The Development of Small Medium Enterprises and their impact to the Ghanaian Economy

by

KNUST

Sydney Hayford B Sc Admin (Hons)

A thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology in partial fulfilment of the requirement for the degree of

MASTERS IN BUSINESS ADMINISTRATION

Commonwealth Executive Masters in Business Administration, Institute of Distance Learning.

July, 2012

DECLARATION

I hereby declare that this submission is my own work towards the MBA 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 degree to the University, except where due acknowledgement has been made in the text.

Sydney Hayford   ....

(PG4116310)   Signature   Date

Certified By

Dr. Paul Effah   ....

(Supervisor)   Signature   Date

Certified By

....

Head of Department   Signature   Date

DEDICATION

This thesis is dedicated to my wife and son, who have contributed immensely to enable me reach

this level, with love and appreciation.

ACKNOWLEDGEMENT

I praise and thank God for His guidance and protection during the period of this study.

I also wish to express my profound gratitude and appreciation to my supervisor, Dr Paul Effah for his time, patience, guidance, suggestions and corrections.

In a study like this, it is also necessary to draw freely on many sources. Numerous references throughout this study acknowledge this assistance.

Finally, to all others who offered suggestions and other forms of assistance for this essay, I acknowledge great indebtedness and deep appreciation.
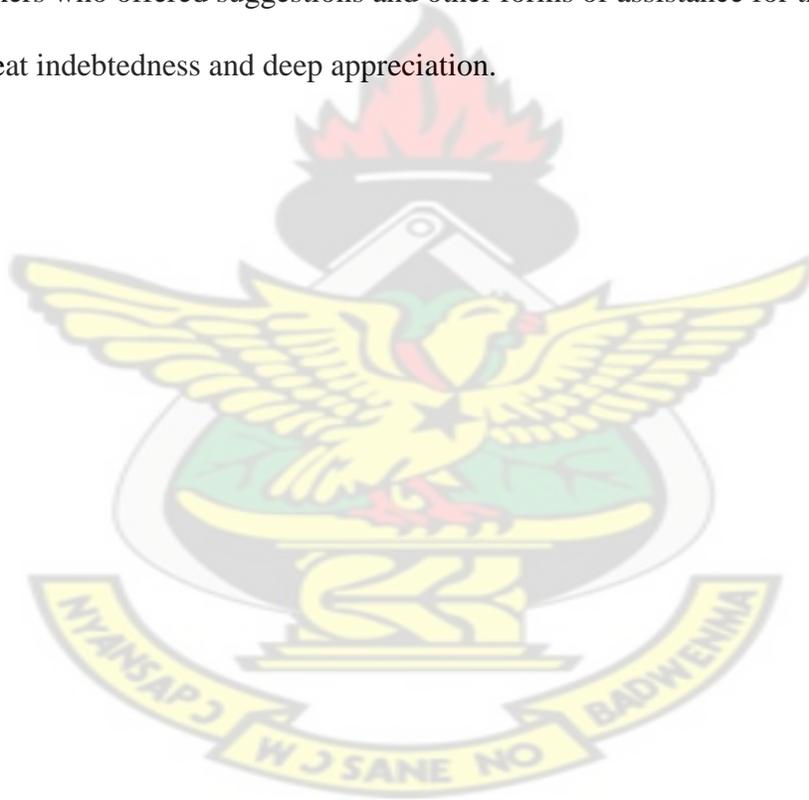
ABSTRACT

The Ghanaian economy is made up of very small individual businesses, small and medium scale enterprises (SMEs), corporate bodies and multinational companies. They together form the medium through which the economy transacts business activity and grows. The government agenda to make the private sector the engine of growth is mainly driven by the SME sector. The SME sector contributes over 70% of the country's GDP according to Villars (2004).

SMEs have over the years been very significant to the economic development of most developing countries, especially Ghana. It is a major form of business and a major employer making strong positive impact on the economic growth and GDP in Ghana

This study researches into the operation of the SME development in Ghana, the importance of the SME to the Ghanaian economy, the challenges facing the sector and makes recommendations as to how to resolving these challenges and the impact to the Ghanaian economy

Data was collected from SMEs from various cross sections of manufacturing, trade, commerce and service industries. The data was collected through interviews, questionnaires, publications and reports

On the average the sector was found to be a major contributor to the GDP, performing very well. Some of the problems faced by the sector were lack of access to credit facility, inefficiencies with their management, inability to capitalize on advanced technology, regulatory and legal constraints.

Recommendations are made for the training of the SME owners and managers as well as for the proper registration and structuring of the SME ventures to facilitate access to credit and also meet regulatory requirements.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

KNUST

KNUST

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

There is no universally agreed definition of Small and Medium Enterprises (SMEs). Some define

them in terms of their total revenue, while others use the number of employees as an indicator.

The European Union defines a medium-sized enterprise as one with a headcount of 250, a small

firm as one with a headcount of less than 50 and a microenterprise as one with a maximum of 10

employees. The National Board for Small Scale Industries (NBSSI) which is the regulatory

body for SMEs in Ghana defines SMEs in terms of both fixed asset and number of employees. It

defines an SME as an enterprise with turnover greater than US$200,000 and not more than US$5

million equivalent.

The SME market constitutes the vast majority of businesses in the Ghana and over the years has

evolved to become the key supplier and service provider to large corporations, inclusive of

multinational and transnational corporations. Principally, it has contributed to:

   Expanding output;

   Providing value-added activities in the manufacturing sector;

   Creating employment opportunities especially in the services sector;

   Contributing to broadening Ghana's export base;

SMEs are important to almost all economies in the world, especially to those in developing

countries. They contribute to productivity and job creation; they serve as a nursery for larger

firms constitution the next step for micro enterprises. (Palma and Gabriel, 2005 In addition, SMEs tend to be the primary driver for job creation as they are labor intensive and employ more labor per unit capita than larger enterprises thereby creating more jobs in the economy. This is also evident in developing countries like Ghana as it is estimated that the sector employs about 35% of labor (Mensah and Rolland, 2004). Again according to Sowa et al (1992), even for some public employment, SMEs provide a useful supplement as a second job.

Aside the creation of jobs, the SME sector also provides investment opportunities, professional training and skills and are sources of tax revenue to the government. Most importantly, they create conditions for the provision of infrastructure and other facilities such as water, roads and electricity as part of their contribution to rural development, regional growth and enhancement of decentralization and migration policies in Ghana (Yankson et al, 1985). Again, the government views SMEs as playing several important roles in the transition from a state-led to a private-oriented development strategy (Aryeetey et al, 1994). The SME sector in Ghana is thus a major employer in the economy.

According to Villars (2004), SMEs contribute about 70% to Ghana's Gross Domestic Product (GDP) and account for about 92% of businesses in Ghana. Also, statistics from the NBSSI indicates that SMEs constitute about 90% of the private sector's contribution to the GDP of Ghana.

The importance of SMEs to social and economic development in Ghana and even Africa is undisputed. Throughout the continent, SME promotion is priority in the policy agenda of most African governments. According to United Nations Industrial Development Organization

(UNIDO), SMEs account for more than 90% of all registered businesses in Africa. . There is no doubt that SMEs constitute the seed-bed for the imminent generation of African entrepreneurs.

1.1 PROBLEM OF THE STUDY

From the background given, we can clearly see the important and central role SMEs play in the development of the Ghanaian economy. The improvement of their activities and operations especially their access to finance, technological advancement, effect of over liberalization of the economy, removal of regulatory impediments and introduction of better management practices, among others, will go a long way to help SMEs to play a key role in the development of the Ghanaian economy.

SME are, however, bedeviled with a lot of challenges that render them ineffective and inefficient. For instance, Sowa et al (1992), reports that most SMEs in Ghana complain about lack of credit facility which has limited their operations. Some SMEs also complain about the cumbersome banking procedures and difficulties in accessing bank loans. Others also complained about the high interest rates charged by the banks. Aryeetey et al (1994) reported that about 38% of Ghanaian SMEs surveyed mentioned credit as a constraint. Also, Aryeetey (1998) observed that in Ghana only half of SMEs application for formal finance such as bank loans had any chance of being considered and, according to him, about two thirds of micro enterprise loans are likely to be turned down. Most SMEs also lack formal training in their business lines.

