

**FACTORS HAMPERING THE GROWTH OF SMEs IN THE
PHARMACEUTICAL INDUSTRY IN THE KUMASI METROPOLIS.**

KNUST

BY

RICHARD SENNEDY APPIAH

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DECLARATION

I Richard Sennedy Appiah, do hereby declare that except for the references of other people's work, which have been duly acknowledged, this thesis consists of my own work produced from research undertaken under supervision and that no part has been presented for any degree elsewhere.

Richard Sennedy Appiah

(PG9629613)

.....

Signature

Date

Certified by:

Dr. Bylon Abeeku Bamfo

(Supervisor)

.....

Signature

Date

Dr. Ahmed Agyapong

(Head of Department)

.....

Signature

Date

DEDICATION

This work is dedicated to the Almighty God, Mr and Mrs Dickson, Madam Joana Nyamekye and the Sennedys family.

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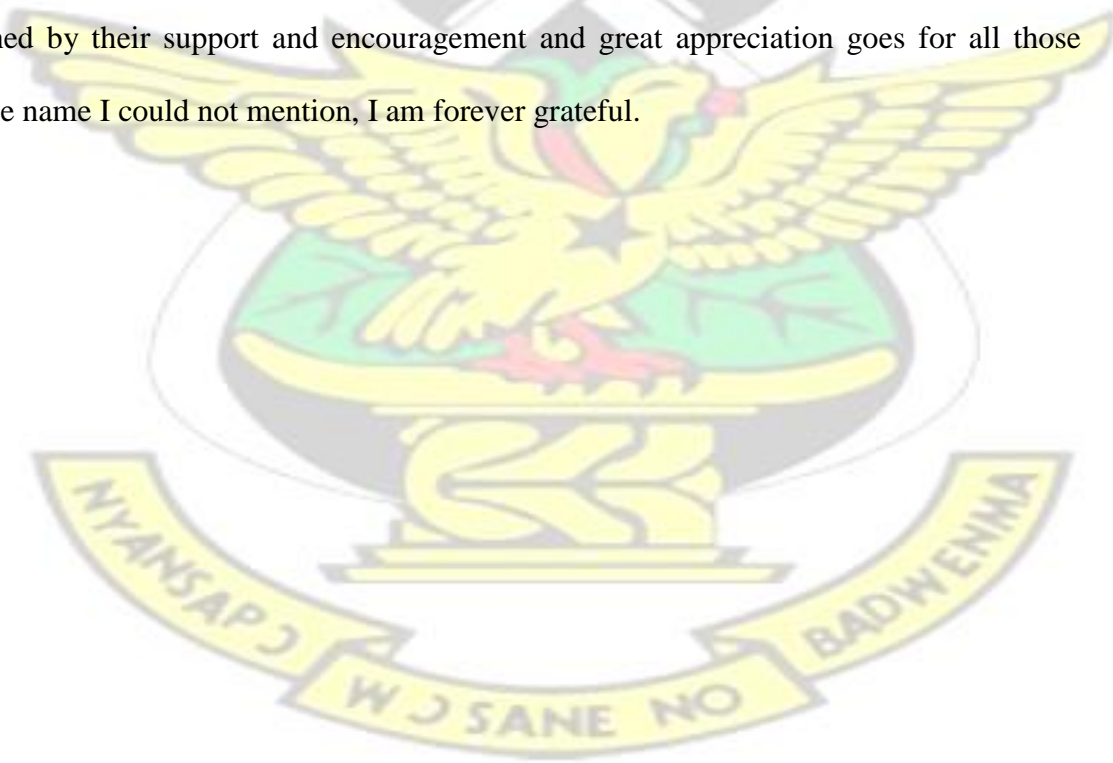


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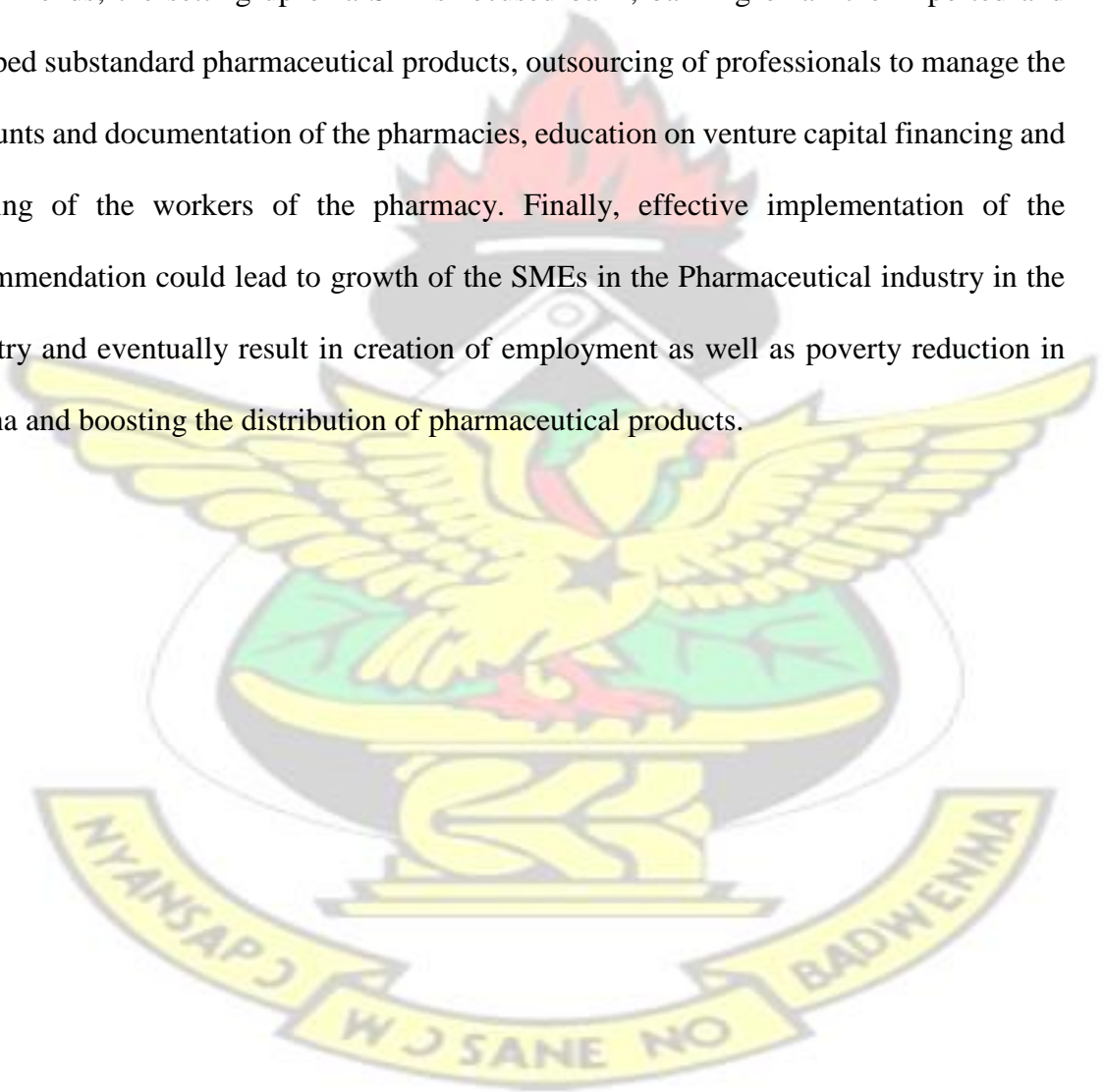
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ABSTRACT

The contribution that small businesses make towards the economies of the developing countries like Ghana emphasizes the importance of the small business sector. Regardless of the above roles most of these SMEs in the pharmaceutical industry are now collapsing as a result of not performing creditably well. It is in line with this that the study identifies the factors hampering the growth of SMEs in the pharmaceutical industry. A sample size of 237 respondents from SMEs in the pharmaceutical industry in Kumasi metropolis was determined to be studied in order to generalize their responses to mean that of all the

workers, managers and owners of these SMEs. The study combined survey and case study methods of data collection and analysis. The study revealed among other things that: low level of education among workforce, lack of qualified personnel, high percentage of self-financing of SMEs, lack of access to credit, importation and dumping of substandard pharmaceutical products, as challenges affecting the SMEs in the pharmaceutical industry in Kumasi Metropolis. In view of challenges identified during the study, the researcher recommends; the setting up of a SMEs focused bank, banning of all the imported and dumped substandard pharmaceutical products, outsourcing of professionals to manage the accounts and documentation of the pharmacies, education on venture capital financing and training of the workers of the pharmacy. Finally, effective implementation of the recommendation could lead to growth of the SMEs in the Pharmaceutical industry in the country and eventually result in creation of employment as well as poverty reduction in Ghana and boosting the distribution of pharmaceutical products.



CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The chapter forms an introduction to the factors hampering the growth of SMEs in the pharmaceutical industry in Kumasi Metropolis. It involves the background of the study and statement of the problem. The research questions, objectives, significance, scope and constraint of the study are also discussed in the chapter as sound as the organization of the study.

1.2 BACKGROUND OF THE STUDY

The effect that little businesses make towards the economies of the developing nations emphasizes the significance of the small business sector (Okpara & Wynn, 2007). Governments around the globe have appreciated exactly how essential this sector of the economy is for the future development of their comparing countries. In connection to Culkin & Smith, (2002) set forward that free venture has a pivotal part to play in the economic development of particularly developing countries of the world. Organization of European Commission in connection to Development OECD (2006), edified that all nations at all revenue levels have set a strategy focus of guaranteeing that small and Medium Enterprises (SME) have contact to satisfactory financing. This extraordinary essentialness originates from the mindfulness among approach makers that SMEs are of problematic economic significance and the absence of account in legitimate structures may be a genuine bar to the development of this sector (OECD, 2006).

An atmosphere, accommodating of entrepreneurship and an element of SME sector, is seen as markers of dynamism and adaptability completely through the economy. Moreover, in numerous advanced modern countries, greater fixed companies just yield fractional

increases in employment. Therefore, the capacity to deliver occupation depends to a vast degree upon the possibilities of smaller companies. In advancing economies, the need to stimulate SME development is significantly more critical because of the need to produce employment for growing work forces (Kuzilwa, 2005).

In addition, a sizeable offer of the population as of now works in Micro or Smaller Enterprises, frequently at low wages. As often as possible, these undertakings have just constrained access to outer finance, which may empower them to expand investment per specialist. There is a developing acknowledgment of the critical part small and Medium Enterprise (SMEs) play in economic growth (Krugman, 1991). They are much of the time termed as powerful and productive occupation originators, the germs of enormous businesses and the fuel across the nation economic instruments. Indeed, even in the advanced industrial economies, it is the SME sector as opposed to the global business that is the biggest boss of labourers (WHO, 2008).

Contact to prescription is a key element in the efficiency of health systems for handling endemic ailments. Constrained access to fundamental solutions undermines the health systems' targets of equity, efficiency and health development. By definition, fundamental medicines are those that fulfil the healthcare needs of the population, they ought to be chosen with due respect to general health pertinence, proof on efficacy and wellbeing, and near cost-effectiveness (WHO, 2008).

Additionally they ought to be accessible inside of the connection of working health systems at all times, in satisfactory sums, in the suitable dosage shapes, with guaranteed quality and sufficient medication information, and at a value the individual and the group can bear (WHO, 2008). The idea of contact to imperative medicines can be analysed as far as, physical openness, reasonableness, geographic availability and suitability.

Legitimate access to reasonable, quality medicines is a basic segment of healthcare, however in numerous African nations it keeps on being limited (Kuzilwa, 2005).

As often as possible reported hitches incorporate poor store network management, taking of stock, lacking human resources and confined financing bringing about waiting stockouts. The supply and dissemination of medicines are an essential part of the achievement of any health framework. Diversions to this supply of pharmaceuticals undermine health results as supply chains have an effect on the accessibility, cost and nature of medicines accessible to patients. The trade in substandard and fake medicines is additionally progressively common. Donors have explored different avenues regarding a scope of ways to deal with fortify in-nation supply chains including building new supply chains and reinforcing public sector supply networks (Gardias, 2006).

Benefactors have additionally started to find how private sector supply and appropriation channels can viably match state-run drug procurement and supply systems (Ballou-Aares et al., 2009). Albeit a portion of the writing on the part of the private sector in refining health administrations concentrates on market disasters influencing the private sector and the negative ramifications for moderateness, socio-economic determinants of utilization, and quality (Oxfam Global, 2009), private sector health administrations are as of now present and turning into an undeniably vital segment of African health care systems.

Private sector provides cover for all parts of the pharmaceutical quality chain including procurement, financing, assembling, dissemination and retail. It is for the most part accepted that the private sector targets affluent customers and in this way has higher prices; however frequently the poor are the biggest purchasers of private sector health services. In such cases the poor are at a higher danger of acquiring results of questionable quality and use (Carrieet al., 1994)

In any case, the private sector can likewise offer alluring substitutes where public services are inaccessible, over the top and of low quality and are regularly the main choice worthy and open to clients. There might likewise be an offer a scope of skills, ideas, capacities and similar focal points inside of private sector that can absolutely affect health outcomes. Re-upholding an organized private sector is one approach to bolster the procurement of value medicines to rural and urban populations (Baah-Nuakoh, 2003).

In view of the role played by the SMEs as a key source of dynamism, innovation and flexibility in advanced industrialized countries, as well as in emerging and developing economies. The strategic role of Small and Medium Scale Enterprises (SMEs) in the developmental agenda of developing countries such as Ghana and for that matter the Ashanti Region could not be overemphasized.

