

**THE POWER OF MICRO-CREDIT TO SMALL AND MEDIUM-SIZED
ENTERPRISES PROMOTION IN GHANA.**

The Case of Techiman Municipality

By

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DECLARATION

I hereby declare that this submission is the result of my own work towards the MPHIL. Development Studies programme, and that to the best of my knowledge, this study contains no material previously published by another person nor submitted for the award of any other degree of the university, except where acknowledgement has been duly made in the text. Any opinion or view expressed and errors found in the work however, is my responsibility and do not necessarily represent the organizations or individuals who have been cited in this work.

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DEDICATION

This work is dedicated to my family and friends, especially my late father Mr. Tebra Baluk-mah, mother Mrs. Tebra Mariamah Gumah and my beloved wife, Mrs. Alimah Imoro Ayibani. You have in many ways enriched my life. God bless you.

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ABSTRACT

In Africa, the Small and Medium-sized Enterprise (SMEs) sector is considered the catalyst for economic growth and poverty reduction. This made the development of the sector critical to the overall economic and sustainable growth of the Ghanaian economy. SMEs diversify economic activities by offering products and services that the market demands at a given point in time, thereby resulting in significant contribution to both internal and external trade. Their development is crucial in Ghana's pursuit to joining the ranks of middle income economies and the achievement of the Millennium Development Goals (MDGs) by 2015.

However, SMEs are facing a number of challenges such as financing, low technology and stiff competition from multinational companies after the liberalization of the Ghanaian economy in the 1980s due to international trade policy. The situation of finance is worsened by high interest rates and the recent global credit crunch which affected the ability of financial institutions, both government and donor agencies to provide the needed credit support. To survive, SMEs have to revitalize their marketing, promotional strategies and galvanize support from government, NGOs and other stakeholders.

The study was conducted in the Techiman Municipality to assess credit facilities offered by the various SMEs promotion institutions/agencies to revitalize the promotional strategies of small and medium-sized enterprise. The findings revealed that though high interest rates, demand for collateral and bureaucracy pose hindrance to credit accessibility and repayment challenges, SMEs with access to more credit facility can expand their operational activities. It also revealed that SMEs are adopting coping strategies such as negotiation for credit inputs supply, resorting to financing from middlemen, group "susu" and arrangement for loans from friends and relatives to enable them have flow of resources (inputs) for production.

The study recommend strengthening of Credit Reference Service. Also, promotional institutions/agencies which financially deal directly with SMEs in credit support should collaborate with NBSSI to set-up ‘Care Centres’ at selected locations where they could meet often to address SMEs financing and provide information on requirements for loan, timeframe for dealing with SMEs’ loan applications and disbursement, interest rate applicable and other vital information so that SMEs can make meaningful comparisons with other financial institutions, before taking any decision regarding loans and other services which they may need. This would bridge the information gap between financial institutions and SMEs in their financing.

To ensure effectiveness of SMEs support packages, the Techiman Municipal Assembly should support, strenthen and equip the SMEs Sub-committee to monitor and co-ordinate the operations of micro finance institutions and incorporate them in to the Medium Term Development Plan of the Assembly for future planning.



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LIST OF ACRONYMS

AfDB	African Development Bank
AGIs	Association of Ghana Industries
ANOVA	Analysis Of Variance
BAC	Business Advisory Centre
BDS	Business Development Services
BGCs	Business Growth Centres
CBRDP	Community-Based Rural Development Project
CSIR	Centre for Scientific and Industrial Research
DA	District Assembly
DAPIT	Development and Application of Intermediate Technology
DANIDA	Danish International Development Agency
EDIF	Export Development and Investment Fund
EMPRETEC	Empresario Technologies
ERP	Economic Recovery Programme
EU	European Union
FGD	Focus Group Discussion
FUSMED	Funds for Small and Medium Enterprise Development
FZB	Free Zone Board
GDP	Gross Domestic Product
GEPC	Ghana Export Promotion Council
GEXTRACO	Ghana ECOWAS Export Trade House
GIF	Ghana Investment Fund
GLSS	Ghana Living Standard Survey
GNTC	Ghana National Trading Company

GPRS	Ghana Poverty Reduction Strategy I
GPRS	Growth and Poverty Reduction Strategy II
GRATIS	Ghana Regional Appropriate Technology Industrial Services
GSB	Ghana Standards Board
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Service
GTZ	German Technical Foundation
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IRI	Industrial Research Institute
ITTU	Intermediate Technology Transfer Unit
KNUST	Kwame Nkrumah University of Science and Technology
NDPC	National Development Planning Commission
MASLOC	Microfinance and Small Loans Centre
MDGs	Millennium Development Goals
MFIs	Microfinance Institutions
MoTI	Ministry of Trade and Industry
SMSEOPB	Small and Scale Enterprises Organisations and Partnership Building
MSME	Micro Small and Medium Enterprise
MSMEs	Micro Small and Medium Enterprises
MTDP	Medium Term Development Plan
SME	Small and Medium Scale Enterprise
SMEs	Small and Medium Scale Enterprises

NBSSI	National Board for Small Scale Industries
NGO	Non Governmental Organization
OECD	Organization for Economic Co-operation and Development
PEF	Private Enterprise Foundation
PHC	Population and Housing Census
PPD	Public-Private Dialogue
PRA	Participatory Rural Appraisal
RCC	Regional Coordinating Council
REP	Rural Enterprise Project
SAP	Structural Adjustment Programme
SAT	Sinapi Aba Trust
SMEs	Small and Medium Scale Enterprises
SPEED	Support Programme for Enterprise Empowerment & Development
SPSS	Statistical Package for the Social Sciences
SSNIT	Social Security and National Insurance Trust
TCC	Technology Consultancy Centre
TMA	Techiman Municipal Assembly
TPSAT	Technology Promotion and Apprentices Training
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VCTF	Venture Capital Trust Fund
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTION

1.1 background of the study

Micro-credit is a financial innovation which originated in Bangladesh with the Grameen Bank where it has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty. Due to the success of micro-credit, many in the traditional banking industry have begun to realize that these micro-credit borrowers should more correctly be categorized as “pre-bankable”; thus, micro-credit is increasingly gaining credibility in the mainstream finance industry and many traditional large finance organizations are contemplating micro-credit projects as a source of future growth. Although almost everyone in larger development organizations discounted the likelihood of success of micro-credit when it began in its modern incarnation as pilot projects with ACCION International and Muhammad Yunus in the mid-1970s, the United Nations recognized it as an effective tool for fighting poverty and declared 2005 as the International Year of Micro-credit.

According to the *State of the Microcredit Summit Campaign 2001 Report*, 14.2 million of the world’s poorest women now have access to financial services through specialized microfinance institutions (MFIs), banks, NGOs, and other nonbank financial institutions. The Summit Campaign defines ‘the world’s poorest’ as the bottom half of those living below their nation’s poverty line, majority of them being women. The Campaign’s greatest challenge lies in bridging the gap between its commitment to reaching the poorest and the lack of a sufficient number of effective poverty measurement tools in use. These women account for nearly 74% of the 19.3 million of the world’s poorest people now being served by microfinance institutions. Most of these women according to the report have access to credit to invest in

businesses that they own and operate themselves. The concept of microcredit can also be traced back to portions of the Marshall Plan at the end of World War II in the middle of the 20th century or even bank to the mid-1800s and the writings of abolitionist/legal theorist Lysander Spooner (<http://www.lysanderspooner.org/Poverty.html>) who wrote concerning the benefits of numerous small loans for entrepreneurial activities to the poor as a way to alleviate poverty. However, in its most recent incarnation it can be linked to several organizations starting in the 1970s onward.

On micro-credit, Kofi Annan, the former Secretary General of the United Nations, said that micro-credit is a wise investment in human capital. “When the poor, especially women, receive credit, they become economic actors with power. Power to improve not only their lives, but in a widening circle of impact, the lives of their families, their communities and their actions,” (Beverigh, 2000). The United nations (UN) declared 2005 as ‘The International Year of Micro-credit’. He again underscores the importance of microfinance as an integral part of our collective effort to meet the Millennium Development Goals (MDGs). He pointed out that ‘Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs’ (Kofi Annan, 2003).

According to Simanowitz and Brody (2004, p.1), “micro-credit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people.” Littlefield, Murduch and Hashemi (2003) state that "micro-credit is a critical contextual factor with strong impact on the achievements of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale".

However, some schools of thought remain skeptical about the role of micro-credit in development. For example, while acknowledging the role micro-credit can play in helping to reduce poverty, Hulme and Mosley (1996, p.134) concluded from their research on micro-credit that "most contemporary schemes are less effective than they might be". The authors argued that micro-credit is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off.

This notwithstanding, micro-credit has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is argued that micro-credit can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living, as pointed out by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit (2005). Although micro-credit is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women. Grameen Foundation has supported microfinance development in Africa since 2003 with the launch of the Sub-Saharan Africa strategy to expand access to microfinance into six countries, increase rural outreach, develop the capabilities of newer Micro-Finance Institutions (MFIs), and help address some of the gaps of the microfinance sector in its ability to expand and reach out to a larger number of potential clients. Under the guidance of the Africa advisory Council, Grameen Foundation works with microfinance institutions capable of expanding their countries' microfinance sectors. Through these partnerships, Grameen foundation has provided the tools and expertise to these MFIs to expand their outreach by over 350,000 at the end of 2008. Advances brought about through these partnerships will ultimately be replicated and spread throughout Africa,

allowing access to microfinance for all. With the guidance of the Technology Advisory Council, Grameen Foundation is making a significant impact in Africa by channeling and adapting technologies developed by the private sector and putting them to work for the microfinance and international development communities. Mobile Technology for Community Health initiative in Ghana assist MFIs provides unparalleled access to critical information and resources to the rural poor.

In Ghana, Grameen Foundation worked with Sinapi Aba Trust (SAT), a financial NGO in Ghana which has a holistic approach to microfinance. Its reach extends across all regions of Ghana. Their two seedbed partners are Maata-N-Tudu Association and Grameen Ghana, two MFIs that operate in the north of Ghana, where the majority of the population lives on less than US\$1 a day. The Government of Ghana as part of its vision of supporting the micro-financial sector, established a Microfinance and Small Loans Centre (MASLOC) early in 2004 as an apex body for the judicious administration, co-ordination and monitoring of microcredit and small loan schemes and the promotion of decentralized Micro financial System in Ghana (MASLOC, Ghana 2006.)

In Techiman, the study area, there are 26 commercial and rural banks, and loans and savings companies, 5 insurance companies, 20 Susu registered groups, Credit unions and Co-operatives operating micro-finance schemes in the Municipality. The location of most Commercial Banks, in the Techiman Municipality, may be explained by the fact that banking operations rely on viable economic activity. The Municipal Assembly also disbursed credit to farmers and SMEs for its poverty reduction programmes through some of these banks. These financial institutions, as at the times of the study had introduced their various brands of micro finance/microcredit concept to over 1000 micro, small and medium sized enterprises and others modernising their

services to attract and maintain more customers. According to the Techiman Municipal Medium Term Development Plan, the Assembly underscores the importance of microfinance as an integral part of collective effort to reducing poverty and to promoting the activities of SMEs and has disbursed credit to farmers and SMEs through its Poverty Alleviation Fund and other programmes.

However, according to the Techiman Municipal Assembly, access to credit facilities from the institutions, for SMEs, small-scale agro-processors, farmers and enterprises are limited and unreliable due to loan recovery problems and inability to provide the required collateral. The main sources of funding of agricultural activities and SME's were therefore from personal loans, relatives and money lenders (MTDP: 2006–2009). Interest rates from these sources tend to be very high. A survey carried out within the period (2006–2009) by the Techiman Municipal Assembly indicated that whereas financial institutions have a number of credit facilities available to the SME's, the private sector on the other hand complains of lack of access to capital for business investment. There is the need to explore avenues for closing the gaps between financial institutions and the private sector (SME's). Dialogue must be promoted with the financial sector to adopt measures to the comparative strengths of SME's.

1.2 Statement of the Problem

In modern economies, to undertake SME activities that would help to propel development and promote the wellbeing of the citizenry most governments are now playing various facilitation roles in collaboration with NGOs and other stakeholders to enable the private sector provide diverse goods and services, including job creation for the people. Many developing countries have shifted their strategic economic focus to embrace the development of an entrepreneurial middle-class with the private sector as the engine for attaining sustained economic growth.

In Ghana, the private sector is also considered as the engine of growth of the economy and mostly made up of micro, small and medium size enterprises, generally called the SMEs. The SMEs Sector in Ghana is estimated to be made up of 70% of all industrial establishments. They contribute about 22% to GDP and account for about 92% of businesses in Ghana and absorb more than 60% of employed labour force with majority in rural areas (GLSS-3, 2002), placing SMEs squarely at the core of the overall economic policy. It is also estimated that 85% of manufacturing employment and to a larger extent overall employment growth in the country comes from the Sector (National Industrial Survey, 2003). This makes the SMEs the most important sector in the Ghanaian economy.

