana tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control.

From the above discussion both in Ghana and other part of the world, it can be concluded that Micro and Small-Scale Enterprises has different definitions. As a result, an operational definition is important for the study. The most commonly used principle which has been identified from the various definitions is the number of employees of the enterprise. As contained in its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises (Kayanula and Quartey, 2000) and it is this definition that has been adopted and used in the course of the study. The employee principle which has been considered in this study is also in line with the definition of Small-Scale Enterprises adopted by the NBSSI.

The idea behind this employee base principle is due to the fact that firms can easily be identified by their number of employees and in part because the process of valuing fixed assets, will poses a problem since mode of accounting system used by one enterprise will vary from one to other as well as continuous depreciation in the exchange rate often makes such definitions obsolete

2.5 SME's DEVELOPMENT IN GHANA

The government of the Gold Coast, an arm of the British government pursued an economic policy that trained the rising middle class to manage the property of the European merchants and businessmen. According to Kayanula and Quartey (2000), small scale enterprise promotion in Ghana was also not impressive in the 1960s. Dr. Nkrumah (President of the First Republic) in his modernization efforts emphasized state participation but did not encourage the domestic indigenous sector. The local entrepreneurship was seen as a potential political threat.   As the economy declined in the 1980s, large-scale manufacturing employment stagnated which forced many formal sector employees into secondary self-employment in an attempt to earn a decent income. In other to solve these problems governments has put in place measures to promote the growth of SME's in Ghana by establishing organisations to support the activities of SME's.

Hence National Board for Small Scale Industries (NBSSI) was established under Act 434 in 1981 as an apex body for the development of small-scale industries in Ghana. In order to create a single dynamic integrated organization capitalized and capable of responding to the needs of the SME sector, the government merged the Ghanaian Enterprises Development

Commission (GECD) in 1991 and the Cottage Industries in 1994 with the Board. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial at the grass root level. In 1992, the government in attempt to the response of the private sector to economic reforms undertook a number of measures. According to Kayanula and Quartey (2000), prominent among them is the setting up of the Private Sector Advisory Group and the abolition of the Manufacturing Industries Act, 1971 (Act 356) which repealed a number of price control laws, and the Investment Code of 1985 (PNDC Law 116) which seeks to promote joint ventures between foreign and local investors. In addition to the above, a Legislative Instrument on Immigrant Quota which grants automatic immigrant quota for investors was enacted. Government also provided equipment leasing, an alternative and flexible source of long term financing of plant and equipment for enterprises that cannot afford their own.

In 1997, government proposed the establishment of an Export Development and Investment Fund (EDIF), operational under the Exim Guarantee Company Scheme of the Bank of Ghana. This was in aid of industrial and export services within the first quarter of 1998. To further improve the industrial sector, according to the 1998 Budget Statement, specific attention was given to the following industries for support in accessing the EDIF for rehabilitation and retooling: Textiles/Garments; Wood and Wood Processing; Food and Food Processing and Packaging.

The Ministry for Private sector Development was established in 2001 to co-ordinate and harmonizes all inter-sectoral effort which aimed at the development of the private sector as the engine of growth and poverty reduction. The Ministry of Private Sector Development (MPSD) was charged with the responsibility to facilitate basic courses for the informal sector to awaken individuals and enterprises of the sector to the potential benefits of basic disciplines such as bookkeeping, banking and other entrepreneurship skills. The Ministry made progress towards relieving Small and Medium-Scale Enterprises (SME's) of one of their major problems, which is access to affordable long-term funds. To boost the country's export trade, an Export Development and Investment Fund (EDIF), has been set up by the government to be given out on very liberal terms. The funds are administered by eleven (11) designated financial institutions. Furthermore, other schemes such as the Government Loan Guarantee, African Development Foundation, Italian Credit facility, etc was set up by the government. These schemes did not only solve the perennial problem of SME's inability to provide collaterals demanded by banks, but also ensured an increased flow of capital to the private sector for innovation, technology development and adoption and development of new products and services for productivity enhancing investment activities.

The President's Special Initiative (PSI) was launched in 2002. It aimed at supporting the production of cassava as well as textiles and garments for export. The President's Special Initiatives (PSI) has been launched in five (5) areas of activity. They are accelerated export development for garment and textiles, salt mining, cotton production, oil palm production, cassava starch production and distance learning. These initiatives are intended to spearhead the expansion and deepening of the economy; create jobs and reduce poverty through

agribusiness and export in Ghana. It is also intended to develop a critical mass of high growth oriented internationally competitive exporting firms in the said sectors, targeting the American and European consumers markets. Currently, there is an ongoing Rural Enterprise Development Programme in which every district in Ghana is to identify three (3) enterprise projects for development.

2.6 ROLE OF SME's TO ECONOMIC DEVELOPMENT OF THE NATION

Two schools of thought have emerged in the studies of SME's. They are the pro-SME's and anti-SME's perspectives. Most donor countries and development agencies share the view of the pro-SME's that is springing up of such entrepreneurial and innovative ventures help promote economic growth and help reduce the high poverty level in such developing economies (Beck & Demirguc-Kunt, 2004). The pro-SME has argued that SME's enhance competition and entrepreneurship and thus have economy wide benefits in efficiency, innovation and productivity growth. Thus direct government support of SME's can help countries reap social benefits. Second, SME's are generally more productive than large firms but are impeded in their development by failures of financial markets and other institutions for capital and other non financial assistances. Thus, pending financial and institutional improvements, direct government support of SME's can boost economic growth and development. The growth of SME's boosts employment more than the growth of large firms because SME's are more labour intensive (Snodgrass & Biggs, 1996). So subsidizing SME's may help reduce poverty (Beck & Demirguc-Kunt, 2005).

However, the anti-SME has questioned the efficacy of SME's in promoting growth and reducing poverty. First, they argue that large enterprises may exploit economies of scale and

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more easily undertake the fixed costs associated with research and development, boosting productivity. They argue further that some researchers found that small businesses are neither more labour intensive nor better at creating jobs than large firms (Thormi &Yankson, 1985). Moreover, they doubt the crucial role of small businesses and instead emphasize the importance of the business environment facing all firms, big and small. Small businesses create monopoly. They are of the view that if there are low entries and exit barriers, well defined property rights, effective contract enforcement, and access to finance, it will work to promote conducive business environment for all firms and not only small firms (Demirguc-Kunt et al, 2004).

Levy & Powell (2005) noted that, SME's are thought to be flexible and innovative organizations that are able to respond quickly to customer and market demands (flexibility). Contrary to what happens in large firms. The production technologies of many manufacturing SME's may inhibit flexibility (Gupta & Cawthorn, 1996), while Carrie et al. (1994) believe that it is people rather than technology that provides flexibility.

It is estimated that about 69% of the country's population are employed in the MSE sector. Thus the sector provides employment for a considerable number of people both in rural areas as well as cities. However, despite this recognition and its significance for local and national economic development, research has not investigated systematically, the real strengths and weaknesses of these rural enterprises, at least in Northern Ghana where poverty is very high (GSS, 2007). SME's and entrepreneurs are bedrocks of new goods and services, new methods of production, the opening up of an economy by setting or opening up of new

markets, introduction of new sources of supply as well as industrial re-organisation (Jennings, 1994). So the innovativeness of these ventures is their capability to create a change by altering the conventional ways in terms of available technology, strategy, skills and styles.

Private sector development is said to be critical for employment creation, growth and development of Africa (Kurokawa et al 2008). The development of small and medium enterprises (SME's) is acknowledged as a key condition in promoting equitable and sustainable economic development in Africa. This sector, in terms of economic development has the potential to provide for growth in employment and contribute towards reducing poverty among urban cities in most developing countries. In Ghana, a key strategy the government has adopted for increasing employment and production is to take measures to improve the capacity of the private sector as a means of accelerating the growth of small and medium scale manufacturing industries.

Another current happening is that most entrepreneurs are stuck at mainly the micro level. It is interesting to note that less than 5 percent of large businesses are Ghanaian owned. According to World Bank estimates, most businesses in Ghana, which account for 70% of employment in the country, fall within the categories of "micro", "small" and "medium" entrepreneurs.

Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Aryeetey, 2001). SME's are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana. SME's therefore having a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries. SME's forms a huge chunk of businesses in both the formal and the informal sector. Whilst SME's in developed countries make a significant contribution to GDP and national employment, there is not sufficient data to say the same about SME's in Ghana (Culkin and Smith, 2000)

SME's in Ghana tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control. Also since SME's do not traditionally rely on public funds there is lack of accountability and no regulations to comply with in relation to compliance (Abor & Adjasi, 2007). Mostly, the owner managers of these SME's are hampered by lack of managerial competencies (Gockel and Akoena, 2002). There are a number of factors which pose as barriers to the development of the SME sector in Ghana. These are identified as access to international markets, technology, equipment and finance (Aryeety, 1994).

In Ghana about 48 percent of the population represents the youth population which is from ages 15-35 years of age. Like many African countries , Ghana's population is fairly youthful (Baah et al, 2007).A survey conducted amongst small scale enterprises in Ghana revealed

that young people owned almost 40.0 percent of the enterprises .Younger youth aged 15-25 owned only 5.4 percent of enterprises whilst those aged between 26-35 years owned 33.8 percent (Osei, et al., 1993). From this it is believed that micro and small enterprises in Ghana has a good future.

2.7 CHALLENGES OF SME's

2.7.1 TRADE LIBERALIZATION

Tambunan, (2008) investigated the relationship between international trade liberalization at the macro level and its micro- or firm-level adjustment effects in the South African manufacturing industry. Their findings suggest that there is a strong relationship between the average firm size and the volume of cross-border trade. More specifically, they find out that more than half of the firms that are not engaged in international trade are SME's. At the opposite extreme, almost half of the firms involved in both importing and exporting are large enterprises employing more than 200 workers. Therefore, it appears that large enterprises have been more successful than their smaller counterparts at integrating their manufacturing activities into the global chain of production.

According to Winters (2002), trade can affect poverty through different channels (economic growth, price changes and government revenue). Because poverty remains Ghana's greatest challenge, analyzing the link between trade and poverty is crucial, and reducing its effects is the fundamental objective. Given the potential gains from increased trade, many countries are pursuing trade liberalization policies to achieve prosperity and growth and eventually

alleviate poverty. The literature indicates that a close relationship exists between aggregate

economic growth and poverty reduction. These simple correlations do not prove any causal

relationship, but they do show the relevant role that pro-growth policies play in any poverty-

reducing strategy.

It may be noted that the trade liberalization policies of the 1980s and even later exposed

many SME's to greater external competition than they were used to or could cope with.

Aryeetey et al, 1994 identified this problem in 12.5% of medium-sized enterprises in Ghana.

Riedel et al (1998) reported that Tailors in Techiman who used to make several pairs of

trousers in a month went without any orders with the coming into effect of trade

liberalization. It is again reported in Aryeetey et al. (1994) that only 1.7% of firms export

their output as a result of limited international marketing experience, poor quality control,

product standardization and little access to international partners.

2.7.2 ACCESS TO CREDIT

2.7.2.1 Finance

Finance is one of the life wires of every economic activity. Access to finance will provide

start-up capital for the business as well as funds to meet operational costs. Not neglecting the

fact that entrepreneurs may face lack of start-up financing as one of the difficulties in

assessing start-up finance, there are other factors that come into place such as ignorance of

sources of finance and lack of a saving culture. It is quite unfortunate that the problem with

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access to financial capital has been long due though there seems to be a little improvement. For instance, in 2003, it was recorded that the informal sector entrepreneurs in Ghana relied on their savings or borrowing from their friends and relatives as the main source of financing in the view of the fact that credit from the formal banking system to the informal sector is very limited. However, difficulties still exist regarding access to finance, domestic resource mobilization and the support necessary for SME's to grow and contribute to the economy.

There are two main sources of finance for Micro and Small scale enterprises in Ghana: formal and informal sources. Formal sources of finance include Commercial Banks, Investment Banks, Savings and Credit Banks and Rural Banks set up purposely to offer financial assistance to domestic entrepreneurs. Other formal sources are funds introduced solely by government or with the support of donor agencies. It is said that, high interest rates, collateral requirements and cumbersome documentation demanded by the formal financial institutions deter many entrepreneurs such as dressmakers as well as hairdressers from easily assessing formal funds (Davenport 1967:134).

Informal sources of finance comprise local transaction among friends, relatives, private money lenders, traders, some Susu collectors, owners of capital asserts and credit from NGOs. Studies have shown that across Africa, informal financial units exhibit a lot of diversity from country to country. In spite of the diversity, there is no barrier to entry; deposit mobilization and lending are done on small scale with little or no record keeping and lending

often takes place between people of the same locality. However, interest rates are high under informal credit systems (Ayeetey et al, 1994).

Access to finance is major obstacle especially to female entrepreneurs. Due to the fact that they lack the savings needed for the equity payment required to get a loan and have less or no access to land or physical infrastructure, which could be used as collateral for a loan. It is very often difficult for women to get access to formal financial schemes. In addition to that, female entrepreneurs face the disadvantage that they very often only have had a limited access to education which makes it difficult for women to fill in the complex forms for applying for a loan or keeping track for their business records. Many banks require business records as minimum prerequisites before granting credit. Accordingly, female entrepreneurs encounter difficulties when they want to apply for financial schemes.

To address this critical handicap, a number of financial intermediation schemes have been launched in the country with the overarching objective of providing easy access to finance the SME's. For example, the government introduced Micro-Credit Scheme in the 2001/2002 periods where by close of 2004, credit amounting to U$101,322 had been granted to over 1500 borrowers. Also the government launched a Micro-credit and Small Loans Fund as a follow-up to the earlier micro-credit scheme which became operational in 2006. The establishment of the fund was part of ongoing initiatives aimed at reducing poverty and promoting growth in the economy. Within two months of operation, over U$161,700 had been disbursed to over 10,000 applications within the Greater Accra Region alone.

The earlier schemes such as PAMSCAD Credit Line for Small Scale Enterprises, NBSSI Revolving Fund Loan Scheme, NBSSI Credit Scheme provided credit facilities to the SME's. For example, in June, 2002, the NBSSI through its Revolving Fund Loan Scheme had granted over U$2.5million to about 273 SME's, the NBSSI had disbursed about U$2,437 million to entrepreneurs in Brong Ahafo, Eastern and Northern regions of Ghana. Similarly, the PAMSCAD Credit Line for SME's had grown from U$4,700 million (seed money) to U$27,581 and had serviced about 1,158 projects. Currently, the projects that are on-going for the MSME sector include the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASIP). A recent impact assessment of the plethora of SME financing programs that have been implemented across the country suggests that significant challenges remain in ensuring the effectiveness of SME programs. The study found that access to finance was a significant problem for SME's, even though other problems such as low cash flow, energy, high cost of non-labour inputs, increasing competition, and high cost of credit were also cited.(Asiama and Osei, 2007)

2.7.2.2 Leasing Credit Scheme

Leasing is a medium-term financial instrument that covers investment needs of companies for logistics like, machinery, equipment, vehicles and other fixed asserts. This enables producers with limited equipment to access the hired ones to facilitate processing of their products. A very efficient leasing system of credit could respond to the equipment requirements of producers which could finally promote local development (Boapeah, 1994).