UNCTAD experts also report that banks regard SMEs as high risk borrowers due to insufficient assets and low capitalization, vulnerability to market fluctuations and high fold up rates. Also paramount among these problems is high information asymmetry arising from SMEs lack of accounting records and inadequate financial statements, making it difficult for creditors and investors to access the credit worthiness of potential SME proposals and advancement in technology.

These problems still persist. Banks in Ghana for some years now have been challenged to establish SME departments to design services to suit the needs of the SME sector and to address the challenges faced by these SMEs, but questions have been raised as to the level of support banks offer to these SMEs, hence the question becomes, what is the impact of SME banking in the Ghana?

1.2 OBJECTIVES OF THE STUDY

The objective of this study is to:

- Examine whether SMEs are fully benefitting from the services provided by the banks.

- Examine the challenges facing SMEs particularly in sourcing funds from banks in Ghana.

- What can be done to improve the SMEs activities in Ghana?

1.3 SIGNIFICANCE OF THE STUDY

The outcome of the study will guide policy makers IN government, financial institutions and other associations and organisations related to SMEs to draft policies that will help promote the

SME sector. The study will also come out with recommendations that can be taken to improve the activities of the SME sector.

Furthermore, it would serve as reference documents to the academics and researchers and to all those interested in the study of SMEs in Ghana.

1.4 SCOPE AND LIMITATIONS

SCOPE

The study will cover fifty SMEs in Greater Accra. The choice of Greater Accra is because it is the region with most SMEs in Ghana

LIMITATIONS

Among the limitation of this study is the fact that only SMEs in Greater Accra are covered. Second is the difficulty in gathering data and information, much of which is considered sensitive. Another relates to the culture of not keeping accurate data and records by most SMEs. Many heads of SMEs had little time for interview owing to their tight schedules.

1.5 ORGANISATION OF THE STUDY

The study is organized into five chapters. Chapter one is the introduction of the study and it includes the background description, problem definition, objectives of the study, significance of the study, scope, limitations of the study and research methodology. Chapter two is the literature review of the study. This reviews relevant literatures of authors and other researchers relating to

SMEs. Chapter three deals with the research methodology which looks at methods adopted in carrying out the study. Chapter four focuses on data presentation and analysis whiles chapter five presents a summary of the study, findings and conclusions drawn from the findings and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

In this chapter, the focus is to explore as far as possible the available literature on SME operation, the challenges of the sector and its importance in Ghanaian economy.

2.1 DEFINITION OF SMALL AND MEDIUM ENTERPRISE

The SME sector is quite amorphous and therefore defies a simple definition. There is no single uniformly acceptable definition of small firms (Storey, 1994). Also, according to Ward (2005), there is no universal definition for SMEs since the definition depends on who is defining it and where it is being defined. These firms differ in their level of capitalization, employment and revenue. Hence definitions which employ measures of size (net worth, profitability, turnover, number of employees, etc.) when applied to one sector could lead to all firms being categorized as small, while the same size definition when applied to a different sector could lead to different results.

Venture capital trust fund Act, 2004 (Act 680) defines a small and medium scale enterprise (SME) as an industry, project undertaking or economic activity whose total asset base (excluding land and building) does not exceed the cedi equivalent of $1 million US dollars in value.

Whiles the USAID defines SME as any enterprise with fixed assets not exceeding US $250,000 excluding land and building.

According to the International Labour Organization (ILO), no single definition can capture all the dimensions of 'small' or 'medium' business size. Most sized definitions are based on measures such as number of employees, balance sheet totals or turnover (Journal of ICA (GH), 2002).

The European Commission in 2003 adopted Recommendation 2003/361/E by which Small Enterprises are categorized as having employees not exceeding 50, turnover not exceeding ten million Euros and balance sheet also not exceeding ten million Euros. Medium sized enterprises are categorized as having employees not exceeding 250, turnover not exceeding fifty million Euros and balance sheet not exceeding forty-three million Euros.

Countries like France defines SMEs as enterprises employing less than 250 employees, whilst Singapore defines SMEs as an enterprise having at least 30% local equity, fixed productive assets (defined as net book value of factory building, machinery and equipment) not exceeding $15,000 and employment size not exceeding 200 people for non-manufacturing companies (Kayanula and Quartey).

In Ghana, the Ghana Statistical Service, in their 1987 Ghana industrial census considered firms employing between 5 and 29 employees and with fixed assets not exceeding $100,000 as small scale, while those employing between 30 and 99 employees as medium scale category.

Whiles Steel and Webster (1990); Osei et al, (1993) also defined small scale enterprise in Ghana using an employment cut off of 30 employees.

The National Board of Small Scale Industries (NBSSI) which is the regulatory body for SMEs in Ghana applies both the fixed asset and number of employees' criteria to define SMEs. This regulatory body defines SMEs as firms with not more than nine (9) workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million cedis ($9,506 using the 1994 exchange rate).

2.2 RELEVANCE OF SME SECTOR

The importance of SMEs to social and economic development in Ghana and even Africa is almost undisputed. Throughout the continent, SME promotion is a priority in the policy agenda of most African countries as it is widely recognized. There is no doubt that SMEs constitute the seed-bed for the imminent generation of African entrepreneurs. According to United Nations Industrial Development Organization (UNIDO), SMEs account for more than 90% of all registered businesses in Africa.

Small and medium rural and urban enterprises have been one of the major concerns to many policy makers in an attempt to accelerate the rate of growth in an economy such as ours. These enterprises have been identified as the engine through which the growth objective of developing middle income countries like our nation can be achieved.

SMEs provide employment and incomes to a large portion of urban labour force and are a significant source of total output (Aryeetey, 2001). Daniels, 1994 estimated that SMEs employ about 22% of the adult population in many developing countries.

It is also estimated that SMEs generate about 50% of national output and provide about 60% employment to Ghanaians (Minister of Finance, Dr Kwabena Dufour, reported by Business and Financial Times 13-07-2009).

Furthermore, SMEs tend to utilize mainly local raw materials that would otherwise be neglected and have less foreign exchange. They mobilize and utilize financial resources that are otherwise dormant like family savings. SMEs by their activities promote indigenous know-how.

2.3 CONSTRAINTS TO SMEs DEVELOPMENT

In the face of the wide-ranging economic reforms introduced in Ghana since independence, SMEs still encounter a variety of constraints owing to the difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and the higher unit costs of providing services to smaller firms. A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Schmitz, 1982; Liedholm & Mead, 1987; Liedholm, 1990; Steel & Webster, 1990; Parker et al, 1995). Beneath are the set of constraints recognized with the sector.

2.3.1 Input Constraint

According to Levy (1993), SMEs face a range of constraints in factor market. However, factor availability and cost were the most common constraints. Many of the SMEs in Ghana emphasized the high cost of obtaining local raw materials; this may stem from their poor cash

10

flows (Parker et al, 1995). Aryeetey et al (1994) found that 5% of their sample cited the input constraints as a problem.

2.3.2 Managerial Inadequacies

Lack of managerial know-how puts significant constraints on SMEs. Owners or managers of SMEs have limited managerial knowledge, attitude and skills in spite of the numerous institutions providing training and advisory services. They mostly develop their own approach to management through a process of trial and error. Most SMEs are owner managed and these owners often lack the requisite skills and expertise to keep the company moving in today's turbulent environment. In the few cases where skills have been acquired through other formal or informal ways, the right attitude to work, maintenance, law and civil life is often lacking.

Majority of those who run SMEs are ordinary lot whose educational background is lacking. Hence they may not be well equipped to carry out managerial routines for their enterprises (King and McGrath, 2002).

2.3.3 Market Constraints

SMEs are normally faced with greater external competition and the need to expand market share. The nature of the impoverished population also adds to this. The few who can afford the goods and services fall unto those produced by foreigners. This puts severe pressure on SMEs in terms of efficiency, price, quality and customer satisfaction. Riedel et al (1988) 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.