However, the challenges faced by SMEs such as access to finance, lack of markets and market information, inadequate infrastructure, obsolete/low technology, weak managerial capacity, low productivity and regulatory burdens have affected their development over time in terms of employment and output as well as survival and expansion. As a result of this, it is important to have an in-depth study into their challenges and the role of the promotional institutions to adequately meet their needs.

Also, the process of economic liberalization and market reforms as a result of international trade agreements has opened up the Ghanaian economy to global competition. SMEs are now facing stiff competition from multinational companies after the liberalization of the Ghanaian economy in the 1980s. They have to revitalize their marketing and promotional strategies and galvanize support from government, NGOs and other stakeholders to survive. In order to improve on the aggregate level of entrepreneurship and competitiveness of local SMEs, Ghana need to increase access to capital and newer technologies. However, according to Mensah (2004: p.3) the most important factor constraining the growth of SMEs is the lack

of finance and that SMEs and formal financial institutions in Ghana have had a history of mutual caution in dealing with each other. This is due to high default rates on the part of SMEs and stringent and restrictive conditions for acquiring loans on the part of banks.

The World Bank's Doing Business Report has thus ranked Ghana at a dismal 115 out of 178 economies in ease of access to credit (World Bank/IFC, 2008). The causes according to Dinye (1991:236) can be traced to the doorsteps of both the firms and the financial institutions. At the firm's level, lack of experience in dealing with financial institutions, lack of credit history, low levels of management experience, inability to prepare business plans and difficulty in meeting collateral requirements are the underlying reasons that explain why entrepreneurs are unable to access credit from the banks. At the bank level, the high administrative cost of transacting business with the micro and small scale industries entrepreneurs and the high risk associated with loans contracted out to them account for the inability of the banks to advance credit to micro and small scale industries as expected.

The non-financial problems relate to the enabling environment within which they operate and availability of infrastructure. With regard to enabling environment, high interest rates, heavy tax burden, lack of access to market information and lack of inter-industry linkages between agriculture and industry are some of the factors militating against their operations. These create a financing gap for SMEs to operate successfully. The current situation however, is worsened by the global credit crunch which affected the ability of financial institutions, government and donor agencies to provide the needed credit facilities to SMEs. A very large segment of the rural and business community still has little or no access to financial services.

The government has instituted a number of interventions to improve access to SME credit, such as Ghana Investment Fund (GIF), the Export Development and Investment Fund (EDIF), Micro Finance and Small Loans Centre, the Venture Capital Trust Fund (VCTF) and the National Board for Small Scale Industries (NBSSI) Credit schemes. These policies aimed at making credit facilities easily accessible to SMEs. Various interventions by development partners, such as the Japanese Non-Project Grants (1987-2000) and Italian Fund (2001-2003) and NGOs have also been instituted to augment the provision of credit at reasonable terms to SMEs. Also, Support Programme for Enterprise Empowerment & Development (SPEED) Facility Funding (FF) (2002-2006) was also introduced by GTZ and DANIDA to support SMEs.

But have these interventions been adequate enough for SMEs in terms of solving their financial needs? Has the SMEs been able to access these credit facilities to finance their activities? And has this been beneficial to their activities? This called for an in-depth study into how access to these credit facilities can be a powerful tool to the SMEs into their day-to-day operational activities. The research therefore, is focused to study the power of Micro Credit facilities to SMEs promotion in Ghana. It also seeks to identify the sector's innovation and growth potentials and how existing SME financing schemes are being coordinated to ensure effective provision of credit to SMEs.

1.3 Objectives of the Study:

The purpose of the study is to examine the role of micro-credit in revitalizing the promotional strategies small and medium-sized enterprise development in Ghana and to propose policy measures for improvement. The following objectives have been set to guide the study:

1. To identify and describe the activities/types of Small and Medium-sized Enterprises (SMEs) operating in the Techiman Municipality;
2. To identify the various micro-credit schemes offered by the financial institutions to SMEs;
3. To assess the role played by Government and SMEs promoting agencies in providing credit facilities;
4. To discuss the possible impact of the micro-credit facilities offered to the SMEs;
5. Finally, to recommend suitable measures based on the identified gaps in the problem areas to resolve the major promotional problems of SMEs.

1.4 Hypothesis

The study is to identify micro-credit facilities and the power of micro-credit to the promotion of small and medium enterprises in Techiman. It is hypothesized that:

Ho: Micro-Credit facility does not have significant influence on Small and Medium-sized enterprises (SMEs), in revitalizing their promotional strategies in Techiman.

Hi: Micro-Credit facility has significant influence on Small and Medium-sized enterprises (SMEs), in revitalizing their promotional strategies in Techiman.

To test the validity of the hypothesis, Techiman Municipality is selected for the study.

1.5 The Scope of the Study

Geographically, the study was undertaken in the Techiman Municipality of the Brong-Ahafo Region. A total of 250 SME units were selected for the study. The activities of SMEs selected include non-agricultural activities (such as handicrafts, textiles, etc), agro-processing i.e., all types of small scale agro-processing (such as nuts, roots and tubers, fruits, etc), commodity production (such as grasscutters/rabbits, snails, mushroom, honey/bee keeping, etc) and

service delivery activities that provide personal, community and domestic services such as construction, hairdressing, tailoring and dress making, and repair services among to mention but a few. These activities were also cited in non-farm enterprises (Godfred, 2005) to comprise of following:

First, were craft enterprises that produce goods of artistic value such as ‘Kente’ weaving, basket making, pottery and ceramics, woodcarving, cane weaving, jewelry and goldsmithing. Second, artisan enterprises that produce goods of utilitarian value such as dressmaking, carpentry, leather works, masonry and block-making, metal work, blacksmithing terrazzo work and bakery. Third, service enterprises that provides personal, community and domestic service. They include vehicle and general machinery repairs, radio, television and watch repairs, hairdressing, hair-plating, painting and artworks, plumbing, vulcanizing and electrical-wiring.

The final category covered by this study includes enterprises engaged in small scale commodity production and adding value to agricultural produce (processing) in the economy. They include mushroom production, poultry, glasscutters’ and snail farming, gari processing and palm oil production. This study covered the period from 2006 to 2010. The content looked at the various sources and financing schemes of SMEs, raw material, labour, technology and access to markets.

1.6 Justification for the Study

The role of small and medium size enterprises(SMEs) as engines of endogenous development in the economy is increasingly recognized in development circles and has attracted the attention of policy makers. In fact, the sector plays a major role in developing nations like Ghana due to the country’s low capital formation. The Government of Ghana took several

measures to ensure the promotion and smooth functioning of this sector. The Government's latest approach to poverty reduction has been the launching of the "Ghana Shared Growth and Development Agenda" (GSGDA) which is the medium term development strategy of Government 2010–13. The importance of the study like this to the development of the business sector and promotion can be expressed below.

Firstly, the SMEs constitute the greatest proportion of small businesses in Ghana. Therefore, targeting the SMEs as key sector in the Municipality for employment creation and poverty reduction as well as creating social stability at the District level is very much justifiable. SMEs also have the potential of sending the right signal to policy makers when it comes to sectoral priorities in the allocation of resources towards development programmes such as income generation, job creation and poverty reduction at the macroeconomic level. Secondly, the study is meant to expose SMEs as a resource base and indicate the prospects and modalities for utilizing the rural resource base in targeting employment creation, income generation and poverty reduction programmes. Thirdly, the study seeks to provide a platform and an entry point for involving the SME in employment, income and poverty reduction process within the framework of the District and national planning process for achievement of the Millennium Development Goals (MGDs) and attainment of middle income status by the year 2015.

The output of the study is intended to guide Development practitioners, particularly those in the Ministry of Trade and Industry, Ministry of Finance and Economic Planning, NBSSI, GRATIS Foundation, Private sector promotion agencies/institutions, Techiman Municipality, NGOs and other development oriented organizations in the design and implementation of SMEs development and promotion strategy in the country. The study portrays micro-credit as a resource and catalyst for production and provided reliable data source for enhancing

knowledge and, understanding of the dynamics of micro-credit and SMEs promotion in Ghana, especially in the study area.

The outcome of the research would make available reliable data to inform and guide the process of credit application and other factors that affects SMEs promotion. It would capture initiatives and strategies of credit application for SMEs promotion, which policy makers, planners, economists, bankers and government can rely for policy formulation and decision-making. Finally, the study will enhance the researcher's understanding and appreciation of undertaking a social science research.

1.7 Selection of the Study Area

The Techiman Municipality was selected for this study based on two reasons. One of the reasons for selecting Techiman is the market. The Techiman Municipality is home of the famous Techiman Market, the largest food crop market in Ghana and a major commercial centre in the region. The Techiman Market is the hub of economic activity as well as the life blood of the Assembly's revenue. It is also considered as one of the largest periodic markets within the West African sub-Region. The strategic location of the market has attracted people and some businesses from both the southern and northern parts of Ghana and other West African countries such as Mali, Burkina Faso and Niger. The market played an important role for SMEs growth. It was therefore interesting to conduct research into the issue of SMEs promotion to find out how the market affects their growth activities.

Secondly, there are 26 commercial and rural banks, and loans and savings companies, 5 insurance companies, 20 Susu registered groups, Credit unions and Co-operatives operating various micro-finance schemes in the Municipality. The location of most Commercial Banks, may be explained by the fact that banking operations rely on viable economic activity. The

Municipal Assembly also disbursed credit to farmers and SMEs through its poverty reduction programmes through some of these banks. These financial institutions, as at the times of the study had introduced their various brands of micro finance/microcredit concept to over 1000 micro, small and medium sized enterprises and others modernising their services to attract and maintain more customers. It was therefore necessary to conduct the study to find out the impact of the micro-credit schemes on beneficiaries' SMEs and to recommend measures to fine tune SMEs promotion strategies and micro credit application for policy makers.

1.8 Limitations of the Study:

The following are the main limitations of the study. They are:

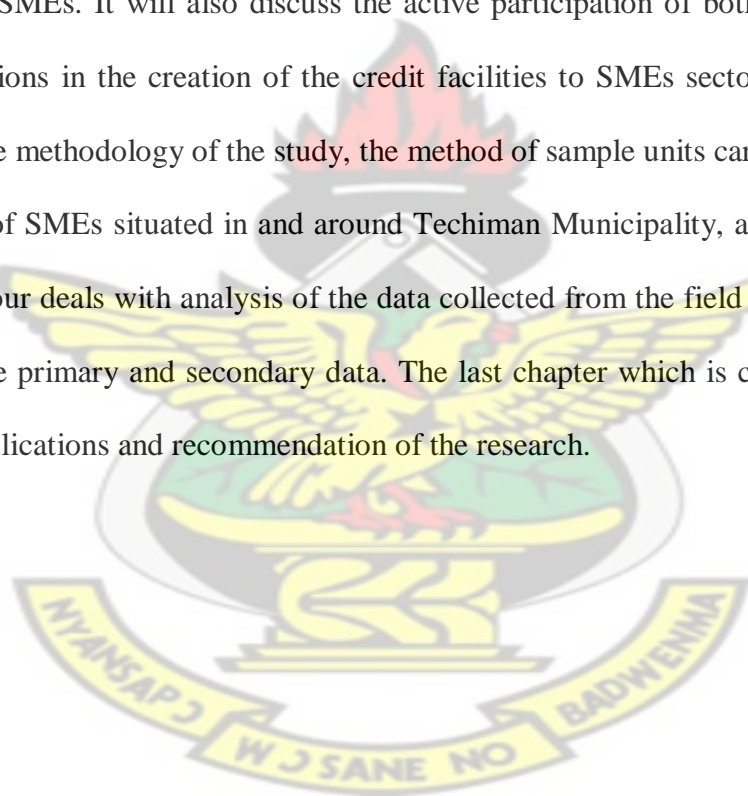
1. This study is confined only to units in Techiman Municipality and the study focused on Small and Medium-sized Enterprises (SMEs).
2. The study is limited to time.
3. The majority of the respondents could not speak English. They spoke Akan which was later translated into English. The investigator took all the steps for the reduction of bias.
4. There were difficulties in getting the data from the Small and medium scale industries. But utmost care was taken to maintain the quality data. The majority do not keep records.

1.9 Period of Study:

The study covers a period from 2006 to 2010. This period seems to be the most difficult period for the small scale industrial units owing to the credit crunch which seriously affected most countries' economy including businesses resulting to some governments offering packages to their economies. The period is considered to be a reasonable period to analyze the various problems of small and medium scale Industrial units.