2.7.2.3 Trade/Micro Credit Scheme

This is a cash credit provided by rural banks and credit savings institutions to SME's. It is an attempt to respond to the capital requirements of SME's. The financial institutions organize SME's into solidarity groups where group members mutually guarantee each other's loan amount and each individual group member is responsible for repayment in case any member defaults. For Sinapi Aba Trust (loan company), loan officers go to the field to recover loans and give education while Agricultural Development Bank (ADB) does not offer education to entrepreneurs loan beneficiaries. Besides, SME's loan beneficiaries under ADB repay loans themselves to the bank through the group account. This credit scheme when delivered efficiently could enable SME's buy large quantities of raw materials at cheaper prices. Trade/micro credit scheme could however be limited by the level of interest rate charged by financiers (Davenport, 1967)

2.7.3 INFRASTRUCTURE

Infrastructure as it relates to provision of access roads, adequate power, water, sewerage and telecommunication has been a major constraint in the development of SME's (Bokea, Dondo & Mutiso, 1999).

Physical infrastructure is the totality of basic physical facilities upon which all other economic activities in the system significantly depend (Ukpong and Iniodu, 1991). According to Hirschman (1958), infrastructures are those services without which primary, secondary and tertiary production cannot function. These infrastructures can be extended to include education, public health to transportation, communication, power and water supply. Infrastructure therefore, can be seen as both a final good providing services directly to consumers and intermediate input that enter into the production function of other sectors and raises the productivity of the factors employed. Infrastructure contributes to economic development through the promotion of private sector development by increasing access to the factors of production and goods market.

Awura (2006), states that an efficient transport network enhances the growth potential of a country and a reliable system of energy generation and distribution brings modern technologies and processes of SME's. The availability of infrastructural facilities such as power, communications, water and transport, represents another important constraint on both the choice of SME opportunities and the scale of operation of each respective enterprise production as well as distribution depends vitally on the availability as well as reliability of

physical infrastructure. Hulten (1997) have emphasized that the efficiency of infrastructure utilization is important to business and economic growth.

2.7.4 INSTITUTIONS

The idea of SME promotion has been in existence since 1970 though very little was done at the time. Key institutions were set up to assist SMEs and prominent among them is The Office of Business Promotion, the present Ghana Enterprise Development Commission (GEDC). It aims at assisting Ghanaian businessmen to enter into fields where foreigners mainly operated but which became available to Ghanaians after the `Alliance Compliance Order'6 in 1970. GEDC also had packages for strengthening small scale industry in general, both technically and financially.

The Economic Recovery Programme instituted in 1983 has broadened the institutional support for SMEs. The National Board for Small Scale Industries (NBSSI) has been established within the Ministry of Industry, Science and Technology to address the needs of small businesses. The NBSSI established an Entrepreneurial Development Programme, intended to train and assist persons with entrepreneurial abilities into self employment. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). This is a move by the government of the day to reduce the dominance of foreign nationals in the country.

Supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial concerns by transferring appropriate technology to small scale and informal industries at the grass root level.

ITTUs in the regions are intended to develop the engineering abilities of small scale manufacturing and service industries engaged in vehicle repairs and other related trades. They are also to address the needs of non-engineering industries. So far, ITTUs have been set up in Cape Coast, Ho, Kumasi, Sunyani, Tamale, Takoradi, Koforidua and Tema.

2.7.5 ACCESS TO TRAINING

Education is one of the factors that impact positively on growth of firms (King and McGrath, 2002). Those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments. SME's also lack business and marketing skills that may allow them to put together viable business proposals. They have less access to formal channels that provide comprehensive skills training because they are mostly unaware of the existence of such programmes and even when they are aware, their time constraints may limit their access to such programmes. Moreover, some of them may lack the needed basic educational qualification for such skill training and are therefore cut off from benefiting from such programmes, where these programmes exist. However, irrespective of the constraints that face them, especially the women's among them access to training and retraining is an important tool, which can enhance their economic activities to improve their earning power. It is paramount therefore that efforts be enhanced by all stakeholders – government and government agencies, women advocacy groups, other civil society groups, international

development partners to promote training for women at all levels and in all spheres of endeavour.

In order to generate enough income to help minimize the incidence of high level poverty in most developing economies, international funding bodies and economic growth analysts have suggested to policymakers in developing economies to make greater efforts at promoting private sector development with SME's being at the forefront (Snodgrass & Winkler, 2004). According to Beck, Demirguc-Kunt & Levine (2003), the World Bank approved more than $10 billion in support for SME's development programs on grounds that it has the ability to promote economic growth and alleviate poverty.

The government continued supporting programmes aimed at skills training, registration and placement of job-seekers, training and re-training of redeployees. This resulted in a 5% rise in enrolment in the various training institutes such as The National Vocational and Training Institute (NVTI), Opportunity Industrialisation Centres (OIC) etc. As at the end of 1997, 65,830 out of 72,000 redeployees who were re-trained under master craftsmen have been provided with tools and have become self-employed.

The Economic Recovery Programme instituted in 1983 has broadened the institutional support for SMEs. The National Board for Small Scale Industries (NBSSI) has been established within the Ministry of Industry, Science and Technology to address the needs of small businesses. The NBSSI established an Entrepreneurial Development Programme,

intended to train and assist persons with entrepreneurial abilities into self employment. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). This was a move by the government to reduce the dominance of foreign nationals in the country (Kayanula and Quartey), 2000.

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CHAPTER THREE

RESEARCH   METHODOLOGY AND PROFILE OF THE STUDY AREA

3.1   INTRODUCTION

The chapter outlines the research approach adopted for the study, the sample frame and how sample size was determined, sampling technique; tools used for data collection, data analysis as well as data sources. This section finally described how field data was made suitable for presentation and analysis and the tools used for data presentation and also describe the study area.

3.2 POPULATION

The population of the study consists of all participants in the SMEs industry. The study population comprises entrepreneurs and officers from National Board for Small Scale Industries (NBSSI), Ministry of Trade and Industries (MOTI), Association of Small Scale Industries (ASSI), Chamber of Commerce (COC), Association of Ghana Industries (AGI), Banks, Sekondi-Takoradi Metropolitan Assembly (STMA) and Microfinance and Small Loan Centre (MASLOC) to contribute to this research both on what they know as challenges and recommendations to help solve this challenges. The target population comprises people who provide SMEs services or support SMEs. This may include but not limited to dressmakers, batik, tie and dye makers, carpenters, soap makers, shoe makers, as well as staffs of selected banks and SME's developmental organisations staffs. This was to ensure that information taking from the field would be accurate and reliable.

3.3 SAMPLING TECHNIQUES

This denotes all the stages and the processes involved in reaching the respondents. According to Twumasi (1986), the first step in the selection of a sample is to consider sampling technique. In sampling design, characteristics of the population to be studied must be clearly indicated.

In view of the information needed for the study, and the nature of the population which is not distributed randomly but clusters. The study would adopt quota and purposive sampling techniques. Quota sampling was employed to specify certain percentages to each trade in the industry which would be done based on the number of people in each group. After allocating percentages to each group, purposive sampling was used to choose respondents who were thought to be relevant to the data needed. This was used primarily when there were limited numbers of people who have expertise in the area being study. With the purposive sampling not everybody can give accurate information so head or deputy of established institutions was interviewed.

3.3.1 SAMPLE SELECTION

The sample size is determined based on the formular used to estimate it. The equation is given below $n = \dfrac{N}{1 + N\alpha^2}$, Where n = sample size, N = total population (Total Number of entrepreneurs) and α = the confidence level. N = 1845 which is the sample, and significant level of 5% (α) = 0.05.

$$n = \frac{1845}{1 + 1845(0.1)^2} = 94.858 \qquad n = 94.85 \approx 95$$

Therefore, the sample size based on the sample frame is 95. Quota to each trade was determined by $Q = \dfrac{Trade}{Sampleframe} \times samplesize$ where Q is the quota. This equation was used to generate the table 1 below.

DETERMINATION OF SAMPLE SIZE

TABLE 1
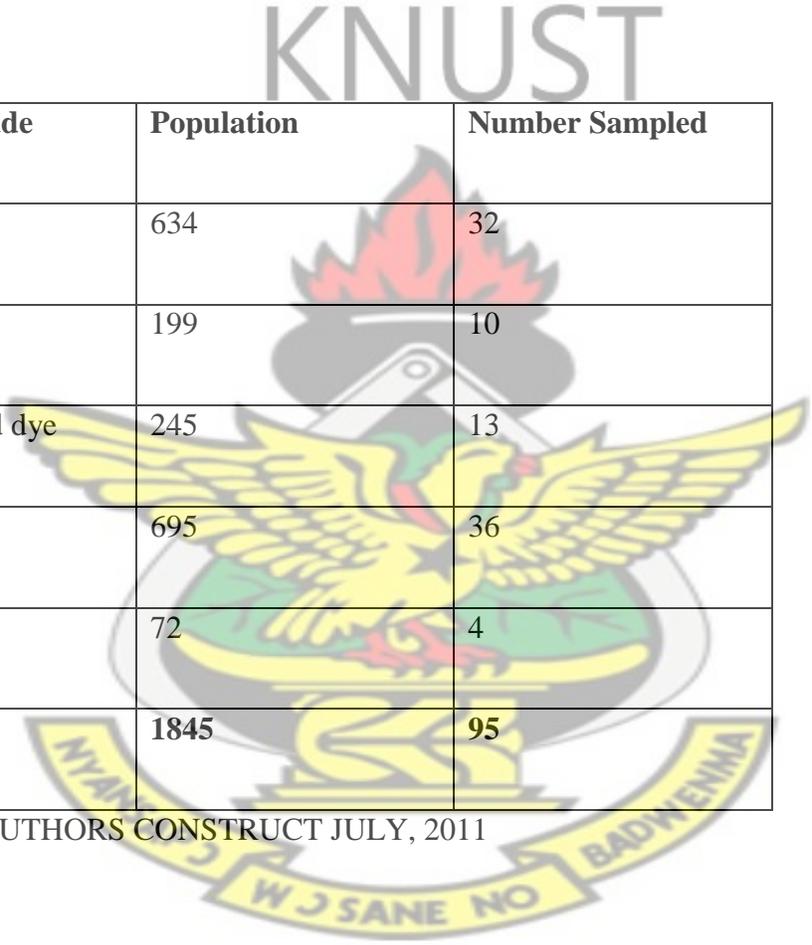
Services/ trade	Population	Number Sampled
Soap making	634	32
Carpentry	199	10
Batik, tie and dye	245	13
Dressmaking	695	36
Shoe making	72	4
TOTALS	**1845**	**95**

SOURCE: AUTHORS CONSTRUCT JULY, 2011

3.4 DATA COLLECTION:

Purposively, the researcher visited the heads of the various institutions and credit officers of the financial institutions to establish relationship with them as well as booking appointment for the interview. The questionnaire was self administered in order to explain some technicalities which may be associated with completion of the questions. To ensure high recover rate, the researcher was present before a questionnaire was completed. The entrepreneurs and officers of the institutions sometimes feel reluctant to give vital information especially when it concerns the negative effects of the operations of small-scale. They were then given questionnaires to respond to, by filling it either by themselves (if they could read and write in English) in the case of SME's and staff or helped to do so. In addition, three Research Assistants helped in the field work after they were taken through the questionnaire. Common field problems encountered during the work is the postponement of appointment which has contributed to the delay of the work. Some too demand gifts and money before filling the questionnaire. However, observation made on the field has improved my understanding of the literature in terms of the challenges SME's face in their daily business activities. We got practical feel of the problems which has changed our perception about the sector.

3.5 DATA COLLECTION INSTRUMENTS

The tools that were used for the collection of primary data are the interview schedule and questionnaires were exclusively used to solicit the views of the respondents on the research topic. The questionnaires were given out to the literate respondents to fill while self-

administered method was used on the illiterate respondents by the researcher and filed assistants. However, the literate respondents were made to fill the questionnaire by themselves with or without the assistance of the researcher.

Questionnaire captured both closed and opened ended questions. The close ended questions deal with bio data like sex, age, etc. and access to finance. This type of the questionnaire was easy to analysis. The open ended questions were included to get respondents views about the actually problems they face and how they think those problems can be solved. Here different people expressed varied views hence difficulty in analysis.

Focus Group Discussion (FGD) was part of the open ended questions. The facilitator was a leader but not a controller. Focus group discussion was applied to executives of ASSI and some selected members of the association. FGD discussion brought out a lot of revelation because executives were bold to discuss issues bordering their minds and their firms.

3.6 RESEARCH DESIGN

It was acknowledged that several options were available in social research but the choice of approach dependents largely on the objectives of the study. Case study research is a comprehensive and empirical enquiry that investigates a phenomenon within real-life context; and adopts flexibility in analyzing contemporary social issues. A study of this nature is expected to capture the varied issues of context and the complexity of the research. Descriptive statistics was the main means of analysis used to analyze the underlying causes of the challenges faced by SME's. Since the study mainly seeks to identify challenges SME's face, case study research design will help the researcher to engage almost all the key

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stakeholders within the industry like dressmakers, soap makers, carpenters, batik, tie and dye makers and local shoe makers to help unravel the main challenges the sector was confronted with.

3.7 METHODS OF DATA ANALYSIS

Analysis of data is a process of editing, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggestion, conclusions, and supporting decision making. (Adèr,2008). Data from the field were edited and coded appropriately to make meaning out of them. Editing was done to correct errors, check for non responses, accuracy and correct answers. Coding was done to facilitate data entering and a comprehensive analysis. Descriptive statistics was the medium used for analysis. The software was the Statistical Package for Social Science version sixteen (SPSS 16). Descriptive statistics analysis factors like frequency tables, percentages, pie charts, bar graphs and pictures were generated and their interpretations thoroughly explained with real world examples.

3.8 LIMITATIONS OF THE DATA COLLECTION

A total of 110 questionnaires were distributed and out of this, 109 were received from the field made up of 94 from entrepreneur, 10 support institutions and 5 from banks. One of the entrepreneurs failed to answer and submit his questionnaire, despite the researcher's efforts and number of calls made to explain the potential benefits of the study to him, but because of time constrains those received were used for the analysed.