1.3 STATEMENT OF PROBLEM

Drugs, like any other products, can be protected by intellectual property rights, such as patents. Such safeguard means that their fabrication, importation and commercialization are subjected to a given period, to solely own rights that allow title-holders to charge prices beyond marginal costs. These high prices of imported medicines deny the poor of access to the vital medicines, many of which who are living in the developing countries where essential medicines are needed the most. There are presently only a few SMEs in the pharmaceutical industries existing in Ghana namely; Kinapharma, Pokupharma, Danadams and Ernest chemist. Most of the medicines produced by these companies focuses on less classy medicines such as simple antibiotics, cough and cold preparations, analgesics and antipyretics, sedatives, nutraceuticals, anthelmintic and anti-malaria (MOH, 2001). More scientifically sophisticated pharmaceutical products like

Intravenous (IV) fluids, anti-retroviral, injectable, and more advanced antibiotics like cephalosporin are imported, as our local industries, still lack the ability to produce them (MOH, 2001).

If the existing producers were active to full capacity, they would be capable of catering for supply and demand of most of the essential medicines required in Ghana. However in 1993, the domestic pharmaceutical production was only worth USD 7.2 million, it climbed to an estimated USD 11.8 million in 2000, indicating a rise in total market share for domestically produced medicines from 14 percent to 20 percent (Boeh-Ocansey, 2009). Despite this increase, the combined market share for these local manufacturers was not more than 30%, of all the pharmaceuticals products required in Ghana. As a result 70% of the national drug requirement is imported (GHS, 2010). This high percentage of importation affects the pricing of the medicines since the Government practices a “free market economy” which entails price deregulation system. The prices of pharmaceutical products in Ghana are not controlled and therefore subject to price fluctuations depending on the demand. The capability of local pharmaceutical industries to produce and distribute essential medicines is a hotly debated issue in many developing countries. Increased capacity of SMEs in the pharmaceutical industry is a key in ensuring the quality, availability and pricing of medicines within the country (WHO, 2006). It is therefore imperative that the factors that affect the growth of SMEs in the pharmaceutical industry are identified and addressed, to improve the production and distribution of essential medicine in Ghana.

1.4 OBJECTIVES OF THE STUDY

The main objective of the study is to evaluate the factors hampering the growth of SMEs in the pharmaceutical industry within the Kumasi Metropolis, taking cognizance of the role and contributions they play in the health sector of the country.

The specific objectives of this study are:

1. To identify the challenges facing SMEs in the Pharmaceutical industry in the Kumasi Metropolis.
2. To examine the factors that have resulted in the challenges the SMEs in Pharmaceutical industry faces in the Kumasi Metropolis.
3. To examine the consequences of competition in the market on the operations of the SMEs in the Pharmaceutical Industry in Kumasi Metropolis.
4. To assess the measures that have been put in place to avert the challenges identified in Kumasi Metropolis.

1.5 RESEARCH QUESTIONS

For the study to achieve its desire outcome, the research offers to answer the following questions;

1. What are the challenges SMEs in the Pharmaceutical industry are facing in the Kumasi Metropolis?
2. What are the factors that have brought about the challenges the SMEs in Pharmaceutical industry faces in Kumasi Metropolis?
3. How does lack competition in market affect the operations of the SMEs in the Pharmaceutical Industry Kumasi Metropolis?
4. What are the measures that have been put in place to avert the challenges identified in Kumasi Metropolis?

1.6 RATIONALE OF THE STUDY

Empowering and advancing local organizations, that is, the SMEs in the pharmaceutical business in developing nations is viewed as one of the most ideal approaches to bring the cost of medicines down for these nations and in this manner build access to vital medicines. The Ghana government has put in various strategies to advance local organizations in the pharmaceutical business since 2001. To date pharmaceutical organizations situated in the country add to just 30% of the crucial medicines accessible on the Ghanaian market.

SMEs in the Pharmaceutical business most likely still face various difficulties that keep them from guaranteeing satisfactory supply of crucial medicines in Ghana. It was subsequently basic to recognize the elements that hamper the development of SMEs in the pharmaceutical business in Ghana and thus restricted access to crucial medicines to the more noteworthy populace. Discoveries from this study may help in the detailing of solid approaches to advance and conceivably wipe out those bad elements influencing the SMEs in the pharmaceutical business.

The developing local pharmaceutical industry would thusly increase aggressive local creation and inevitably advance the accessibility and reasonableness of fundamental medicines in the market and along these lines diminishing the reliance on importation as intends to execute price regulation. It is likewise expected that discoveries from this study may help to build the limits of the players in the local pharmaceutical industry and in the long run improve the national economic development by expanding local employment open doors and in addition guaranteeing satisfactory if not abundance supplies of vital medicines, that could be sold crosswise over outskirts to create foreign exchange.

1.7 RESEARCH METHODOLOGY

The wellsprings of materials for the study were both primary and secondary. Primary information were gathered by the utilization of structured questionnaires which were planned and directed to management and employees of the SMEs in the pharmaceutical business, for information on the general impression of the elements hampering the development of SMEs in the pharmaceutical business inside of the Ashanti Region particularly the Kumasi Metropolis. Secondary material were removed from pertinent textbooks, newspapers, journal articles, bulletins, and both historic and present facts archives applicable institutional records displayed by corporate monetary experts and approach organizers in the pharmaceutical business. The purposive simple random examining strategy was utilized as a part of accomplishing the sample size, by essentially focusing on the chosen SMEs in the pharmaceutical business inside Kumasi Metropolis for the study which were 79 in number.

1.8 SCOPE OF THE STUDY

The study covers the SMEs in the Pharmaceutical industry in the Ashanti region specifically Kumasi Metropolis. The study was conducted within the framework of evaluating the factors hampering the growth of SMEs in the Pharmaceutical industry within the Kumasi Metropolis, specifically looking at Danadams, Pokupharma, Amponsah Effah pharmaceuticals and Saqs pharmacy. It is a case study approach of some particular SMEs in the pharmaceutical industry and did not cover all the SMEs in the pharmaceutical industry to reflect the entire industry approach of SMEs in the Pharmaceutical industry.

1.9 LIMITATION OF THE STUDY

The study is confined to the operations of SMEs in the pharmaceutical business in Kumasi City in the Ashanti Region. This setting is picked because of spending plan and period

ponderings and additionally on the grounds that it is perceived that most SMEs are engaged in the regional capital. The hesitance of management of the SMEs to release information which ought to have expanded the study and likewise set up validity and reliability is also a concern. Despite the fact that an across the nation study would have been more proper, there were requirements of money related resources, time and detachment of information and in addition materials which won't make it conceivable to embrace regional study. Also, it is extremely difficult to get to certain information that may be helpful for the exploration. Henceforth, the specialist needs to consolidate scholastic work with his consistent occupation. Besides, costs regarding printing, photocopying, typing and additionally opportunity cost would be acquired without the imperative bursary from government which would be given at a much later date.

1.10 ORGANIZATION OF THE STUDY

Each research must suitably be organized to allow persons who read to follow the order of the study. This research is divided into five chapters. Accordingly, Chapter One of the study covers the background of the study, problem statement, and the objectives of the study, research questions, rational, research method, scope, limitation and organization of the study.

Chapter Two reviews existing related literature regarding the pharmaceutical industry and SMEs in the industry to obtain detail knowledge on the topic. This chapter gives details of the definitions of What SMEs are, importance of pharmaceutical industry and effects of a retarded pharmaceutical industry on the health sector of the economy

Chapter Three provides the methods and procedures employed in the study to achieve the research objectives. It includes the research design, the population, sample and sampling

procedures, data collection, presentation and analysis procedures. In other words, chapter three provides the road map used by the researcher to conduct the research.

Chapter Four presents the analysis of data and discussions of the results. Finally, Chapter Five focuses on summary, conclusions and recommendations of the findings of the study. Attempts to give possible interpretations of the findings made in this research are contained in the conclusion. Based on the findings and conclusion of the study, various recommendations were made to the managers of SMEs in the Pharmaceutical industry in Ghana.



CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter entails the review of the relevant literature on the subject of study. Literature has been reviewed on the definition of SMEs, the business environment of SMEs, and role of SMEs in the economic development of Ghana.

2.2 THE DEFINITION AND CONCEPT OF SMES

According to Abor and Quartey (2010), agreeing on what comprised a small or medium enterprise is a key challenge in the literature. A number of authors have mostly assigned different definitions to this group of business. As with other terminologies, SMEs were not exempted from the definition problem that is mostly linked to concepts with multiple dimensions. The definition of SME using the size of firm differs among researchers. Whiles some try to employ the capital assets, others use skill of labour and turnover level. Other definitions of SMEs considered their legal status and production process. The threats and challenges of using firm size to define the status of an SME was summed up by Storey (1994). He stated that due to the firm characteristics in some industries, all the firms may be considered as small. Whilst in other industries, there is a possibility of no small size firms. The Bolton Committee (1971) first came out with an “economic” and “statistical” definition of a small firm. Under the “economic” definition, a firm is classified as small when it meets certain three criteria, namely, 1) it has a relatively small share of their marketplace; 2) it is managed in a personalized way by owners or part owners, and it is not through the formalized management system; and 3) it is independent, in that, it is not a subsidiary of a large enterprise.

With the “statistical” definition of SMEs, the Committee came out with the following criteria 1) the size of the firms’ industry and its impact on GDP, employee engagement, exports, etc.; 2) the amount the firms’ industry’s economic contribution has changed over time; and 3) applying the statistical definition in a cross-country comparison of the small firms’ economic impact.

The Bolton Committee applied diverse definitions of the small enterprises to diverse industries. Whereas enterprises in construction, manufacturing and mining were defined in terms of number of employees (in this instance, 200 or less makes an enterprise eligible to

be called a small firm), those in the services, retail, wholesale, etc. were defined in terms of monetary turnover (in this case, an enterprise within the range of 50,000-200,000 British Pounds is considered as a small firm). Enterprises in the road transport sector are considered as small if they possess 5 or less vehicles. As with other definitions, there have been criticisms with the Bolton definitions. The main criticism has to do with the seeming discrepancies between defining characteristics based on the number of employees and those based on managerial approach.

The European Commission (EC) defined SMEs basically in the area of the number of employees. They defined as firms with 0 to 9 employees - micro enterprises; 10 to 99 employees - small enterprises; and 100 to 499 employees - medium enterprises. That is, the SME sector is composed of firms (except hunting, agriculture, forestry and fishing) which employ less than 500 employees.

In essence, the EC definitions are founded exclusively on employment rather than a multiplicity of criteria. Secondly, the use of 100 employees as the small enterprise's upper limit is more appropriate, given the rise in output over the last twenty years (Storey, 1994).

Finally, the EC definition did not assume the SME group is homogenous; that is, the definition makes a distinction between micro, small, and medium-sized enterprises. However, the EC definition is too all-embracing to be applied to a number of countries. Researchers would have to use definitions for small firms which are more appropriate to their particular "target" group (an operational definition). It must be emphasized that debates on definitions turn out to be sterile, unless size is a factor which influences performance. For instance, the relationship between size and performance matters when assessing the impact of a credit programme on a target group (Storey, 1994).

As opined by Weston and Copeland (1998), definitions of size of enterprises suffer from a lack of universal applicability. In their view, this is because enterprises may be conceived of in varying terms. Size has been defined in different contexts, in terms of the number of employees, annual turnover, industry of enterprise, ownership of enterprise, and value of fixed assets.

According to Van der Wijst (1989), small and medium businesses are privately held firms with 1 – 9 and 10 – 99 people employed, respectively. Jordan et al (1998) define SMEs as firms with fewer than 100 employees and less than €15 million turnover. Michaelas et al (1999) consider small independent private limited companies with fewer than 200 employees and López and Aybar (2000) considered companies with sales below €15 million as small. According to the British Department of Trade and Industry, the best description of a small firm remains that used by the Bolton Committee in its 1971 Report on Small Firms. This stated that a small firm is an independent business, managed by its owner or part-owners and having a small market share (Department of Trade and Industry, 2001).

The UNIDO also defines SMEs in terms of number of employees by giving different classifications for industrialized and developing countries (Elaian, 1996). The definition for industrialized countries is given as follows: Large - firms with 500 or more workers; Medium - firms with 100-499 workers; and Small - firms with 99 or less workers. The classification given for developing countries is as follows: Large - firms with 100 or more workers; Medium - firms with 20-99 workers; Small - firms with 5-19 workers; and Micro - firms with less than 5 workers.

It is clear from the various definitions that there is not a general consensus over what constitutes an SME. Definitions vary across industries and also across countries. It is important now to examine definitions of SMEs given in the context of Ghana.

2.3 SME DEFINITION IN THE GHANAIAN CONTEXT

There have been various definitions given for small-scale enterprises in Ghana but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2000). In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. In its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with fewer 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 SMEs (Kayanula & Quartey, 2000). The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs. However, the National Board for Small Scale Industries (NBSSI) in Ghana applies 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. 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 & Quartey, 2000).

In Ghana, Steel and Webster (1991) and Osei et al (1993) used an employment cut-off point of 30 employees in the definition of small-scale enterprises in Ghana. Nevertheless, Osei et al (1993), classified small-scale enterprises into three categories, namely: micro - employing less than 6 people; very small - employing 6-9 people; and small - between 10 and 29 employees. A more recent definition is the one given by the Regional Project on Enterprise Development Ghana manufacturing survey paper classified firms into: micro

enterprise, less than 5 employees; small enterprise, 5 - 29 employees; medium enterprise, 30 – 99 employees; large enterprise, 100 and more employees (Teal, 2002).

2.4 CHARACTERISTICS OF SMES IN DEVELOPING COUNTRIES

A number of characteristics of SMEs in developing countries was enumerated by Fisher and Reuber (2000) under the broad headings: labour characteristics, sectors of activity, gender of owner and efficiency. Given that most SMEs are one-person businesses, the largest employment category is working proprietors. This group makes up more than half the SME workforce in most developing countries; their families, who tend to be unpaid but active in the enterprise, make up roughly another quarter. The remaining portion of the workforce is split between hired workers and trainees or apprentices. SMEs are more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Anheier & Seibel, 1987; Liedholm & Mead, 1987; Schmitz, 1995).