1.10 Presentation of the Study

The first chapter will deal with the introduction, statement of the problem, objective of the study, research methodology, the Hypotheses and the justification for the study. In the second chapter which is the literature review of the study, deals with the introduction to SMEs, the development of SMEs and the power of micro-credit in the promotion of SMEs. It will also discuss the contributions to Ghanaian economy by the SMEs sector and finally the characteristics and problems faced by the SMEs. The chapter also dealt with the various credit facilities available to SMEs and the promotional activities by government in the contextual backgrounds of SMEs. It will also discuss the active participation of both public and private financial institutions in the creation of the credit facilities to SMEs sector. The third chapter will deal with the methodology of the study, the method of sample units carefully selected from the eligible list of SMEs situated in and around Techiman Municipality, at different industrial areas. Chapter four deals with analysis of the data collected from the field by the researcher. It includes both the primary and secondary data. The last chapter which is chapter five includes the findings, implications and recommendation of the research.



CHAPTER TWO
LITERATURE REVIEW
**THEORETICAL AND CONCEPTUAL FRAMEWORK OF SMALL AND MEDIUM-
SIZED ENTERPRISES (SMEs) FOR DEVELOPMENT**

2.1 Introduction

This chapter deals with a review of both theoretical and empirical work done by authors and researchers on similar topics as this very one under study. This review covers the broad concept of SMEs and micro-credit facilities. The chapter discussed the development and contributions of SMEs to the economy, their challenges as well as promotional strategies and the power of micro-credit in the promotion of SMEs. The aim is to demonstrate the importance of SMEs into economic development process. Also, different approaches and justifications for promoting SMEs are discussed. The framework for the promotion of SMEs is also examined. Significant lessons are drawn from these reviews for analysing the role of the various promotional and/or supporting institutions/agencies for the development of SMEs in the study area.

2.2 Conceptual Framework of SMEs

The concept of small and medium-sized enterprises generally relates, to non-agricultural activities (such as handicrafts and textiles), agro-processing i.e., all types of small scale agro-processing (such as nuts, roots and tubers, fruits, etc), commodity production (such as grasscutters/rabbits, snails, mushroom, honey/bee keeping) and Service enterprises that provide personal, community and domestic such as construction, hairdressing, tailoring and dress making, and repair services among to mention but a few.

According to the International Finance Corporation (<http://www2.ifc.org/sme/html/sme-definitions.html>, 2004), an SME is any enterprise which falls into these categories: micro enterprise-up to 10 employees, total assets of up to \$100,000 and total annual sales of up to \$100,000; small enterprise-up to 50 employees, total assets of up to \$3 million and total sales of up to \$3 million; medium enterprise-up to 300 employees, total assets of up to \$15 million, and total annual sales of up to \$15 million. While these definitions are admittedly subjective and still under review, they are broadly consistent with those used by most other international financial institutions. Still, it should be noted that the numbers shown above depend heavily on choice of this (or any other) definition.

2.3 Theoretical Framework of SMEs

The heterogeneous nature of the SME sector complicates the problem defining it. The concept is defined in different ways, depending on the purpose of classifying firms as micro, small, medium-sized or large. As defined by Schumpeter (1911), entrepreneurship is characterized by five major activities which involve either (a) the creation of a new good or a new quality; (b) the creation of a new method of production; (c) the opening of a new market; (d) the capture of a new source of supply; and/or (e) the creation of a new organization or industry (Iversen, 2005: p. 5). From above, entrepreneurs then can be seen as individuals who lead in new innovations and in this process take upon the risk by themselves with a view to profiting from their innovations.

In Ghana, all enterprises related to SMEs adopted the SME criteria of their own. The National Statistical Service (NSS) which published the industrial statistics, defined small scale industries as those employing 29 employees or fewer, the rest are all considered as medium and large-scale enterprises. According to the Venture Capital Fund Act 2004 (Act

680) in Ghana, an SME is an industry, project, undertaking or economic activity which employs not more than 100 people and whose total asset base, excluding land and building, does not exceed the cedi equivalent of \$1 million in value. Also, according to the records of the Registrar General's Department in Ghana, about ninety percent (90%) of registered companies are SMEs. Data from the Social Security National Insurance Trust (SSNIT) supported this assertion as it shows that 90 percent of companies employ less than 20 persons.

The National Board for Small Scale Industries (NBSSI) describes Micro and Small Enterprises as those enterprises employing 29 or fewer workers. Micro enterprises are those that employ between 1-5 people with fixed assets not exceeding USD 10,000 excluding land and building. Small enterprises employ between 6 and 29 or have fixed assets not exceeding USD 100,000 excluding land and building. The National Board for Small Scale industries (NBSSI) further classified SMEs as follows:

- Micro enterprise: less than 5 employees;
- Small enterprise: 6 - 29 employees;
- Medium enterprise: 30 - 99 employees; and
- Large enterprise: 100 and more employees.

A World Bank study conducted by Oxford University in collaboration with the Economics Department of the University of Ghana in 1992 used a different classification: micro 1-4 workers; small 5-29 workers; medium 30-99 workers and large 100 and above employees while a report by Centre for Scientific and Industrial Research (CSIR) for the World Bank suggests that a definition of SMEs as enterprises employing not more than 30 people, including apprentices and permanent employees. In addition, each bank in Ghana has its own

definition of SMEs. Though they all emphasize turnover, they differ in the amount used.

According to the World Bank, classification of SMEs varies from country to country and common among categories for classification, are based on number of employees, value of assets and investment levels. The World Bank uses the number of employees as its main classification criterion but with regional variations. In Africa, World Bank uses 200 as the cut off number for SMEs employees.

The SME sector employs and provides income to a significant fraction of the Ghanaian population. It is however bedeviled with many challenges. According to Mensah, (2004) cited in 'A Review of SME Financing Schemes in Ghana' SMEs are usually characterized by the following:

- Dominated by one person, with the owner or the manager taking all major decisions;
- The management skills of the entrepreneur is generally weak making it difficult for such enterprises to prepare strategic plans for enterprise development;
- Highly volatile working capital and difficulty in accessing finance;
- Lack of technical know-how, use of obsolete technology, and reliance on manual labour; and
- The use of family and unpaid labour (through the use of apprentices).

2.4 Contribution of SMEs to Development of Ghana

The role of SMEs has become essential specifically, as they are instrumental in creating job opportunities, promoting stability and development of regional economies, enhancing economic efficiency through competition and cooperation, expanding business scope, and producing high value-added products through innovation. This came into limelight in the late 1970s and early 1980s due to the economic recession which led to the decline of industrial

growth and employment in many developing countries especially in Africa. Governments of such countries adopted new policy approach towards SMEs development. Some of these policies in Ghana include the Economic Recovery Programme, Structural Adjustment Programme and the Financial Liberalization. The contribution of the SMEs to the nation's economy is potentially very great and significant.

According to Ghana's National Industrial Census (NIS), there were a total of 26,190 MSMEs (The abbreviation MSME and SMEs will often be used interchangeably in the study to represent the same idea of small business) in Ghana around 2003. SMEs, especially micro and small enterprises, were the predominant business units in Ghana, comprising more than 95% of all business units. Some 14,438, or 54.5%, of the total number of SMEs, were classified as micro-enterprises based on the classifications set forth by the National Board for Small Scale Industries (NBSSI). In manufacturing, for instance, out of a total of 26,088 business units, only 251 units were large scale enterprises.

According to Dinye (1991) the roles of SMEs include the following:

- They offer a variety of activities which draw labour from the surplus rural labour force and channel them into other productive sectors of the economy;
- They generate dynamism, initiative and competition within the economy making it more functional;
- SMEs use of the nations idle materials which otherwise would go to waste;
- They contribute to community stability, do less harm to the physical environment, stimulate local resource mobilization for investment and generally raise the level of popular participation in the economy;

- They induce linkages within the industrial sector and between it and other sectors of the economy;
- They depend little on imports and therefore conserve foreign exchange;
- They provide a variety of goods and services to satisfy local needs;
- They provide outlets for the talents and energies of enterprising individuals because of their ease of entry and exit; and
- They provide a seedbed for nurturing entrepreneurial skills and testing ground for new industrial enterprises.

According to Steel and Webster (1990) in Ghana, SME employment grew by 2.9% per annum (ten times as many jobs than large scale enterprise). The SMEs provide employment to 60% of the work force in Ghana, 55% of employment in Canada (<http://www.cfib.ca/research/reports>), 70% of total employment in the European Union (<http://www.enterprise-europe-network.ec.europa.eu/files/SMEs>) and at least 70% of private sector workforce in South Korea. Table 1 shows the employment distribution of enterprises among SMEs in Ghana. In addition to job creation, SMEs help in wealth redistribution especially among low income groups. SMEs tend to be widely dispersed reaching remote and marginalized settings, hence helping reduce the income gap between urban and rural areas (Albaladejo, 2002).

Table 1: Employment Distribution of Enterprises among SMEs in Ghana.

	Total Units(a)	%	Total Employment (B)		Average number of Workers/ Firm (b)/(a)
Firm size	No.		No.	%	
Micro	14,438	54.5%	36,031	13.1%	2
Small	10,990	41.5%	94,928	34.5%	9
Medium	762	2.9%	36,551	13.3%	48
Total SMEs	26,190	98.9%	167,510	60.8%	6
Large	303	1.1%	107,988	39.2%	356

Source: Compiled from data in 2003 National Industrial Census Report.

They are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports. Their contribution to poverty reduction and wider distribution of wealth in both developing and developed economies cannot be underrated.

In countries with large corporations such as the United States, SMEs contribute a very substantial percentage to employment generation. It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels & Ngwira, 1992; Fisseha & McPherson, 1991). According to Schmitz (Schmitz, 1995) SMEs perform useful roles as flexible in nature and are able to withstand adverse economic conditions. They are more labour intensive than larger scale firms and therefore, have lower capital costs associated with job creation. The potential of SMEs are often not realized because of problems highlighted above. It is therefore imperative that special efforts be made to strengthen the private sector so as to enable it function as an engine of growth. To preserve their narrow profit margins, SMEs in Ghana need to innovate products and resort to strategies that encourage their growth in the long run. The need today is also to power on modern technologies to harness human capabilities through the process of increased communication, co-operation and linkages, both within the enterprise as well as across enterprises and knowledge-producing organizations to increase networking

capacities and economies of scale in productivity.

2.5 Overview of SMEs Development in Ghana

In the 1970s, there was the idea to promote SMEs. However, the industrial development approach in Ghana at the time favoured the establishment of large-scale enterprises. Key institutions were set up to assist SMEs and prominent among them was The Office of Business Promotion, the present Ghana Enterprise Development Commission (GEDC). It was aimed at assisting Ghanaian businessmen to enter into fields where foreigners mainly operated but which became available to Ghanaians after the 'Aliens Compliance Order in 1970 (Dalitso, Kayanula and Quartey, 2000). GEDC also had packages for strengthening SMEs, both technically and financially.

The economic recessionary period of the late 1970s and early 1980s brought into sharp focus the importance of SMEs to the national economy (TTC/UNDP DOC.16, P.2). The result is that many large enterprises produced below their installed capacity, the worse being that, most of them depended on imported inputs. The lack of foreign exchange to import spare parts, equipment and raw materials affected their performance. This gave the SMEs the drive to fill the industrial gaps created by the poor performance of most of the large enterprises. Through creativity and resourcefulness, the SMEs stabilized resources to produce goods and services that were in critical demand. They were also able to cannibalize broken down vehicles to make spare parts for machines that could no longer be imported and they used local materials to produce essential goods that could no longer be imported or manufactured in the large scale enterprises. According to Steel and Webster (1991), SME employment grew by 2.9% per annum (ten times as many jobs than large scale enterprise).

During the 1970-1983 periods, SMEs development assumed a new dimension. In the Five Year Development Plan (1975-80), the immense contribution of SMEs to output, growth, value-added and employment was acknowledged and accorded the priority attention it deserves. Training facilities, financial support services through tax and tariff systems were introduced. Complete SMEs states were established with extension services covering technical, financial and commercial fields. A Research and technical centre is established in Accra to guide and assist the SMEs operators. A dramatic growth of the SMEs was witnessed. The reasons that accounted for their growth during the era were that the flexibility and innovativeness nature of SMEs were put into practice. Without even formal assistance, they constitute their own risk takers and security seekers. They therefore, suffered less during the country's economic recess. Also, the downward trend of the large scale enterprise sector created demand opportunities for the SMEs and the maintenance of import restrictions at the time favoured SMEs because of the market protection. During the era, an informal economic system emerged and was being operated through the smuggling of goods. These included industrial inputs, a situation which benefited the SMEs sector. During the period, job opportunities in the regular work places were limited and many of the unemployed ended up in self-employment in the SMEs sector as well. Finally, many Ghanaians who migrated to Nigeria and outside Africa returned and invested their earnings in the SME sector.

The early 1980s through the 1990s witnessed the implementation of Economic Recovery (ER) and Structural Adjustment Programmes (SAP) in Ghana. These involved the re-orientation of economic and financial policies for the creation of the necessary conditions for a sustained growth and the attainment of external payment viabilities. Within the framework, the rapid growth of SMEs became one of the priorities of the government. A number of approaches were adopted towards the promotion of SMEs and among them was the Free Zones approach

which falls in tune with the government's export-oriented private sector led policy.