11

2.3.4 Regulatory and Legal Constraints

High start-up cost for firms, including licensing and registration requirements has the likelihood to impose excessive and unnecessary burden on SMEs. SMEs are adversely affected the most as a result of the high cost of settling legal claims together with the delays in court proceedings in registering. The burdensome process and requirements to commence business has been an issue for Small and Medium enterprises. The legalities in clearing goods from the ports and the processing of export documents are also an issue in terms of the time it takes and the monetary values involved.

2.3.5 Inability to capitalise on the advancement in technology

Kotler and Keller (2006) describe technology as one of the most dramatic forces shaping people's lives and businesses today. Most of SMEs who have adopted ICT have realised benefits and are very positive in continuing to invest and harvest those benefits (Asharati and Murtaza 2008).

Technological advancement has rather posed a great challenge to small businesses. This has resulted from their inability to learn and utilise the immense benefit of the technological advancement. Since the mid-1990s there has been a growing concern about the impact of technological change on the work of micro and small enterprises. Even with change in technology, many small business entrepreneurs appear to be unfamiliar with new technologies. Those who seem to be well positioned, they are most often unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local conditions.

In Ghana, like many other African nations, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists (Muteti, 2005). There is digital divide between the rural and urban Ghana. With no power supply in most of the rural areas, it is next to impossible to have Internet connectivity and access to information and networks that are core in any enterprise. Thus technological change, though meant to bring about economic change even among the rural lot, does not appear to answer to the plight of the rural entrepreneurs involved in SME operations. Duan et al (2002) identified lack of ICT knowledge and skills as one of the major challenges faced by SMEs.

2.3.6. Financing and Access to credit facility

Of all the constraints that SMEs face in Ghana, finance remains the major and dominant constraint of all. Credit constraints pertaining to working capital and raw materials have been the single biggest drawback to the SMEs in Ghana. Aryeetey et al (1994) reported that 38% of the SMEs surveyed mention finance as a major constraint; SMEs have limited access to capital markets locally and internationally, in part because of the perception of higher risk, serious management weaknesses, informational barriers, and the higher costs of intermediation for smaller firms. As a result, SMEs often cannot obtain long-term finance in the form of debt from banks. In Sub-Sahara Africa, most small businesses fail in the first year due to lack of support from government and traditional banks (Abor and Biekpe, 2006).

In Ghana, the problems financing small firms have significantly hindered the role these SMEs play in the overall macroeconomic performance of the Ghanaian economy. Financial constraints will form a major aspect of the discussions of this work.

2.4 CONSTRAINTS SMES FACE IN ACCESSING FINANCE

SMEs are the main pivot in the Ghana private sector as the engine for growth agenda as announced by the government. Cross-country evidence, however, also shows that small and medium enterprises are more constrained in their operations and growth than large enterprises and access to financial services features importantly among the constraints (Ayyagari, Demirguc-Kunt and Maksimovic, 2006).

Cuevas et al (1993) indicates that access to bank credit by SMEs has been an issue raised repeatedly by numerous studies as a major constraint to industrial growth.

The major cause for the SMEs inability to raise funds from the financial institutions is the unavailability of collateral to back these facilities as requested by the financial institutions. In their view, the current system of land ownership and transfer regulation clearly retards and to some extent limits access to formal credits. Firstly, due to lack of clear title to much useable land in Ghana, there is a limited amount of real property that can be put up as collateral. Secondly, a government embargo on the transfer of stool and family land has further restricted land available for collateral. Finally, where title or lease is clear and alienable, transfer regulation needlessly delay the finalizing of mortgages and consequently access to borrowed capital (p 24).

Aryeetey et al (1993) support the view of Cuevas et al (1993) that from the view point of private sector, problems related to finance dominate all other constraints to expansion (p 50). They claimed that the availability of collateral plays a significant role in the readiness of banks to meet the demand of the private sector. Collateral provides an incentive to repay and offset losses in cases of default.

Thus, collateral was required of nearly 75% of sample firms that need loan under a study which they conducted on the demand and supply of finance for small enterprise in Ghana (p 19). The study also indicated that 65% of the sample firm had at various times applied for bank loans for their present business. Nevertheless, a large proportion of the firms had their applications rejected by the banks. For firms that put in loan applications, there was almost 2:1 probability that the applications would be rejected. Firms receive loans for much less than they requested for. Lack of adequate collateral was the main reason banks gave for the rejection of their applications.

There is the view that if transaction costs of lending are high, the net margin banks expect from loans operations do not compare favourably against safe investment represented by treasury bonds (p 30).

Aryeetey et al also shares the same view that, for a lender to face information asymmetry, the issue often becomes somewhat persuasive authority he or she holds in ensuring repayment. These push up transaction cost as the probability of default is assumed to be high and has to be contained. Thus banks may avoid lending to smaller lesser known clients or impose strict collateral requirements when they do. They may perceive clients in ways that would overcome the latter's own perception of the difficulty of obtaining formal finance (Aryeetey et al, 1993).

In investigating whether financing SMEs in Ghana was more expensive than financing the larger enterprises in terms of loan screening, loan monitoring and contract enforcement, banks estimate that, screening to gather information about the applicant and the project, review the feasibility

study, do the credit analysis and make a decision to an average of 16 man days for large scale firms' application is less than that for small scale firms' applications which take 24 man days. Similar results obtained for loan monitoring and contract enforcement suggest that the transaction cost for SME financing were higher than those for large firms per loan.

Despite SMEs strong interest in credit, banks profits orientation may deter them from supplying credit to SMEs because of the higher transaction cost and risk involved. First, SMEs loan requirements are small in that even the costs of processing the loan tend to be high relative to the loan amounts. Second, it is difficult for financial institutions to obtain the information necessary to assess the risk of new unproven ventures especially because the success of small firms often depends heavily on the ability of the entrepreneur.

Cuevas et al (1993) however indicates that, other alternatives to loans secured by real and movable property have practical constraints. For example, it is possible to take security interest in liquid assets, the foreclosure upon which is much quicker than that for real and movable property. However, many debtors especially traders are not in the habit of saving money in liquid accounts, they rather turn to either move it into the informal sector of the economy or re-invest it in their business. Another alternative would be for the bank to accept the assignment of contractual benefits from borrowers. Though this arrangement is known in Ghana, it is not chosen by banks as they prefer to stay out of other contracts (Cuevas et al, 1993).

Others include the lack of clear financial discipline on the part of SMEs and the fact that they are most often the last to understand when there is a change in Government policy. On 8th October

2010, Retired Captain Budu Koomson of UT Bank attested to the fact that in addition to the lack of use of research and development and a resistance to change from old ways, cultural practices, social and extended family pressures are priorities ahead of business requirements of some SMEs when he was giving an insight of the constraints SMEs face in accessing finance. (www.ghanaweb.com).

2.5 EVOLUTION OF SME BANKING

As a result of the persistent SME financial gap, many interventions have been launched by governments and development partners in the form of financial schemes to stimulate the flow of financing to SMEs. There is still a wide financial gap even though there have been some efforts in closing the gap by government using official schemes. In 2002, the Ghana Investment Fund Act (Act 616) was passed to establish a fund to provide credit facilities by designated institutions to companies but has never been implemented (Mensah, S. 2004). These efforts by governments and development partners have not been enough which has made some financial institutions like the banks to come in because of the role SMEs play. The fact that governments and banks recognise the relevance of SMEs and have tried to close the financial gap has been the major reason for the evolution of SME Banking.

Besides this, banks which have traditionally served the corporate and large segments of the market, view SMEs as a challenge because of information asymmetry, lack of collateral, and the higher cost of serving smaller transactions.

However, as corporate banking margins continue to shrink and increasing fiscal restraint lowers yields on government borrowings, banks have begun to assess the opportunities offered by SMEs. Providing banking services to this underserved SMEs market segment can increase their access to financial services and generate more employment opportunities and income (International Finance Corporation, 2008). This is shown in figure 2.6.1. This has also been a factor for SME Banking evolution where banks develop innovative products with SMEs in mind so as to facilitate their operations.