3.9 PROFILE OF SEKONDI-TAKORADI METROPOLIS

3.9.1 INTRODUCTION

The Sekondi Takoradi Metropolitan Area, with Sekondi as the administrative capital, occupies the south-eastern part of Western Region. It shares boundaries with Ahanta West, Shama and Komenda-Edina-Eguafo-Abrem Municipal. It is located on the coast, about 200km west of Accra. This makes it the smallest, but easily the most highly developed of the 13 districts of the Western Region. Indeed, it is the third largest metropolis in the whole of Ghana. Close to Takoradi Polytechnic, the Konsaworado flows towards the Buthia lagoon, creating an extensive, beautiful marshland.

The Assembly is the highest political and administrative body. It is made up of two thirds elected members from the electoral areas and one-third Government appointees from the community. There are two Sub-Metropolitan District Councils namely Sekondi and Takoradi. These are made up of 56 electoral areas. The Metropolis also has four constituencies. They are Effia-Kwesimintsim, Takoradi, Sekondi and Esikadu-Ketan. The Metropolis has a population of about 360,000 and an estimated floating population of 80,000 made up of people from neighbouring districts whose commute into the city daily for civic, trade and industrial activities. The official language of the people of this twin city is English: but the common local dialects are Ahanta. Nzema, Sefwi, Wassa, Brosa / Aowin, Gwira and Pepesa.

3.9.2 SOCIO - ECONOMIC CHARACTERISTICS

3.9.2.1 SOCIAL INFRASTRUCTURE

On the educational front, there are 105 nursery schools, 118 primary schools, 79 junior secondary schools, 11 senior secondary and technical schools in the metropolitan Area.The Takoradi Polytechnic is one of the most highly regarded tertiary educational institutions in Ghana, and is particularly useful in producing technical and science-based manpower for use by industry.

The Metropolitan Authority gets water supply for the metropolis from the Pra River at Daboase and Anankwari River at Inchaban.However, current production is less than demand, with about 90% of the metropolis covered by supply. There are currently four fire stations in the metropolis and 39 fire hydrants located across the metropolis.

There is also a railway service that links Sekondi Takoradi to other parts of the country. Incidentally, the headquarters of the Ghana Railway Corporation is at Takoradi. The corporation offers both passenger and freight services. Telecommunications system in Sekondi Takoradi is very efficient having undergone an extensive modernization including internet facilities. The visitor to the Metropolis or the investor can access any part of the world without hindrance. The metropolis is served by road, rail, air and sea, with Takoradi hosting one of Ghana's two sea ports. The Metropolitan Assembly aims to significantly improve both physical infrastructure and social service quality.

3.9.2.2 ECONOMIC ISSUES

The Assembly has a vast revenue base and well established expenditure management system. The passing of the Internal Audit Agency Act and the Financial Administration Systems Act have given a lot of impetus to the financial management system of the Assembly. The Procurement Act has also added to the effective system laid down to ensure transparency and accountability in the use of public fund. Expenditure in the Assembly is initiated in a Medium Term Development Plan and Annual Budget statement which are all discussed at Sub-Committee and General Assembly meetings before they are passed for payment.

Sekondi - Takoradi is one of the hubs of industrial activities in Ghana. It is the third most industrialized city in the country. The city can boast of some of the big manufacturing industries in the country. However commerce continue to be the dominant sector of the economy, to make the economy more vibrant, various measures are being put in place to attract investment both local and foreign. They include the expansion of the infrastructure base of the city. Another important area is the development of the Export Processing Zone to promote processing and manufacturing of goods and to encourage the development of commercial activities.

3.9.2.3 INDUSTRIAL SECTOR

The major food items processed are fish, cassava, palm nut and sugar cane. Fish is mostly smoked at areas like New Takoradi, Nkotompo, Aboadze, Aboasi and Shama. This is done by mainly women under poor working conditions. Crude methods are used and these expose the women to excessive heat-a health hazard. Cassava is also processed into Gari at Awuna

Beach and places such as Assakae and Nkroful under equally bad environment. Palm nut, coconut and sugar cane are processed into palm oil, coconut oil and alcohol (akpeteshie) but these activities are all crudely done and hence contribute very little to the growth of the local economy and employment.

3.9.2.4 NON-TRADITIONAL EXPORT DEVELOPMENT

The main Non-Traditional Export product produced in the Metro is furniture pieces. This product is exported mainly to La Cote d'Ivoire. The main problem here has to do with cumbersome procedure which exporters go through at check-points especially within La Cote d'Ivoire. The ECOWAS Protocol on Trade liberalization is yet to be enforced and this makes sub-regional commerce difficult and other emerging Products in the Metropolis are Batik and Tie and Dye. These products are exported across the West African Sub-region and few places in Europe and America. The finishing of these products however needs improvement to be able to take full advantage of the African Growth and Opportunities Act (AGOA) Initiative.

3.9.2.5 MANUFACTURING INDUSTRIES

Compared to other Metropolises on the country the Metropolis can boost of very few manufacturing industries. Less than 5% of Direct Foreign Investments in the Country come to the Metropolis. The Export Processing Zone (EPZ) is still waiting to be exploited but the nature of investment involved requires private capital. So far only few investors have shown interest in the EPZ but the pace of consultations and discussions has been rather low, STMA-MTDP,(2010-2013).

Figure 1.

3.10 MAP OF SEKONDI-TAKORADI METROPOLIS
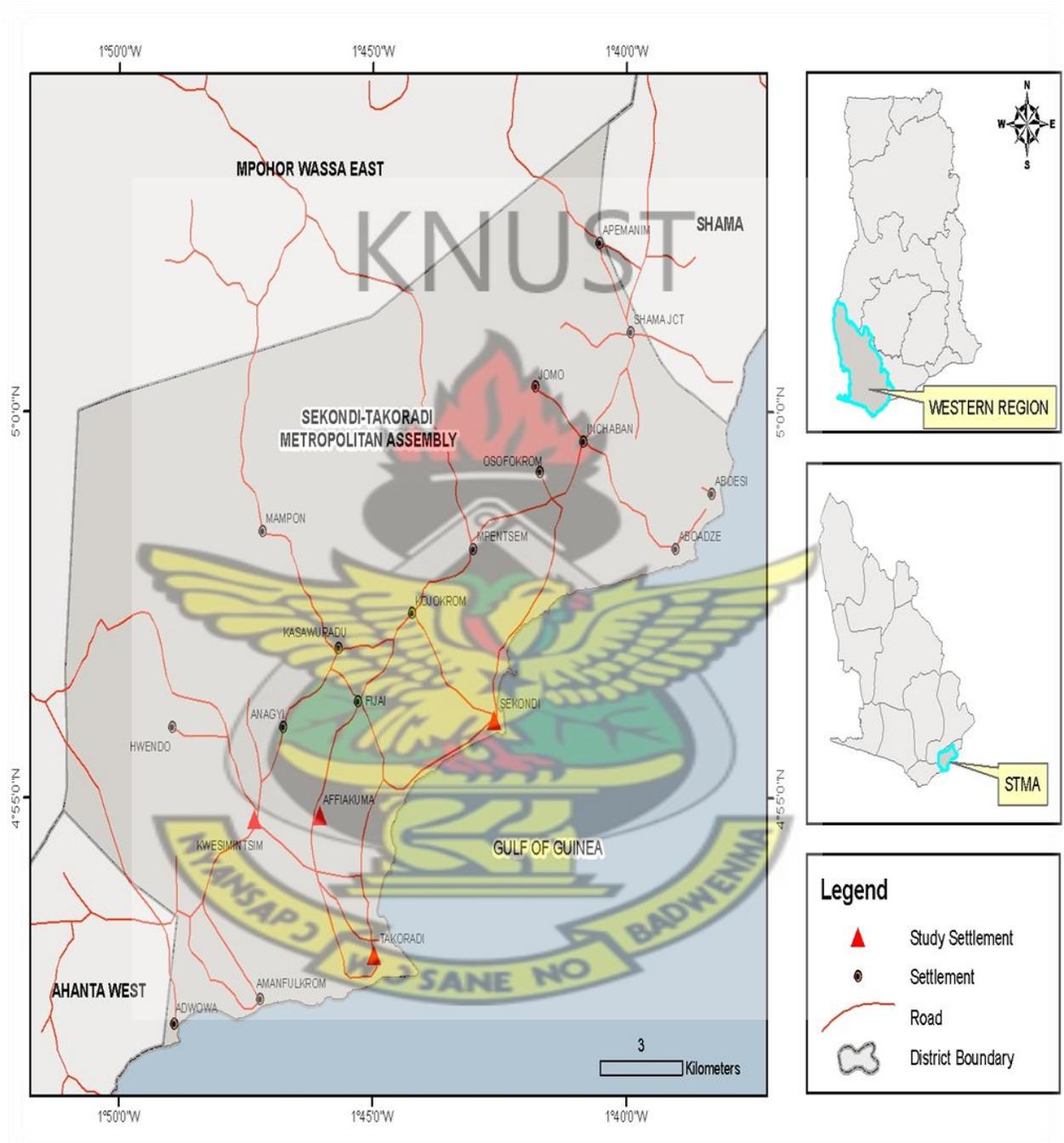
CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND REPRESENTATION OF RESULTS

4.1 INTRODUCTION

This chapter was used to analyse the data collected from the field. The data was collected within the objectives of the study. It contains description information of the interviewed entrepreneurs as well as that of relevant institutions supporting micro and small scale industries within STMA. It also captured information from banks.

4.2 SOCIO-DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

4.2.1 Sex and Ages of Entrepreneurs

A total of 110 questionnaires were distributed and out of this 109 were received from the field and the analyses are made from the responses received. Out of this 10 were from the development organizations and Metropolitan Assembly, 5 from banks and 94 were entrepreneurs. Out of the 94 entrepreneurs 25.5% were male and 74.5% represent female. This clearly shows that in Ghana most of SME's activities are carried out by a lot of women and can also be confirm by the 2010 housing and population census which indicate that 51% of the population are female and 49% were male. The table 2 below explains gender of entrepreneur respondents.

Gender of Entrepreneurs' Respondents

Table 2

Sex	Frequency	Percentage
Male	24	25.5
Female	70	74.5
Total	94	100

Source: Field Survey, July 2011

From the survey, out of the 94 entrepreneurs interviewed 43 of them which represent 46% falls within the ages of 20-35 years which shows that youth have seriously involved themselves with the SME's activities and this can serve as a bright future for the sectors if all the necessary support are given to the sector and can reduce the rate of the youth unemployment since a lot of them are now involving themselves in SME activities. This attest with a survey conducted about small scale enterprises in Ghana which revealed that young people owned almost 40 percent of the enterprises .Younger youth aged 15-25 owned only 5.4 percent of enterprises whilst those aged between 26-35 years owned 33.8 percent (Osei, et al., 1993). 45 of the entrepreneurs which also represent 48% falls within the age brackets of 36-49, whiles the remaining 6 falls within 50-60 years and this also form 6%. The study revealed that young people owned most of the enterprises in the country, from this it is believed that micro and small scale enterprises has a good future and will help to reduce poverty among the youth in the near future. The figure 2 below explains the age groups of respondents.

Figure 2.

ages of respondents

- 46% age(20-35)
- 48% age(36-49)
- 6% age(50-60)
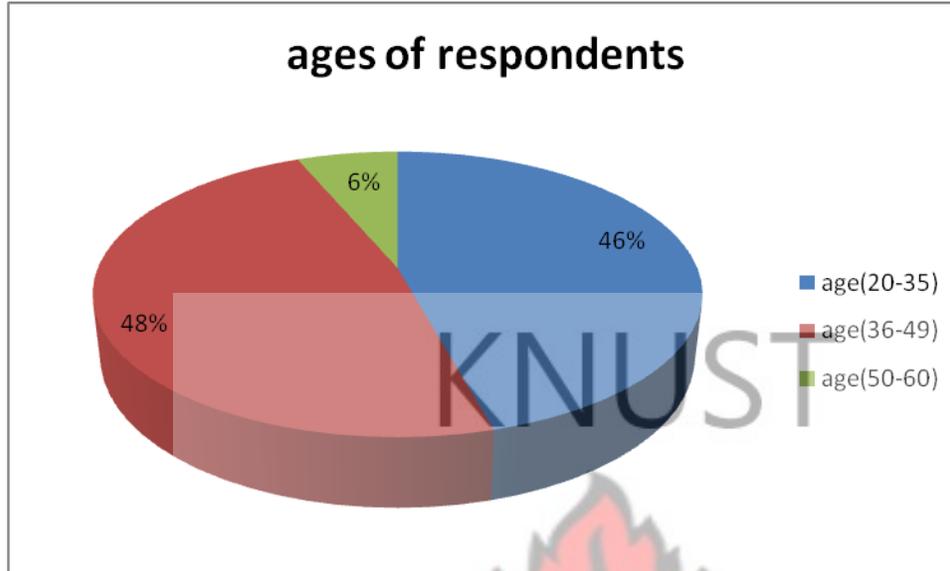
Source: Field Survey, July 2011

4.2.2 Level of Education

Education is a powerful tool for successful business here our emphasis is on the formal Education but not informal Education. The analysis of educational background of the entrepreneurs are shown in figure 3 below which revealed that 3% of the Entrepreneur respondents have obtain tertiary education, 5% have also obtained Secondary /Technical or Vocational education, 43% have basic education and 49% had no formal education. From the study it was revealed that the low level of education of Entrepreneur limit their capacity to deal with plans that can lead to business growth like keeping proper books of records, prepares business plan, taking advocacy issues to support their businesses and also look for more training programmes to improve their businesses which is normally run by development organizations like NBSSI. It was revealed that those with secondary education can manage their business and are also able to keep some level of records as well as making

contact with other stakeholders. It was also revealed that they are aware of some facilities such as financial and technical support available to help them grow their businesses.

The studies revealed a high percentage of entrepreneurs have not received formal education and this as results of most of the people are from nearby villages who try to move to Sekondi and Takoradi to learn trade and this has given the 49% of the people interviewed not having formal education. It was also revealed that these people can not write and as a result of that they can not keep proper books of records and also find it difficult to create contact with other businesses as well as their fellow SME's. Some entrepreneurs only have had a limited access to education and thus have difficulties to keep good businesses records and speak English. To some of them provision of primary education to citizens and the development of human capital through education and training programmes are dependent on the government and parents but the majority depends on the government. Most of the entrepreneurs suggested that government should make it compulsory that if you want to even learn a trade, you must finish at least basic school and to them it will help government to even achieve its educational policies. It will also help to improve records keeping which in the long way help improve SME's in the country as well as increasing employment, since SME's employed greater percentage of the labour force in the country. It can help them seek for credit facilities and also help them in tracking the growth of the businesses.