In terms of activity, they are mostly engaged in retailing, trading, or manufacturing (Fisher & Reuber, 2000). While it is a common perception that the majority of SMEs will fall into the first category, the proportion of SME activity that takes place in the retail sector varies considerably between countries, and between rural and urban regions within countries. Retailing is mostly found in urban regions, while manufacturing can be found in either rural or urban centers. However, the extent of involvement of a country in manufacturing will depend on a number of factors, including, availability of raw materials, taste and consumption patterns of domestic consumers, and the level of development of the export markets.

According to Kayanula and Quartey (2000), in Ghana, SMEs can be categorized into urban and rural enterprises. The former can be subdivided into “organized” and “unorganized” enterprises. The organized ones mostly have paid employees with a registered office,

whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers. They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops.

The major activities within this sector include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical-based products and mechanics (Osei et al., 1993; Kayanula & Quartey, 2000).

According to Abor and Biekpe (2006), the majority of SMEs are female-owned businesses, which more often than not are home-based compared to those owned by males; they are operated from home and are mostly not considered in official statistics. This clearly affects their chances of gaining access to financing schemes, since such programmes are designed without sufficient consideration of the needs of businesses owned by females. These female entrepreneurs often get the impression that they are not capable of taking advantage of these credit schemes, because the administrative costs associated with the schemes often outweigh the benefits. Prior empirical studies in Ghana have shown that female-owned SMEs often have difficulty accessing finance. Females are mostly involved in sole-proprietorship businesses which are mainly microenterprises and as such may lack the necessary collateral to qualify for loans.

Measures of enterprise efficiency (e.g. labour productivity or total factor productivity) vary greatly both within and across industries. Firm size may be associated with some other factors that are correlated with efficiency, such as managerial skill and technology, and the

effects of the policy environment. Most studies in developing countries indicate that the smallest firms are the least efficient, and there is some evidence that both small and large firms are relatively inefficient compared to medium-scale enterprises (Little et al., 1987). It is often argued that SMEs are more innovative than larger firms. Many small firms bring innovations to the market place, but the contribution of innovations to productivity often takes time, and larger firms may have more resources to adopt and implement them (Acs et al., 1999).

2.5 EXPLAINING GROWTH IN THE SMALL AND MEDIUM SIZED ENTERPRISE SECTOR

Over the last two decades SME growth has received considerable attention from researchers and policy makers around the world (see, for example, Storey, 1994).

Notwithstanding, there is no unified theoretical model on firm growth, due to divergence in theoretical and empirical perspectives and interpretations, as well as the innate complexity of the phenomenon of growth itself. The situation is further compounded by the heterogeneous nature of growth, that is to say, firms can expand along different dimensions and show many different growth patterns over time (Delmar et al., 2003). Gibbs and Davies (1991) are of the opinion that the production of such a theory and explanation in the near future are unlikely. The approach used in this paper is based on a modified version of the framework presented by Storey (1994) to consider the factors influencing SME growth. Our framework includes two growth influences, namely: characteristics of the entrepreneur and the characteristics of the firm. Each of the two components will now be discussed in turn in the next section.

2.5.1 Theories of Growth

There are many different definitions of business growth and ways of measuring this growth. Business growth is typically defined and measured, using absolute or relative

changes in sales, assets, employment, productivity, profits and profit margins. Sales data are usually readily available and business owners themselves attach high importance to sales as an indicator of business performance.

In addition, sales growth is also easier to measure compared with some other indices and is much more likely to be recorded. Sales are a good indicator of size and growth. Sales may also be considered a precise indicator of how a firm is competing relative to their market (Barringer et al., 2005). According to Churchill and Lewis (1983) as a new small firm starts and develops, it moves through some growth stages, each with its own distinctive characteristics. Churchill and Lewis (1983) identified five stages of growth: existence, survival, success, take-off and resource maturity. In each stage of development a different set of factors is critical to the firm's survival and success. The Churchill Lewis model gives an insight into the dynamics of SME growth, including the distinguishing characteristics, problems and requirements of growing SMEs and explains business growth processes amongst SMEs. The precise moment in time in which a start-up venture becomes a new business has not yet been theoretically determined.

However, the idea of business survival could be equated with a firm that has fully completed the transaction to stage-two organization in the five stages of small business growth. The real issue in new firm growth is that most new SMEs in Africa do not move from the first stage (existence) to other stages such as survival, success, take off and resource maturity.

2.5.2 General Constraints to SME Development

Despite the potential role of SMEs to accelerated growth and job creation in developing countries, a number of bottlenecks affect their ability to realize their full potential. SME development is hampered by a number of factors, including finance, lack of managerial

skills, equipment and technology, regulatory issues, and access to international markets (Anheier & Seibel, 1987; Steel & Webster, 1991; Aryeetey et al, 1994; Gockel & Akoena, 2002). The lack of managerial know-how places significant constraints on SME development. Even though SMEs tend to attract motivated managers, they can hardly compete with larger firms. The scarcity of management talent, prevalent in most countries in the region, has a magnified impact on SMEs. The lack of support services or their relatively higher unit cost can hamper SMEs' efforts to improve their management, because consulting firms are often not equipped with appropriate cost-effective management solutions for SMEs. Besides, despite the numerous institutions providing training and advisory services, there is still a skills gap in the SME sector as a whole (Kayanula & Quartey, 2000). This is because entrepreneurs cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency. In terms of technology, SMEs often have difficulties in gaining access to appropriate technologies and information on available techniques (Aryeetey et al., 1994). In most cases, SMEs utilize foreign technology with a scarce percentage of shared ownership or leasing. They usually acquire foreign licenses, because local patents are difficult to obtain.

Regulatory constraints also pose serious challenges to SME development and although wide ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. The high start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs. The high cost of settling legal claims, and excessive delays in court proceedings adversely affect SME operations. In the case of Ghana, the cumbersome procedure for registering and commencing business are key issues often cited. The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing

issues and there are 16 procedures involved in licensing a business in Ghana. Meanwhile, the absence of antitrust legislation favours larger firms, while the lack of protection for property rights limits SMEs' access to foreign technologies (Kayanula & Quartey, 2000).

Previously insulated from international competition, many SMEs are now faced with greater external competition and the need to expand market share. However, their limited international marketing experience, poor quality control and product standardization, and little access to international partners, continue to impede SMEs expansion into international markets (Aryeetey et al., 1994). They also lack the necessary information about foreign markets. One important problem that SMEs often face is access to capital (Lader, 1996). Lack of adequate financial resources places significant constraints on SMEs development. Cook and Nixon (2000) observe that, notwithstanding the recognition of the role of SMEs in the development process in many developing countries, SMEs development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs. A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker et al., 1995). Levy (1993) also found that there is limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their growth and development. The role of finance has been viewed as a critical element for the development of SMEs (Cook & Nixon, 2000). A large portion of the SME sector does not have access to adequate and appropriate forms of credit and equity, or indeed to financial services more generally (Parker et al., 1995). In competing for the corporate market, formal financial institutions have structured their products to serve the needs of large corporate.

A cursory analysis of survey and research results of SMEs in Africa, for instance, reveals common reactions from SME owners interviewed. When asked what they perceive as

constraints in their businesses and especially in establishing or expanding their businesses, they answered that access to funds is a major constraint. This is reflected in perception questions answered by SME owners in many surveys (see BEES, 1995; Graham & Quattara, 1996; Rwingema & Karungu, 1999). This situation is not different in the case of Ghana (Sowa et al., 1992; Aryeetey, 1998; Bigsten et al., 2000, Abor & Biekpe 2006, 2007; Quartey, 2002). A priori, it might seem surprising that finance should be so important. Requirements such as identifying a product and a market, acquiring any necessary property rights or licenses, and keeping proper records are all in some sense more fundamental to running a small enterprise than is finance (Green et al., 2002). Some studies have consequently shown that a large number of small enterprises fail because of non-financial reasons. Other constraints SMEs face include: lack of access to appropriate technology; the existence of laws, regulations and rules that impede the development of the sector; weak institutional capacity and lack of management skills and training (Sowa et al., 1992; Aryeetey et al., 1994; Parker et al., 1995; Kayanula & Quartey, 2000). However, potential providers of finance, whether formal or informal, are unlikely to commit funds to a business which they view as not being on a sound footing, irrespective of the exact nature of the unsoundness. Lack of funds may be the immediate reason for a business failing to start or to progress, even when the more fundamental reason lies elsewhere. Finance is said to be the “glue” that holds together all the diverse aspects involved in small business start-up and development (Green et al., 2002).

2.6 THE BUSINESS ENVIRONMENT

According to Delmar and Wiklund (2008) the business environment has a significant impact on the growth of new small enterprises. Smit et al. (2007) define a business environment as all those factors or variables, both inside and outside the organization that may influence the continued and successful existence of the organization. Beck and

Demirguc-Kunt (2006) argued that for new SMEs to grow, it is important to strengthen not only the internal business environment but also the external environment. Changes in the business environment have either a negative or positive effect on the growth or failure of SMEs in much of Africa (World Bank, 2006). This business environment can be divided into the internal and external environment.

2.6.1 Internal environment

These are factors in a firm's environment that are largely controllable by the firm. The internal environment includes factors such as finance (especially internal finance such as owner's equity contribution and collateral), managerial competency of the owner, location, investment in information technology, cost of production and networking (Cassar, 2004; Barbosa & Moraes, 2004).

2.6.1.1 Access to finance

All businesses require financial resources in order to start trading and to fund growth. Lack of access or availability can be a constraint on business growth (Cassar, 2004). Whether business owners can access adequate and appropriate finance to grow is a particular concern for policymakers. New SMEs can be financed from founders' own wealth and/or by accessing external sources of finance, whether from „informal“ sources such as family and friends, or from „formal“, market-based sources such as banks, venture capitalists and private equity firms. Once businesses are trading, further development can be financed using retained profits. According to Herrington et al. (2009) access to finance is a major problem for the African entrepreneur. Lack of financial support is the second most reported contributor to low new firm creation and failure, after education and training in Africa.

According to Stilglitz and Weiss (1981), the lack of finance is termed as the finance gap. FinMark Trust (2006) finds that only 2% of new SMEs in Africa are able to access bank

loans. Foxcroft et al. (2002) find that 75% of applications for bank credit by new SMEs in Africa are rejected. This suggests that new SMEs without finance may not be able to survive and grow.

2.6.1.2 Management skills

Managerial competencies are sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness (Hellriegel et al., 2008). Managerial competencies are very important to the survival and growth of new SMEs. Martin and Staines (2008) found that lack of managerial experience and skills are the main reasons why new firms fail. In Africa, Herrington and Wood (2003) point out that lack of education and training has reduced management capacity in new firms in Africa. This is one of the reasons for the low level of entrepreneurial creation and the high failure rate of new ventures.

2.6.1.3 Location and networking

Location has impacts on the market potential and growth opportunities of new firms. Geographical proximity to either critical buyers or suppliers produces a form of enhanced environmental scanning that enables new firms to more easily identify and exploit growth opportunities in the market. This impact on the market prospect of new firms (Dahl & Sorenson, 2007). Networking is very important to SMEs both new and established and can positively impact on their performance and access to finance. Okten and Osili (2004) found that the formation of networks helps entrepreneurs to tap resources in external environment successfully. Shane and Cable (2002) agreed that network relationships. In addition, networks increase a firm's legitimacy, which in turn positively influences the firm's access to external financing. Ngoc et al. (2009) point out that in the absence of effective market institutions; networks play an important role in spreading knowledge about a firm's existence and its practices. Networks also help a firm learn appropriate behavior and therefore obtain needed

support from key stakeholders and the general public. This suggests that networking can positively impact on the growth of new SMEs.

2.6.1.4 Investment in information technology and cost of production

Investment in technology and keeping up with information technology is increasingly important to all firms. Technology plays a crucial role in the development of new SMEs. Technology not only helps in evolving a multi-pronged strategy but also in maximising business opportunities. IT is perceived as essential to achieve sales. The use of technology involves cost. Computer hardware and software need to be bought and installed.

New SMEs without access to capital may find it difficult to purchase necessary technology (Phillips & Wade, 2008). Smallbone et al. (2003) found that, the cost of production can affect the growth of new SMEs. Rising cost of inputs in Africa especially the cost of electricity and petroleum can constrain growth. Close monitoring of costs of production is necessary in order to reduce wastage and determine the most efficient means of production.

2.6.2 External environment

According to Beck (2007), the performance of new SMEs can be influenced by both firm-specific (internal factors) and systemic factors (external factors). Systemic factors or state variables include factors such as the contractual and informational frameworks, macroeconomic environment, social factors (crime, corruption and ethics) technology and the regulatory environment. These state variables are largely uncontrollable by new SMEs.

2.6.2.1 Economic variables and markets

Economic factors have a direct impact on the potential attractiveness of various strategies and consumption patterns in the economy and have significant and unequal effects on organizations in different industries and in different locations. Economic variables include

the fiscal and monetary policies of the government, inflation, interest rates and foreign exchange rates. These variables influence the demand for goods and services and hence the growth of new SMEs (Ehlers & Lazenby, 2007).

Africa's current economic environment is characterized not only by high interest rates but also by low growth rates (low consumption) high inflation rates and declining exchange rates. In addition, the country is officially in economic recession for the first time in seventeen years due mainly to the global economic meltdown. Consumption and confidence have fallen with a lot of firms showing reduced sales. Unemployment is high. All these factors can affect sales, revenues and market potential of new SMEs (The Economist, 2009).

The extent of competition and potential competition also impact on the market potential and growth opportunities of new SMEs. Potential entrants are entrants that enter an industry for the first time and offer a substitute product or service to a particular sector. The potential competitor is very important in competitive industry analysis. To survive and achieve success, new firms need to understand the dynamics of competition in their industry and develop skills and competencies that give them a competitive advantage. Therefore, managers of new firms have to scan and interpret environmental changes (especially the extent of present or future competition) to maintain their firms' viability and performance (Zahra et al., 2002).