The Economic Recovery Programme (ERP) instituted in 1985 broadened the institutional support for SMEs. The National Board for Small Scale Industries (NBSSI) was established in 1981 and became operational in 1985 under the Ministry of Trade and Industry to address the needs of SMEs by advising and assisting the Ministry of Trade and Industry on formulation, development and implementation of policies and programmes for the accelerated growth and development of small scale industries in the country. The NBSSI established an Entrepreneurial Development Programme, which trained and assisted persons with entrepreneurial abilities into self employment. It has a primary and direct responsibility in entrepreneurial and enterprise development, and it is required to perform both stimulatory and supportive kinds of activity in small scale enterprise promotion. It is also charged with the responsibility of identifying, motivating, selecting and training small-scale entrepreneurs to bring them to the threshold of entrepreneurship.

To promote the SMEs sector at local level, the Government through the National Board for Small Scale Industries (NBSSI) which is the apex governmental body for the promotion and development of SMEs sector in Ghana opened Business Advisory Centres (BACs) throughout the Districts to perform the functions of SMEs promotions at the District levels. The Business Advisory Centres (BACs) of the NBSSI carried out non-financial services. As at December 2007, the Board had BACs in 110 district capitals. The BACs were the extension wing of the NBSSI through which relevant information, training and guidance is provided to individuals that will make the entrepreneur a well-rounded, competent and confident businessperson. BACs organize community based skills training; study tours to SMEs to well establish enterprises to learn new skills for increased production as well as link them to financial

institutions for credit facilities. They also facilitated the registration of SMEs with the Registrar's General Department as it is a legal requirement for all SMEs.

The Rural Enterprise Project (REP) was also set up in 1995 and has been collaborating with NBSSI, Rural Banks, and GRATIS, governmental and non-governmental organizations to support the growth of the SMEs in the rural areas. In conjunction with these organizations, training programmes were provided in areas such as business management, record keeping, book keeping and banking procedures, marketing clinics, credit management, costing and pricing, business ethics and negotiation skills among others. Since 1995, it has established 12,500 new businesses, (including enterprises established by graduate apprentices) across the country. It has organized annual exhibitions for its clients to show-case their products and also expose them to markets in the urban areas. Since 2003, the project has consistently provided marketing support to clients by creating a platform through its annual clients' exhibitions and trade shows and others such as the Ghana International Trade Fairs and IFAD conferences. The activities of these institutions definitely have made some impacts on SMEs development. However, a lot more needs to be done to build the competence and capabilities of the SMEs to enable them contribute significantly to the rural economies.

The Ministry of Private Sector Development and PSI was established in 2001 with an Institutional and Legal Reform Division solely dedicated to reducing bottlenecks to private sector development as well as facilitating the collaboration between the public and private sector towards the drafting of a number of reform bills (including the Companies Code, the Insolvency Bill, Money Laundering Bill and Insurance Bill) to foster SMEs development. A network infrastructure with appropriate software has been installed at the Registrar-General's Department enable the registration and retrieval of business names conducted electronically.

2.6 Recent Policy of SMEs Promotion in Ghana

The important role SMEs play in the socio-economic development of Ghana cannot be over emphasized. SMEs are imperative in achieving economic growth and development. They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. In the developed industrial economies, it is the SME sector rather than the multinational companies that is the largest employer of workers (Mullineux, 1997).

In Ghana, the National Industrial Census (NIS) report estimated that 70% of all industrial establishments are in the Small and Medium Enterprises Sector (GSS, 2003) and contribute about 22% to GDP as well as account for about 92% of all businesses in Ghana. It is also estimated that 85% of manufacturing employment and to a larger extent overall employment growth in the country comes from the Sector. The sector contributes significantly to overall export earnings from the non-traditional exports sector and creates jobs at relatively low capital cost. SMEs thus have a significant contribution to make to Ghana's socio-economic development and growth, and the attainment of its middle income status of \$1,000 per capita per annum by the year 2015 (<http://www.msmemoti.org/index.htm>). Interest in the role of SMEs in the development process continues to be in the forefront of policy debates in most countries. Governments at all levels have undertaken initiatives to promote the growth of SMEs (Feeney and Riding, 1997).

A recent policy to promote the growth of SMEs in Ghana was contained in the 2005 report of the second Growth and Poverty Reduction Strategy (GPRS II 2006 - 2009) now Ghana Shared Growth Development Agenda, 2010-2013 framework. The overarching objective of policy was to engender sufficient economic growth that will propel Ghana into a middle-income economy by 2015. To achieve this objective, the driving force of economic growth was the promotion of

the private sector competitiveness. It was under this broad strategic goal that the enhancement of SMEs performance falls.

According to a report from the OECD (2006), the SME was showing positive signs of response to this reform. Similarly, the World Bank/IMF's annual Doing Business Report (2008) has ranked Ghana as a top ten (10) global reformer for two years in a row (2006 and 2007). In addition, Ghana's economic policy on business models has been geared towards divestiture of state-owned enterprises and more of private ownership.

2.7 Development Institutions for SMEs

A number of institutions have been set up to provide technical expertise, administrative and managerial solutions to industrial problems as well as training avenues for improvement of industrial skills of SMEs. Some of the institutions include the Council for Scientific and Industrial Research (CSIR), Ghana Regional Appropriate Technology and Industrial Service (GRATIS), Development and Application of Intermediate Technology Project (DAIT), Technology Consultancy Centres (TCCs) and National Vocational and Technical Institute (NVTI) were the institutions that provided middle level education.

2.8 Financial Institutions

Credit is the lifeblood of every economic activity and its availability is one of the ingredients of competitiveness in the operational activities of SMEs. Ghana had many financial institutions established including foreign ones, with the prime motive of providing the much needed credit for commercial and general industrial activities. Apart from Bank of Ghana, many commercial and rural banks, and other financial institutions have also been established to provide SMEs with access to credit and technical assistance.

2.9 Policy Interventions for SMES Promotion

A number of institutions, both public and private have been established with the aim of facilitating the growth of the general industrial sector which includes the SMEs. The institutions include the National Board for Small Scale Industries (NBSSI), the Association of Ghana Industries (AGI), EMPRETEC-Ghana Foundation, the Ghana Export Promotion Council (GEPC), the Private Enterprises Foundation (PED) and NGOs both local and international. These promotional institutions provide specific assistance to the SMEs which include Training, Central organization to protect the interest of industry, facilitation of industrial related information, entrepreneurship development, the promotion of exports of goods made in Ghana and Business Advisory Services as well as linking them to financing institutions for credit facilities.

2.9.1 Business Development Services

Business Development Services are very significant for the promotion of SMEs in Ghana. These are provided by both public and private institutions established to support the development of SMEs. These institutions in general provide capacity building, managerial and technical training, financial and other support services to SMEs and industrial development. A number of extension institutions perform these functions. Below are some of them;

i. National Board for Small Scale Industries (NBSSI)

The NBSSI is a public organization established for the promotion and development of SMEs in Ghana. It was established in 1985 by an Act of the Parliament (Act 434 of 1981). It was to promote the activities of SMEs to contribute substantially to reduce unemployment rate and to increase the growth of the economy of Ghana. The main objectives of the NBSSI include:

- Contributing to the creation of an enabling environment for SMEs development;
- Facilitating access to credit for SMEs through linking them to financial institutions; and

- Promoting SMEs sectoral associations;

The NBSSI was further tasked to support the SMEs with technical and advisory services through its regional Business Advisory Centres found in the 10 regions of the country. It provided training to the SMEs in preparation of business plans, book keeping and simple business management practices. The NBSSI in 2008 organized Business Improvement Programmes for 5,600 enterprises and provided Advisory and Extension Services to 10,500 entrepreneurs to enhance their efficiency. Additionally, 80 micro and small enterprises were supported to improve product packaging and quality. Training seminars were organized for over 1,000 students aimed at enhancing their capability to start their own business (Budget Statement, 2009).

ii. Entrepreneurship and Management Training Through Business Advisory Centres

Ministry Of Trade and Industry through the NBSSI provided entrepreneurship training through a network of Business Advisory Centres (BACs). The BACs organized a number of community based skills training and annual exhibitions for its clients to show case their products and also expose them to markets in the urban areas. BAC also linked SMEs to financial institutions to access credits easily. They also facilitated the registration of SMEs with the Registrar's General Department as a legal requirement for all SMEs.

iii. Rural Enterprise Project (REP)

The project facilitated wealth creation and improved living conditions in rural areas, especially the incomes of women and vulnerable groups through increased self-employment. The Project provided the SMEs with a development package, which involves a mix of business development services, technology transfer, support for apprenticeship training, and rural finance services. The Project was supported by the International Fund for Agricultural Development (IFAD), the African Development Bank (AfDB) and the government of Ghana.

The Rural Enterprise Project has been collaborating with NBSSI, Rural Banks, and District

Assemblies, GRATIS and other governmental organizations to support the growth of the SMEs in the rural areas. It has been providing training programmes in conjunction with these organizations in areas such as business management, record and book keeping and banking procedures, marketing, credit management, costing and pricing, business ethics and negotiation skills among others. It has been organizing annual exhibitions for its clients to show case their products and also expose them to markets in the urban areas.

iv. Ghana Export Promotion Council (GEPC)

The GEPC provides world class export support services to exporters through market access facilitation, product development, trade information delivery, capacity building and coordination of national export agenda. In addition, Export Trade Houses under the auspices of the (GEPC) helped address the supply response (SMEs) in the export sector.

v. Support Programme for Enterprise Empowerment and Development (SPEED I & II)

SPEED is a joint effort by the Government of Ghana, GTZ and DANIDA to build capacities of financial institution to grant loans to support the operations of SMEs. SPEED is a GTZ-DANIDA-GoG supported intervention that aims to support MSMEs by providing better access to financial and non-financial services. The idea is that with these services, the MSME sector will grow in terms of asset building, turnover, income and create new jobs. These expected developments in turn is linked to the Millennium Development Goals to cut by half extreme poverty in the world by 2015, an objective that is also strongly endorsed and supported by the Governments of Ghana, Germany and Denmark.

2.9.2 Infrastructure Support

i. Free Zones Board (FZB) Programme

Free zones are geographical areas delineated and exempted from normal taxes, custom duties and cumbersome administrative procedures, to help firms operating in the area realize economies of scale and increase international competitiveness of their products. The free zones delineated by the FZB include free trade zones, export processing zones (EPZ), free ports and comprehensive free zones. Under the Free Zones Programme infrastructural facilities are provided in Tema. Other free zone enclaves are being developed in Sekondi, Western Region and Ashanti Region.

ii. Technology Improvement and Capital Goods Centre.

An Industrial Estate for Kumasi Suame was revamped and Technology Improvement and Capital Goods Centre established in 2006 by the Dynamic Spare Parts Dealers Association (DSPDA) with a grant from Business Sector Advocacy Challenge (BUSAC) fund to undertake advocacy. Also, Suame Magazine Industrial Development organization (SMIDO) formed as coalition of the major associations in Suame Magazine to facilitate this advocacy. Since then, SMIDO has evolved to address directly challenges faced by those who work and live there. SMIDO is a non-governmental organization that works to support micro and small enterprises in Suame Magazine.

iii. Garment Village

Factory shells have been provided in the Tema Free Zone Enclave and the former Ghana National Trade Company (GNTC) Adherent warehouses for mass production of garments for exports. The 180 acre village, consisting of five factory shells under the management of Sleek Garment Export Ltd. This was part of government's industrial development policy to create jobs and wealth. The activities of the technical and extension support institutions have made some crucial impacts on the SMEs.

2.9.3 Technology Development Services

i. Technical Improvement Programme

This is aimed at conducting technology audits and retooling industries to improve their productivity and enhance their competitiveness.

ii. Ghana Regional Appropriate Technology and Industrial Service (GRATIS)

GRATIS provided technology support to SMEs to promote small-scale industrialization in Ghana by transferring appropriate technologies to small-scale industrialists through training, manufacturing and the supply of machine tools, plant and equipment. GRATIS operates through a network of Intermediate Technology Transfer Units (ITTUs), now referred to as Regional Technology Transfer Centres (RTTCs).

iii. Rural Technology Services Centres (RTSC)

RTSC has also been established by GRATIS in some selected Districts and Municipalities. The Centres include Mampong (Ashanti Region), Techiman and Drobo (Brong Ahafo Region) as units of GRATIS to assist rural people to increase production, create employment and generate income through technical apprenticeship training for school dropouts and unemployed youth.

iv. Ghana Standards Board (GSB)

The Board provides quality assurance services to MSME to enable them meet both local and international standards and other technical requirements. The board conducts critical Inspection of high risk goods. It also issues health and export certificates to exporters and also offers technical support services to exporters in order for them to overcome technical trade barriers at the various Ports.

v. National Vocational Training Institutes (NVTIs)

To solve the manpower challenges SMEs face Government established NVTIs to provide middle and lower level vocational and technical training for both formal and informal sectors. NVTIs were established in all districts and to bridge the gap between industry and technology.