The details of educational issues can be seen in figure 3 below

Figure 3.
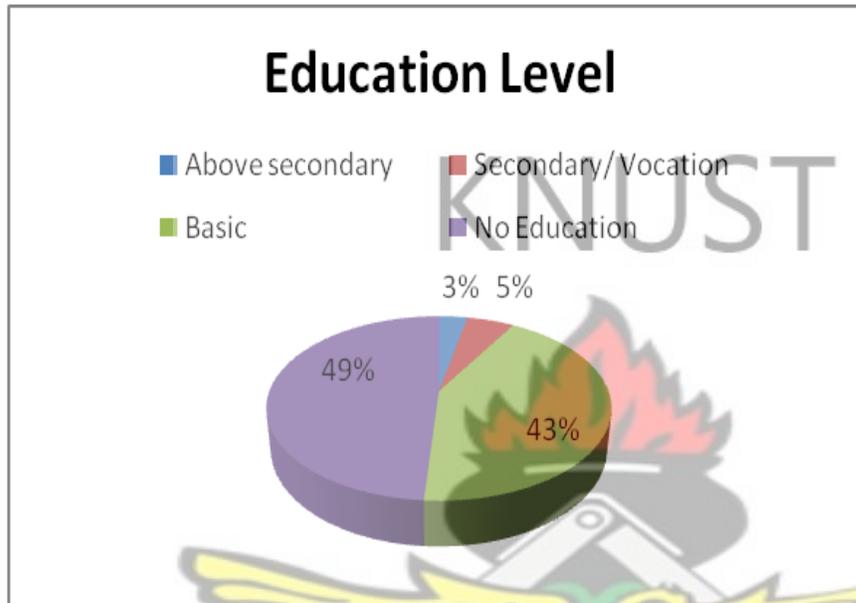
Source: Field Survey, July 2011

4.3 LEGAL STATUS

The table 3 below revealed that out of the 94 Entrepreneur interviewed 42 of them has registered their business with either the Registrar General Department (RGD) or with the STMA which represents 44.7% which is a good future for business improvement. To us the importance business registration is on the kind of business registration has under-taken which can give the business the legal entity to enable the business sue or be sued. The issue of business registration data collected from the field can be shown below:

Business Registration

Table 3

	Ranks	Frequency	Percentage	Cumulative percentage
Yes	42	44.7	44.7
No	52	55.3	100.0
Total	94	100.0	

Source: Field Survey, July 2011

It was also shown that out of the 42 registered Enterprises, 31 have registered with STMA which representing 73.8% whiles 11 registered with RGD and it also representing 26.2%. This can be demonstrated with figure 4 below:

Figure 4.
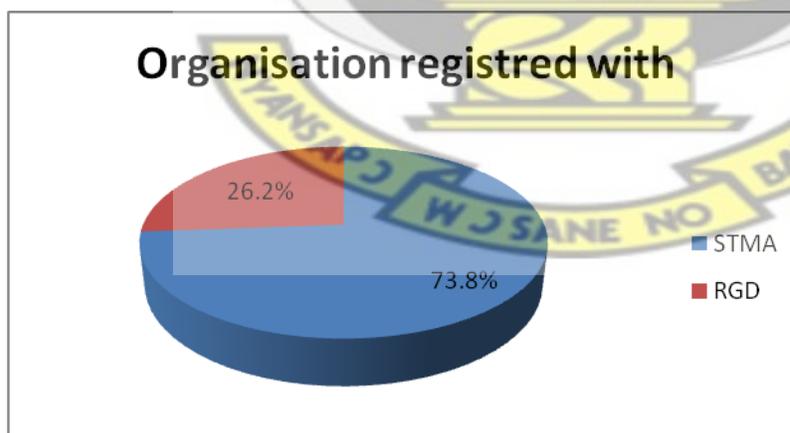
Source: Field Survey, July 2011

The studies realised that registration with STMA only allows the businesses to operate within the area but does not allow them to enjoy some advantage that businesses will enjoy with the name, example is the credit facilities. It was also revealed that financial institution don't want to give loans to business which have not register with the RGD since it will be easy to identify them. In the case of STMA registrations, two enterprises can have the same name but at different location. The point is that the assembly uses this registration to mobilize revenue for development and for proper business records keeping. Some of the respondents believed that business registration should be properly done with RGD but because of the cost and time involved that is why they have considered that of the STMA. To them if government can come out with a policy which will register all start-up businesses free like that of birth certificate of a child or reduce the amount charge for business registration to encourage all entrepreneurs to register their businesses. They also suggested that the current processes of business registration should be abolished since it does not encourage more people to register their businesses. Some of the entrepreneurs complained that registration offices are only sited at the regional capitals. To them if sub-offices will be opened at the district levels it will encourage more SME's to register businesses.

4.4 TYPE OF OWNERSHIP

In Ghana several researches has proved that SME's is dominated by sole proprietorship and this was not different. The survey also revealed that sole proprietorship contains the large percentages of the entrepreneur interviewed 89 of them are sole proprietors which represent 94.7% this can be assign to numerous factors. The major factor is lack of trust among entrepreneur. More than 85% of the sole proprietors interviewed said they have not

considered coming together with other entrepreneurs to form or doing business together because of various reasons which include mistrust and lack of continuity of operation that may result in the event of the death of the owner, if there is no one with sufficient business capacity in the family to take over its operations and management. Partnership is the next type of business organization which represents 5.3 percent of the total sample population.

In the case of the corporative or limited liability company, there was none. Some of the Entrepreneur belong to various associations but did not operate together but operate individual. The percentage distribution of responses on ownership is shown in figure 5 below.

Figure 5.

	sole proprietorship	partnership	coperative
■ Series1	94.70%	5.30%	0%

Source, field survey July 2011

It was also revealed during the study that those who has the high level of education are those who understand the need to come together to put their little resources together to form a partnership. To them they believed in trust and the policy of putting together, will earn more profit than the one managed by single ownership.

4.5 NUMBER OF EMPLOYEES OF THE FIRM

The survey confirmed the assertion that firms less than 10 employees are small scale enterprises (Kayanula and Quartey 2000). In the survey 98.9 percent of the enterprises interviewed employed people between 1 and 9. This is shown in Table 4 below. This might be as a result of a capital investment made by the entrepreneur. From the data 45.7% of the SME's employees people between 1and 4, 53.2% also employees between 5 and 9 whiles 1.1% employees people between 10 and 14. These employment issues are permanent and some are in the form of contract which involved work and pay issues at the local level. The most common problem associated with contract issue is that it is not officially documented and the person can be sacked at any time the owner is not satisfied with the employee's performance or have a personal problem with them. It was also revealed that SME's in Ghana tend to have majority of employees being relatives of the owner hence there is often lack of separation between ownership and control. On the other way some of the relatives do not take the work seriously which results in the collapse of the business. It was also confirmed that most of theses employees are those on contract which does not have any legal backing. Some of the employees we spoke with complained that government should come out with a policy of which every year which will force sole proprietors to submit names and

the number of the employees both the actual paid up ones and those on contract to the registrar general department or to the ministry of trade and industry (MoTI). Some also requested that if there can be a separate court which will deal with SME's issues only so that people can go there to lodge their complaints.

Number of Employees of the Firm

Table 4
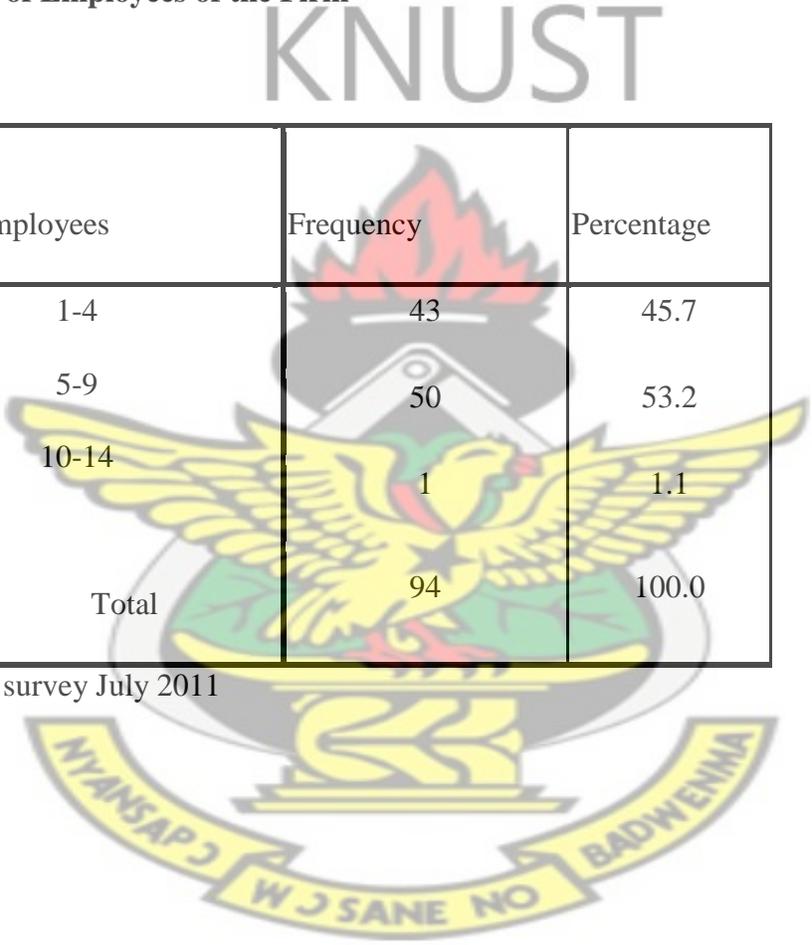
No. of employees	Frequency	Percentage
1-4	43	45.7
5-9	50	53.2
10-14	1	1.1
Total	94	100.0

Source, field survey July 2011

4.6 AVAILABILITY OF QUALIFIED PERSONNEL

This studies redefined qualified personnel as people who were suppose to manage their business very effective and also try to make good use of the little resources they have.

On average, the SME's entrepreneurs are people with or without elementary education, less trained artisans, skilled tradesmen and few people with secondary or higher education area found during the survey. This is as a result that people with high level of education do not want to enter into SME's business but rather prefer white collar jobs and as this, increase the rate of unemployment situation in Ghana, since the SME's businesses are not attractive.

From table 5 below 55.3% of the respondents believed that qualified personnel are very bad, 27% also for bad. 9.6% believed that within the SME's you can get average qualified personnel's this indicate that the personnel's are there but we need to build their capacity so that they can manage their business effectively in other to be increase employment situation in Ghana, Government has put in place some organisations like REP and NBSSI to train entrepreneurs within the SME's sector. 8.1% believed that SME's have people who are well qualified for the sector but also said that education and access to credit is current challenges facing the sector. See table 5 for details.
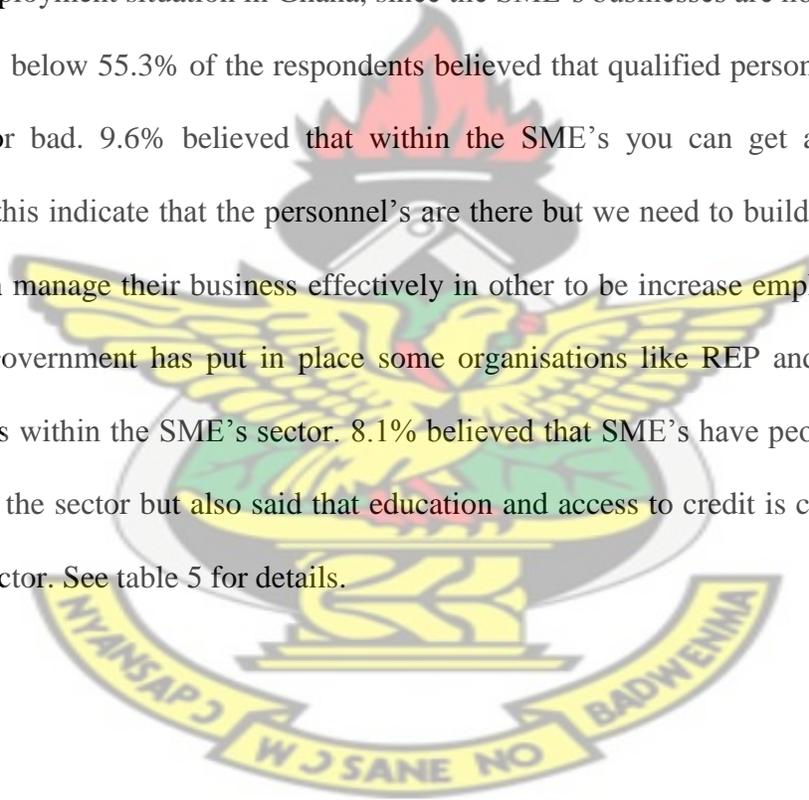
Qualified Personnel

Table 5

Qualifications	Frequency	Percentage
Very bad	52	55.3
Bad	25	27.0
Average	9	9.6
Good	7	7.0
Very Good	1	1.1
Total	94	100.0

Source: Field Survey July 2011

Lack of skilled labour is a common feature of small scale industries. Many workers are self trained artisans whose skills are normally low. Family affiliations of the owner often dictate selection of workers, regardless of their skills. Also due to low wages, labour turnover is very high, especially in the urban areas. The more skilled workers often move from small industries to larger ones, in search of better pay and employment security. SME's are therefore often forced to rely on cheap casual workers or less qualified personnel and as a result their productivity is poor, irregular and unreliable. Some of the respondents also suggested that government should introduce entrepreneurial skill development courses from the Junior High School (JHS) to Tertiary level. This could ensure that our graduates from School would be equipped and prepared to become entrepreneurs.

4.7 MARKET AREA

The question of where the SME's operate were of great concern to the researcher since most researchers have proposed that most of the SME's products can not be sold outside their country of origin because of International Standard Organisation (ISO) standards.

The survey reveal that 85% of the respondents sell their product within STMA, 11% of them also sell 50% of their product outside the STMA while 4% sell their product entirely outside the STMA. This shows that SME's if given the chance will operate every where. Some of the respondents complained that they don't want to sell outside their home district because of the high cost of transportation and the nature of their product. The figure below shows the market area in which the entrepreneurs operate.