2.6 HISTORY OF SME BANKING IN GHANA

SME Banking in Ghana has existed for a very long time. Banks previously in the latter 1950's rendered services like giving of loans to SMEs even though they didn't have a specific department for SMEs. An example is Ghana Commercial Bank (GCB) who during their first five years of operations dealt with customers who were mainly small Ghanaian traders now termed SMEs (www.gcb.com.gh/page.php?pid=1).Recently, commercial and universal banks in Ghana are shifting from one of their traditional source of income, investing in government treasury bills but have taken the finance of Small and Medium scale Enterprises (SMEs) as well as creating a department for them. With the 91-day Treasury bill discount rate (interest rate) reducing significantly from about 46% in 1996 to 35% in 2002 and to 8.70% in July 2006, banks are looking elsewhere especially investing into SMEs as an alternative source of income which is a good sign for Ghanaian SMEs. Commercial Banks, which should have led in the reallocation of domestic credit toward SMEs to replace expensive forms of credit with cheaper ones, did not do so until the fall of T-Bill rates started.

Almost all Banks in the country have established SME banking departments. Most notable ones are Barclays Bank, Merchant Bank, Standard Chartered Bank, Ghana Commercial Bank, Metropolitan and Allied bank, Unibank, Trust Bank, Agriculture Development Bank, Ecobank, SG-SSB and National Investment Bank among others. The Small and Medium Scale Enterprises (SME) Departments are specially structured to meet the banking needs of Small and Medium Scale businesses (Woes of SMEs in Ghana, Ghanaian Chronicle 10-07-2006). However, these banks in Ghana have different definitions of what SMEs are. Hence, enterprises which may fall under small enterprises in one bank might be a medium enterprise for another bank.

Ghana Commercial Bank which did not have an official SME Banking in the first five years of its operations yet had most of its customers being SMEs now has SME Banking as one of its products where services in a cost effective manner like Relationship Management: GCB's trained and professional staff develop and strategically nurture relationship with clients to ensure that their business objectives are met and sustained; Business Development and Advisory: they identify and interact with potential and non-borrowing customers on regular basis to offer advisory services, vis a vis their diverse needs for growth; and short to medium term loans and overdraft facilities (www.gcb.com.gh/page.php?pid=36/37).

Standard Chartered Bank (SCB), the oldest bank in the country has their SME Banking team dedicated to small and medium businesses with the aim of helping these SMEs to reach their fullest potential. With customised product packages, responsive services and access to expert advice, SCB supports the growth of these enterprises. Ghanaian SMEs have enjoyed an

advantage when planning to expand their business operations as a result of the bank's international network and trade expertise spanning Asia, Africa and the Middle East (www.standardchartered.com/sme-banking/en/index.html).

2.7 THE IMPACT OF SME BANKING

Banks have turn on a better leaf towards the SME sector. They render good services to the Small Medium Enterprises. Some banks with the SME Banking service use to have small SME portfolio but with time these banks have increased their SME portfolio even though this increment is small relative to the various bank's overall business portfolio. The increment of their SME portfolio has had an influence on the economy. In general, financial institutions increased lending from 0.3 percent to 1.8 percent of real GDP between 2002 and 2006, a 500 percent increase. Again, at least three banks in Ghana have partnered with financial institutions, enabling those institutions to obtain needed capital for on-lending (USAID).

2.8 WHY PROMOTE SME BANKING?

It is widely accepted that SMEs constitute the backbone of the private sector in any economy. Given the new international context and the emergence of the so-called 'new competition' (Best, 1990), it is very difficult to conceive a buoyant economy that does not rely on the competitiveness and dynamism of its SMEs. In the developing world, not only do they contribute to economic growth but also have a tremendous developmental impact on their people. SMEs are now seen as the main means, if not the only, to take people out of poverty and to build on better

prospects for future generations. Looking at the contributions of SMEs to economic and social development, banks must therefore hasten to aid SMEs, especially in financing them which is generally their major impediment to growth.

SMEs make up over 90% of business units in the world, and account for between 50-60% of total employment (Kennedy and Hobolm, 1999). If the informal sector was to be taken into account, it is believed that SMEs in Africa would account for almost 99% of all business units (Chen, 2001). Interestingly, research has shown that, a high proportion of those businesses are likely to be run within the household (Chen, Sebstad and O'Connell, 1999).

SMEs are the main generators of employment opportunities for the poor, and hence, the main contribution to poverty alleviation. In Africa, SMEs for most of the jobs generated in the private sector through the expansion of existing enterprises and the establishment of start-ups.

SMEs contribute to a mere equitable distribution of income as they provide remuneration opportunities to a large group of very poor and uneducated workers and women with few alternative source of income. Unlike larger firms, SMEs tend to be widely dispersed reaching remote and marginalized settings, hence bridging the gap between urban and rural areas.

SMEs stimulate local and regional development, as they tend to agglomerate to make an effective rational use of resource endowments. Given the shortage of working capital, SMEs in developing countries mainly operate in labour intensive activities, which benefit from an abundant and cheap labour force. They are also inclined to cluster in specific localities to reap

economies of scale and scope through flexible specialization and inter-firm-cooperation. They also improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long-term economic growth (Kayanula and Quartey, 2000).

SMEs promote also an entrepreneurship culture and other business-related skills due to their low entry advantage. SMEs provide free on-the-job training and practical exposure that cannot be obtained at school. In developing countries, the low impediments to set up business in unregulated activities can stimulate young entrepreneurship.

2.9 BANKS FINANCE FOR SMEs IN GHANA

This segment looks at the finance banks give to SMEs in Ghana. Most of the SMEs are predominantly owner and family-run and their financial history and record keeping are most often poor. They therefore depend on 'own savings' and much of the rest of gifts and loans from acquaintances. About 5% of small enterprises use the banks for start up capital and only 10% turn on banks for assistance for operational capital. The situation improves with medium scale enterprises. In view of this, many lack a credit history and good financial records, vulnerable to economic and financial shocks and many suffer from 'unbanking' culture constraint such as high levels of conviviality, lack of separation of business proceeds from personal finances, a tendency to divert loans for other purposes, a high level of mobility and lack of traditional collateral (The Ghanaian Banker, October-December 2003, vol. 4).

Small firms have traditionally encountered problems when approaching providers of finance for funds to support fixed capital investment and to provide working capital for their operations (Tucker and Lean, 2003). Important issues identified within the context of information asymmetry adverse selection and moral hazards. Under adverse selection, theoretical models often assume that, an entrepreneur has private knowledge about the success profitability of a project or expected profits that are not shared with the financier. Consequently, suppliers of capital cannot differentiate between a high-quality business and a low-quality business and adverse selection can result. Moral hazard refers to the inability of the finance provider to control fully how the entrepreneur uses funds provided. Owners can conceivably benefit economically by, for example, redirecting borrowed funds to invest in higher risk projects than those approved by the lender (Stiglitz and Weiss, 1981).

It would appear understandable therefore why banks, which hold money in trust for depositors, creditors and investors, would be wary of the majority of SMEs. Banks expect funds to be used for purposes for which they are provided and profitable of course, and repaid with interest. Traditionally, prudent rules require banks to be rigorous in their credit assessment with respect to the quality of management, product, market, technology, technical expertise and credit history (Afraine, 2002). As a result, they find many SMEs to be high risk businesses, presumably.

The banking sector may have their own reasons for their limited involvement in the SME sector, but whatever these reasons are; they do not constitute enough justification looking at the roles SMEs play in the economy.