Polytechnic education was also introduced to play the same function at a higher level. The challenge however was that these institutions paid less emphasis on vocational and technical education for the reasons they were established and often resource constrained to be able to deliver the appropriate skills training and service.

2.9.4 Commercial & Market Linkage Services

i. Sub-Contracting and Partnership Exchange Programme (SPX)

This programme is facilitating local and international subcontracting and outsourcing of non-core activities to SMEs by large local and international companies. This is meant to support SMEs to expand their operations. Under this programme, a database on 400 SMEs has been established to facilitate effective linkage with large scale companies.

ii. Export Trade Houses

The Trade Houses are specialized in export marketing and enabled producers of exportable products concentrate on production activities to enhance the supply base and improve supply response. These include Ghana Trade Centre; Ghana ECOWAS Export Trade House (GEXTRACO); and GNPA Export Trade House. They act as export brokers between SMEs and selected external markets.

iii. Trade Fairs and Exhibitions

The Ghana Trade Fair Company provides a platform for MSMEs to showcase their products and services through various trade fairs and exhibitions. The BACs also been organising a number of annual exhibitions for its clients to show case their products.

2.9.5 Investment Finance for SMEs

To respond to the financial challenges of SMEs as cited in Aryeetey et al. (1994) and due to the underdeveloped financial sector with low level of intermediation (Mensah, 2004), there have been various interventions by the government, development partners, and non-governmental organizations, and others in Ghana to facilitate and augment the provision of credit at flexible terms to SMEs. Various interventions made by government to improve access to SME credit also include.

i. Export Development and Investment Fund (EDIF)

The EDIF was established by Act 582 in 2000 to provide financial resources to address problems associated with constraints in the export sector. Under the scheme, exporting enterprises can borrow up to \$US 500,000 over a five-year period at a subsidized interest rate of 15%. The scheme is administered through some selected banks. The EDIF board maintains tight control as they approve all the credit recommendations of the operating banks.

ii. The Microfinance and Small Loans Centre (MASLOC).

The scheme was established in 2004 as an apex body to oversee the administration, coordination, and monitoring of Microfinance and Small Loan Schemes in the country under government. It has branches established in each of the 10 Regions in the country and some Districts capital.

iii. The Venture Capital Trust Fund (VCTF)

The Fund was established by the Venture Capital Trust Act, 2004 (ACT 680) to provide low cost financing to SMEs to expand their operational activities to create more wealth and employment. The VCTF provides credit and equity financing to eligible venture capital financing companies to support SMEs and other activities or programmes for the development and promotion of venture capital financing in the country.

iv. Community Based Rural Development Project (CBRDP)

This was initiated by the Government of Ghana as part of its poverty reduction strategy in 2004. The Project is aimed at building and strengthening the capacity of rural communities, and enhances their quality of life by improving their productive assets, rural infrastructure and facilitates their access to key support services from public and private sources. The project provided seed/additional capital to the beneficiaries who have been trained. By 2009, the government has committed GH¢ 21.3 million to the project and 1,606 trainees have acquired various valuable vocational skills from 17 Learning Centres in the various parts of the country. Out of these, 1,209 beneficiaries were given funds to start their own businesses. Nine hundred and fifty-seven (950) of them have actually set up and are doing very well (The Chronicle, July 28, 2010).

2.9.6 Regulatory Institutions

In a developing country like Ghana, the Government is the key regulatory body in the development of SMEs in terms of providing policy guidelines, under which the SMEs operate. The Government Ministries, which have direct regulatory responsibility for the general industrial sector of the economy, had been the Ministry of Finance; Ministry of Environment, Science and Technology, and Ministry of Trade and Industry. The regulatory activities of these ministries were in the areas of formulation and implementation of industrial, economic, science and technology and environment policies. The other regulatory institution was the Ghana Standards Board which has the responsibility to promulgate standards for goods made in Ghana, quality control, ensuring consumer welfare and promotion of industrial efficiency and development.

2.10 Constraints to SMEs Development in Ghana

Notwithstanding the important role SMEs play in the socio-economic development of the country, their development is largely constrained by a number of factors. Some of the constraints include the following.

i. Access to Market

With liberalization of the Ghanaian economy access to market is the most important signal of an economy's competitive capacities. In Ghana, domestic markets are very weak. This is because the size of the local market is relatively small and the linkages between large corporations and local SMEs are deficient. The government's inability to protect the domestic market from foreign competitors under World Trade Organization (WTO) conditions on trade policies has led to massive inflows of foreign products which the Ghanaian industries could have otherwise produced. As a result, Ghanaian industries are now faced with very stiff competition. The situation is worsened by the challenge of curbing smuggling of cheaper goods into Ghana.

ii. Labour Skills and Discipline

A highly skilled labour fosters the development of SMEs. The educational background of entrepreneurs has an impact on their ability to operate their business efficiently and how well they can absorb new technical and managerial skills (Baa-Nuakoh 2003: p.79). According to empirical research in Ghana (Frimpong-Ansah, et al, 1996: p. 73), firms with more educated workforce are more efficient and productive. A 2002 report by the National Council for Tertiary Education in Ghana and the World Bank revealed that there were serious gaps between supply and demand as far as relevance of graduates was concerned. The report noted the shortage of graduates in engineering, accounting, medicine, information technology and management. High level competence in these fields is indispensable to enhance innovation and

competitiveness of SMEs.

iii. Access to Capital/ Financial

The three main hurdles to accessing capital for SMEs in Ghana (Mensah, 2004) are the relatively undeveloped financial sector with low level of intermediation, lack of institutional and legal structures that facilitate the management of SME lending risk and the high cost of borrowing and rigid interest rates. The World Bank's Doing Business Report (2004) ranked Ghana a dismal 115 out of 178 economies in ease of access to credit.

iv. Regulatory Constraints.

Regulatory constraints also pose serious challenges to SME development. It must be noted that structural reforms such as SAP and ERP have led to some improvements and prospects for SMEs development remain to be addressed at the firm-level. The high start-up costs for firms, including licensing and registration requirements, imposed excessive and unnecessary burdens on SMEs. The high cost of settling legal claims, and excessive delays in court proceedings adversely affect SME operations. The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing issues and there were 16 procedures involved in licensing a business in Ghana. While the absence of antitrust legislation favours larger firms, the lack of protection for property rights limits SMEs' access to foreign technologies (Kayanula and Quartey, 2000).

v. Raw Material problem of SMEs:

The quantity, quality and regularity of the supply of raw materials are not satisfactory. Since they are purchased in small quantities, there are no discounts, and hence SMEs are charged higher prices by suppliers. There are difficulties in procuring semi-manufactured materials and the situation is worsen by financial weakness which stands in the way of securing raw materials in bulk in a competitive market. This thus affects SMEs access to raw materials for production.

2.11 Common Characteristics of SMEs

The SME sector in Ghana is an embodiment of most of these economic activities in the country. It is a medium of most items produced, distributed and consumed. By their mode of operation they exhibit certain characteristics that differentiate them from the large scale enterprise units. These characteristics include:

i. Sole Proprietorship or one-man business

In Ghana, most business activities are very small, consisting very often of only one person or sometimes an individual and the family. According to Mead & Liedholm (1998: p. 62), it involved unpaid family members support in many cases, trainees and apprentices "add a significant share of workers in some location, particularly in West Africa". They are therefore for income generating activities and as a means of livelihood. Their activities range from trading and retail establishments to manufacturing and services.

ii. Employs simple technology that is flexible to absorb change

Traditionally, SMEs have shown a propensity of being able to adopt and internalize the technology being used by them.

iii. Produce basic needs items

SMEs skill in innovation, improvisation and manufacturing in production are well-known. By being able to meet niche requirements, they are able to capture market demand where volumes are not huge.

iv. High Employment creation:

SMEs are usually the prime drives of jobs, in an economy. SMEs tend to be labour intensive as a result they are able to generate more jobs for every unit of investment, compared to large scale enterprises counterparts.

v. Rely on indigenous raw materials

SMEs utilize mostly local raw materials (resources) in their production. They also often manage with materials which are available locally.

vi. Ease entry and exist

There is no barrier for entry or exit. In Ghana, since most business activities are very small, consisting very often of only one person or sometimes an individual and the family, entry and exit is free.

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2.12 Systematic Approaches to SMEs Promotion

These are promotion related activities and techniques oriented towards linking clients to customers, such as the potential entrepreneurs to agencies providing assistance in the various fields. This is a strategy to mobilize resources and identify development opportunities suited to the local circumstances.

2.12.1 Traditional Approach

In Ghana, traditional approach to SMEs development faced a lot of problems due to size bias in macroeconomic and sectoral policies. Two approaches are identified under this. These are Public Sector-led and Private Sector-led Approaches.

i. Under the Public Sector

Under the Public Sector led approach, government provides impetus for SMEs development. The implementation can be active or inactive. Active in the sense that the promotion organizations themselves develop specific projects and take care of their implementation with specific target of SMEs. It can also be relative when development institutions provide the promotional facilities and the services and make them known and accessible to the SMEs for use. The adaptation of this approach has led to the benefits accruing from financial assistance schemes, extension services which have proved to be valuable sources of technical assistance

to the SMEs. Other benefits include marketing assistance in inter-regional trade and export marketing. However, the difficulty of the public sector-led approach has to do with the public sector orientation. For instance, government institutions that deal with SMEs are regularly bureaucratic and slow in response to be effective. Also, they neglect the interest of target groups.

Under the Private Sector-led approach, the recommendation put the entrepreneur and his/her capabilities in the centre of the assistance projects. Subsidies are made available to SMEs to assess their potentials and weaknesses. The rationale is that, entrepreneurs must be self-reliant and self-sustaining to be in business even after the end of the assistance project.

ii. The protective approach

This approach is intended to nurture SMEs to become strong enough to compete with large scale enterprises. The protective approaches in this regard are:

- a. Import restriction with import licensing and quotas to protect the SMEs that are locally established. For instance, ban on importation of basic goods such as milk, sugar or goods having similar firms established in Ghana.
- b. Exchange control under a fixed exchange rate to allow importation of raw materials at reasonable prices for finished products to be cheaper and more competitive.

The market intervention is based on the assumption that without preventing large companies which produce basic consumer goods in a capital intensive way from entering produce markets that could be supplied by SMEs as well; their potential function is to promote rural industrialization. Therefore, market intervention is required. Some of the market intervention measures include:

- a. Legislative Act: This is passed to minimize or restrict large businesses from producing goods produced by SMEs

- b. Ceiling Price/Countervailing Action: This is by instituting a maximum or ceiling price charged above which is illegal for large enterprises to sell their produce.
- c. Lump-Sum Tax: Alternatively, government can prevent large companies from producing goods manufactured by SMEs by imposing lump-sum tax on them. This could be a license fee or one-time charge or a fixed tax regardless of the level of output of large businesses.
- d. Minimum price: This is Government restriction on large scale enterprises from producing goods produced by SMEs by imposing a minimum price that must be paid for the resource for producing the good. The effect of this is to raise the level of resource use and cost per unit.
- e. Specific Investment and Export Promotion Incentives: Incentives such as exemptions from corporate income tax, accelerated depreciation allowances, tax free years and investment subsidies for SMEs. For instance, the establishment of Free Zone Area in Ghana in 1995 provided a period of 10 years tax free for SMEs investing for exports.
- f. Complete Exemption or Low Restriction on Importation of Intermediate and capital goods.

2.12.2 General and Product Specific Approach.

These approaches assign specific targets in the provision of certain goods to SMEs. They fit within a detailed planning of the industrial sector where large scale and SMEs have specific roles to play. Some of the product specific approaches operating in Ghana include:

- a. Establishment of Regulatory and Standard setting institutions, such as Ghana Standards Board (GSB), Association of Ghana Industries (AGI).
- b. Quantitative Import Restrictions, Specific Duties for Industrial Materials and License for other inputs for traditional and non-traditional goods.
- c. Placement of high tariffs on imported goods that are locally produced by SMEs.
- d. Specific product Investment Promotion Incentives, such as tax free holiday for SMEs.

The above approaches help SMEs to play specific roles. The general approach is less restrictive and specific and seeks to provide incentives, irrespective of the kind of activity or of its

location. It provides the following essential services:

- a. Provision of business friendly environment: This involves reforming the commercial laws that specify property rights and guarantee their enforcement, provide incentives for SMEs trade to operate their formal economy by simplifying taxes and minimizing conflicts; and
- b. Improve SMEs capacity through international support.