Figure 6.
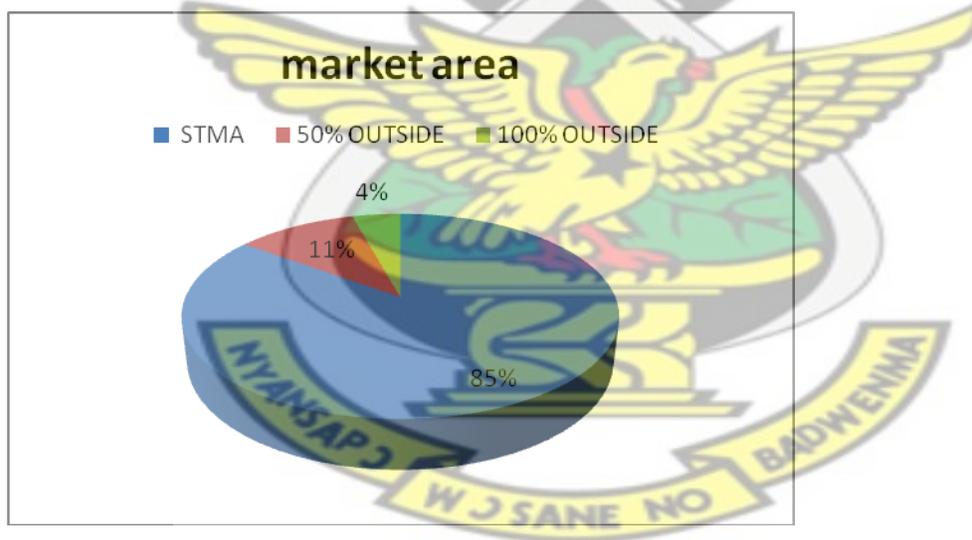
Source: Survey July 2011

It was also find out that entrepreneurs with little capital find it difficult to sell outside their home district. Others don't want to sell outside home district because of poor finishing, to them, before they can sell outside their district they have to improve their finishing as well as

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packaging in other to meet the international standard. The 4% also explained that they normal looking at where people don't sell some of their product and take advantages of that, to sell their product. Finally, 11% also claim that they have to move from one district to another because of the market days.

4.8 BUSINESS ATMOSPHERE

Business atmosphere is the environment within which the business will operate. The table 6 below explains the condition found concerning the business atmosphere from the field.

Business Atmosphere in General

Table 6

Ranks	Frequency	Percentage	Cumulative Percentage
Very bad	7	7.4	7.4
Bad	15	16.0	23.4
Average	42	44.7	68.1
Good	24	25.5	93.6
Very Good	6	6.4	100.0
Total	94	100.0	

Source: Field survey, July 2011

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From the data gathered from the field, 7.4% of the respondents believed that business atmosphere is very bad, 16% think that it is bad. To some of them there are lots of forces which fight against their businesses in the country both internal and external forces. Concerning the external forces, interviewed made mention of high taxes, high cost raw materials, high tariffs as well as increase price of the labour which goes with low selling price. 44.7% of them think that it is average, 25.5% believed that it is good and only 6.4% think that it is very good. To those who believed that business atmosphere is averagely good also believed that there is a protection by the government since government has plans to promote SME's or local produce industries in the country. They also believed that in recent times government have increased infrastructure like roads to support SME's to transport their commodities to the market centre's.

In all, it was believed that the business atmosphere in general is good for SME's in Ghana. This means that enterprises establish in Ghana can operate anywhere, does not involve strict conditions for operation, to them this conditions are there for industries but not SME's. It was also obvious to note that government policies behind the establishment and operation of the SME's support institution had not been effective and productive to support SME's.

4.9 DEVELOPMENT OF NEW PRODUCT

The survey confirms the debate that SME's are thought to be flexible and innovative organisations that are able to respond quickly to customers and market demands by Levy & Powel (2005). Figure 7 below attested to the view of Levy & Powel (2005) since 50 entrepreneurs agree that they have developed new product. This was followed by 32 people

who also said that they strongly agree that they have also introduced new product to the market. From the field it has proved that out of 94, 82 has developed new product and this has been done as a result of customer change pattern and also the market demands. This represents 87.2% of the entrepreneurs interviewed. The remaining 12.8% has not introduced new product to the market and this represented by 2 who strongly disagree that they have introduce new product as well as 10 entrepreneur disagree. This is also as a result of lack of knowledge about been innovative and creative. As a result of this, their business is not growing and their customers also are no more patronizing with them. According to Carrie et al (1994), it is the people rather than technology that provide flexibility within the SME's sector. It also confirms the idea that SME's and entrepreneurs are bedrocks of new goods and services, new method of production, the new opening up of economy by setting up of new markets, introduction of new sources of supply as well as industrial re-organisation. To some of them the introduction of new product has helped them to cope with the new market demand, and to some of them, the innovativeness nature put up by them create a paradigm shift by altering the conventional way of doing things in terms of available technology, strategy, skills and styles.
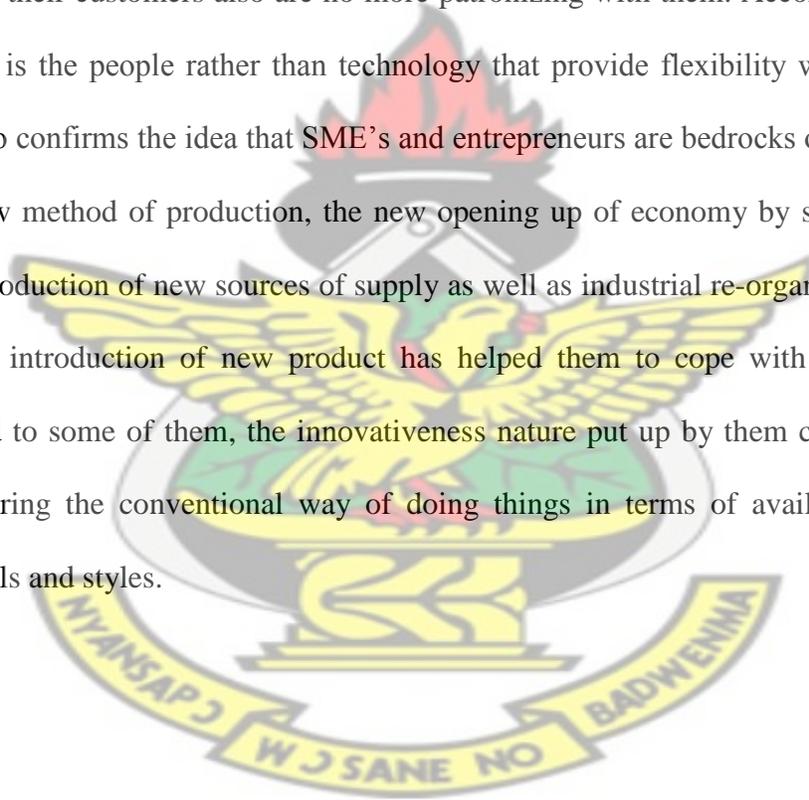
Development of new product

Figure 7.
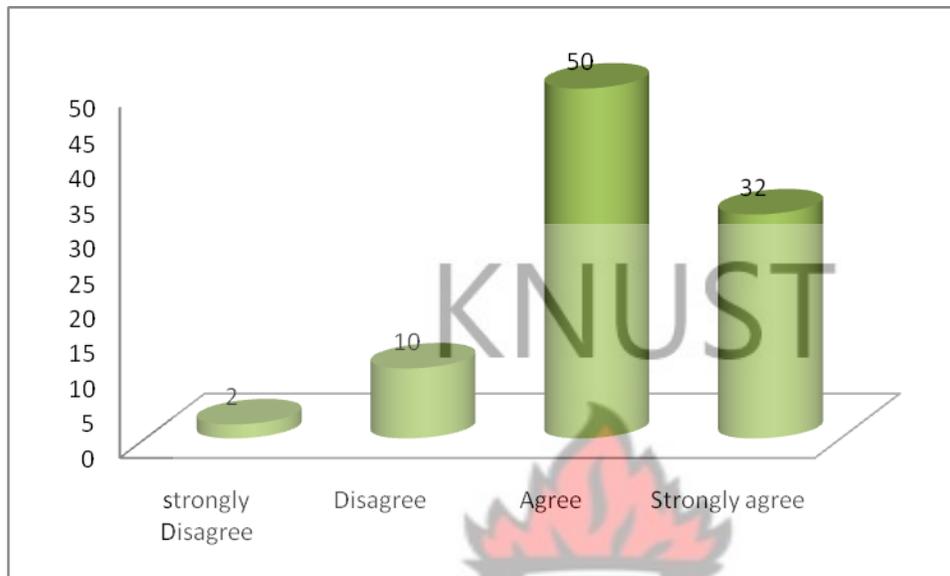
Source: 2011, Field work

4.10 SALES GROWTH / PROFIT

The question of sales growth or increase in profit was a great concern to the researcher since businesses can only expand in future if it has capital for reinvestment and looking at the contributions of SME's to the economic development especially for employment creation where SME's contribute about 70% to the labour force of the country then it was very important to look at its future employment situations. During the survey, interviewers were asked to find out the sales pattern of the interviewees. It was realised that 12.8% of the 94 interviewees explained that they strongly disagree that they have not increased their sales for the past two years, 3.2% also disagree that they have increased their sales level for the past two years. To them they always operate at break -even point and if care is not taken, they will leave the industry. They also said that it is as a result of many factors and common among

them is the introduction of foreign goods in the country which has affected their businesses. 81.9% of them agree that they have increased their sales for the past two years whiles 2.1% also strongly agree to testify that their sales figure has increased tremendously.

As we all know from economies point of view, when cost of production is low as compared to high sales level therefore profit must also be increased and when profit is increased, entrepreneurs can re-invest part of the profit back into the business for the business expansion and this can lead more creation of jobs and reduce the high unemployment rate in Ghana as well as Sekondi -Takoradi. 50 percent of those respondents who have increase sales also said that they have been able to increase sales by 75 percent followed by 30 percent have also increase by 100 percent whiles the remaining 20 percent has increased sales between 120 to 150 percent for the past two years. Some of the respondents claimed that profit increased is not the same as sales since cost of production has also increased for the past two years. To them they have been able to cope with the market demand change pattern because of the training they have received from support organisations like NBSSI and so on.
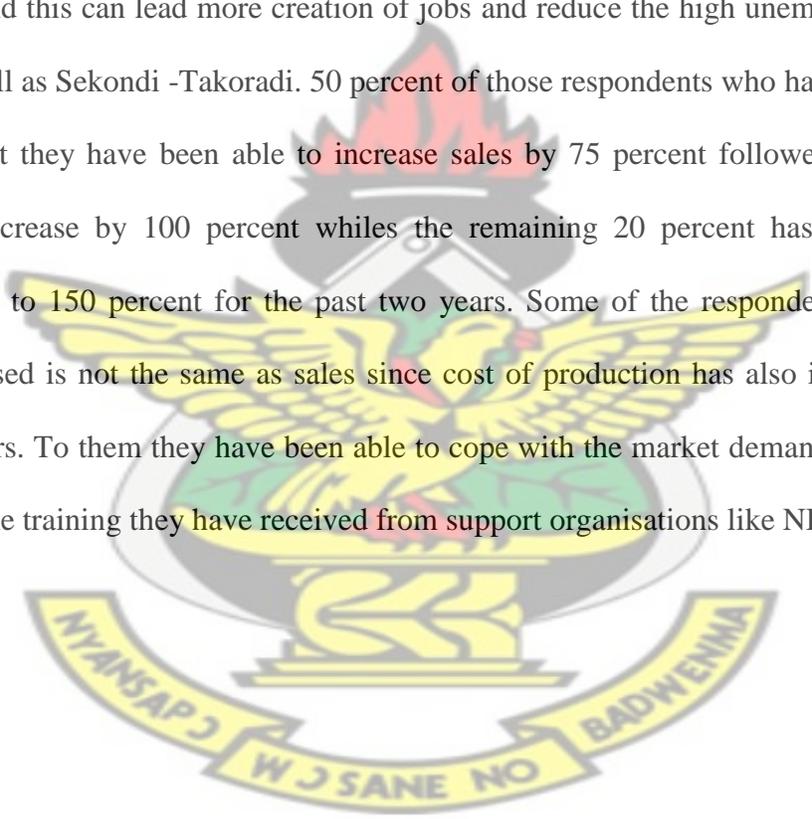
4.11 ROLE PLAYED BY REGIONAL ADMINISTRATION FOR SME's DEVELOPMENT

A lot has been said and written about the contribution of government and other institutions at different levels to help develop SME's in developing countries. In Ghana, government has launched numerous development programmes and projects to help grow the economy. According to Kayanula and Quartey (2000), small scale enterprise promotion in Ghana was not impressive in the 1960s. As the economy declined in the 1980s, large-scale manufacturing employment stagnated which forced many formal sector employees into secondary self-employment in an attempt to earn a decent income. It was with this view why governments established other organisations to support SME's to grow to create a lot of employment situations in the country these organisations includes:

The National Board for Small Scale Industries (NBSSI) which was established under Act 434 in 1981 as an apex body for the development small-scale industries in Ghana. In order to create a single dynamic integrated organization capitalized and capable of responding to the needs of the SME sector, the government merged the Ghanaian Enterprises Development Commission (GECD) in 1991 and the Cottage Industries in 1994 with the Board. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial at the grass root level.

In 1992, the government in attempt to the response of the private sector to economic reforms undertook a number of measures. According to Kayanula and Quartey (2000), prominent among them is the setting up of the Private Sector Advisory Group and the abolition of the

Manufacturing Industries Act, 1971 (Act 356) which repealed a number of price control laws, and the Investment Code of 1985 (PNDC Law 116) which seeks to promote joint ventures between foreign and local investors.   In addition to the above, a Legislative Instrument on Immigrant Quota which grants automatic immigrant quota for investors was enacted. Government also provided equipment leasing, an alternative and flexible source of long term financing of plant and equipment for enterprises that cannot afford their own.

The Ministry for Private sector Development was established in 2001 to co-ordinate and harmonizes all inter-sectoral effort which aimed at the development of the private sector as the engine of growth and poverty reduction. The Ministry of Private Sector Development (MPSD) was charged with the responsibility to facilitate basic courses for the informal sector to awaken individuals and enterprises of the sector to the potential benefits of basic disciplines such as bookkeeping, banking and other entrepreneurship skills. The Ministry made progress towards relieving Small and Medium-Scale Enterprises (SMEs) of one of their major problems, which is access to affordable long-term funds. To boost the country's export trade, an Export Development and Investment Fund (EDIF), has been set up by the government to be given out on very liberal terms. The funds are administered by eleven (11) designated financial institutions. Furthermore, other schemes such as the Government Loan Guarantee, African Development Foundation, Italian Credit facility, etc was set up by the government. These schemes did not only solve the perennial problem of SMEs inability to provide collaterals demanded by banks, but also ensured an increased flow of capital to the private sector for innovation, technology development and adoption and development of new products and services for productivity enhancing investment activities.