2.6.2.2 Crime and corruption

The United Nations Office of Drugs and Crime (2007) points out Africa has the dubious distinction of being amongst the world's five most-murderous nations. Brown (2001) points out that business is the largest organized group suffering from crime and violence. The effect of crime on business in Africa is not only alarming but also growing.

According to the South African Police Service Crime Statistics (2009) while the incidences of virtually all major categories of crime has fallen during the past year, business related crime is on the increase. Most of these robberies were on small business premises. A survey sponsored by Standard Bank and Fujitsu Siemens Computers (2009) finds that owners of SMEs are not aggressively pursuing avenues to grow their market shares and stay ahead of competitors. Rather they are focusing on operational matters because of the high crime rate. Furthermore, crime increases expenditures or investments in security measures to eliminate or minimize the likelihood of crime. According to Transparency International (2008), corruption both in the public and private establishments is growing in Africa. Gaviria (2002) argued that the reason why SMEs engage in corruption is often linked to problems with regulatory compliance and bureaucracy.

SMEs lack the bargaining power and the influence to oppose requests for unofficial payments and similar solicitations. The World Bank (2005) found that about 70% of SMEs perceive corruption as an impediment to their business compared to approximately 60% for large firms.

2.6.2.3 Labour, infrastructure and regulations

New SMEs require access to a pool of suitably-skilled and suitably motivated labour in order to sustain growth. Mahadea (2008) finds that it is difficult and expensive for SMEs to hire skilled labour in Africa. Labour can only be hired at a cost and within the confines of the labour regulations such as the Employment and Minimum Wage Regulations. The quality of infrastructure can affect the growth prospects of new SMEs especially in developing countries such as Africa. Many developing countries suffer from deplorable state of basic infrastructure like transportation, telecommunication and electricity.

Electricity supply in Africa does not meet the demand leading to power cuts which can affect the production and turnover of new SMEs (Kalra, 2009). In addition, the cost of regulation may impact on the growth of new SMEs. New SMEs have to obtain registration licences and pay taxes (Hashi, 2001). Most, new SMEs also perceive that they do not get enough support from the government. According to Maas and Herrington (2006) most new SMEs in Africa are not aware of government efforts to assist them such as Khula Finance Enterprise (Khula) and Small Business Development Agency (SEDA).

2.7 OVERVIEW OF THE PHARMACEUTICAL INDUSTRY IN GHANA

In Ghana, the pharmaceutical sector contains makers of drugs, wholesalers, merchants, retailers and purchasers. As indicated by the Center for Pharmaceutical Management (2003) the pharmaceutical market in Ghana on the interest side was worth around 90 million United States dollars (US\$) in the year 2001. The measure of the pharmaceutical industry was assessed by Seiter & Gyansa-Lutterodt (2009) to be of the greatness of US\$300 million as far as deals for both mainly and imported pharmaceuticals in the year 2008.

Inside of this market, the legislature of Ghana is a noteworthy player, both as a controller of the market and as a purchaser included specifically in the wholesale and supply of drugs and healthcare administrations. The private sector wholesale market is frequently to be a critical player in the sector. Nonetheless, its part and capacities past limited business hobbies are not surely understood. The private sector wholesalers are obviously an essential piece of the store network from the pharmaceutical makers to definitive buyers of drugs and other pharmaceutical items Annum et al (2010). The present number of pharmaceutical makers – incorporating those additionally occupied with importation, wholesale or different regions of the inventory network – is somewhere around 25 and 30. Seiter and Gyansa-Lutterodt (2009) diagram the structure of the pharmaceutical wholesale

market in the year 2008. They demonstrate that around 150 organizations are authorized or enlisted national or local wholesalers of pharmaceutical items. Further, around 60 organizations go about as merchants of pharmaceutical items and they offer these items to nearby distributors in light they could call their own networks

Given the reasonably high economic development of Ghana in the course of the most recent 25 years, other pharmaceutical market has turned out to be progressively alluring for both wholesale and retail suppliers. Manufacturers in the country represent around 30% of market offer with 70% offer supplied mostly by Indian and Chinese pharmaceutical firms (Seiter & Gyansa-Lutterodt, 2009; Buabeng, 2010).

Thusly, from an economic logical perspective, the pharmaceutical wholesale market in Ghana has a monopolistic focused market structure on the supply side; that is, the market is characterized by numerous vendors.

2.8 PROBLEMS FACED BY THE PHARMACEUTICAL INDUSTRY IN KUMASI METROPOLIS

An exhaustive audit of the pharmaceutical sector was embraced in 1994, which recognized various real issues inside of the sector. Essential among these were wrong utilization of drugs, poor procurement, stockpiling and dispersion hones, insufficient financial management systems for drugs, prompting disintegration of capital of the rotating drug stores and unseemly quality certification. The survey further distinguished that wholesalers and retailers of pharmaceutical items had not possessed the capacity to extend their scope to the provincial parts of the nation, thought that it was troublesome in evaluating capital to grow their business and a hesitance to establishment their organizations because of little learning about its operation and prospects. For the greater part of these wholesalers and retailers their powerlessness to extend have fundamentally been as an aftereffect of

administrative necessities by the drug store gathering, getting a drug specialist to superintend their offices particularly in alternate regions in Ghana separated from Greater Accra and Ashanti, and their failure to draw in the right staff and preparing them MOH (2002). These issues brought about the detailing of an all-inclusive strategy for the sector that shaped the premise for the setting up of the Ghana National Drugs Program (GNDP) in 1997. 34



CHAPTER THREE

RESEARCH METHODOLOGY AND ORGANISATIONAL PROFILE

3.1 INTRODUCTION

The chapter considered the methodological approach to the study, and the organisational profile of studied institutions. The items looked at in this sections comprised research design, research purpose, population, sample size and sample technique, data collection, sources of data, data analysis technique, reliability and validity, ethics, organisational profile.

3.2 RESEARCH DESIGN

Research design according to Saunders et al. (2009), is a way in which you choose to combine quantitative and qualitative techniques and procedures. Creswell (1994) grouped research design into three, viz. qualitative, quantitative, and mixed approach.

Qualitative tests objective theories by examining the relationships among the variables. The variables are measures and numerical data obtained and analysed using statistical procedures to test hypothesis. According to Creswell (1994:4), „qualitative research is a means of exploring and understanding the meaning individuals or groups ascribe to a social or human problem. One way of distinguishing between the two is the focus on numeric (numbers) or nonnumeric (words) data. Quantitative is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. In contrast, qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or use non-numerical data. The mixed method combines the qualitative and quantitative approaches in a single

study. The overall strength of a study is greater than either qualitative or quantitative research (Creswell, 1994). The study was quantitative in nature.

3.3 RESEARCH PURPOSE

Research design is defined as a framework or blueprint for conducting research project. It deals with the necessary procedures for obtaining the needed information to help solve research problems. A good research design ensures that the research is conducted effectively and efficiently (Malhotra & Birks, 2007). The research design determines which established convention has been chosen for conducting a piece of research. The choice of research approach is based on the research problems and questions of a study. Various approaches can be used to study a problem. According to Saunders et al. (2009), the most often used approaches are exploratory, descriptive and explanatory. According to Robson (2002), research design is turning your research question into a research project. The way the researcher chooses to answer the research questions is influenced by the research philosophy and approach. The research question subsequently informs the choice of research strategy, the choices of collection techniques and analysis procedures, and the time horizon over which to undertake the research project. The main research question for this study was “what are the factors that hamper the growth of SMEs in the Pharmaceutical industry of Ghana?” Based on this research question, an exploratory research design was used.

3.4 POPULATION OF THE STUDY

A population is the total of all the individuals who have certain characteristics and are of interest to a researcher. Polit and Hungler (1999) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. The population of this study comprised pharmaceutical shops in Kumasi, numbering 79.

3.5 SAMPLE AND SAMPLING TECHNIQUES

The process of selecting a portion of the population to represent the entire population is known as sampling (LoBiondo-Wood & Haber 1998; Polit & Hungler 1999). The sampling technique that was used for this study was convenience and purposive sampling. Convenience sampling was used to select the pharmaceutical shops in Kumasi metropolis, and purposive sampling technique to select the first three senior members from each of the pharmaceutical shops. 3 each respondents were selected from the 79 shops, making 237 in all.

3.6 DATA COLLECTION

There is no best method so to speak when it comes to data collection. The choice of methods ought to be driven by the sort of research questions one is looking to reply (Bowling, 2002). How the data to be gathered is dictated by the research question, objective and what is being analyzed (Dawson, 2002). The researcher utilized questionnaire as the method of gathering primary data; furthermore the secondary data was gathered from officially distributed writing and unpublished reports identified with the study.

The questionnaire was composed in a compact and exact dialect to keep away from uncertainty. The researcher chose to utilize questionnaire to permit reactions to be assembled in a standard manner, bringing out objectivity, and diminishing bias.

3.7 SOURCES OF DATA

According to Polit and Hungler (1999), data is information obtained in a course of a study. Data is information in raw or unorganized form (such as alphabets, numbers, or symbols) that refer to, or represent, conditions, ideas, or objects. Data can be categorized as primary

or secondary. This study however made use of primary data through the use of questionnaire as research instrument, and secondary data from publications.

3.7.1 Primary data

Primary data is defined as consisting of materials that you have gathered yourself through systematic observation, information from archives, the results of questionnaires and interviews and case study which you have compiled (Jankuwics, 2002). The study made use of primary data because it has not been published yet and is more reliable, authentic and objective. Primary data has not been changed or altered by human beings and therefore its validity is greater than secondary data.

3.7.2 Secondary data

Secondary data from retrieved from published documents and companies' website.

3.8 DATA ANALYSIS

In the broadest sense, data analysis consists of systematically looking for patterns in recorded observations and formulating ideas that account for those patterns (Bernard, 1998). Plausibility checks were conducted and inconsistent data was cleaned appropriately. Analyses based on the objectives of the study were appropriately run. The data were analysed using frequencies, mean, pie chart, pie charts, and tables. This was done with the aid of SPSS v17.

3.9 QUALITY OF THE RESEARCH

3.9.1 Reliability

Reliability is the degree of consistency with which the instrument measures an attribute (Polit & Hungler, 1999). It further refers to the extent to which independent administration of the same instrument yields the same results under comparable conditions (De Vos,

1998). The less variation the instrument produces in repeated measurements of an attribute the higher the reliability. Reliability can be assessed by the following three questions (Easterby-Smith et al., 2002: p.53). Will the measure yield the same results on other occasions?; Will similar observation be reached by other observers? and is there transparency in how sense was made from the raw data?

3.9.2 Validity

Validity is defined as a measure of truth or falsity of the data obtained through using the research instrument. It is classified as internal and external validity of the measuring instrument (Burns & Grove, 2001). Content validity is the extent to which the content of the instrument appears to comprehensively examine the scope it is intended to measure (Bowling 1997). This was ensured by a thorough review of literature, the basis of which the research instrument (questionnaire) was developed. Other steps were taken to ensure the validity of the study. Firstly, the questionnaire was pilot tested, which enabled the researcher to make the necessary adjustments for the final questions. The improved questionnaire was used to gather data from a reliable source; staff from the selected pharmaceutical shops. And finally, data was collected within 3 weeks, and within this short period of time, no major event has been changed with related topic.

The data collection method and the findings are in line with what was intended to measure. To a large extent subject or participant error, subject or participant bias, observer error and observer bias were minimized.

3.10 ETHICAL CONSIDERATION

The study would maintain the human rights, goals and rules that have been set up by the constitution of the Republic of Ghana. To ensure the privileges of the respondents and/or target populace to address moral concerns, some realistic steps would be set up.

Sufficient measures would be taken to ensure the confidentiality of the respondents. The obscurity of the members would be guaranteed by totalling reporting of all data gathered. All outcomes would be treated with outmost confidentiality to support the aim of the research.

3.11 SECTOR PROFILE

There are about 50 pharmaceutical companies registered with the Ghana Pharmacy Council. These companies import active ingredients and formulate and package tablets, syrups, capsules and intravenous fluids. Most manufacturers are also involved in the direct importation of final pharmaceutical products.

3.11.1 Structure of the industry.

Manufacturing. Among the leading pharmaceutical manufacturers in Ghana are PhytoRiker (formerly GIHOC Pharmaceuticals), Dannex Company Ltd, Ernest Chemist Limited, Ayrton Drug Manufacturing Ltd, Letap Company Ltd, Starwin Limited, Intravenous Infusions Ltd, Bikkai, Major & Co., Pfizer and Starwin.

Wholesaling and distribution. Most of the manufacturing companies listed above are also wholesalers. For example, Ernest Chemist Limited has two wholesale outlets and is in the process of setting up a third. Most of the operators stock both local and imported products. Most wholesalers also sell at retail.

Retailing. Most retail outlets involve a single pharmacist or licensed chemical seller. In the regional capitals, a pharmaceutical retail unit will be found within 1–2 km of every location. Units are open for not less than 10 hours per day and some operate a 24-hour service.

Supply and marketing chain. The pharmaceutical sector comprises manufacturers, wholesalers, distributors, retailers and consumers. Within this market, the government of Ghana is a major player, both as a regulator of the market and as a buyer involved directly in the wholesale supply of drugs and healthcare services to public healthcare institutions.

Distribution is undertaken by the distribution departments of the manufacturing companies. In addition to this, independent distributors buy in bulk and distribute products to retailers. The independent distributors are also importers and most have franchises from major international pharmaceutical manufacturers.

Policy context. Regulatory institutions include the Ministry of Health, the Pharmacy Council, the Ghana Standards Board and the Environmental Protection Agency. The Ministry of Health deals with policy formulation.

The establishment of a pharmaceutical company requires licenses and permits from the Pharmacy Council, the Ministry of Health, the Ghana Standards Board and the Environmental Protection Agency. Obtaining a license from the Pharmacy Council requires that steps are taken to satisfy World Health Organization guidelines for current good manufacturing practices. The Ghana Standards Board is responsible for quality evaluation: to ensure that all products in the country are safe. All manufacturers, importers and distributors are legally required to register with the Ghana Standards Board. The Environmental Protection Agency ensures that the manufacture, sale and use of pharmaceuticals meet strict environmental standards.