2.10 CHALLENGES BANKS FACE IN SUPPLYING SERVICES TO SMEs.

Despite the strong demand for finance from the small firms, banks may perceive lack of effective demand by clients they consider credit worthy. Small firms have encountered problems when approaching providers of finance for funds to support fixed capital for their operations. (Tucker and lean, 2003).Difficulties banks face in supplying financial services to SMEs include:

2.10.1 Information and Risk

Statistically, small firms tend to have high failure rates; hence, banks need to be selective. It is difficult however to assess accurately the viability of small enterprises, the abilities of the entrepreneur, and the likelihood that the client will repay which are the most important criteria of creditworthiness applied by the banks. Banks are also faced with information asymmetry where SMEs provide incomplete information. Stiglitz and Weiss (1981) refer to information asymmetry as the disparity between the information available to the business seeking capital and suppliers of capital that are typically assumed to be at an informational disadvantage with respect to the insider of the business.

2.10.2 Collateral

Banks usually require collateral to force repayment, to offset losses in cases if default and to help screen applicants. The result is that, smaller firms tend to get screened out since they are at least likely to be able to provide acceptable collateral. Even though, most SMEs may provide their owned property, the difficulty of proving legal, enforceable title to lend may render it unacceptable to banks as collateral.

2.10.3 Cost

Most SMEs lack financial accounts and may have difficulty filling out bank forms correctly. The cost of processing and monitoring small loan exceeds that of loans to large enterprises on per loan basis. Banks estimated that, it takes an average of 24 days to gather information and process an application for small firms as against 16 days for large scale firms.

2.10.4 Lack of Management Expertise and Effective Succession Plan

Many SMEs owners or managers lack managerial training and experience. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 1987).

Although this attitude is the key strength at the start-up stage of the enterprise because it provides the creativity needed, it may present problems when complex decisions have to be made. A consequence of poor managerial ability is that SME owners are ill prepared to face changes in the business environment and to plan appropriate changes in technology.

Majority of those who run SMEs are ordinary lot whose educational background is lacking. Hence they may not well be equipped to carry out managerial routines for their enterprises (King and McGrath 2002).

Succession planning is a means by which an organization can operate as a going concern. Succession planning is to affect not only top management but the whole organization. The absence of those often makes it difficult for SMEs to profitably handle loans. (www.ndkfinancialservices.com)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

The present chapter describes the procedures and methods which were used in the study and how the questionnaire survey was undertaken. The chapter involves the population of the study, study sample, sampling procedures, the nature of research instruments, research design and administration of the instruments and collection of data.

3.1 POPULATION OF THE STUDY

The research population was SMEs in the Greater Accra Region. This population was chosen because of ease of accessibility and large number of SMEs sited in this region. This helped us to have a representative sample for our study.

3.2 STUDY SAMPLE

The research focused on Fifty (50) SMEs whose operations fall under the following categories namely; manufacturing, trade and commerce and service. SMEs will be selected from these categories.

3.3 SAMPLING PROCEDURE

Simple random sampling was used to select the respondent SMEs. Simple random sampling was used because it assures that SMEs from each selected category have equal chance of being selected. It also helps to calculate how accurately the sample reflects the population from which the sample is drawn.

3.4 RESEARCH INSTRUMENT

Considering the topic and its objective, the study found it appropriate to employ the use of questionnaire and unstructured questions for interview so as to speed the procedure in collecting data that is relevant to the study. Some information were also taken from secondary sources on the various web sites of organisations related and from other publications relating to the SME development in Ghana.

3.5 RESEARCH DESIGN AND ADMINISTRATION OF INSTRUMENT

The research design employed the exploratory sample assessment. This approach involves collection of data to assist in answering questions framed about the research topic.

Interviews and questionnaires were the survey instruments used for soliciting information. The questionnaire was administered personally to the SMEs. The questionnaire was the closed and open-ended type.

3.6 DATA COLLECTION

The method of data collection was mainly primary data. The source of data was obtained from the SMEs using structured questionnaire and personal interview.

3.7 DATA ANALYSIS AND METHOD OF PRESENTATION

The data was analyzed using both descriptive and analytical approaches. This involved the use of Statistical Package for Social Sciences (SPSS). It enabled came out with the final findings of the research. The results from the analysis were presented in frequency tables, bar graphs and pie charts. The Likert Scale was also used a great deal in the analysis.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.0 INTRODUCTION

This section describes the analysis of the data collected from the field. A total of 50 respondents were sampled and each presented with a questionnaire where their responses were used in realizing the objectives of the study. Some of the analysis performed included, descriptive, frequency and cross tabulation analyses. This chapter is broken down to the following sections, namely; demographic data of respondents, level of knowledge in industry, challenges faced by Small and Medium Enterprises, possible remedies to challenges,

4.1 INTERPRETATION OF DATA

DEMOGRAPHIC DATA

This section included the age, gender, the level of education of the people, name of business, the type of business (industry and ownership) and fiffnally the year of formation of business.

From the results, it was observed that, out of the 50 sampled respondents, 70% were male while 30% were female. This gives an indication, most of these SME businesses were male dominated than female as observed in fig I.

Fig I   Gender of Respondents
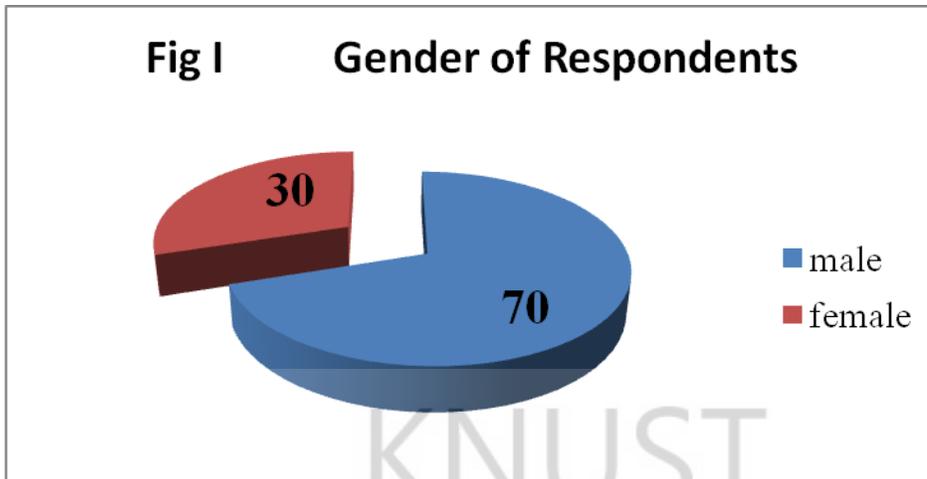
Further investigation also showed that, the minimum age of the respondents was 19 years while the maximum age was 58 years with an average age of 33.74 years and a median age of 33 years. This also implies that, these SME businesses are dominated by the youth of the country who try to put ideas into reality by bringing up their own businesses.

Table 1   Age of Respondents

Descriptive Statistics

	N	Minimum	Maximum	Mean	Median
Age	50	19	58	33.74	33

The results again showed that, majority of them representing 50% had had SSSCE/O-level/A-level as their highest level of education while 38% had also attained graduate (tertiary) level of education as their highest level of education with another 10% also saying they have attained BECE/Form 4 education as their highest level of education as observed on table 2 below. Only 2% said they have not had any form of formal education

Table 2   Level of Education

	Frequency	Percent
No formal education	1	2.0
BECE/form 4	5	10.0
SSSCE/O-level/A-level	25	50.0
Graduate	19	38.0
Total	50	100.0

Investigation into the type of businesses owned by these respondents showed that all SMEs were into private businesses which mainly owned by them or was owned by a group of these personnel coming together to share ideas to build the company.

4.2 LEVEL OF KNOWLEDGE IN INDUSTRY

An in-depth knowledge and understanding of ones' business is an important factor to making important and effective decisions that will lead to increase productivity or progression of the SMEs. For this reason, the study sought to find out the level of knowledge of the respondents in their respective businesses. In achieving this, each respondent was asked to rate their level of knowledge in their respective industry. From their responses, majority representing said they have a very high knowledge about their businesses as they represented 54% while another 30% rated their level of knowledge to somewhat high as observed on table 3 below. The table also shows that, 6% rated their level of knowledge to neutral and somewhat low respectively with only 2% rating it very low.

The above information gives the indication that, at least most of these SME personnel have an intensive knowledge about their businesses, knows what they are about, and also makes the right decisions that will aid in increasing productivity in their businesses.