The President's Special Initiative (PSI) was lunched in 2002. It aimed at supporting the production of cassava as well as textiles and garments for export. The President's Special Initiatives (PSI) has been launched in five (5) areas of activity. They are accelerated export development for garment and textiles, salt mining, cotton production, oil palm production, cassava starch production and distance learning. These initiatives are intended to spearhead the expansion and deepening of the economy; create jobs and reduce poverty through agribusiness and export in Ghana. It is also intended to develop a critical mass of high growth oriented internationally competitive exporting firms in the said sectors, targeting the American and European consumers markets. Currently, there is an ongoing Rural Enterprise Development Programme in which every district in Ghana is to identify three (3) enterprise projects for development. It is with this view, why the survey looks at the contributions of the various developmental organisations like Regional Administration and their activities towards the SME's development.

The survey revealed that a total of 74.5% of the SME's assessing the performance of the regional administration has no experience to low as well as, 25.5% also assess them between average and high performance. The table 7 below explains into details:

Role of Regional Administration towards SME's Development

Table 7

Ranks3	Frequency	Percentage	Cumulative percentage
No Experience	32	34.0	34.0
Very low	15	16.0	50.0
Low	23	24.5	74.5
Average	19	20.2	94.7
High	5	5.3	100.0
Total	94	100.0	

Source: 2011 field work

From the table 7 above 34% of the respondents have no experience about the regional administration activities which gear towards the development of SME's, 16% of them said that the activities of the administration towards SME's development is very low whiles 24.5% went in for low. It was also realised that 20.2% of the respondents said that the performance of the regional administration towards SME's development is average and final 5% of them rate the administration high. It was revealed that the government has put up more efforts but the people on the ground are not trying to carry out their duties as well. It was also realised that the office is not open to SME's.

4.12 ROLE PLAYED BY SUPPORTING AGENCIES TOWARDS SME's DEVELOPMENT

SME's has less business and marketing skills that may allow them to put together effective business proposal as well as plans. They have less access to formal channels that provide comprehensive skills training because they are mostly unaware of the existence of such programmes and even when they are aware, their time constraints may limit their access to such programmes. It is in line with these constraints why government has established some organisations to help SME's in this direction. The research looks at the contribution of these organisations towards the development of SME's.

From the survey it was revealed that 53.2% of the entrepreneur respondents have no experience of the activities of supporting agencies like National Board for Small Scale Industries. To them they are not aware that such organisation exist to support them, 17% of the respondents think that the contribution by these agencies are very low, because to them to even get access to their offices is a big problem, 22.3% believed contributions of these agencies are low and only 6.4% and 1.1% believed that the agencies contributions were average and high respectively. The studies also revealed that some of these agencies do not have permanent offices and even those who have offices; it is difficult for entrepreneurs to identify them. It was found out that most of these agencies does not have sign post and even those who have their sign post is not easily visible by clients. The effect of this is that it makes people find it difficult in allocating the offices hence the delayed in their activities. The figure 8 below shows the office of NBSSI- Takoradi. The studies also revealed that some of these agencies organized programmes for the SME's like management training,

community based training programmes, advisory services and referrals to appropriate authorities but it was found out that the nature of the training programmes they normally organized does not benefit the entrepreneurs. 80 percent of the respondents suggested that agencies who organized programmes for SME's should make sure that the programmes should be design to promote SME's.

According to agencies 30 percent of their activities are trainings, 60 percent for advisory services whiles 10 percent for referral issues. To them these programmes are organized to help SME's to grow form one stage to another. It was also important to note that government policies behind the establishment and operation of the SME's support institutions had not been effective and productive. From the field we observed lapses inherent in them, the policies were either defective in their formulation or were not truly implemented. The study also revealed that the reason why government policies are not effectively implemented could be explained by the fact that workers of these institutions were not involved in the formulation of the policies and for that matter find it difficult implementing them. It is believed that to solve this problem, all stakeholders should be involved in policy formulations as well as the implementation for them to achieve the expected results.

The Business Advisory Centre (BAC) Office-Takoradi

Figure 8

SOURCE: 2011, July field picture

From the picture above it was found out that sign post is not easily visible by clients. The effect of this is that it makes people find it difficult in locating the offices since the entrepreneurs are time constraints. Some respondents complained that there are a lot of such organisations which does the same activities and it also consumed most of their time since those agencies are doing the same thing, to them it will be appropriate if government can come out with a single SME's board to regulate the activities of these organisations.

4.13 RESEARCH INSTITUTION AND SME'S DEVELOPMENT

From the survey it was proved that regional administration and supporting organisations have not performed to task as explained by respondents. It was also revealed that research institution has also not achieved their aim by helping SME's to grow. The survey revealed that 76 of the entrepreneurs have no idea about the work of research institutions to support

the growth of SME's and this represent 80.9%. It was followed by 9 respondents who also believed that the contribution of research institution towards SME's development is very low which represent 9.6%, 6 people also believed that the contribution of these institutions are low and also represent 6.4%. It was only 3 people which represent 3.2% believed that the performances of research institutions are average. It was realised that SME's are not aware that these institutions are there to help SME's to grow. Some also claimed that services of these institutions are very expensive for SME's to pay, as well as the bureaucratic nature of processes you have to go through before getting the services of this institution, it makes them not feel like requesting for their services. The table 8 below shows the details:

Research institution versus SME's development

Table 8

Rank	Frequency	Percentage
No experience	76	80.9
Very Low	9	9.6
Low	6	6.4
Average	3	3.2
Total	94	100.0

Source: 2011, Field work

4.14 SOURCE OF FINANCE

The study revealed that SME's in Ghana depended on their savings or borrowing from their friends and relatives as the main source of financing in view of the fact that credit from the formal banking system to the formal sector is very limited.

According to Thormi and Yankson (1985), finance is the most serious problem of small-scale industries in Ghana. The study also revealed that small-scale entrepreneurs mainly rely on their own source of capital for both start-up and working capital. If business or enterprises financing is to be left in the hands of entrepreneurs own sources as against the backgrounds of low savings culture in the country, then SME's development will be greatly held back.

The data gathered revealed that 73.4% of firms or enterprises provided their own source of capital either for start-up or working capital. This was followed by 13.8% who finance their businesses by borrowing from friends or relatives. 12.8% of them get their financing from financial institutions like banks or local money lenders. The survey also revealed that 89% of respondents were not able to keep proper records of income and expenditure which can also help them access credit from financial institutions, 62% the respondents indicated that because of irregular flow of income and high rate inflation, 87% of the respondents also said that because of high interest rate from banks they can not access loan from the banks. The fear for entrepreneurs not to pay back the credit contracted from financial institutions as a result of high interest rate charged by banks are the reason why entrepreneurs are not motivated to go in for such facilities to expand their business. It was also revealed that some entrepreneurs have taken steps to solve some of these problems and it includes arrangement

for more loans from relatives or friends and also negotiations for more credit purchases. The

table 9 below shows how respondents responded to financing issues:

Sources of Finance

Table 9

Sources of finance	Frequency	Percentage
Self financing	69	73.4
Banks	11	11.7
Relatives	13	13.8
Money Lenders	1	1.1
Total	94	100.0

Source: 2011, Field work

4.15 ASSISTANCE RECEIVED FROM FINANCIAL INSTITUTIONS

Out of the 94 firms surveyed, only 22 of them representing 23.4% had obtained credit assistance from financial institutions or local money lenders and these are either in cash or investment capital. 60% of the 72 had also applied for financial assistance from the banks but yet to receive their package. Some explained that they have been asked to register their businesses. The remaining 40% indicate that they have not applied for bank loan because of the bureaucratic nature of the banks as well as the high interest rate.

The study also revealed that, out of 22 firms which had received assistance from the financial institutions 21 representing 95.5% of them claimed that their business nearly collapsed because of high interest rate charged by the banks and for that matter are not motivated to contract loans again from the banks. 1 person who represents 4.5 percent claimed that she did not have serious problem with the loan because the money was used for the purpose it was meant for. It was released that assess to finance is one of the major obstacle especially to female entrepreneurs due to the fact that they lack savings needed for the equity payment required to get a loan and almost all of them have no assess to land or physical infrastructure which can support them to contract loan from the banks.

In addition to that, entrepreneurs face the disadvantage that they very often only have had a limited assess to education which makes it difficult for them to fill in the complex forms for applying for a loan. Many banks require business records as minimum prerequisites before granting credit and a record keeping is one of the major challenges for SME's. Below is table 10 which talks about the number of entrepreneurs having assistance and have difficulties

with the interest rate. The study also revealed that 10 percent of the banks loan has been

given to the SME's. Some of the banks contacted did not even have policies for the micro,

small and medium scale enterprises but they believed that automatically some of their clients

will be operator of SME's. Those banks that has policies for the SME's also complained that

they find it difficult to deal with greater percentage of the SME's since their level of

education is very low and also did not keep proper books at their wok site. To them without

proper keeping of records it is difficult for them to make accurate appraisal to enable them

grant loans to the people who have applied for.

Difficulties with Obtaining Loans

Table 10

	Frequency	Percentage	Cumulative Percentage
Yes	21	95.5	95.5
No	1	4.5	100.0
Total	22	100.0	

 Source: 2011, Field work

From the table above 21 of the loan receivers have had difficulties with the interest rate

charge by the banks. To them the cost of credit is too high for SME's to cope with and will

suggest that government should come out with fewer charges for only SME's. One of the

problems was that the calculation of the interest rate was not made clear for them. Some of them suggested that banks should organize workshops for the SME's to educate them on some of the banks policies.

4.16 THE EFFECT OF INTEREST RATE

The survey attest to survey conducted by Association of Ghana Industries (AGI) News letter (March 2011), of which access to credit and high cost of credit were ranked first and second respectively. It was also said that high interest rates collateral requirement and cumbersome documentation demand by the formal financial institutions deter many from accessing formal funds. (Davenport 1967).

From the survey, entrepreneurs who have received assistance from the financial institutions claimed that it nearly collapsed their businesses, because of high interest rate charge by the banks couple with high cost of production. From the survey, 4 of the entrepreneurs who have received assistance from the banks claimed that the interest rate was high, 18 of them also claimed that the interest rate was very high. To them the nature of the interest rate has deter them from contracting funds from any financial institution since the banks are not prepared to help SME's to grow in the country. Those who have not even applied for support from these institutions also claimed that because of the interest rate charge by the banks will not encourage them to apply for the facility.

It was also realised that about 70 percent of the people who have contracted loans from the bank are part of the entrepreneurs who are keeping records to track progress of their

businesses. To them there was high interest rate charged by the banks but they have been able to use the funds, improved their businesses with the little money that they received. Some of the respondents suggested that government should reduce the interest rate for people who use the money for SME's activities in order to create employment within the society.

To some of them, since the rate of interest is cost of capital, a fall means cost of production falls and marginal efficiency of capital exceeds the rate of interest and this will entice entrepreneurs to invest more which will therefore increase output by employing more factors of production. Respondents also complained that if government fails to let the banks to reduce the interest rate for SME's then the rate of interest will exceeds that of marginal efficiency of capital which will not encourage entrepreneurs to invest more hence output will reduced by employing less factors of production or by laying some of the factors of production off which will increase the rate of unemployment situation in the country.

4.17 EFFECT OF FOREIGN SUBSTITUTE GOODS ON SME's

Many SME's are now faced with greater external competition and the need to expand market share. From the survey many of the entrepreneurs interviewed said that there were too many imported substitute goods coming into the country. To them, the unfair trade practices characterised by dumping and importation of substandard goods by unauthorized businessmen. This situation has currently been motivated by the effect of globalization and trade liberalisation, which makes difficult for SME's to compete even in local or home market. Trades among countries have increased the competition not only on international markets, but have a direct impact on regional and local markets.

The respondents believed that looking at the contribution of SME's towards national development in terms of employment creation, if care is not taken, then a lot of people will loose their jobs and it will affect the nation in the long run. The table 11 below will explain the respondents' idea on the foreign substitute as compare with the local competitors.

SME's Competitors

Table 11

Competitors	Frequency	Percentage
Local Goods	31	33.0
National Goods	10	10.6
Foreign Goods	53	56.4

Source: Field work, July 2011

From the table 11 above, 56.4 percent of respondents complained that large firms in foreign countries come to Ghana to dump some of their goods and this has resulted in low patronage of locally produced goods by the general public. To them, lack of access to appropriate technology as well as mere absence of research and development may not allow the local SME's to compete with its foreign counterpart. 10.6 percent also believed that they have regional competitors which in the long run are good for the sector to learn from their regional counterpart. 33 percent of the respondents also complained that they are aware that within the metropolis they have competitor but to them both the regional and the locally competitors are not big problem to them since cost of the product are almost the same. To them it also helps them to improve their production levels as well as technology.

Concerning the foreign competitors, respondents complain that those foreign firms have expanded over time to enjoy economies of scale and therefore produce at their minimum long run average cost curve. They therefore sell their product or goods at cheaper price as compared to that of local ones. To them if competition were allowed with these big foreign companies, it would be unfair and the SME's would prefer the imported goods to the locally produced goods but this has serious effect on the domestic economy for unemployment problem since most of the goods would be imported. To solve this problem, some of the respondents suggested that government should impose tariffs and import duties on the imported commodities which can be produced locally in order to raise its prices at par with that of the locally produced goods or make its price to be higher than that of locally produced goods so that demand for locally produced goods will be higher. Others also believed that limited international marketing experience, poor quality control and product standardization and little access to international partners has hinder expansion into international market. Others also suggested that government should ban certain goods from being imported into the country and encourage local producers to produce and market such goods. They believed that by so doing it will increase the rate of employment in the country since SME's employ about 60% of the country's population. Some of the respondents also suggested that government should come out with a favourable trade policies and investments in the field of value chain development and regional supply chains to facilitate SMEs access to international and national markets

4.18 ASSESSING THE CHALLENGES OF SME's

The survey tries to access the interviewed entrepreneurs to find out what has been some of the main challenges that they face in performing their functions as SME's in Ghana. At this level to different things were considered this include responses from questionnaire as well as focus group meeting. During the interviewed period numerous of the challenges were outlined by respondents and they are as follows:

- ❖ High rate of importation of foreign goods

- ❖ Lack of access to capital

- ❖ High tariffs rate

- ❖ High interest rate (cost of capital)

- ❖ Poor infrastructure

- ❖ Poor finishing

- ❖ Poor management

- ❖ Lack of qualified service providers

From the field 98.9% of the respondents believed that SME's in Ghana today is being confronted with numbers of challenges and to them if these challenges are not solved by government and the society as whole in the near future, it will make Ghana loose a lot of people joining the sector. To them it is time that policy makers should try to enact policies to protect SME's in the country rather than protecting the larger firms. Some of the respondents complained that Ministry of Trade and Industry has presented an Industrial sector support programme (ISSP) document to cabinet for consideration but to them this document is of more advantage to the larger firms than that of micro, small and medium scale enterprises

and urge government to come out with a separate document to cover only the SME's in the country.