Challenges. A limited capacity to enforce regulations is a problem in the sector. Flaws in the public sector payment system and a weak public sector supply chain are also significant issues. A lack of working capital is a major cause of poor and unreliable supply arrangements by wholesalers. This is the result of the very low coverage of local

production, which has resulted in a need to import from other countries to meet the country's needs. The high cost of inputs and the limited availability of qualified personnel are major challenges.

Competitiveness. About 70% of pharmaceutical products are imported, and competition among local manufacturers has intensified. Most are now upgrading their operations.

Demand status, trends and potential. Ghana imports about US\$300 million worth of pharmaceutical products annually. Local manufacturers account for about a third of the total market. The market has been growing at about 10% annually.

Recent developments. Recent expansions in capacity have made Ghana one of the leading producers and distributors of medicine in West Africa. In November 2009, Africa's largest drugs company, Adcock Ingram Holdings Ltd, bought a majority share in Ghana's leading pharmaceutical company, Ayrton Drug Manufacturing Ltd. In 2010, a US-based pharmaceutical company, Emerging World Pharma Inc., invested in setting up a facility in Sunyani to produce generic products. The company expects to start with 13 medicines and add another 18 products as production capacity expands. The Food and Drugs Board and the Ghana Standards Board, through increased monitoring and surveillance, have been successful in detecting fake and unwholesome drugs, recently banning a number of companies whose products have failed to meet manufacturing standards. The two agencies have also banned the sale of several imported drugs that violate standards.

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CHAPTER FOUR

PRESENTATION OF DATA, ANALYSIS AND DISCUSSIONS

4.1 INTRODUCTION

Chapter four introduces the findings from data gathered through the instrument utilized; questionnaire and its analysis. The findings are given by the assistance of tables and outlines to supplement the interpretation of data gathered. Analysis is in light of the situated targets on variables hampering the development of SMEs in the pharmaceutical industry in the Kumasi Metropolis. 237 respondents were sampled and questionnaire administered. However, 225 questionnaires were received and used for the analysis. The response rate was therefore 92.94%.

4.2 DEMOGRAPHY OF RESPONDENTS

Concurring with the pervasive statement of Sociological models that individuals radiate from and are affected by their experience as noted by Mainoo (2011), the scientist chose to offer trustworthiness to the demographic elements of the respondents. The important demographic variables considered were sexual orientation, age gathering and educational level of the respondents from the SMEs.

Table 4.1: Gender of Respondents

	Frequency	Percent
Male	178	79.0
Female	47	21.0
Total	225	100

Source: Field Data 2015

As clear in table 4.1, majority of the respondents which is 178 out of 225 speaking to 79.0% were females with just 47 speaking to 21.0% being males. This information demonstrates that the workforce in the pharmaceutical business is commanded by males.

As demonstrated in table 4.2, greater parts of the respondents were between the ages 20 – 50 years. Subsequently including the 83 and 99 respondents who were in ages 20 – 35 and 36 – 49 years individually, it could be said in rate terms that more than 80.0% of the respondents were between the ages of 20 – 50 years. The table demonstrates that out of the 225 respondents just 43 of the respondents were 50 years or more. This shows that the workforce in the pharmaceutical business is energetic as dominant part is underneath 50 years.

Table 4.2: Age group of respondents

	Frequency	Percent
20-35	83	36.9
36-49	99	44.0
50 and upwards	43	19.1
Total	225	100.0

Source: Field Data 2015

Upon investigations it was realized that only 7 out of the 225 respondents were illiterates meaning they never had a formal education, 143 respondents had completed up to the secondary level and a whopping 75 respondents completing the tertiary level of education. These indicates that majority of the respondents are educated and would understanding issues pertaining to challenges and factors hampering the growth of their pharmacies.

Table 4.3: Educational Background of respondents

	Frequency	Percent
Primary	19	8.4
Junior high school	33	14.7
Secondary/Technical/Vocational	91	40.4
University/Polytechnic	75	33.3

Illiterate	7	3.1
Total	225	100.0

Source: Field Data 2015

Table 4.4: Number of years of operation

	Frequency	Percent
Less than 2 years	11	4.9
3 years	23	10.2
4 years	47	20.9
5 years	78	34.7
Over 5 years	66	29.3
Total	225	100.0

Source: Field Data 2015

From the study it was realized that, 34.7% and 29.3% of the respondents said that they have been operating for 5 years and more than 5 years. Only 4.9% have been operating for less than 2 years, 10.2% and 20.9% of the respondents also said they have been operating for 3 years and 4 years respectively. This shows that majority of the SMEs have been in operating for 5 years and over so would know the pros and cons in the industry.

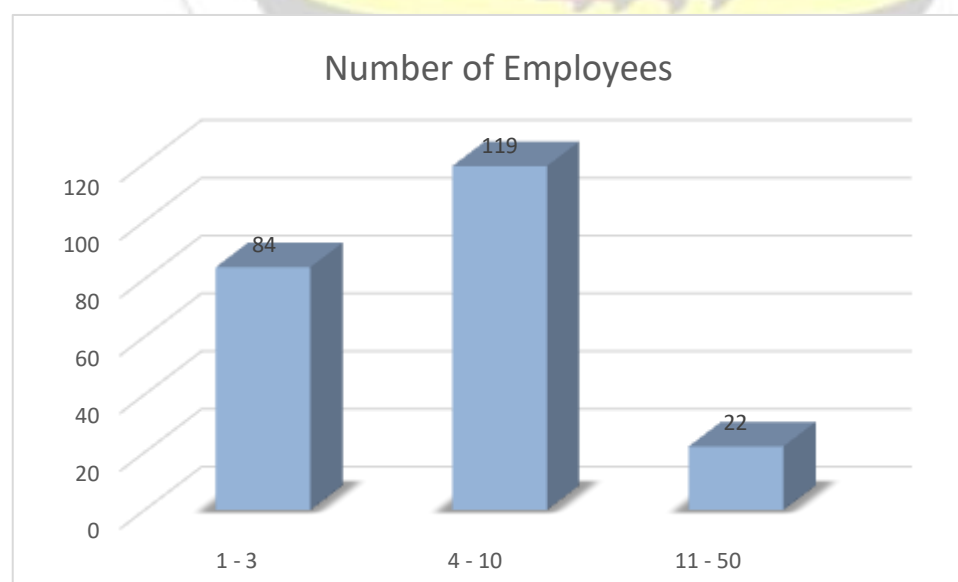


Figure 4.1: Number of Employees Source: Field Data 2015

Majority of the respondents that is 119 out of the 225 said they have 4 – 10 employees, followed by 84 respondents claiming they have 1 – 3 employees. While 22 of the respondents claimed they have as much as 11 – 50 employees. This indicates that all the pharmacy shops contacted for the survey are SMEs because none of the pharmacy shops had more than 100 employees.

On the legality of the SMEs, all of them unanimously claimed they are registered with regulatory bodies. All the SMEs said that they are registered with the Pharmacy Council and other regulatory bodies such Food and Drugs Authority, Registrar General Department, Ghana Revenue Authority and other unions.

Table 4.5: Type of Ownership of Pharmacy

	Frequency	Percent
Limited Liability Company	21	9.3
Sole proprietorship	146	64.9
Limited by Guarantee	17	7.6
Partnership	41	18.2
Total	225	100.0

Source: Field Data 2015

On the legal status of the pharmacy a whopping majority of 146 of the respondents said the companies are sole proprietorship, followed by 41 respondents who also said their

pharmacies are a partnership. 21 and 17 out of the 225 respondents said they are Limited Liability Company and Limited by guarantee respectively.

4.3 GENERAL BUSINESS ENVIRONMENT

The study redefined qualified personnel to mean people who are supposed to manage the pharmacies very effective and those who are trained to administer drugs over the counter according set standards and best practices in the country. From Figure 4.2 below, majority of the respondents that is 81 said the situation of qualified personnel in these pharmacy shop is very bad, followed by 45 who also said the situation was bad. Whiles 34 believed that within the pharmacies you can get an average qualified personnel, only a total of 65 respondents believed that pharmacies have people who are well qualified for the job.



Figure 4.2: Availability of qualified personnel Source: Field Data 2015

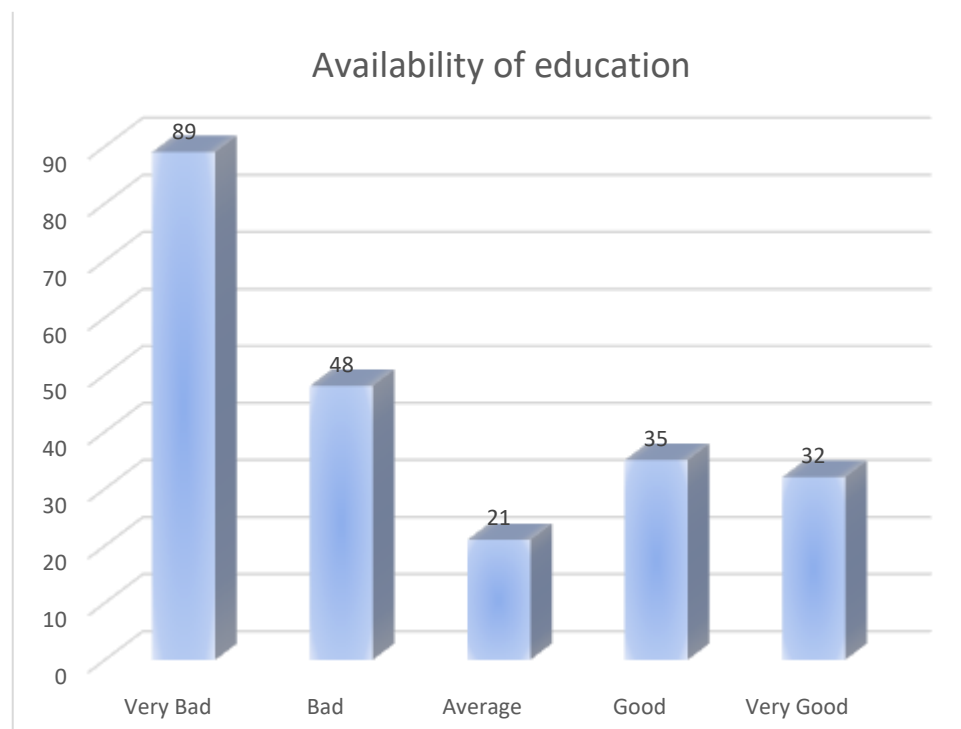


Figure 4.3: Availability of educational opportunities Source: Field Data 2015

Again, commenting on the availability of education for these workforce a vast majority of 137 respondents claimed the availability and access to education remains bad, 21 said the availability and access is on the average whereas 35 and 32 respondent believed the availability and access to education is good and very good. This is indicative of the fact that the personnel available to these pharmacies needs to be trained so they can manage their pharmacies effectively in other to be pharmaceutical industry in country thereby increasing employment since SMEs plays a huge role in the our economy.

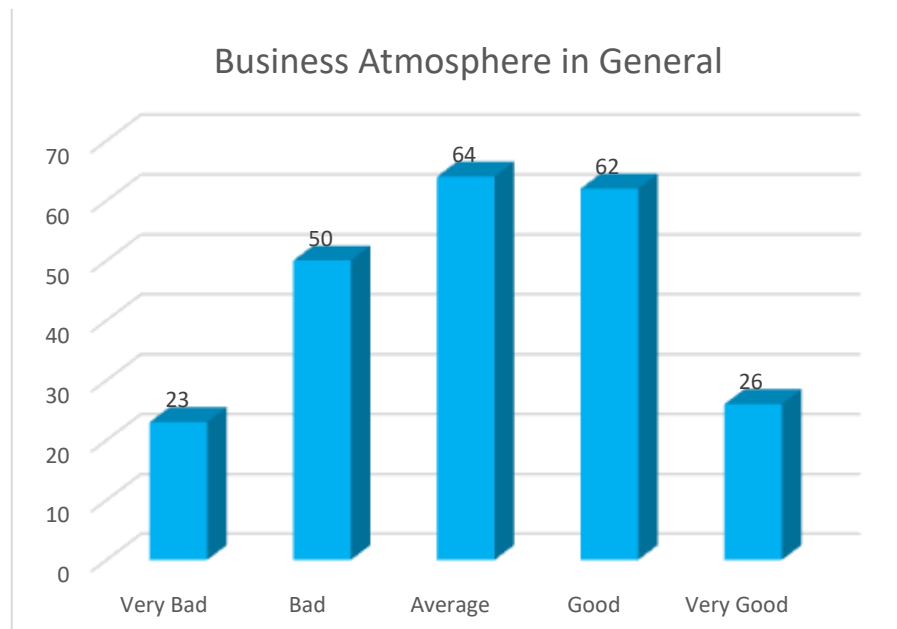


Figure 4.4: Satisfaction with business in general Source: Field Data 2015

From the data gathered during the study on the field, 24 of the respondents believed that business atmosphere is very bad, 50 think that it is bad. To them there are lots of factors both internal and external which goes against the pharmacies in the Ashanti region. The respondents mentioned high taxes, high cost of raw materials and high tariffs. 64 respondents said the business atmosphere is average meaning it is not good nor bad, while a slight majority of 62 and 26 believed that the business atmosphere is good and very good respectively. In all, it was believed that the business atmosphere in general is good for SMEs in the pharmaceutical industry.

4.4 BUSINESS ACHIEVEMENT OVER THE PAST FEW YEARS

The analysis presented in table 4.6 and 4.12 were conducted using mean, standard deviation, and one sample t-test. The mean represents the average of the responses, and the standard deviation represents how dispersed the results are about the mean score. The one sample t-test was used to ascertain the relative significance of the observed variables

measuring the latent variables. The test value (population mean) was 3, with 95% as the significance level in accordance with the antecedent.