2.12.3 Supply and Demand-Oriented Approach

Supply approach concentrate on the provision of capital, technical and managerial skilled labour and appropriate technology as the main bottlenecks to the development of SMEs. The supply-oriented approach includes programmes to:

- a. Improve SMEs capacity and develop financial tools such as bankable projects and credible accounting documents.
- b. Expand access to working capital. This is done through micro-finance and access to market.
- c. Provide institutional support to SMEs such as NBSSI, AGI and EMPRETEC to provide technical and capacity building training.

The demand approach stimulates for the effective demand. This is done through:

- a. Increase purchasing power of the consumers, if the level of income increases and evenly distributed all things being equal.
- b. Launch of government orders for selected products to SMEs or orders of large firms for ancillary products.

2.12.4 Spatial and Non-Spatial Approaches

The spatial approach is basically Rural Growth Centres (Clusters). The approach is towards the promotion of SMEs is integration and the selection of designated centres like rural growth centres as locations for rural industries, where special facilities are provided.

Non-Spatial approaches are focus on the functional linkages within the district economy regardless of location factors. The Non-spatial approaches focused on:

- a. Local linkage Approach: This involves the identification of productive opportunities arising from linkages within the existing structure of economic activities, in determining the kind of linkages; forward and backwards linkages of the SMEs are prominent.
- b. Local Market Approach: The essence here is to identify imported goods and services to be substituted by indigenously produced items by SMEs.

2.13 The evolution of Micro Credit programme

In 1974, Professor Muhammad Yunus, then a professor of economics, in Bangladesh was moved by the plight of people when the country faced a famine. Yunus went to Jobra, a village in Chittagong Region of Bangladesh, to learn a new method of banking for the poor. That is where he tried the idea of tiny loans for self-employment of the poor, and thus, the idea of micro credit was born. In 1976, Yunus founded the Grameen Bank to make loans to poor Bangladeshis. To ensure repayment, the bank uses a system of solidarity lending through "solidarity groups" also known as peer group lending: small informal groups, nearly all of them exclusively female, that meet weekly in their villages to conduct business with representatives of the bank and that support each other's efforts at economic self-advancement. It is from here that it took the shape of Grameen Bank, Bangladesh, and thereafter, spread all over the world.

According to the World Bank estimates, there are now over 7000 microfinance institutions, serving about 16 million poor people in developing countries. The total cash turnover of MFIs world-wide is estimated at US\$2.5 billion and the potential for new growth is outstanding. The success of the Grameen model has inspired similar efforts throughout the developing world and

even in industrialized nations including the United States. Originally, the programme started with men and women but later focused on women when data showed a dramatically lower credit risk in women. In 2006, Yunus and the Grameen bank were honoured for this achievement with the Nobel Peace Prize.

In Ghana, the concept of micro-credit is not new. Traditionally, people save and take small loans from individuals and groups within the context of self-help to start businesses. Available evidence also suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. Susu, which is one of the current microcredit methods, is said to have originated in Nigeria and spread to Ghana in the early 1900s. The Government of Ghana over the years, undertaken various financial sector policies and programmes which have influenced the context for the development of microcredit sector activities. These include the provision of subsidized credits in the 1950s, the establishment of the Agricultural Development Bank in 1965 specifically to address the financial needs of the fisheries and agricultural sector, the establishment of Rural and Community Banks (RCBs), and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio, to promote lending to agriculture and small scale industries in the 1970s and early 1980s. Others included the shifting from a restrictive financial sector regime to a liberalized regime in 1986 and the promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions. The policies have led to the emergence of three broad categories of micromcredit or microfinance institutions. These are:

- Formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks;
- Semi-formal suppliers such as credit unions, financial non-governmental organizations (FNGOs), cooperatives; and

- Informal suppliers such as susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals.

Currently, programmes addressing the sub-sector in Ghana include the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), Microfinance and Small Loans centre (MASLOC).

2.14 The Power of Micro-Credit Concept

According to the Oxford Advanced Learner's Dictionary, power can be defined as the strength or influence in a particular area of activity (Economic power). In line with the study, power is considered as the productive resources such as capital, labour, technology and market among others. Micro credit is considered as capable of enabling SMEs to acquire productive resources to help them grow and therefore, is a key input for entrepreneurship/enterprise development. SMEs/Entrepreneurs need credit throughout the life of their enterprises. The basic theory is that micro credit powers SMEs by providing them with productive resources and enabling them to generate income and contribute to the economy in terms of employment and revenue generation. This is because credit as a means of finance has a multiplier effect in the economy. Involvement in successful income-generating activities should translate into greater control and power of SMEs to enhance their capacity building, facilitating easier access to market & finance; enhance the level of technology and innovativeness, and increasing their competitiveness in both internal and external markets. The ability of micro credit to transform SMEs through access to financial services depends on many factors, some of them linked to access to raw materials, labour, technology and marketing.

2.15 The Power of Micro-credit and SMEs Development

Micro Credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas to enable them to raise their income levels and improve living standards. The credit extended is normally small. They are provided in varying contexts, either to individuals or groups, ranging from personal micro-credit, to small enterprise support and rural finance. The institutions that provide micro-finance and credit services are diverse. They include non-governmental organizations (NGOs), credit unions, non-bank financial intermediaries, and commercial banks. According to the Microcredit Summit Campaign Report (2004), there were 3,044 Micro Finance Institutions (MFIs) in developing countries making microloans to over 92 million clients. Of these, 66.5 million were classified as among the “poorest” people and 55.6 million of the poorest were women. In terms of people served, the Micro credit phenomenon access in general, is dominated by the Asian experience, as that region accounted for 88 per cent of all reported loan clients in developing countries and 92% of the poorest female loan clients. In 2004 the Summit reported that there were 994 in Africa, 388 in Latin America and the Caribbean and 34 in the Middle East (Daley-Harris, 2005, p. 26).

In Ghana under the GPRS I & II, Government prioritized the provision of microfinance, small loans and related services as an important strategy for pursuing its poverty reduction strategy for job and wealth creation to ensure the achievement of the Millennium Development Goals (MDGs) and also becoming a middle income country by the year 2015. According to Latiffee (2003) micro-credit is itself a very powerful tool. But if it is combined with others, it is definitely more empowering. Micro-credit serves as a source of finance to SMEs, enables them transform their ideas into production. Micro-Credit helps SMEs in terms of finance for their set up and expanding their operations, developing new products, and investing in new staff or production facilities. The credit facilities were used for a variety of non-farming activities such

as: craft, artisan and service enterprises as well as enterprises engaged in small scale farming (production) and adding value to agricultural produce (processing) in the economy.

According to Asiamah & Osei (2007), of the Research Department of Bank of Ghana, trends in credit/loans and advances extended to SMEs amounted to GH¢50.97 million in 2002 as against GH¢39.64 million in 2001, to individuals and groups by the Non-Bank Financial Institutions (NBFIs) indicating about 28.6 per cent growth. The amount of loans extended by NBFIs further increased from GH¢70.63 million in 2003 to GH¢72.85 million in 2004, suggesting 3.1% growth. In 2006 alone, a total of GH¢160.47 million was extended to clients, which represents 48.8% higher. The upward- trending NBFIs credit to individuals, SMEs, groups and others indicates marked improvements in level of microfinance in the country. Most banks in Ghana have also established SME banking departments, including Barclays Bank, Standard Chartered Bank, Ecobank and Ghana Commercial Bank as well as some rural banks. Standard Chartered Bank Ghana offers a number of SME-specific products and services, including a “Business Installment Loan” which is available to applicants with little or no collateral to secure the loan (<http://www.standardchartered.com/gh/>). This product also has a maximum tenure of three years and allows SMEs to structure their debt repayments according to their cash flows.

The Ecobank Ghana also has a \$10 million credit guarantee agreement with USAID as a pool of SME loans (<http://www.ecobank.com/english/others/home.aspx>). The programme, which offers a 50% principal guarantee, has allowed the bank to extend more loans to SMEs seeking financing. To help build the capacity of local SMEs, Ecobank Ghana has developed strategic partnerships with USAID, the African Project Development Facility, and EMPRETEC, a United Nations initiative to promote the creation of SMEs. Together, they have produced a

training programme for SME managers to improve their skills in several areas including financial planning, recording keeping, reporting, and general management. Ghana Commercial Bank also provides similar training. Through its business advisory services, SMEs receive training in strategic planning, business practices, and proposal writing. Some SMEs also benefit from the African Development Bank's (AfDB) Partial Credit Guarantee Facility of \$24 million for export-oriented businesses. This assistance supports Ghana's export development strategy and expands access to credit and technical assistance to SMEs. It also addresses serious constraints faced by export-oriented SMEs owned by women.

2.16 The Critique of Micro-Credit

Delivery of microcredit to operators of SMEs in developing countries is increasingly being viewed as a strategic means of assisting the so-called "working poor" (ILO, 1973). The Financial Sector reforms implemented in Ghana since the late 1980s as part of the Economic Recovery Programme (ERP) with liberalization of the financial services, inline with global trade policies such as Economic Partnership Agreements signed by various governments and the World Trade Organization conditions, allowed foreign banks enter local markets and invest. These foreign banks mostly operate in the urban areas and look for middle-class & high class income customers. These global trade policies and strategies of foreign banks signify that local banks which are already concentrated in urban areas because of the active economic activities there invest less in rural areas as they compete with their counterpart in the cities. The introduction of Micro-credits corrects those market failures.

However, there are limitations to the introduction of micro credit as a strategic means of stimulating investment in the economic or on the poor. These include the following; As crucial as the microcredit revolution has been, it has not provided the full range of credit products

needed by poor people. The one-size-fits-all working capital loan entails inflexible terms, rigid loan cycles and amounts that are only suitable for micro-businesses with high turnover or those that produce regular weekly or monthly cash flows. The inflexibility of the product limits its usefulness to people who operate businesses with irregular cash flows, or require higher (or lower) amounts to support their businesses. Customers may use the inappropriate credit product, may not qualify for it, or may simply decide not to borrow. As noted earlier, it is not an accident that organizations offering microcredit largely eschew agricultural lending. The narrow range of products usually offered by microcredit lenders also does not meet major household life cycle needs for credit, particularly for long-term investments such as housing. While emergency loans are often found in some large group credit methodologies, such as village banking and in credit unions, they are hard to come by in many formal financial institutions. Credit offerings are also limited for the diverse requirements of growing microenterprises or SMEs.

Microcredit operations offer loans that carry higher interest rates. This reflects the higher costs of administering a portfolio made up of many small loans of small amounts. In addition, microcredit customers often pay a number of hidden transaction costs. For example, attending a series of regular meetings or group training sessions that are conditions for accessing credit often requires borrowers to close their businesses during these times, forgoing income and often permanently losing customers to competitors. When documentation requirements are excessive, additional transaction costs are imposed on borrowers, especially the illiterates who cannot read the fine print of loan contracts. Such hidden transaction costs, as well as fees paid to local officials to sign loan applications, can be higher than the interest paid on the loans (Morduch and Rutherford, 2003, p.15; Robinson, 2001, pp. 210-213; Srivastava and Basu, 2004, pp. 13-14). While the extent of bribe paying is not well-documented, several studies have

noted that bribes can range from 10-40% of the loan amount (Srivastava and Basu, 2004, p. 14) and out of pocket transaction costs, unrelated to bribes, can be 20% of the loan amount, whether the loan is approved or not (Robinson, 2001, p. 211).

Despite this criticism, micro-credit is considered an effective strategy for poverty reduction globally with the potential of transforming the lives of poor people. The Government of Ghana in her GPRS I & II now “Ghana Shared Growth and Development Agenda” (GSGDA) which aimed at reducing poverty adopted micro-credit policy and launched MASLOC as a National Policy. This targeted poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living. Its importance was summarized by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit; “Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs,” (Kofi Annan, 2005).

2.17 Conceptual Framework of Micro credit

A conceptual framework was applied to examine the evolving relationship between Micro-credit and SMEs and the impact of that relationship on SMEs promotion (See Figure 1). The conceptual framework explains factors that influence micro-credit outcome with (1) the entrepreneurial role of the micro-credit through Labour, Raw Materials, Technology, Infrastructure and Market. Access to micro-credit support could be considered as one of the enabling factors for SMEs to overcome their promotional challenges.