It was also revealed that entrepreneurs who are under this sector are not happy because of poor infrastructural development which makes most of them not to meet the variable cost of production because of high dependence on imported raw materials with the attendant high foreign exchange cost and the scarcity at times. The 1.1% of the respondents believed that SME's in the country does not have any serious problem but what they believe is that chance should be given to them also to compete with foreign goods outside the country. They also explained that because of the ISO documentation some of them can not enter into the international markets so if government can assist them to enter into international market, they will be very happy but to them they can not say that SME's face numerous challenges which deprived them from growing.

During the focus group meeting with some selected members and the executives of ASSI, participants were asked to rank the challenges and upon the ranking, Access to Capital was ranked the number one , followed by importation of foreign substitute goods, the next was poor infrastructure. The remaining was as follows: high interest rate, High tariffs, poor finishing, lack of qualified service providers and poor management. Some of them suggested that government should force banks to give a greater percentage of loans to SME's instead of giving it to other sectors. They also suggested that if government wants to reduce the youth unemployment, then government should encourage self-trained people to join the sector. Some of them also complained about the recent increase of foreign goods into the country

and suggested that government should ban all goods which can be produced by micro, small and medium enterprises in the country in other to create more employment.

4.19 CONCLUSION

The study revealed that 100% of the respondents believed that SME's in Ghana has a bright future if government can protect them by putting policies like trade restrictions on foreign goods in place to protect the SME sector. To them looking at the rate the youth involvement with SME activities, this clearly shows that new ideas and innovative way of doing things are introduced into the sector. They suggested that government should come out with a clear-cut policy for SME's development and also suggested that there should be a common SME board to regulate the activities of all SME's developmental organisations because currently there are a lot of duplications of activities by the SME's developmental agencies within the country.

Finally, the contribution of Micro, Small and Medium Scale Enterprises to the Ghanaian economy can not be over emphasised especially its contribution towards employment creation as well as the poverty reduction but in spite of the above the sector has not performed well because of some challenges that faces the sector which include: poor infrastructure, poor finishing, high rate of importation of foreign goods into the country, lack of access to capital, high tariff, high interest rate and so on but a lot need to be done to solve these challenges to promote SME's in Ghana.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter discusses the summary of the findings, implications, recommendations and conclusions discovered in the course of the research. The findings were the highlight of issues that were revealed during research. It also involves the recommendations that can help to overcome the challenges faced by the micro, small and medium scale enterprises and subsequently provides a conclusion to sum up the entire research.

5.1 SUMMARY OF FINDINGS

Key issues discovered and their respective implication during the in-depth analysis include: dominance of female and youth of entrepreneurs, low level of education, legal status of the SME's, lack of qualified personnel, poor contribution by the supporting institutions, lack of access to credit, effect of these foreign substitute goods and level of sustainability of SME's in Ghana. These findings are discussed as follow:

5.1.1 Female and Youth Domination

The study revealed that 74.5% of the SME's entrepreneurs are female. It also revealed that majority of the entrepreneurs are between the ages of 20-49 years old. This group formed 94% which is quite significant proportion. This implies that SME's entrepreneurs are energetic and therefore with adequate financial and skill training support, the sector could improve its contribution towards the GDP as well as the economic development of the country.

5.1.2 Low Level of Education

The findings revealed that level of education has a positive impact on the growth of business. Entrepreneurs with high level of education can keep basic records and prepare business plan to access credit from the bank.

5.1.3 Legal Status

Deriving from the data, majority of the entrepreneurs are sole proprietors. It was also revealed that 44.7% of the business has been registered with STMA or RGD and out of this 73.8% registered with STMA which does not guarantee the legality of the business.

5.1.4 Lack of Qualified Personnel

The research revealed that majority of the employees tends to be mostly relatives of the owners and have no legal backing. Apart from this 82.3% of the entrepreneurs believed that the sector has problem with personnel which has resulted to low productivity within the sector.

5.1.5 Assistance Received from Various Institutions

Out of the 94 entrepreneurs, 74.5% of them have not had any contact with the activities of the regional administration whiles 83.2% also said that the activities of the support institution does not benefit them. It also revealed that the support institutions are too many which affect activities of the SME's development. Apart from this the actual location of these institution are very difficult to come by.

5.1.6 Source of Financing SME's Business

Out of the 94 firms surveyed 69 representing 73.4% provided their own source of capital, 13 representing 13.8% also had it from relatives only 12 enterprises which represent 12.8% had it from financial institution. This implies that if business financing is left in the hands of entrepreneurs own sources as against the background of low savings culture in the country, then SME's development will be greatly held back.

5.1.7 Lack of Access to Credit

The study revealed that only 10% of the banks loan has been given to the SME's. It was also identified that some banks does not have policies for micro, small, and medium enterprise. Out of the 94 firms surveyed, only 22 of them, representing 23.4% only had obtained credit assistance from institutions which is very low and looking at the contribution of SME's in the country especially employment creation, it will be possible for them to extend the business to cover greater percentage of the unemployment situation in Ghana and for that matter if credit facilities are not made available to them, it will effect the employment conditions in the country.

5.1.8 Effect of Foreign Substitute Goods on SME's

From the survey, it was revealed that too many imported substitute goods are imported into the country. It was also revealed that lack of access to appropriate technology as well as near of research and development does not allow the local SME's to compete with its foreign counterpart.

5.1.9 Scope and Nature of Product Market

A greater proportion of entrepreneurs thus 85% market their product and services within their district since others don't want to sell outside because of poor or bad finishing as well as packaging.

5.2 CONCLUSION

On the whole, the study concludes among other things that SME's in Ghana are dominated by females and the youth of which majority of them are less or non educated which has led to many of them not keeping business records in other to access their growth performance. The study also revealed that SME's support institutions which are the implementers of Government policies have failed to support the development of SME's in Ghana. Other shortcomings of SME's in Ghana include: goal setting, negotiation and decision making capabilities as well as planning skills. Most of the SME's surveyed have not registered their business but those who have registered only 26.2% has registered with the RGD.

It was also revealed that SME's in Ghana are facing intense competitions from the big industries of advanced countries; many of them may not survive this global competition drive. The study also revealed that most of the entrepreneurs do not patronize bank loans since access to credit has become one of the major challenges to SME's growth in Ghana. It was commonly believed that SME's have limited access to deposits, credit facilities and other financial support services. This is because SME's can not provide the necessary

collateral demanded by these institutions and on the other hand these institutions find it difficult to recover the high cost involved in dealing with SME's.

To solve these inefficiencies which have negative impact on SME's promotion for economic development, the research has recommended some policy interventions which includes: setting up SME's fund at all district, metropolitan and municipal to support SME's activities, putting ban on some of the imported goods which can be produced locally by SME's, establishment of SME's bank to support given more loans to SME's which will help them to access credit for business expansion, formation of national policies on SME's operations and finally, setting up a common board to regulate all the activities of all the SME's support institutions in the country.

It is likely that if the above recommendations are carried out, it would go a long way to promote SME's activities and also increase their contribution towards economic development in Ghana.

5.3 RECOMMENDATION

Based on the analysis and findings of the research, the researcher wish to make the following recommendations for improving micro, small scale enterprises to help solve the challenges facing the sector:

- ❖ Setting up a common board to regulate all the activities of the SME's support institutions.

- ❖ Strengthen and support NBSSI to perform its mandatory function.

- ❖ Literacy training for the SME's entrepreneurs.

- ❖ Government should reduce the interest rate for SME's so that they can borrow from the banks.

- ❖ Setting up SME's fund at all the district, metropolitan and municipal to support SME's activities.

- ❖ Establishment of SME's Bank in Ghana.

- ❖ Ban of SME's goods imported into the country.

- ❖ Enforcement of policies to register all start up businesses within the first three months.

- ❖ Formation of SME's Policies to control them

In the long term however, there is the need for political will to develop the sector as well as policy framework establishment by the government to support the interventions in the sector. Some of these suggestions are discussed subsequently in details.

5.3.1 Establishment of SME's Bank

There is the need for the government to facilitate the setting up of a special bank which will deal with only SME's issues. When this bank is set up, it will help most of the entrepreneurs who want to access credit to expand their business to access the facilities. Firstly, this bank will understand the situation in which SME's are going through. Secondly, the bank is only dealing with SME's and all attention will be on them but not on salary workers as it is now. If this is done, we believe that SME's in Ghana will improve to support the economy to grow.

5.3.2 Interest Rate

The reduction of interest rate should be a short term issue. If the interest rate is reduced, it will encourage more of the entrepreneurs to access loans from the bank since most of them believed that rate of interest is cost of capital. A fall means cost of production falls and marginal efficiency of capital exceeds that of rate of interest and it will entice them to invest money which will therefore increase output by employing more factors of production.

5.3.3 Literacy Training for Entrepreneurs

The current illiteracy rate for (92%) of the entrepreneurs is very high. There is the need for government and other key stakeholders to team up for the provision of literacy training to enable them keep simple business records and also make simple calculation to help the growth of their businesses as well as to calculate their profit.

5.3.4 Ban of Importation of Foreign Goods

Government should establish policies which will ban the importation of foreign goods which can be produced locally by SME's but where the ban will not be necessary, government should impose high tariffs and import duties on the imported commodities in other to raise its prices so that people will demand locally produced goods.

Certain goods should not be allowed to be imported into the country and government and other institutions should help entrepreneurs to improve their capacity both human and material to increase productivity so as not to create shortage of goods and services in the country.

5.3.5 Setting up Common Board

Government should set up a common board to regulate all the activities of the organisations which work with SME's. During the research, it was revealed that there are a lot of organisations which work with entrepreneurs and these organisations do the same work which takes most of the time of these entrepreneurs. If there is a common board, it will help to eliminate duplication of functions within the sector.

5.3.6 Setting up Policies

As we all know the contribution of SME's to the economy of the country, government should come out with SME's policies which will protect activities of SME's.
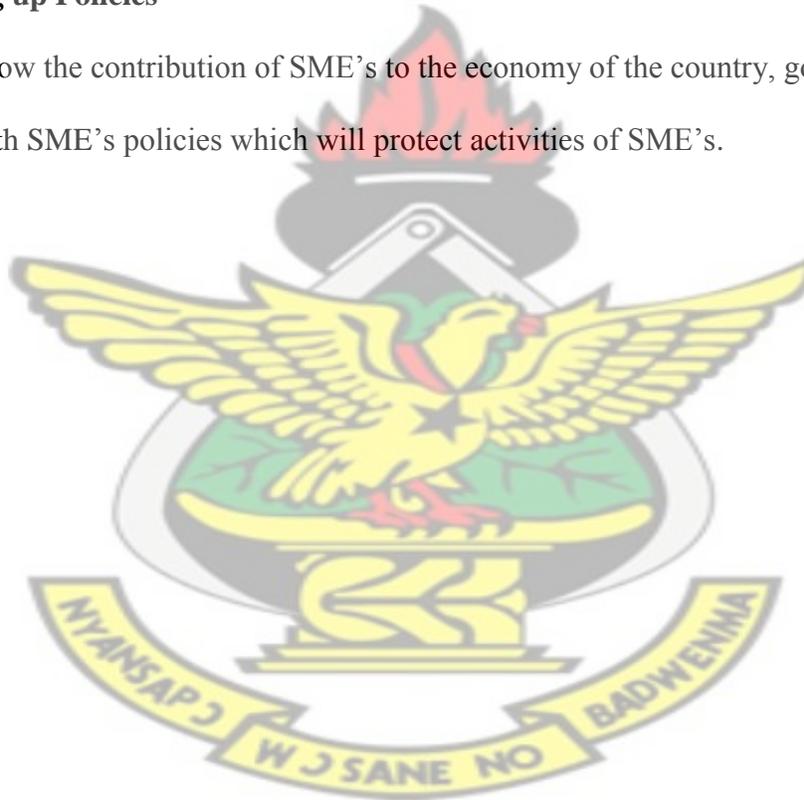
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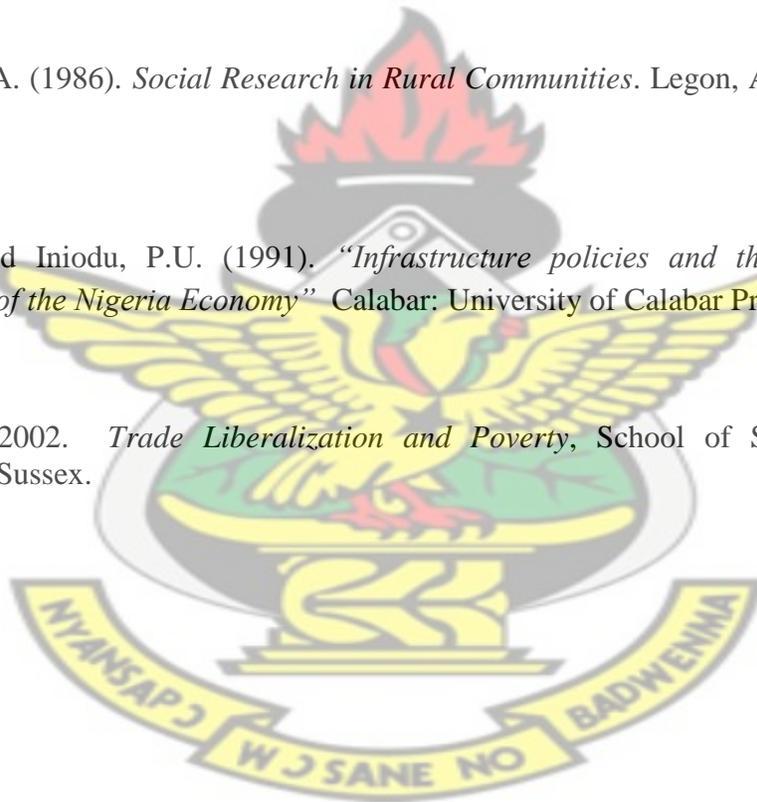
APPENDIX I

QUESTIONNAIRE

The following questionnaire is part of a survey being conducted in partial fulfillment of a commonwealth Executive Masters in Business Administration (EMBA) degree from KNUST on the topic Micro, Small and Medium Enterprises in Ghana: challenges and prospects. This information is purely for academic purpose and therefore its confidentiality is highly guaranteed. You are therefore kindly requested to provide accurate answer to the ensuring questions. Your co-operation and support will be appreciated.

SECTION A

1. Respondent's Gender
   a. Male ☐   b. Female ☐

2. Age
   a. 20-35 ☐   b. 36 – 49 ☐   c. 50 -60 ☐

3. Place of Work
   …………………………………………………………………………………………

4. Indicate highest level of education obtained (Tick only one)
   i.   No formal education   [ ]
   ii. Primary education   [ ]
   iii. Junior High school   [ ]
   iv. Secondary/Technical/Vocational   [ ]
   v.   University/Polytechnic   [ ]
   vi. Other (specify)…………………………………………………………………...