For table 4.6, the Likert scale was, 1=strongly agree, 2=agree, 3=Neutral, 4=disagree or 5=strongly disagree.

Table 46: Achievement of the pharmacy

Achievement of the pharmacy	<i>Test Value = 3</i>			
	Mean	Std. Deviation	<i>T</i>	<i>Sig. (2-tailed)</i>
Increase in profit	1.9583	.5305	3.281	.003
Achieved growth in sales	2.255	.98723	3.465	.001
New business processes	4.2417	.74258	5.541	.000
New technologies	4.3833	.70961	5.913	.000
New products/services	4.6109	.68101	6.517	.000

Source: Field Data 2015

The findings from the study disagree with Levy & Powel (2005) pronouncement that SME"s are in general flexible and innovative companies that are able to respond quickly to the market demands. The mean score of new product (service) development was 4.61 (approximately 5- strongly disagree). The reasons for developing new products include customer change pattern and market demands, whiles those who had not develop new products said the market, lack of qualified personnel who are innovative and creative. As a result of the pharmacies are not growing and their customers are also choosing other pharmacies. The t-score of 7.578 was statistically significant at 0.01.

With regards to implementing new technology, the mean score was 4.38 (approximately 4- disagree), with a t-score of 75.695. On the implementation of new business processes, the mean score was 4.24 (approximately 4- disagree), and a t-score of 5.054. These items

were all statistically significant at 0.01. Their inability to implement new technologies and develop new processes was also due to the lack of qualified personnel to manage these pharmacies of course you need people to under these activities.

The sales of an organisation usually has a positive relationship with their profit. All things being equal, an increase in sales would lead to an increase in profit. This study found that relationship among the pharmaceutical shops in Kumasi metropolis. The mean score of both increase in profit and growth in sales were approximately 2 (agree). This indicates that, the respondents agreed there was an increase their sales as well as their profit. The t-scores were all statistically significant from the test value (mean population) of 3, at 0.01.

4.5 SUPPORT FROM GOVERNMENT, REGIONAL ADMINISTRATION, UNIVERSITIES AND RESEARCH INSTITUTIONS

The administration in Ghana has actualized various development projects and undertakings to help develop SMEs in the economy. As indicated by Kayanula and Quartey (2000), small scale enterprise advancement in Ghana was not amazing in the 1960s. As the economy declined in the 1980s, substantial scale fabricating business stagnated which constrained numerous formal part representatives into auxiliary independent work trying to gain a nice wage. It was with this perspective why governments set up different associations to bolster SMEs to develop to build the work circumstances in Ghana. The National Board for Small Scale Industries which was set up under Act 434 in 1981 as a peak body for the development small-scale industries in Ghana. With a specific end goal to make a solitary element incorporated association promoted and equipped for reacting to the needs of the SME area.

The Ministry for Private sector Development was set up in 2001 to co-ordinate and orchestrates all between sectoral exertion which went for the development of the private

sector as the motor of development and neediness diminishment. The Ministry gained ground towards easing Small and Medium-Scale Enterprises (SMEs) of one of their real issues, which is access to reasonable long haul stores. Besides, different plans, for example, the Government Loan Guarantee, African Development Foundation, Italian Credit office, and so on was situated up by the government. The study revealed that a total of 97 of the respondents assessing the performance of the government and regional administration to their development said they have never had any experience of the government and regional administration coming to their aid, 68 and 35 of the respondents said they have very low and low help from the government and regional administration, 14 respondents said they have seen an average help from the government and regional administration while only 11 respondents said they have had high level of help from the government and regional administration. The researcher concludes that the government and regional administration are not up and doing to help in growing these SMEs in the pharmaceutical industry and reasons could be lack of interest on the part of the government and regional or due to the inability of these unqualified managers of these pharmacies who are unable to put together proposals to draw attention of the government and their unawareness of these agencies set up by the government aid them.

In view of the aforementioned, the researcher investigates the activeness of these business support agencies and organizations. 51 respondents said they have not had any experience with these business support agencies, 77 and 45 of the respondents said they had very low and low contributions respectively from the business support agencies and 29 and 23 respondents also said they have had an average and high contributions respectively from the business support agency. Again the researcher concludes it is because of unawareness of these business support agencies. The respondents said these agencies have no permanent

offices and they are difficult to locate them in the region. The respondents claimed their contributions include training programmes and financial support.

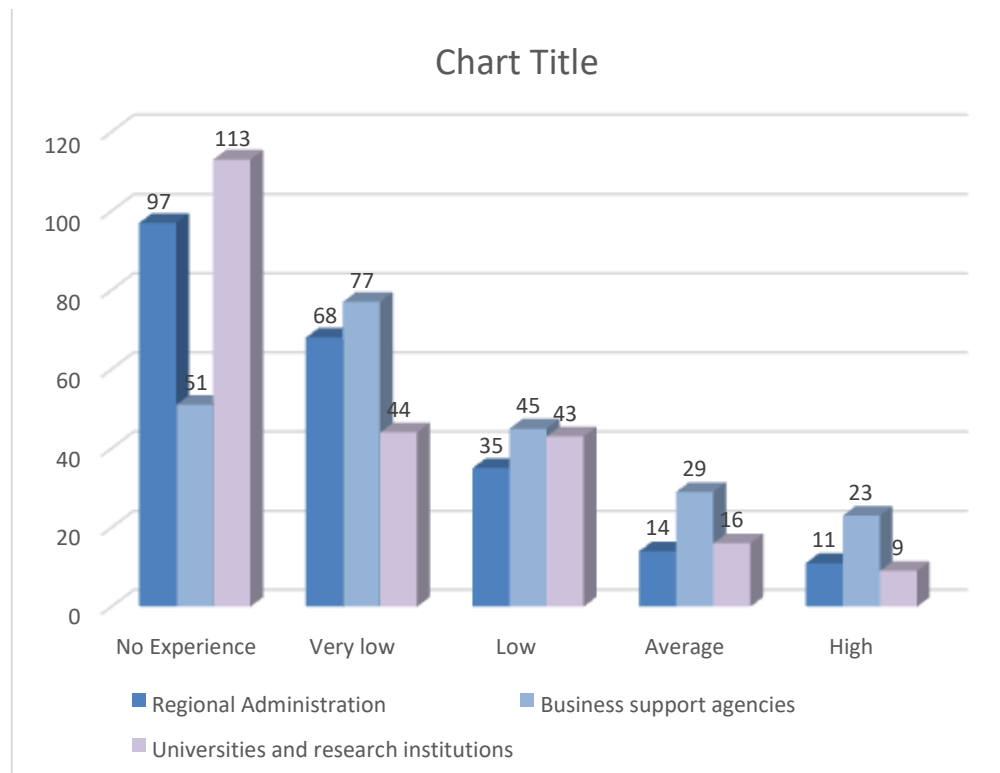


Figure 4.5: Level of support from Government, Regional Administration, universities and Research institutions

Source: Field Data 2015

From the survey it was proved that government, regional administration and business support agencies have not performed to task as explained by respondents. It was also revealed that universities and research institutions has also failed to help these SMEs since as much as 113 of the respondents have never experienced the contributions of these institutions, followed 44 and 43 respondents who said the contributions they have received from the research institutions is very low and low respectively. 16 and 9 of the respondents said they have received an average and high levels of contributions respectively from the

universities and research institutions but claimed the bureaucratic processes that you have to go through before getting this institutions to come to your aid.

4.6 SOURCES OF FUNDING

Table 4.7: Sources of funding

	Frequency	Percent
Self-financing	45	20.0
Financial institutions	36	16.0
Family and Friends	121	53.8
Money Lenders	23	10.2
Total	225	100.0

Source: Field Data 2015

As per Thormi and Yankson (1985), fund is the most major issue of small-scale industries in Ghana. The study likewise uncovered that small-scale business visionaries fundamentally depend all alone wellspring of capital for both start-up and working capital. In the event that business or enterprises financing is to be left in the hands of business visionaries own sources as against the foundations of low investment funds society in the nation, then SMEs development will be enormously kept down. From the table above, a majority of 121 of the respondents said that they obtain their finances from their family and friends, followed 45 respondents who said they fund their businesses their selves. Only 36 of them said they are able to obtain funds from financial institutions and 23 said they get their source of funding from money lenders that is the SUSU collectors.

The researcher went further if they have ever applied for loans before and it was realized that as much as 108 respondents claimed they have applied for loans from financial

institutions before whiles 117 of them declined that they have never applied for loans before as shown in the figure below. On the requirements the financial institutions required from the SMEs, the respondents claimed that the requirements included collateral, business registration, full detailed business plans etc.

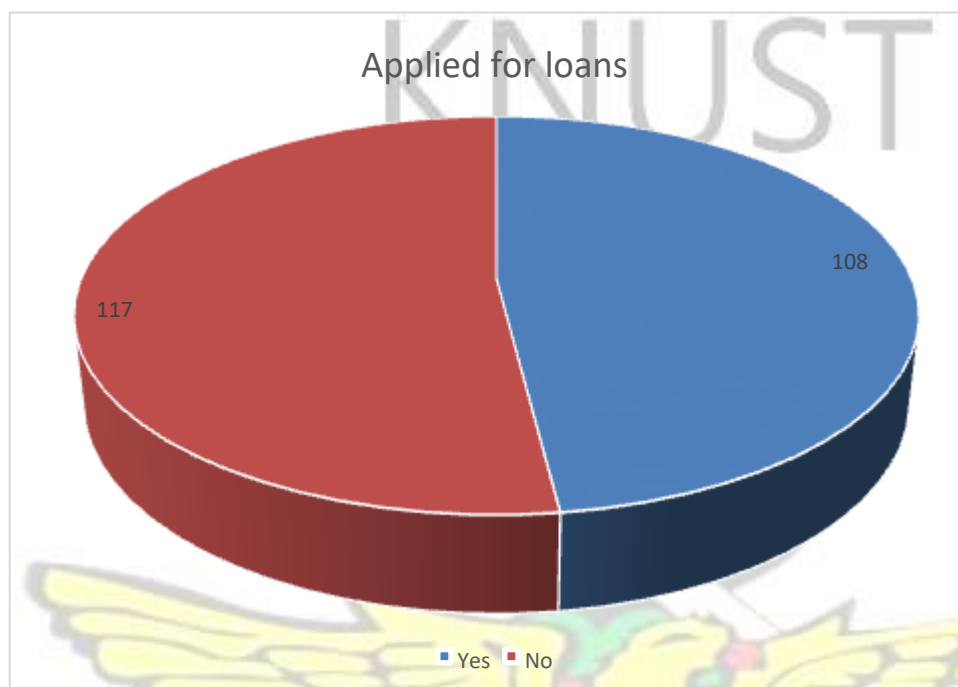


Figure 4.6: Application for Financial Assistance Source: Field Data 2015

Out of the 108 respondents who had applied for loans only 67 of them claimed even though the requirements were as strenuous they were able to provide the requirements whiles the remaining 41 said they were not able to provide all the requirements.

Table 4.8: Ability to Provider Requirements

	Frequency	Percent
Yes	43	39.8
No	65	60.2
Total	108	100

Source: Field Data 2015

Out of the 108 respondents studied, just 43 of them speaking to 39.8% had acquired financial help from financial institutions and these are either in real money or investment capital. 60.2% of the 108 had additionally connected for financial help from the banks however yet to get their package. Some clarified that they have been requested that enlist their organizations. The study additionally uncovered that, out of 43 respondents who had gotten help from the financial institutions 21 of them guaranteed that their drug stores almost fallen due to high premium rate charged by the banks and so far as that is concerned are not propelled to contract advances again from the banks. Notwithstanding that, business visionaries confront the burden that they all the time just have had a constrained access to training which makes it troublesome for them to fill in the intricate structures for applying for an advance. Numerous banks oblige business records as least essentials before allowing credit and a record keeping is one of the significant difficulties for the SME's.

Table 4.9: Difficulty in Accessing Credit

	Frequency	Percent	
	83	76.9	Yes
No	25	23.1	
Total	108	100.0	

Source: Field Data 2015

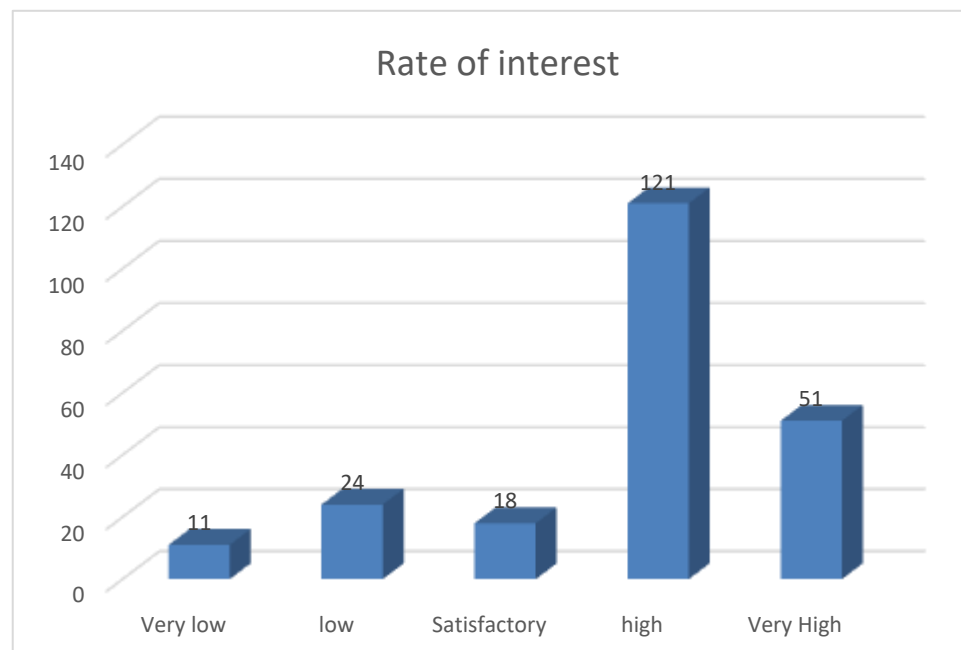


Figure 4.7: Rate of Interest Source: Field Data 2015

From the respondents, respondents who have gotten help from the financial institutions asserted that it almost given way their organizations, in light of high intrigue rate charge by the financial institutions couple with high cost of creation. 121 of the respondents asserted that the interest rate of the financial are high, 51 of them likewise guaranteed that the interest rate are high. To them the way of the interest rate has deflect them from contracting stores from any financial organization since they are not arranged to help SME's to develop in the nation. The individuals who have not in any case connected for backing from these institutions additionally guaranteed that due to the premium rate charge by the banks won't urge them to apply for the office. To them there was high premium rate charged by the banks however they have possessed the capacity to utilize the trusts, enhanced their organizations with the minimal expenditure that they got. A percentage of the respondents proposed that government ought to diminish the premium rate for individuals who utilize the cash for SMEs exercises so as to make job inside of the general public. 11 and 24 of the respondents were not of the different view and claimed the interest

rate was very low and low respectively and 18 respondents also said the interest rates charged on the loans are satisfactory.