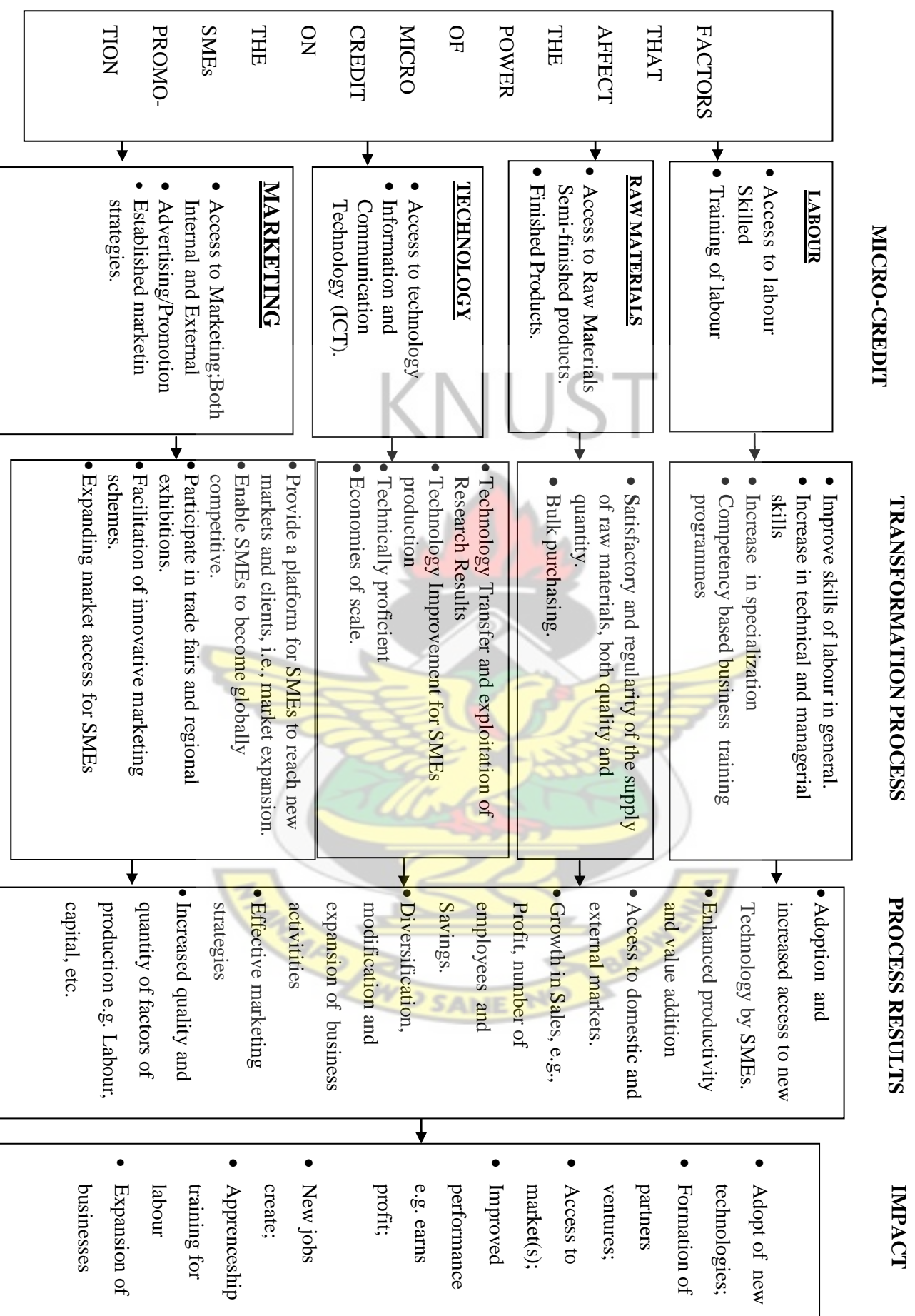
From Figure 1, the SMEs together with capital, business development services such as management and skills which form the enterprise depends on quality of labour, raw materials,

technology, and other support services to produce and market. The quality, quantity of output and the ability to market the output produced determine the level of returns to the SMEs hence, their ability to create employment, increase incomes and expand infrastructure through the application of technology and employment of good quality of labour.

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Figure 1: Conceptual framework of Micro Credit



CHAPTER THREE

RESEARCH METHODOLOGY AND THE PROFILE OF THE STUDY AREA

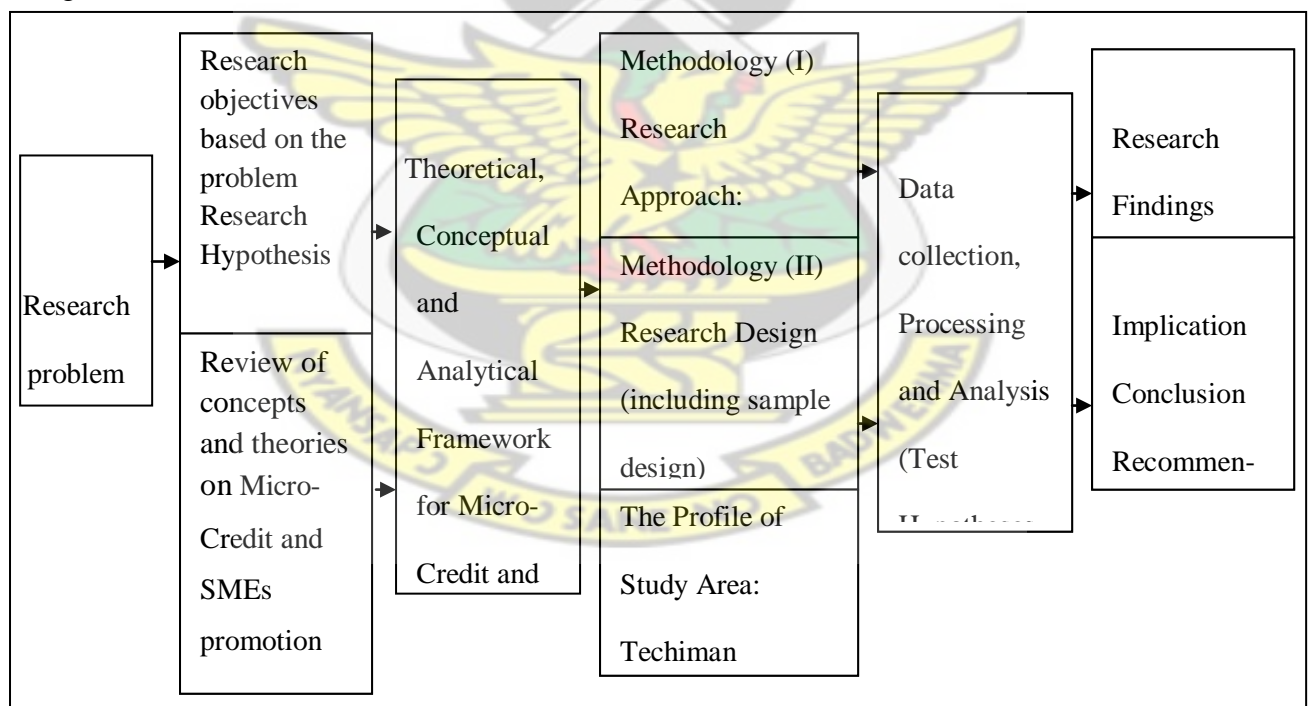
3.1 Introduction

This chapter guide the researcher in data collection and method of analyzing data collected from the field. The chapter is presented under the following sub-headings: Design of the study, area of the study, population for the study, sample of the study, instrument for the study, administration of the instrument and method of data analysis.

3.2. Research Design

A brief overview of the research process which consists of series of actions or steps necessary to effectively carry out research is illustrated in Figure 2.

Fig.2: Research Process in Flow Chart



Author's construct, March, 2011

The study started with an introduction to background of the problem, statement of the problem, the research objectives and hypothesis. The next stage include the review of related literature on micro-credit and SMEs, and the development of the survey design as a blueprint of the research. This survey design allowed the study to gather and analyse data prior to establishing relationships through the application of statistical analysis.

The study is cross-sectional because a cross-section of the study units was studied. A cross-sectional design was chosen for the study in the typical background of the research study units. This guided the investigation process of the study. Various related literature and other conceptual issues were reviewed as well as the conceptual framework for SMEs promotion. The research hypothesis, based on the research problem, objectives and the conceptual framework, the necessary field data collection instruments were prepared for data collection from the field. The units of study, on whom data were collected, were the SMEs and the SMEs supporting institutions/agencies.

3.3 Design of the study

The study combined cross-sectional and/or survey design and case study methods of data collection. Cross-section or survey design aims at describing relationships between two or more variables of the study population, before any attempt is made at drawing statistical inferences to broader populations and generalization of findings to real life situations. The case study methods, on the other hand, enabled the research to make empirical enquiries that allowed the researcher to investigated and understand the dynamics of the system. According to Becker (1991), the research design of case study is similar to those of mainstream social science research; and outlined the main points to include sampling, planning data collection, planning data analysis and giving interpretation in the report. The research is focused on a

contemporary phenomenon, that is, SMEs and their operational challenges.

3.4 Data Collection and Analysis

3.4.1 Data Collection

The researcher visited the sample units of small scale sector and collected the data from the respondents. Both primary and secondary data were used in the study. Secondary data was collected mainly from Business Advisory Centre (BAC) Techiman, Hand Book of Statistics, Techiman Municipal Assembly and Industrial Profile and some selected financial institutions. Primary data were collected from the owners of SMEs in Techiman Municipality.

3.4.2 Secondary Data

The secondary data for the study was obtained from the Techiman Municipal Assembly (TMA), NGOs, SMEs promotion institutions and agencies as well as Micro credit institutions from Techiman. The Secondary data were processed information that is readily available to be utilized. For instance, records of loans, disbursement reports, repayment reports and reports based on the content of other supporting services like business management training and marketing was analyzed with respect to the research questions of the study. The researcher reviewed literature from theoretical concepts of Small and Medium Scale Industries (SMEs), the understanding of the concept of local development, past industrial policy and local development in Ghana and delivery of micro finance through empirical studies in Ghana. Sources of secondary data that were relied on include textbooks, journals, reports, and newspapers, internet sources relating to SME promotion and financing mechanisms, among others. The choice of the data is influenced by the fact that it broadens the scope of generalization, allows for comparison between towns and cities and this will enable the researcher to compare results from target communities; it provides opportunity for replication and triangulation. Secondary data is cheaper to assemble; meanwhile it provides extensive information about the individual units of enquiry.

3.4.3 Primary Data

This technique of data collection was employed through the use of open-ended and semi-structured interview guide, direct observation and informal discussions. The purpose of these techniques was to allow probing to ascertain the impact of the micro-credit to SMEs promotion in the study area. In short, both quantitative and qualitative methods of data collection were employed in order to gather the data. But the quantitative method was the main focus in the presentation and analysis process of the data collected.

3.5 Quantitative and Qualitative sets of Research Approach

Debates over the techniques used for a research study have centred on the application of quantitative or qualitative methods. Quantitative approach often give an unbalanced focus on quantitative and measurable indicators, to the neglect of social and psychological issues that tend to be qualitative in nature. Under Quantitative approach, data were gathered using a random sample surveys and structured interviews, mainly quantifiable data, to ascertain the magnitude of variation, using statistical techniques for the analysis. The purpose of quantitative research is to explain the causes of change of social facts through objective measurements and quantitative analysis. In the quantitative approach, the researcher is an outsider whose main role is to extract information from people who are regarded as sources of information. Analysis of data collected from the community is done outside and conclusions are imposed over them. The quantitative approach explains SMEs promotion in terms of business turnover or expenditure. Also, other measures such as access to support services, employment and output level may also be included but business turnover and expenditure are frequently used because they are considered to be correlated with other economic indicators.

The qualitative approach on the other hand, the data are gathered by using purposive sampling, semi-structured interviews, in-depth/interactive interviews, focus groups and participant

observation to collect data, which mainly relates to people's judgments, attitudes, preferences, priorities and perceptions about a subject. The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given research issue. It provides information about the "human" side of an issue – that is, the often contradictory behaviors, beliefs, opinions, emotions, and relationships of individuals. Qualitative methods are also effective in identifying intangible factors, such as social norms, socioeconomic status, gender roles, ethnicity, and religion, whose role in the research issue may not be readily apparent. When used along with quantitative methods, qualitative research can help us to interpret and better understand the complex reality of a given situation and the implications of quantitative data.

One significant innovation in research studies of late is the injection of participatory approach into the broad methodology. The participatory approach is a tool for learning from experience. Its appeal lies in the fact that it is action oriented and provides the framework for the stakeholders to be intensively involved in data collection and analysis with the process as facilitated by the researcher or resource person (Howe & Eisenhart, 1989). For instance, focus group discussions, often used in Participatory Rural Appraisal (PRA) research, provide not only an effective means of collecting high-quality qualitative data but also serve as a way to cross-check or validate information from other sources (i.e., triangulation).

This study seeks to deal with SMEs and micro-credit as a tool for generating resources, reducing poverty and employment. There is therefore, the need to devise various development approaches on Micro credit by policymakers, international development agencies, NGOs, and others aimed at poverty reduction to transform or revise the current micro-credit schemes, to suit Ghana's poverty reduction and SMEs development policies or strategies for implementation.