Table 3   Level of Knowledge in your Industry

	Frequency	Percent
Very high	27	54.0
Somewhat high	15	30.0
Neutral	3	6.0
Somewhat low	3	6.0
Very low	1	2.0
No response	1	2.0
Total	50	100.0

Information and communication technology (ICT) applications provide many benefits across a wide range of intra- and inter-firm business processes and transactions. The use of ICT applications improve information and knowledge management inside the firm and can reduce transaction costs and increase the speed and reliability of transactions for both business-to-business (B2B) and business-to-consumer (B2C) transactions. In addition, they are effective tools for improving external communications and quality of services for established and new customers. With the imminent benefits derived from ICT, the study sought to investigate whether or not these SMEs have knowledge in ICT and advanced technology used in their industry.

From their responses, it can be concluded that, the level of knowledge in ICT is averagely high among these respondents as confirmed by 40% of the respondents who responded to somewhat high while another 22% also rated their knowledge to be very high as observed on table 4. The

table also shows that, 16% and 10% rated their level of knowledge in ICT neutral and somewhat low respectively.

Table 4   Level of knowledge in ICT and advanced technology used in your industry

	Frequency	Percent
Very high	11	22.0
Somewhat high	20	40.0
Neutral	8	16.0
Somewhat low	5	10.0
Very low	6	12.0
Total	50	100.0

Finally it was observed that, when asked if they have knowledge in financial management and preparation of final reports, 26% rated their level of knowledge as very high while 30% also rated their knowledge as somewhat high with 14% also rating their knowledge as somewhat low and very low respectively as observed on table 5. This information gives the indication that, despite majority of the respondents having a good understanding and knowledge about their businesses, their knowledge in financial management and preparation of final reports was averagely high leaving room for more improvement.

Table 5   Knowledge in Financial Management and Preparation of final Reports

|	Frequency	Percent
Very high	13	26.0
Somewhat high	15	30.0
Neutral	8	16.0
Somewhat low	7	14.0
Very low	7	14.0
Total	50	100.0

4.3 CHALLENGES FACING SMEs IN GHANA

The study sought to investigate some of the challenges these SME personnel encounter in the course of their work in the country. In achieving this, respondents were presented with a series of challenges they face and asked to state them in order of importance. The findings showed that, challenges such as availability of financial facility from banks, managerial incompetence, input constraints, market constraints, regulatory and legal constraints and inability to capitalize on the advancement in technology were major challenges these SME personnel face in the course of their work.

They were further asked to state in order of importance the most prominent challenges they face every day which they believed could easily yield low productivity or hinder them in the executing their tasks as SMEs efficiently. From their responses, it was observed that, the most prominent of the above challenges was the availability of financial facilities from banks as confirmed by 58 score marks of the respondents. The next challenge in the order of importance was market constraint which also recorded 28. Regulatory and legal constraint was the next challenge faced by these SMEs in the country and they also represented 22. The fourth important challenge faced by SME according to the questioner was managerial incompetence. It recorded 20. Input constraint and inability to capitalize on the advancement in technology being rated the 5th and 6th important challenges faced by SMEs in Ghana.

The above information gives the indication that, the level of financial aids and support received by these SMEs was very poor which according to most of them slows down their businesses thereby leading to low productivity. In the views of these SMEs, the available financial supports they usually get are from the banks and microfinance companies but the interest rates are too

high for them to pay back what they borrow. This according to them deters them from going for such financial assistances from these companies.

Fig 2

Issues relating to SMEs
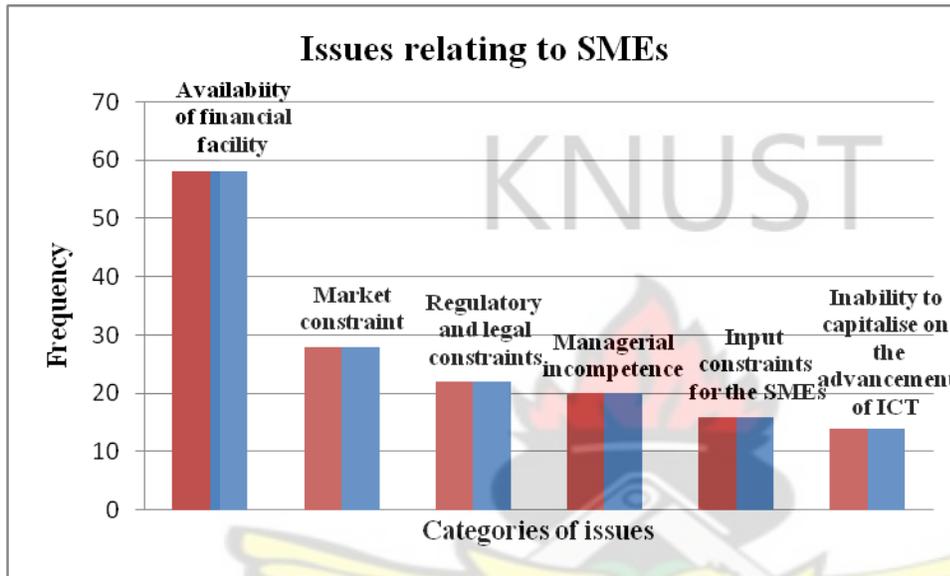
4.4 REMEDIES TO ADDRESS CHALLENGES

The study also investigated some remedies that could possibly address the challenges faced by these SMEs in the country in the perspective of the respondents. In achieving this, each respondent was posed with a series of remedies and asked to tick which was applicable to them in their various businesses.

From their responses, it was observed that, majority of them responded to redesigning of financial products with less stringent conditions for the SME sector as the most important remedy that could help curb their access to financial support from government, banks and

microfinance companies. Another prominent remedy according to the respondents was adequate training being provided for SME personnel to undertake SME ventures. The next important remedy was encouraging nationals to patronize the national goods and encouraging domestication. The other remedies in order of importance as gathered by the research were as follows encouraging more businesses to go into the production of the inputs needed by these SME. The development of less stringent legal and regulatory requirements and the training of personnel to take advantage of the advancement of technology to increase their business.

4.5 IMPACT OF SME TO THE DEVELOPMENT OF THE GHANAIAN ECONOMY

Respondents were again asked to rate SMEs in relation to the impact they have on the economy of Ghana. Each respondents were presented with a series of questions to be responded using the Likert Scale ranging from 1 = Least Important to 5 = Most Important with 3 = Neutral.

Table 6 shows the level of importance on how SMEs are important in terms of development in Ghana in the perspective of the respondents. From the table, majority of the respondents rated SMEs as highly important and most important as they believe they contribute significantly to the growth of Ghanaian economy and they represented 32% and 46% respectively. The table also shows that, majority also were of the belief that, SMEs contribute towards generation of employment to many nationals as they rated it 4 and 5 on the Likert Scale representing highly and most important with 32% and 34% respectively.

Most of them did believe SMEs contribute to the generation of forex exchange in the economy as such rate its impact on the development in Ghana as 4 and 5 signifying most importance and they represented 24% and 30% respectively. On Ghana's development in relation to it contributing to

the growth of the GDP of the country, there was a high level of certainty as 25% remained highly important while 33% said it was most important with 10% also rated it as least important. Finally, it is observed that, majority rated it 4 and 5 on the Likert Scale to indicated that, SMEs can improve if the challenges they face are addressed adequately and appropriately.

The above information gives the indication that, SMEs are very important to the boosting of the country's economy as it provides employment for the youth and the general public, contributes to growth as well as contributes slightly to increase in GDP of the country in the perspective of the respondents.