On reinvesting the profit they make into their business, a vast majority 198 respondents said they do invest some or all the profit they make into the business since it is very difficult to obtain finance from other sources, while 27 of the respondents said they do not reinvest profit they earn back into their businesses

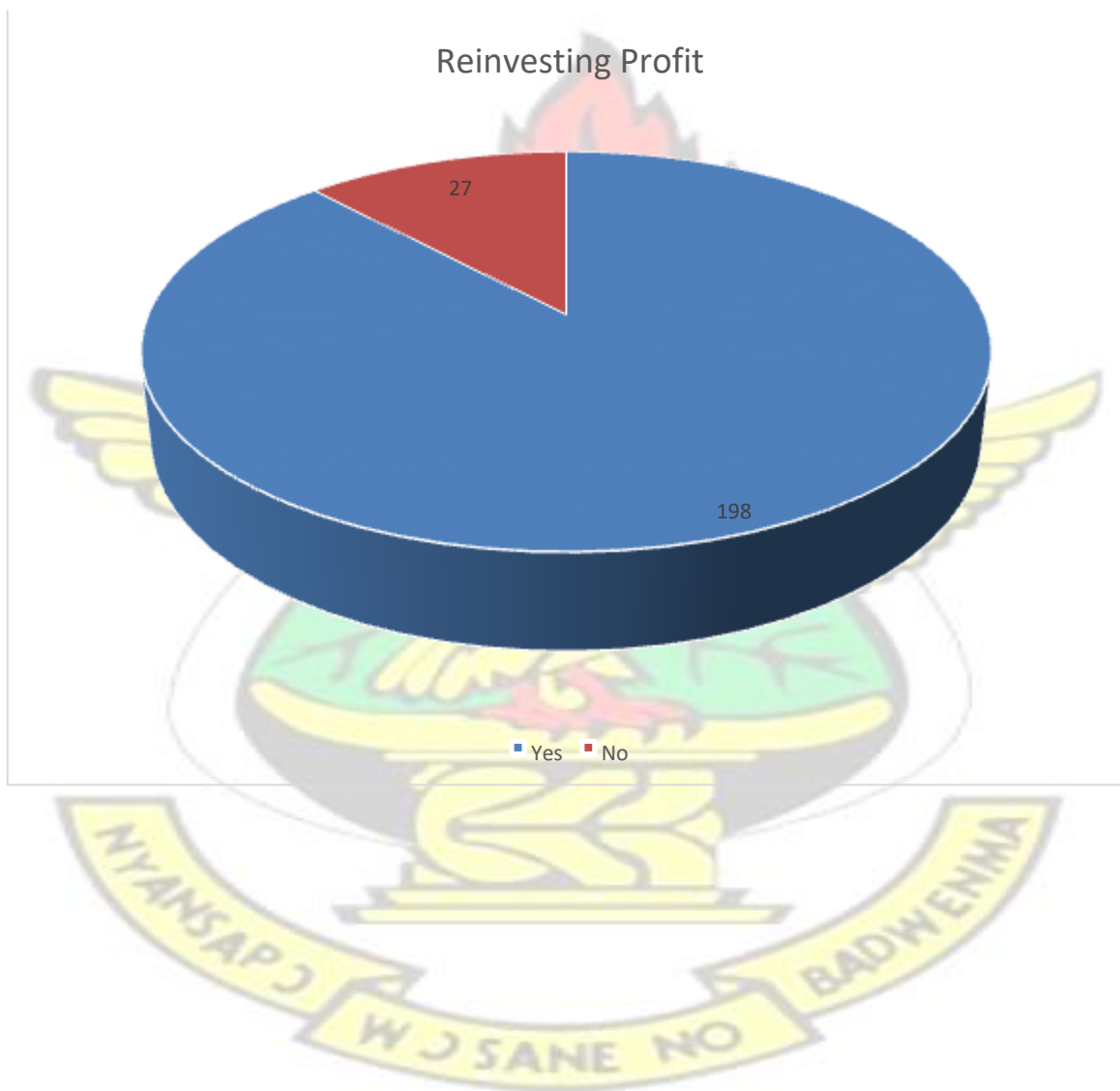


Figure 4.8 Reinvest Profit Source: Field Data 2015

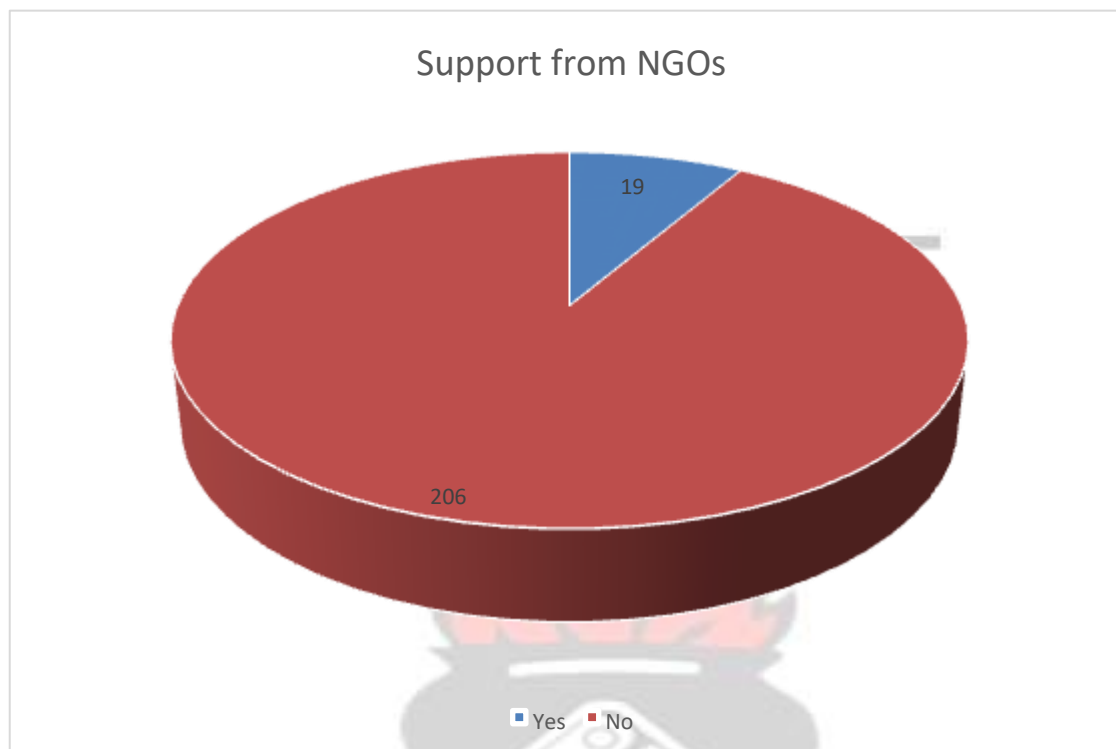


Figure 4.9: financial support from NGOs Source: Field Data 2015

Again, a vast majority 206 of the respondents said they do not know of any NGO apart from the financial institutions that support the operations of SMEs in the pharmaceutical industry financially and only 19 respondents said they are aware of NGOs that are supporting the operations of SMEs in the pharmaceutical industry financially.

On book keeping which is a key requirement of any financial institution, philanthropist, venture capitalist, NGOs or institutions that would want to invest or inject in any business, it so worrying to note that as much as 98 of the respondents claimed they are not practicing proper book keeping practices but 127 respondents claimed they practice proper book keeping of which is done or audited by professional accountants.

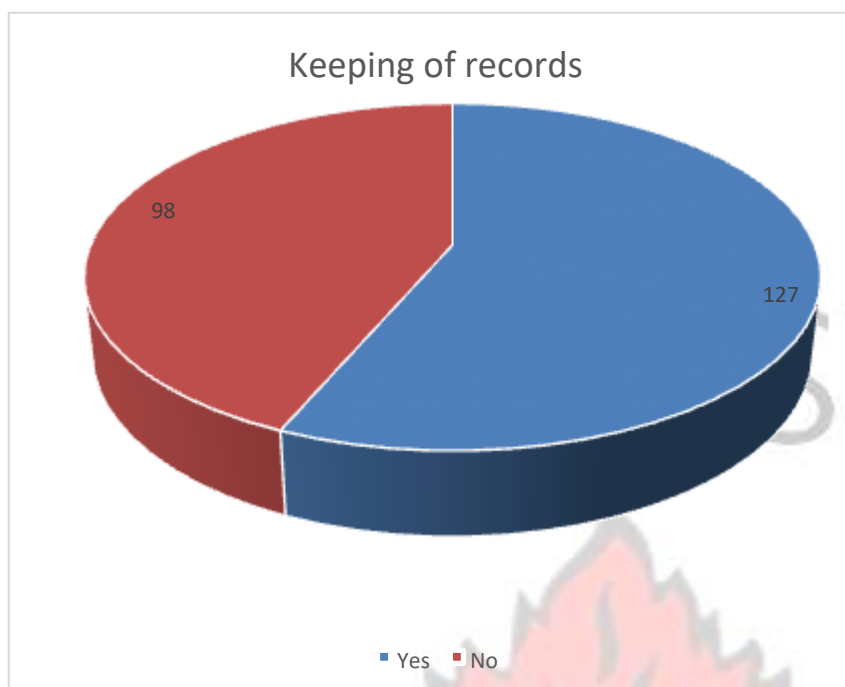


Figure 4.10: Keeping of Record Source: Field Data 2015

It is not a secret that many SMEs are now faced with greater external competition and the need to expand market share of which those in the pharmaceutical industry are not exclude. From the study, all the respondents unanimously agreed that were too many imported substitute products coming into the country and therefore do not enjoy monopoly of competition is very high and also agreed that the level. To them, the trade practices that allows the importation and substandard pharmaceutical products by any businessmen. This situation has currently been motivated by the effect of globalization and trade liberalization, which makes difficult for businesses in the pharmaceutical industry to compete in the 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 respondents also said because of the prices of imported and dumped substandard pharmaceutical products it

seems their quality products are high and therefore their customers are turning to these substandard pharmaceutical products.

4.7 CHALLENGES SMES IN THE PHARMACEUTICAL INDUSTRY FACE

The study investigated has been some of the main challenges that the SMEs face in performing their core business in the metropolis. At this level to different things were considered this include responses from questionnaire. During the study numerous of the challenges were expressed by the respondents and they are presented in the table below.

Table 4.11: Challenges SMEs face

	Frequency
Handicap in obtaining finance	198
High cost of credit	208
Limited access to funds	169
Inadequate infrastructure (electricity and water)	210
Problem of polices, incentives and operating environment	98
Problem of dumping of substandard products	217
Limited management and entrepreneurial skills	179
Limited access to market	189
Inadequate support from government	134
All the above	23

Source: Field Data 2015

From the study it was uncovered that the greater part of the respondents trusted that SMEs in the pharmaceutical industry today are defied with various difficulties and to them if these difficulties are not settled by government, it will make Ghana lose quite a few people joining the sector. To them it is time that strategy producers ought to attempt to institute strategies to secure SMEs in the pharmaceutical industry as opposed to ensuring the bigger firms in the industry and the substandard. It was likewise uncovered that business visionaries who are under this sector are not upbeat in light of poor infrastructural

development which makes the greater part of them not to meet the variable expense of operations. Again, highlighted challenges included handicap in obtaining funds, high cost of credit and limited access to funds as some of the challenges they face which was claimed by 198, 208 and 169 of the respondents respectively. During the survey importation and dumping of cheap and substandard foreign substitute products, the next was poor infrastructure which can be confirmed by the recent happenings in the metropolis of the rampant fluctuation of power. The staying of the respondents said absence of qualified administration suppliers, poor management and entrepreneurial abilities. Some of them recommended that government ought to compel banks to give a more noteworthy rate of credits to the SMEs as opposed to offering it to officially settled organizations. They likewise recommended that if government needs to diminish the adolescent unemployment, then government ought to urge self-prepared individuals to join the sector. Absence of talented work is a typical component of SMEs in the city. Numerous labourers are self-prepared whose aptitudes are regularly of low standard. Family affiliations of the proprietor regularly direct determination of specialists, paying little respect to their aptitudes. Likewise because of low wages, work turnover is high, particularly in the urban zones. The more talented labourers frequently move from SMEs to build up multinational organizations, looking for better remuneration and livelihood security. SMEs are in this way frequently compelled to depend on shabby easy going labourers or less qualified faculty and accordingly their efficiency is poor, unpredictable and temperamental. A portion of the respondents additionally proposed that government ought to present aptitude development courses from the Junior High School through to Tertiary level. This could guarantee that our alumni from School would be prepared and arranged to wind up proficient.