SECTION B

5. Home district of your company (Choose one):

a) Sekondi – Takoradi Metro ☐   b) Wassa Mpohor East ☐

c) Prestea Huni-Valley ☐   d) Tarkwa Nsuem ☐

6. Products of your company are sold (Choose one):

   a)   Only in the market of the home district

   b)   Mainly (over 50 %) in the market of home district

   c)   Mainly (over 50 %) in markets outside the home district

   d)   Only in markets outside the home district

   e)   Only in markets outside the home region

7. Number of employees (Choose one):

a) 1 - 3 ☐   b) 4 - 10 ☐   c) 11 - 50 ☐   d) 51 – 100 ☐

8. Have You Registered Your Business?   Yes ☐   No ☐

9. If yes, with which department

  a) STMA ☐   b) Registrar General Department ☐   c) NGO's ☐

  d) Others Specify …………………………………………………………………………

10. Legal status of your Business

     a) Limited Liability Company ☐   b) Sole Proprietorship ☐

     c) Limited by Guarantee ☐   d) Partnership ☐

11. Evaluate the following characters of the home district of your company

Choose: 1 = very bad,   2=Bad,   3= Average   4= Good   5= very good

a)Business atmosphere in general

        1   2   3   4   5

b)Availability of qualified personnel

        1   2   3   4   5

c)Availability of education

        1   2   3   4   5

12. Evaluate the following statements related to achievements of your company during the past five years. Choose: 1=strongly disagree   2= Disagree

                                3= Agree   4=strongly agree

a)We have developed new products/ services

    1   2   3   4

b)We have implemented new technologies

    1   2   3   4

c)We have developed new business processes

  1   2   3   4

d)We have achieved sales growth

  1   2   3   4

e) We have achieved increase of profit

  1   2   3   4
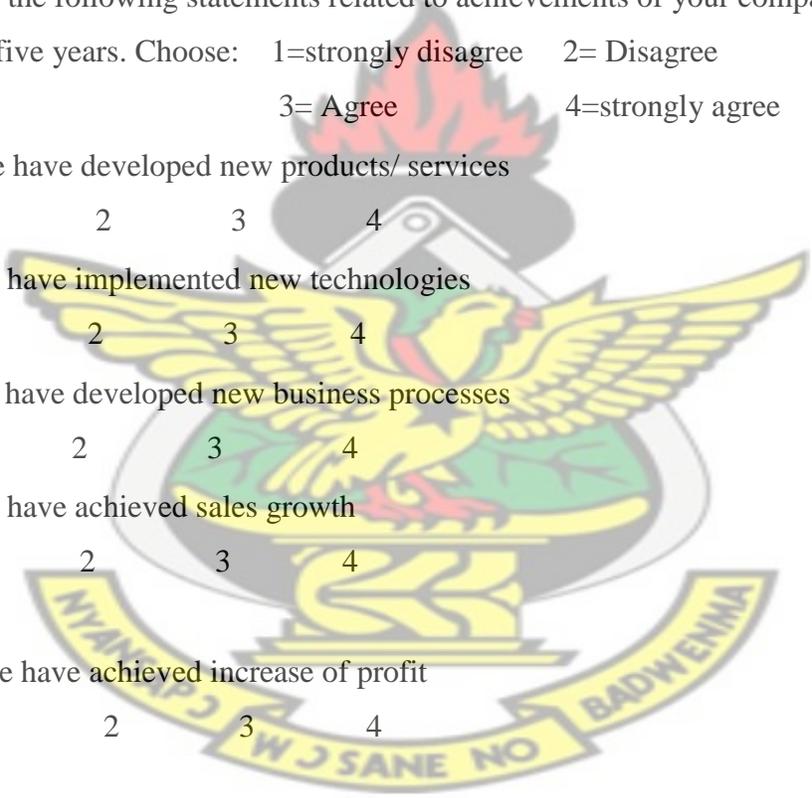
13. Evaluate the contribution of the following public institutions to innovation development in your company. Choose: 0= No Experience 1 = Very Low 2=Low

3=Average   4=High, 5= Very High

a)   Regional administration

    0   1   2   3   4   5

b)   Business support agencies

    0   1   2   3   4   5

c)   Universities and research institutions

    0   1   2   3   4   5

14. In your opinion, what are the barriers to the development of the SMEs in Ghana?

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……………………………………………………………………………………………..

15. What are some of the sources of financing your Business?

a) Self Financing ☐   b) Banks ☐

c) Relatives ☐   d) Money Lenders (Susu) ☐

16. Have you taking loan from any Financial Institution before?

    a) Yes ☐   b) No ☐

17. If yes was there any difficulty in obtaining the Loan?

    a) Yes ☐   b) No ☐

18. How do you access the rate of interest from the Financial Institution?

    a) Very Low ☐   b) Low ☐   c) Satisfactory ☐

    d) High ☐   e) Very High ☐

19. Does your products enjoy monopoly in the district?

     a) Yes ☐   b) No ☐

20. If no, what kind of goods does the product compete with?

     a) Local goods ☐   b) Other Districts ☐   c) Foreign goods ☐

21. What effect does the importation of foreign goods have on your business?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

22. In your opinion, do you think SMEs' have challenges in their operations?

     a) Yes ☐   b) No ☐

23. If yes state some of the challenges

…………………………………………………………………………………………..

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…………………………………………………………………………………………..

24. Explain how these challenges can be solved

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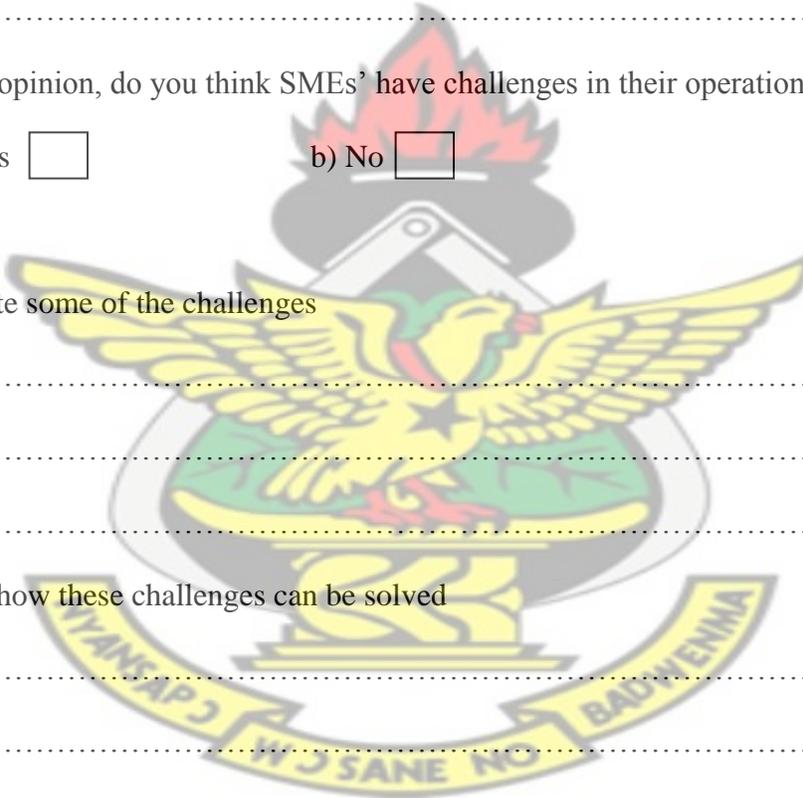
SME'S DEVELOPMENTAL ORGANIZATION

QUESTIONNAIRE

The following questionnaire is part of a survey being conducted in partial fulfillment of a commonwealth Executive Masters in Business Administration (EMBA) degree from KNUST on the topic Micro, Small and Medium Enterprises in Ghana: Challenges and Prospects. This information is purely for academic purpose and therefore its confidentiality is highly guaranteed. You are therefore kindly requested to provide accurate answer to the ensuring questions. Your co-operation and support will be appreciated.

SECTION A

1. Respondent's Gender
   a. Male ☐   b. Female ☐

2. Age
   a. 20-35 ☐   b. 36 – 49 ☐   c. 50 -60 ☐

3. Place of Work

   ………………………………………………………………………………………………

4. Position/Rank

   ………………………………………………………………………………………………..

SECTION B

5. what role do your organisation provided to promote SME's?

    a. Training ☐   b. Advisory Services ☐

    b.   Referral Services ☐   d. Others Specify

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6. Is SME's sustainable industry in Ghana?

    a. Yes ☐   b. No ☐

7. If yes provide reasons

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8. If no provide reasons

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9. List four major challenges that face SME's? Please specify in order of ranking.

    a. ……………………………………………………………………………

    b. ……………………………………………………………………………

    c. ……………………………………………………………………………

    d. ……………………………………………………………………………

10. Why do you see them as challenge?

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11. In your view how can these challenges be solved

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12. Does your organization provide credit to SME's?

    a.   Yes   ☐   b. No   ☐

13. If yes in what way?

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14. Does your organization have policies for SME's?

    a.   Yes   ☐   b. No   ☐

15. If yes state some of the policies.

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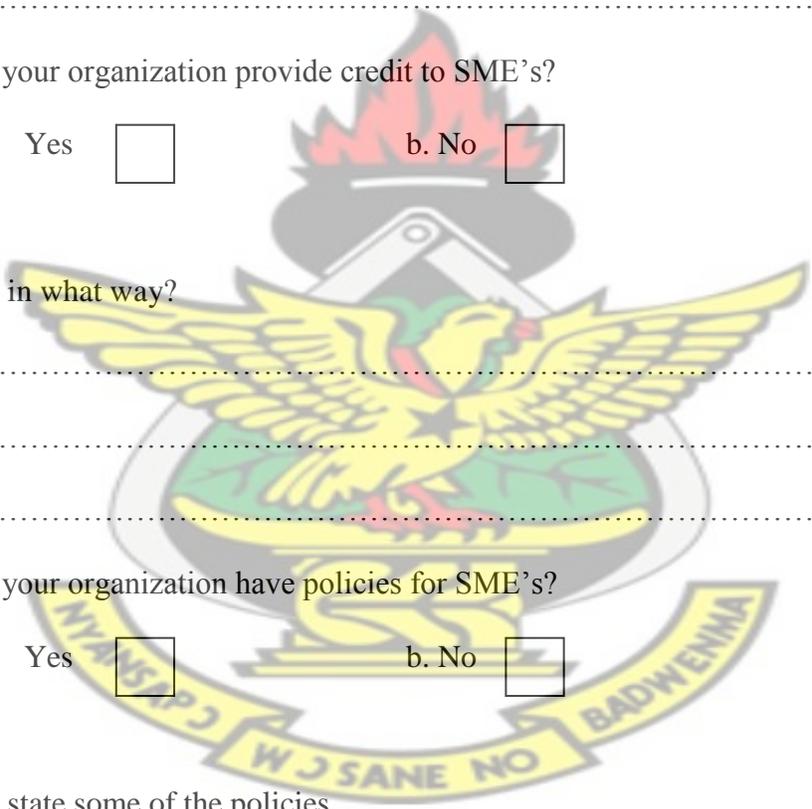
16. What do you think government should do to develop SME's? Please specify

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17. Why is it that a lot of SME's in Ghana do not grow?

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BANKS STAFF
QUESTIONNAIRE

The following questionnaire is part of a survey being conducted in partial fulfillment of a commonwealth Executive Masters in Business Administration (EMBA) degree from KNUST on the topic Micro, Small and Medium Enterprises in Ghana: Challenges and Prospects. This information is purely for academic purpose and therefore its confidentiality is highly guaranteed. You are therefore kindly requested to provide accurate answer to the ensuring questions. Your co-operation and support will be appreciated.

SECTION A

1. Respondent's Gender
   a. Male ☐   b. Female ☐

2. Age
   a. 20-35 ☐   b. 36 – 49 ☐   c. 50 -60 ☐

Place of Work ………………………………………………………………………………………

SECTION B

3. Does your organization have a special facility for SME's?
   a. Yes ☐   b. No ☐

4. If yes state the facility?

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5. What are the modalities under which SME's can obtain credit from you?

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6. If SME's take loans from the bank are they able to pay back?

   a. Yes ☐   b. No ☐

7. If no what are the reasons?

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8. What percentage of your loan portfolio is made up of SME's?

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9. Why is it that most of the SME's do not want to take loan from Banks?

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10. What policies do your organizations has put in place for SME's in future?

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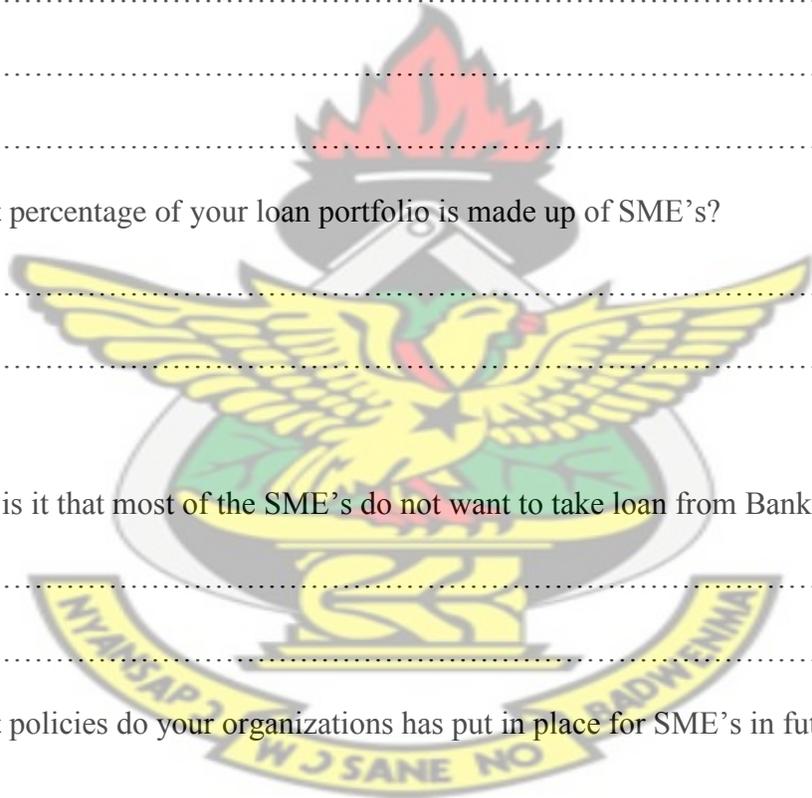
11. From your point of view what are some of the challenges you have with SMEs'

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12. What are some of the possible solution to deal with the challenges?

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