Table 6   SME DEVELOPMENT IN GHANA

	1	2	3	4	5
Contributions to the growth of the Ghanaian economy	10%	8%	4%	32%	46%
Contributed towards generation of employment to many nationals	6%	16%	12%	32%	34%
Contributed to the generation of forex exchange in the economy	14%	14%	18%	24%	30%
Contributed to the growth of the GDP of the country	10%	16%	16%	25%	33%
Can be improved if challenges are addressed	14%	10%	12%	26%	38%

Finally, respondents were asked to make comments on any needs they deem relevant in the questionnaire which they believe could help boost their businesses and better their lives in the SME sector. Some of the comments given included, there should be capacity building for illiterates in the business for them to understand how they can also contribute significantly to the

nation building, financial assistance or lending from banks, microfinance companies and other NGOs for the purchase of goods with low interest rates, Ghanaians should patronize made in Ghana goods and also the government should do something about the cedi depreciation as it is affecting businesses of SMEs as well as government providing financial support to SMEs to help boost their businesses. Other comments made included, provision of adequate and approved technology for safety, workshops and seminars should be organized for SMEs and especially to students in the tertiary institutions to help boost their confidence on their business ideas, there should be efficient organizational structures which ensures effective management of the businesses, more personnel should be trained in the SME sector and also energy problem needs to be addressed.
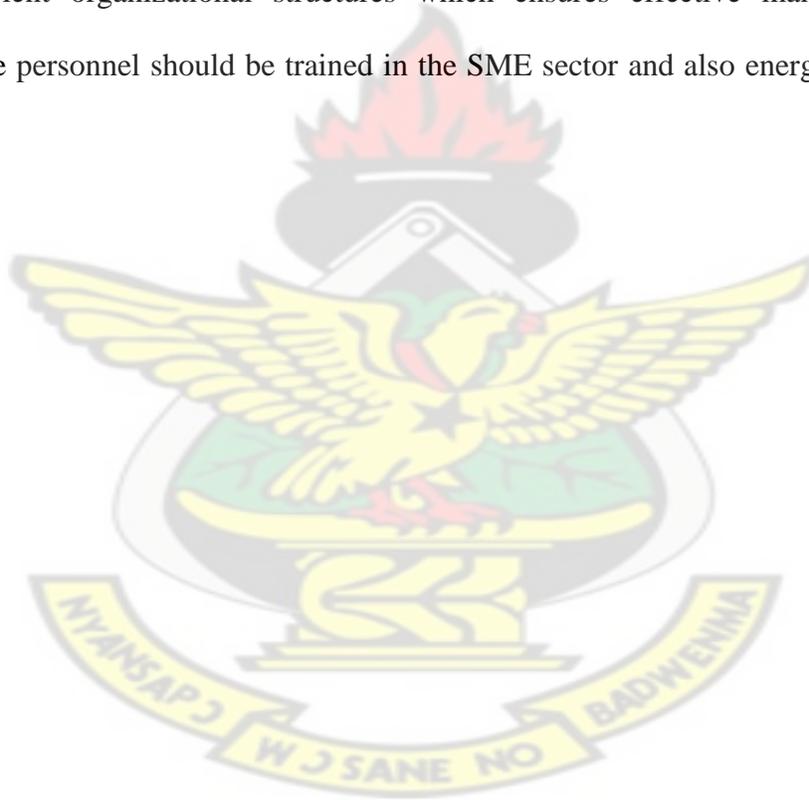
CHAPTER FIVE

SUMMARY OF FINDINGS AND CONCLUSION

Small and Medium Enterprises have contributed immensely to the Ghanaian economy in ways of generating employment for a large number of the youth and others, thereby curbing the perennial unemployment problem. It has also contributed significantly to the generating of foreign exchange for the nation and the growth of the GDP of the country.

It is therefore important to identify the key issues facing the sector and come out with workable recommendations to address these issues.

In this research and analysis, I made a lot of observations and on the basis of that; the following recommendations are made;

1. Banks and other Non Banking Financial Institutions should come out with well designed products and services that will adequately meet the financial needs of the SME sector. Amongst others things, this should address and not restrict the challenges of the SMEs

2. Government must provide the incentive and ready market for the products of this sector. The government must help the SMEs through waiving of taxes and granting of subsidies to the SME businesses. In the procurement of goods and services, the government must first consider and put the SME and domestic products first in its purchases. This will accord the SME larger market for their products and services.

3. The legal and regulatory framework currently should be reviewed to make the requirement and structure concerning the SME more flexible. The legal and regulatory structure should be more friendlier to the establishment and operation of the SME. Certain taxes currently being paid by SMEs should be waived. There should be adequate legislative instruments to boost the SME sector.

4. Workshops and training needs of entrepreneurs must be enhanced. The country currently has just a handful of entrepreneurial training centers eg.EMPRETEC, NBSSI. The government together with the private sector can come together to establish more managerial and SME training centers for our entrepreneurs. This will sharpen their managerial competencies and enhance their outputs. Amongst other areas, the keeping of Accounting records and maintain of day books will immensely contribute to the successful running of the operations of the SME.

5. More SME entrepreneur must be encouraged to go into the manufacturing and production of products that will serve as raw material and input needed by the sector.

6. SME business men and women must be encouraged to take advantage of the advancement in ICT to improve upon their output and increase the value of their final product or service. These SMEs should be educated on the benefits, uses and adequately assisted in the usage of the ICT to produce better quality products to match global trends.

7. The government should consider the option of going into strategic partnerships with development partners abroad to give adequate source of finance to SMEs. This partnership can also look at sourcing for raw materials at cheaper prices and providing ready market source for final products and services for these SMEs all on long contract terms

8. The inculcating of the study of SME into the syllabus of tertiary education will also go a long way in helping boost the sector Tertiary students must be taught to be more entrepreneurial and given the necessary support from the structures by the state, they can be able to contribute to the building of the SME sector and the national development at large.

9. SME entrepreneurs should be taught to be future looking and consider succession planning as a key ingredient in their management process and put proper organisational structures in place for human resource, marketing and other managerial areas to ensure the continuity and long term success of the business.
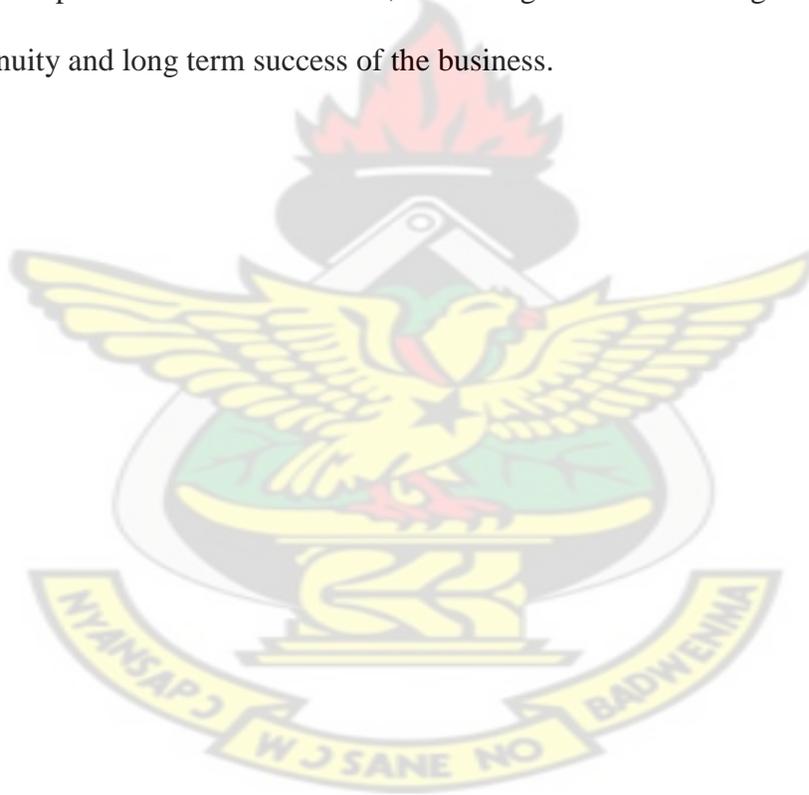
BIBLIOGRAPHY

Abor, J. and N. Biekpe, 2006. "Small Business Financing Initiatives in Ghana", Problems and Perspectives in Management, 4(3), pp. 69-77.