4.8 EFFORTS TO MITIGATE THE CHALLENGES

On the efforts being taken to alleviate the challenges the SMEs are facing, it was realized from the study that the SMEs were generally not satisfied at all at the government and other stakeholders responsible for making sure these SMEs in the pharmaceutical industry operate in a business friendly environment. Upon further investigations, the respondents claimed that they were of the believe that the government and the agencies are either incapable or are doing nothing as the problems keeps on increasing day in day on.

For table 4.12, the Likert scale was, 1=very satisfied, 2=satisfied, 3=Neutral, 4=dissatisfied or 5=very dissatisfied.

Table 412: Satisfaction with measures to mitigate the challenges

Satisfaction with measures to mitigate the challenges	<i>Test Value = 3</i>			
	Mean	Std. Deviation	<i>T</i>	<i>Sig. (2tailed)</i>
Problem of polices, incentives and operating environment	1.518	.7305	3.382	.013
Poor management skills/inadequate competent personnel	1.665	.8743	4.665	.020
Limited access to market	2.714	.4228	5.614	.001
Handicap in obtaining finance	3.245	.9161	5.925	.004
Limited access to funds	3.413	.8201	6.158	.000
Problem of dumping of substandard products	3.835	1.305	6.382	.003
Inadequate support from government	4.235	.8143	7.565	.022
High cost of credit	4.241	1.228	7.142	.001
Inadequate infrastructure (electricity and water)	4.833	.8261	9.215	.034

Source: Field Data 2015

The respondents were asked to indicate the current effort being made to address the problems affecting the performance of the pharmaceutical shops in Kumasi metropolis. The results presented in the table above, showed that, most of the challenges are yet to be effectively addressed. Only three of the items had a mean score of below the test value (population mean) of 3.

The respondents were satisfied with the efforts made to address the challenge of polices, incentives and operating environment. They were also satisfied with the level of management skills and the competence level of personnel. They were finally satisfied with the effort made to make the market accessible. These had a mean score of higher than the test value (mean population) of 3, and were all statistically significant at .05.

However, they were not satisfied with the efforts made on obtaining finance, problem of dumping of substandard products, inadequate support from government, high cost of credit and inadequate infrastructure (electricity and water). These had a mean score of higher than the test value (mean population) of 3, and were all statistically significant at .05.

4.9 CONCLUSION

The study uncovered that every one of the respondents trusted that SME's in the pharmaceutical industry has an incredible ability to handle the setback in the supplier of pharmaceutical items if government has the capacity ensure them by putting strategies like exchange limitations on substandard imported items set up to secure the SMEs in the industry. To them taking a gander at the rate the young inclusion with SME exercises, this obviously demonstrates that new thoughts and imaginative method for doing things are brought into the industry. They recommended that government ought to turn out with an obvious approach for the development of SMEs in the industry furthermore proposed that

there ought to be a typical SME board to control the exercises of all SMEs developmental associations in light of the fact that as of now since they are a ton, they are vicinity are not felt the SMEs in the city.

At long last, the commitment of SMEs in the pharmaceutical industry to the Ghanaian economy can't be over underlined particularly its commitment towards livelihood creation and in addition the neediness diminishment yet disregarding the over the SMEs has not performed well as a result of a few difficulties that they confronts which include: poor framework, importation and dumping of substandard pharmaceutical items into the nation, absence of access to capital, high intrigue rate thus on however a considerable measure should be done to comprehend these difficulties to advance SMEs in the pharmaceutical industry.



CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

The fifth chapter presents the summary, conclusions and recommendations of the research. The summary highlights the salient findings per the specific objectives.

Conclusions and recommendations were made based on the summary of the findings.

The study covered 225 respondents from pharmacies in the Kumasi Metropolis, Ghana.

5.2 SUMMARY OF FINDINGS

The study uncovered that 79.0% of the respondents from the drug stores are male. It additionally uncovered that greater part of the respondents are between the ages of 20-49 years of age. This gathering framed 80.9%, which is very huge extent. This suggests that respondents are lively and accordingly with sufficient money related backing and essential preparing, the part could enhance its commitment towards the pharmaceutical industry and also the economic development of the country. The discoveries uncovered that level of education has a positive effect on the development of business. Business visionaries with high state of education can keep essential records and get ready marketable strategy to get to credit from the bank. Getting from the information, greater part of the responsibility for drug stores are sole proprietors. It was likewise uncovered that the greater part of the drug stores have been enlisted with drug store council and/or other administrative bodies, for example, Food and Drugs Authority, Registrar General Department, Ghana Revenue Authority and different unions which essentially ensure their legitimacy since they have not all enrolled with the Registrar General Department.

The exploration uncovered that lion's share of the workers has a tendency to be for the most part relatives of the proprietors. Aside from this 126 of the business people trusted that the part has issue with work force which has come about to low efficiency of the drug stores. It was likewise uncovered from the study that entrance to subsidizes and high intrigue rate on layaway are significant difficulties confronting the drug stores. Just 16.0% of the respondents acquire financing from budgetary organizations which is low and taking a gander at the commitment of SMEs in the nation particularly occupation creation. It will be workable for them to extend the business to cover more prominent rate of the unemployment circumstance in Ghana and besides if credit offices are not made accessible

to them, it will influence the vocation conditions in the nation. From the study, it was understood that an excess of imported substitute products are foreign into the nation. It was additionally uncovered that absence of access to suitable innovation and additionally absence of innovative work does not permit the drug stores to be inventive. Again, 210 and 179 of the respondents also said the poor state of the infrastructure such as electricity and the limited managerial and technical skills is a big challenge affecting their operations.

On the factors that brought about the challenges, Out of the 225 respondents surveyed 121 representing 53.8% provided their own source of funds for their operations and 45 representing 20.0% also had it from family and friends. This implies that if business financing is left in the hands of the entrepreneurs alone as against the background of low savings culture in the country, the growth of the pharmacies would be greatly held back. It was also identified that some banks does not have policies for SMEs. Again, support of the government and regional administration is virtually non-existent as only 25 out of the 225 of the respondents have some sought of help from the government and the regional administration. Again, as much as 173 also said that the activities of the business support institution does not benefit them. It also revealed that the support institutions are too many which affect activities of the development SMEs in the pharmaceutical industry. Apart from this the actual location of these institutions are very difficult to come by. It was also revealed that universities and research institutions has also failed to help these SMEs since as much as 113 of the respondents have never experienced the contributions of these institutions and 44 and 43 have experienced very low and low contributions from the universities and research institutions.

The respondents disagreed they developed new product (services), developed new technology, and new business processes. They however agreed on increased sales and profit.

The respondents were satisfied with the efforts made to address the challenge of policies, incentives and operating environment. They were also satisfied with the level of management skills and the competence level of personnel. They were finally satisfied with the effort made to make the market accessible. However, they were not satisfied with the efforts made on obtaining finance, problem of dumping of substandard products, inadequate support from government, high cost of credit and inadequate infrastructure (electricity and water).

5.3 CONCLUSION

Overall, the study concludes among other things that males and the youth dominate the workforce of SMEs in the pharmaceutical industry in the metropolis and they lack managerial skills and technical competence that has led to many of them not keeping business records in order to access their growth performance. The study also revealed that the government, regional administration, support institutions, universities and research institutions, which are the implementers of Government policies, have failed to support the development of SMEs in the pharmaceutical industry. It was also revealed that SMEs in pharmaceutical industry are facing intense competitions from the imported and dumped substandard pharmaceutical products. The study also revealed that most of the SMEs do not get access to financial assistance from the financial institutions since access to credit has become one of the major challenges to growth of SMEs in the pharmaceutical industry. This is because SMEs in the industry cannot provide the necessary collateral demanded by these institutions and other documentations required for these financial assistance.

To solve these inefficiencies, which have negative, affect SMEs growth for economic development, the research has recommended some policy interventions. It is likely that if the recommendations made in the study are carried out, it would go a long way to promote

the growth of SMEs in the pharmaceutical industry and also increase their contribution towards economic development in the country.

5.4 RECOMMENDATIONS

Based on the analysis of the findings of the study, the researcher wish to make the following recommendations to help alleviate the challenges the SMEs in the pharmaceutical industry face so as to make them grow to boost the distribution of quality pharmaceutical products to develop the economy of the country as a whole.

1. There is the need for the government to facilitate the setting up of a special bank which core mandate would be to finance SMEs. When the bank comes into force, it will help most of the SMEs in the pharmaceutical industry who want to access funds to expand their business to access these facilities. A bank for SMEs would really understand the plight of these SMEs and divert all their attention to these SMEs to develop them so as to boost the pharmaceutical industry in the country.
2. The government should take steps to reduce the interest rate as a short term solution. These would motivate more of the SMEs in the pharmaceutical industry to solicit for financial assistant from the financial institutions since majority of them believe the interest rates are too high and would add up to their operational cost.
3. The government should take steps to improve on the infrastructure situation in the country especially the electricity since majority of the respondents claimed the recent power outages has increased their operation cost drastically. If these is produced for the SMEs they can in turn use the funds to train their staff.

4. Training and development is a very important HRM tool that helps to develop workforce so as to produce at their best therefore the owners and managers of these pharmacies should take steps to train their staff regularly. The pharmacies should boost the managerial and technical skills of their workers by sponsoring them to attend the pharmacy assistant training schools these in turn cut down losses due to lack of the right managerial and technical skills.
5. The owners and managers of these SMEs should outsource for professionals to perform task such as record keeping these would include keeping day to day accounts of stocks and auditing of the account. Again, professional should be engaged to prepare documentation for accessing financial assistance from financial institutions such as business plans.
6. There should be in place a rigorous education of venture capital funds so as to create awareness of such funds for these SMEs to take advantage of.
7. Government should establish policies which will ban the importation and dumping of substandard pharmaceutical products so that only quality drugs would be distributed on the market.

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APPENDIX

QUESTIONNAIRE

This questionnaire seeks to collect data on Factors Hampering Small and Medium enterprises Growth in the Pharmaceutical Industry in Kumasi Metropolis. The data collected will be used for academic purpose only and confidentiality is fully assured.

Please answer the following questions by ticking the alternatives or provide your own answers when necessary. Thank You

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)

a. Noformal education ☐ b. Primary education ☐ c. Junior High school ☐

d. Secondary/Technical/Vocational ☐ e. University/Polytechnic ☐

f. Other (specify).....

5. How long have you been in this industry?

a. Less than 2 years ☐ b. 3 years ☐ c. 4 years ☐ d. 5 years ☐ e. Over 5 years. ☐

SECTION B

6. Number of employees (Choose one):

a) 1 - 3 b) 4 - 10 c) 11 - 50 d) 51 – 100 e) more than 100

7. Have You Registered Your Business? a) Yes b) No

8. If yes, with which department

a) Pharmacy council b) Registrar General Department c) NGO's

d) Others Specify

.....

9. Legal status of your Business

a) Limited Liability Company b) Sole Proprietorship c) Limited by Guarantee d) Partnership

10. Evaluate the following characters of the operational area of your company

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

	1	2	3	4	5
Business atmosphere in general					
Availability of qualified personnel					
Availability of education					

11. Evaluate the following statements related to achievements of your company during the past five years. Choose: 1=strongly agree 2= agree 3= Neutral

4= disagree 5=strongly disagree

	1	2	3	4	5
We have developed new products/services					
We have implemented new technologies					
We have developed new business processes					
We have achieved sales growth					
We have achieved increase of profit					

12. Evaluate the contribution of the following public institutions to innovation development in your company. Choose: 1= No Experience 2 = Very Low 3=Low 4=Average 5=High, 6= Very High

	1	2	3	4	5	6
Regional administration						
Business support agencies						
Universities and research institutions						

SECTION C

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

a) Self Financing b) Banks c) Relatives d) Money Lenders (Susu)

14. Have you taking loan from any Financial Institution before? a) Yes b) No

15. If „Yes“ what was some of the requirement the bank demanded before granting the loan?

.....

.....

16. Where you able to provide the requirement? a. Yes [] b. No []

17. If „No“ why.....

.....

18. If yes to question 16 was there any other difficulty in obtaining the Loan? a) Yes b) No

19 If „yes“ state them

.....

.....

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

a) Very Low b) Low c) Satisfactory d) High e) Very High 21.

Do you reinvest the profit you gain? a. Yes [] b. No []

22. Apart from the financial institution, do you have any NGO or any institution supporting your operation financially? a. Yes [] b. No []

23. Do you keep records of your operation? Yes [] No []

24. If „No“ why?

.....

.....

.....

25. Does your products enjoy monopoly in your operational area?

a) Yes b) No

26. If no, what source of product does the product compete with?

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

27. What effect does the importation of foreign goods have on your company?

.....

.....

.....

SECTION D

28. What are the major problems affecting the performance of your Company?

- a) Handicap in obtaining finance [] b) High cost of credit [] c) Limited access to funds []
d) Inadequate infrastructure(e.g. electricity and water) [] e) Problems of policies,
incentives and operating environment [] f) Problems of dumping of cheap foreign products
[] g) Limited management and Entrepreneurial Skills [] h) Limited access to market [] i)
Inadequate support from Government [] (j) Shortage of raw materials and other inputs k)
All the above [] i)

Others(specify).....

29. What are some of the factors that have accounted for these challenges?

.....

.....

.....

30. In your opinion, do you think SMEs have challenges in their operations? a) Yes b)
No

31. If yes state some of the challenges

.....

.....

.....

32. Explain how these challenges can be solved

.....

.....

.....

33. Are you satisfied with the current efforts being made to address the following
problems affecting the performance of your Company? By choosing 1 very satisfied
2 satisfied 3 neutral 4 unsatisfied 5 satisfied

	1	2	3	4	5
Shortage of raw materials and other inputs					
Handicap in obtaining finance					

Inadequate of Infrastructural facilities (e.g. electricity and water)					
Problem of market and marketing services					
Poor Management skills/Inadequate competent personnel					
Inability to effectively control costs					
Problems of policies, incentives and operating environment					
Problems of dumping of cheap foreign products					

34. What actions can Governments and other stakeholders do alleviate these problems?

.....

.....