Aryeetey, E. And A. W. Seini (1992), "An Analysis of the Transaction Costs of Lending in Ghana", paper presented at a workshop of the African Economic Research Consortium, Nairobi.

Aryeetey, E., A. Baah-Nuakoh, T. Duggleby, H. Hettige, and W. F. Steel, 1994. "Supply and Demand for Finance of Small Scale Enterprises in Ghana", Discussion Paper No. 251, World Bank, Washington, DC.

Aryeetey, E. 1998. "Informal Finance for Private Sector Development in Africa", Economic Research Papers No. 41, The African Development Bank, Abidjan.

Aryeetey, E. 2001. "Priority Research Issues Relating to Regulation and Competition in Ghana", Centre on Regulation and Competition Working Paper Series, University of Manchester, Manchester.

Ashrafi, R. and Murtaza, M. (2008), "Use and Impact of ICT on SMEs in Oman".

Ayyagari, M., Demirguc-Kunt, A. And Maksimovic, V. (2006), "Small vs Young Firms across the World: Contribution to Employment, Job Creation, and Growth", Policy Research Working Paper, No. 5631.

Best, M., 1990, The New competition, Cambridge: Policy Press.

Boapeah S. N., "Developing Small-Scale Industries in Rural Regions: Business Behavior And Appropriate Promotion Strategies With Reference To Ahanta West District Of Ghana", Spring, Dortmund, 1993.

Braham, B. L., Boucher, S.B. and Carter, M.R (1996), Credit Constraints Credit Unions, and Small – Scale Producers in Guatemala, World Development, Vol. 24, No.5, pp. 793 – 806

Business and Financial Times, 13/07/09

Carl Liedholm, 1990. "Dynamic Issues of Small Scale Industry in Africa and the Roles of Policy".

Chen, M. A., Sebstad, J. And O'Connell, L. (1999), "Counting The Invisible Workforce: The Case of Home-Based Workers". World Development, 27 (3).

Chen, I. J. (2001), Planning for ERP systems: analysis and future trends, Business Process Management Journal, 7(5).

Cuevas et al, (1993), "Case Enterprise Finance in Ghana", RPED, World Bank, Washington DC.

Daniels, 1994, "Results of a Nation-wide Survey on Micro, Small and Medium Enterprises in Malawi", GEMINI Technical Report No 53. PACT Publications, New York.

Duan et al, 2002, "Addressing ICT Skill Challenges in SMEs: Insights from Three Country Investigations", Journal of European Industrial Training, vol. 26. No 9.

Ghana Investment Fund Act, 2002 (Act 616).

Hill, Charles W.L. (1997) .International Business: competing in the global market place. US, 2nd Edition.

International Finance Corporation, 2008.

Joseph E. Stiglitz and Andrews Weiss, 1981. "Macro Economic Equilibrium and Credit Rationing", Working Paper No 2164.

Kayanula, D. and P. Quartey, 2000. "The Policy Environment for Promoting Small and Medium-Sized Enterprises in Ghana and Malawi", Finance and Development Research Programme, Working Paper Series, Paper No 15, IDPM, University of Manchester.

King, K. and McGrath, S. (2002), "Globalization, Enterprise and Knowledge": Education, Traning and Development in Africa, Symposium, Oxford.

Kotler, P. and K. Keller, 2006. "Marketing Management", 12th edition, Prentice Hall.

Kristin Hallberg, "A market-oriented strategy for Small and Medium Scale Enterprises"

Kwame Afrane, 2002. "Impact Assessment of Micro Finance Interventions in Ghana and South Africa".

Levy, B. (1993), "Obstacles to Developing Indigenous Small and Medium Enterprises: An Emperical Assessment", The World Bank Economic Review, Vol. 7 No.1.

Liedholm, C. and D. Mead, 1987. "Small Scale Industries in Developing Countries: Empirical

Evidence and Policy Implications", International Development Paper No.9, Department of

Agricultural Economics, Michigan State University, East Lansing, MI, USA.

Mensah and Rolland, (2004), Introduction to Venture Capital and Private Equity Finance, The

Encyclopaedia of Private Equity

Mensah, S. (2004). "A Review of SME Financing Schemes in Ghana".

Adjustment on Small-Scale Enterprises in Ghana", in Helmsing, A. H. J. and Kolstee, T. H.

(eds.), Structural Adjustment, Financial Policy and Assistance Programmes in Africa, IT

Publications, London.

Palma, Gabriel, 2005. The Importance of SMEs in The Economy: "Four Sources of De-

industrialisation and A New Concept of the Dutch Disease".

Parker, R., R. Riopelle, and W. Steel, 1995. "Small Enterprises Adjusting to Liberalization in

Five African Countries", World Bank Discussion Paper, No 271, African Technical Department

Series, The World Bank, Washington DC.

Riedel et al, (1998), "Small Enterprises Adjusting to Liberalisation in Five African Countries", World Bank Discussion Paper, No. 271, African Technical Department Series.

Villars, J. (2004), "Spech Delivered at a Workshop of the Ghana Investment Advisory Council", Akosombo, 5 June, 2004.

Yankson et al, (1985), "Small-Scale Industries and Decentralization in Ghana: a preliminary report of small scale industries in small and medium-sized towns in Ghana".

APPENDICES

KNUST

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, INSTITUTE OF DISTANCE LEARNING

QUESTIONEER ON THE DEVELOPMENT OF SMALL MEDIUM ENTERPRISES AND THEIR IMPACT TO THE GHANAIAN ECONOMY

This questioneer attempts to measure the development of the SME sector in the Ghanaian economy. The challenges faced by the sector, some recommended solutions to these challenges and the way forward. It will broadly also look at the impact of the SME to the Ghanaian economy.

The research is being done in partial fulfillment to the award of an MBA from the KNUST institute of distance learning programme.

A. Background Data

1. Country……….
2. Name of Business……………………………………………………………………………………………….
3. Industry and ownership (Private/ Public)……………………………………………………………….
4. Date business was formed……………………………………………………………………………………
5. Sex (i) male…………………………………………………….(ii) female……………………………………………..
6. Age………………………………………………………………………………………………………

B. Issues relating to the SME sector

1. What in your view are the major challenges for the SME sector in Ghana

(   ) Availability of financial facility from banks   (   ) Managerial incompetencies

(   ) Input constraints   (   ) Market Constraints

(   ) Regulatory and Legal Constraints   (   ) Inability to capitalise on the advancement in

technology

2. In your view what remedies could address the challenges stated in (B.1) above

a. Redesigning of financial products with less stringent condition for the SME sector

b. Adequate training of personnel to undertake the SME ventures.

c. Encouraging more business to go into the production of the inputs needed by these SME

d. Encouraging national to patronize the national goods and encourage domestication

e. Less stringent legal and regulatory requirement

f. Training of personnel to take advantage of the advancement in technology.

C. On the scale of 1(least important) to 5 (most important), please tick how important you will put these issues relation to SME development in Ghana.

a.Contribution to the growth of the Ghanaian economy   1   2   3   4   5

b.Contributed towards generation of employment to many nationals
…….1………2………..3………...4……….5

c. Contributed to the generation of forex exchange in the economy………..1…………..2……..3……….4…………5

d.Contributed to the growth of the GDP of the country……………..1………….2……………..3………………4………….5

e.Can be improved if challenges spelt in B1 is well addressed   1   2   3   4   5

D. Self Assessment

How will you rate yourself on the following issues.

    1.   Level of knowledge in education

    a.   No formal education   b. BECE/ form 4   c. SSCE/ O Level/A Level   d. Graduate

    2. Level of knowledge in your industry

a.very high   b. somewhat high   c.neutral   d. somewhat low   e. very low

3. Level of knowledge in ICT and advanced technology used by your industry.

a. very high   b. somewhat high   c. neutral   d. somewhat low   e. very low

4. Knowledge in Financial Management and preparation of final reports

a. very high   b. somewhat high   c. neutral   d. somewhat low   e. very low

E. Other Issues

Please, give any comment on any needs that you see as relevant but not addressed by the questionnaire.

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

Thank you for your support in undertaking this important exercise