3.6 Sample, Source and Methodology:

3.6.1 Selection of the Sample

The Techiman Municipality does not have a systematic record of all Small and Medium-sized enterprise (SMEs) units in its records. This is because registration of units is optional and many units are operating without registration. As a result, no information could be obtained about the total number of such units and their locations in the Municipality. The study therefore, was confined only to registered units that benefited from technical, extension services, infrastructure and financial support or supported to access financial services from financial institutions in the Municipality. The records maintained by the Techiman Municipal Assembly (TMA), Business Advisory Centre (BAC), Rural Technology and Services Centre (RTSC), Darko College of Artisans' Training Centre, BEMCOM Youth Association Training Centre and Precious Manufacturing Enterprise and Training Centre were used for preparing a list of SMEs units operating in the Municipality. The records showed that there were 667 SMEs industrial units in the Municipality that registered and benefited from business development services (credit facilities) with the above institutions and training centres as at the end of December, 2010.

3.6.2 Sample Size Determination

To determine the sample size, the mathematical approach or method was used. Also, since the most critical item in sample size determination is the sample frame and the study sample frame is known to be 667, the mathematical approach by Taro Yamane (1970; 881-87) which is non-proportional was established in the following simplified formula

$$n = \frac{N}{1+N(\alpha)^2}$$

Where n= sample size

N= sample frame

α = confidence interval.

With a 95 percent statistical significance level of five percent and the known sample frame size of 667 SMEs units, formula gave a sample size of 250.05 which was approximated to 250 SMEs.

i.e.,

$$n = \frac{N}{1+N(0.05)^2} = \frac{667}{1+667(0.0025)} = \frac{667}{1+1.6675} = \frac{667}{2.6675} = 250.05 = \mathbf{250}$$

Among the Units 250 were selected by using random sampling technique. A structured schedule of questions was prepared for this purpose.

3.6.3 Sampling Procedure

The study focused on a target sample of SMEs that are direct beneficiaries of the micro-credit facilities instituted by government, SMEs promotion institutions/agencies and NGOs. In selecting the sample units for the study, the multi-stage sampling method was applied. In this method, sampling is selected in various stages but only the last sample of the subjects is studied. This method ensures that sample units are more representative and that in all cases, complete listing of population is not necessary. This saves cost. Six (6) selected communities were purposively selected for the study which include Techiman, Tuobodom, Aworowa, Tanoso, Offuman and Nsuta. A uniform sample of 25 each, from ten (10) SMEs were selected from the various SMEs activities in the Municipality for the study.

i. Simple Proportion

A simple proportional method was used to obtain the number of respondents from each community selected. e.g.

$$= \frac{380}{250} \cdot \frac{142}{100}$$

$$667 \div 1 = 142.$$

$$250 \div 1 = 56.8 \approx 57.$$

Table 2, indicates the number of SMEs registered with BAC/REP and DA and the sampled population for each sub-district/zonal council selected for the study.

Table 2: The number of SMEs registered with BAC/REP and TMA

Name of Settlements /Communities	Total Number of individuals in the SMEs	Proportional Sampled/ Number Sampled (frequency)	Percentage (%) of SMEs Sampled
Techiman	380	142	57
Tuobodom	76	28	11
Aworowa	74	28	11
Tanoso	52	20	8
Offuman	45	17	7
Nsuta	40	15	6
TOTAL	667	250	100

The Random Simple sampling technique was therefore used for this study. The Random simple requires that each member of the population has an equal chance of being selected as subject. The entire process of sampling is done in a single step with each subject selected independently of the other members of the population using the lottery method. Each member of the population is assigned a unique number. Each number is placed in a bowl or hat and mixed thoroughly. The blind-folded researcher then picks numbered tags from the bowl or hat. All the individuals bearing the numbers picked by the researcher are the subjects for the study. This sampling procedure was applied in selecting SMEs who are beneficiaries of the credit schemes.

This method is selected because of the following reasons. First, it ensures the ease of

assembling the sample and considered as a fair way of selecting a sample from a given population since every member is given equal opportunities of being selected. Another key reason is its representativeness of the population. Theoretically, the only thing that can compromise its representativeness is luck. Finally, an unbiased random selection and a representative sample is important in drawing conclusions from the results of a study. Due to the representativeness of a sample obtained by simple random sampling, it is reasonable to make generalizations from the results of the sample back to the population.

3.7 The Institution-Based Survey

A survey on some selected governmental and non-governmental institutions that operate in the interest of promoting SMEs in the Municipality was conducted. The institutions include Techiman Municipal Assembly (TMA), Business Advisory Centre (BAC/ NSSBI/REP), Rural Technology and Services Centre (RTSC), Darko College of Artisans' Training Centre, BEMCOM Youth Association Training Centre and Precious Manufacturing Enterprise and Training Centre. Also, financial institutions include Ghana Commercial Bank Ltd (GCB), Pro Credit, National Investment Bank (NIB), Agricultural Development (ADB), Opportunity International and Allied Saving and Loans Company Ltd. Others include Standard Co-operative, Nkoranza Kwabre Rural Bank and Baduman Rural Bank. To facilitate the interview process, interview guides and questionnaire was prepared for different institutions in consideration of their specialties. See Appendix 2 for institutional based interview guides and questionnaire.

3.8 Operational Model Specification

In the case of examining the impact of Micro-Credit on SMEs, the Ordinary Least Square (OLS) estimator method of multiple regression is applied. Multiple regression is a statistical technique used to evaluate and establish a quantitative relationship between a dependent variable and independent (explanatory) variables. The Operational regression Model for this study in implicit form is represented by:

$$Y = f(R_m, L_b, T_n, M_t, \epsilon_i) \dots \dots \dots (1)$$

In estimating through the regression analysis, the five functional forms used to estimate the relationship is:

Linear function:

$$Y = \beta_0 + \beta_1 L_b + \beta_2 R_m + \beta_3 T_n + \beta_4 M_t + \epsilon_i \dots \dots \dots (2)$$

Where:

Y is Micro credit facility, the dependent variable

β_0 is the constant,

β_1 - β_4 are co-efficients of the independent variables

L_b is Labour

R_m is Raw material

T_n is Technology

M_t is Marketing

ϵ_i is Random Error term.

Labour is important factor of production and is expected to have a positive impact on productivity. Good quality of labour will increase productivity and hence, output. Access to finance to acquire good quality labour will increase SMEs' productivity and output and hence, result in expansion in their operations.

Another important factor is raw materials accessibility. This is an important input to the production process of a business. It is expected that raw materials will have a positive impact on SMEs as one of the factors that influence micro-credit. The availability of raw materials, including their intermediate inputs and in terms of levels of production or occurrence, sourcing, quality, and costs among others influences production. Their availability will increase production and business activities. Vulnerability refers to the extent to which the business will be affected by the set down or lapses in the supply of inputs such as raw materials. The number of competing resources or supplies also determines the degree of vulnerability. SMEs often have limited options in terms of supply point and resultant vulnerability affects their production.

Technology also has a positive impact or influence on SMEs because it is a cost-efficient method in production. Technology includes the tools and equipment (implements and machines) needed for production as well as the production process and knowledge about the production techniques. Access to established technologies is very crucial for creativity, competitiveness and innovations. Technology also enhances the adoption of new and better ways of achieving economic growth (OECD, 2000). An innovating SME will be able to respond to the changes in the market as well as introduce new products and enhance services, which will give it competitive advantage over others. New actions covering innovative aspects of SME and standardization will be introduced given access to technology. According to the European Commission (2006), the use of open standards in different business areas reduces costs, simplifies processes and is a key factor in dissemination of technical, managerial and organizational innovations in areas such as production, development, manufacturing and marketing among others. SMEs that integrate innovation can reap significant benefits. Studies conducted by US Department of Commerce, revealed that since World War II, 50% of all innovations and 95% of radical innovations, have come from new and smaller firms. The key

process in the economic force of changes, as described by Schumpeter, is the introduction of innovation and culture of innovation in the enterprise.

Finally, marketing is one of the pillars of a business. It is the necessary tool to let the business grow and prosper. SMEs with access to market can increase sales and revenue. An increase in market activities such as sales has the multiplier effect of increase in productivity and introduction of technology for innovations. SMEs with access to market their can adopt innovations to enable them expand.

3.9 Data Collection Instruments

3.9.1 Structured SMEs Questionnaires

Two sets of questionnaire were sent to obtain information. One for the SMEs and the other to the smes promotion or supporting institutions/agencies. The purpose was to source information from the SMEs on the various promotional packages or supportive services they received from the SMEs promotional institutions/agencies. The administration of the instrument enabled the researcher to interact with respondents on one-on-one basis so as to explore critical issues of concern from both the promotional institutions/agencies and the SMEs. The smes questionnaire contributed into cross-checking of facts and validation of responses gathered.

3.9.2. Focus Group Discussion (FGD).

Focus Group Discussion was also organized for representatives of women and men groups, Associations, NGOs and the youth groups and opinion leaders to take on board their views on the development of SMEs in the Municipality. The discussions centred on support services such as provision of infrastructural facilities, financial support, extension services and technical support amongst others. This provided exchanges between participants with differences of opinion which enabled the researcher to have greater understanding insights into people's

perceptions on the subject matter. It was not intended to collect original information but used for multiple checking of data collected earlier through the use of semi-structured questionnaires.

3.9.3. Unit of Observation

There was other information the questionnaire could not capture during the data collection process and the observation method was employed to deal with such issues. The researcher used both strict and broad sense observation methods to source information where the activities of these SMEs are concentrated. This was done through semi-structured interviews through the questionnaires. The centres of production, workshops and market places were the researcher's unit of observation.

3.10 Data Analysis

3.10.1 Data analysis techniques

Data obtained from the field were processed and entered into the Statistical Package for the Social Science (SPSS) software. Multiple Regression tool was used to process the raw data for interpretation and relevant inferences made from the output of the SPSS analysis. The use of tables and percentages was also employed to represent the data for interpretation. They provide simple summaries about the sample and the measures. Usually, the investigator seeks to ascertain the causal effect of one variable upon another. To explore such issues, the investigator assembles data on the underlying variables of interest and employs regression analysis to estimate the quantitative effect of the causal variables upon the variable that they influence.

3.11 The Profile: Techiman Municipal

3.11.1 Location and Size

The current Techiman Municipality has been part of Wenchi and later Nkoranza and Kintampo districts before its establishment. The Techiman Municipality was established under legislative Instrument (L.I. 1472) of 1989 as a District Assembly and later upgraded into a Municipality under Legislative Instrument (L.I. 1799) of 2004. Techiman Municipal Assembly is one of the seven (7) Municipal and fifteen (15) District Assemblies in the Brong Ahafo Region of Ghana. Techiman Municipality is situated in the Northern part of Brong Ahafo Region and lies between longitudes $1^{\circ}49'$ east and $2^{\circ}30'$ West and latitude $8^{\circ}00'$ North and $7^{\circ}35'$ South. The Municipality shares common boundaries with Wenchi District to the northwest, Kintampo South District to the northeast, Nkoranza South District to the South- East and Offinso District in the Ashanti Region to the south.

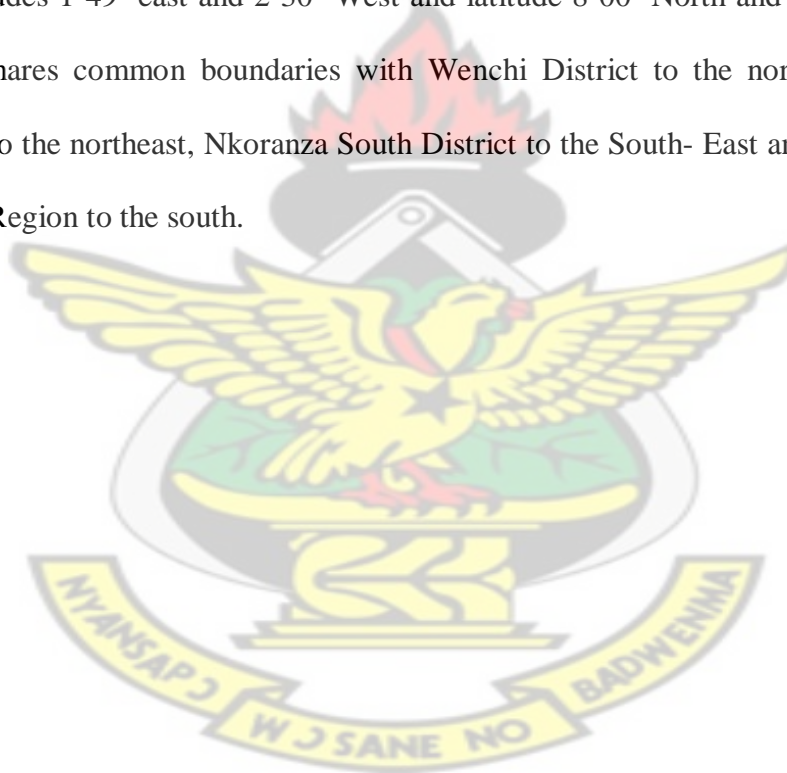
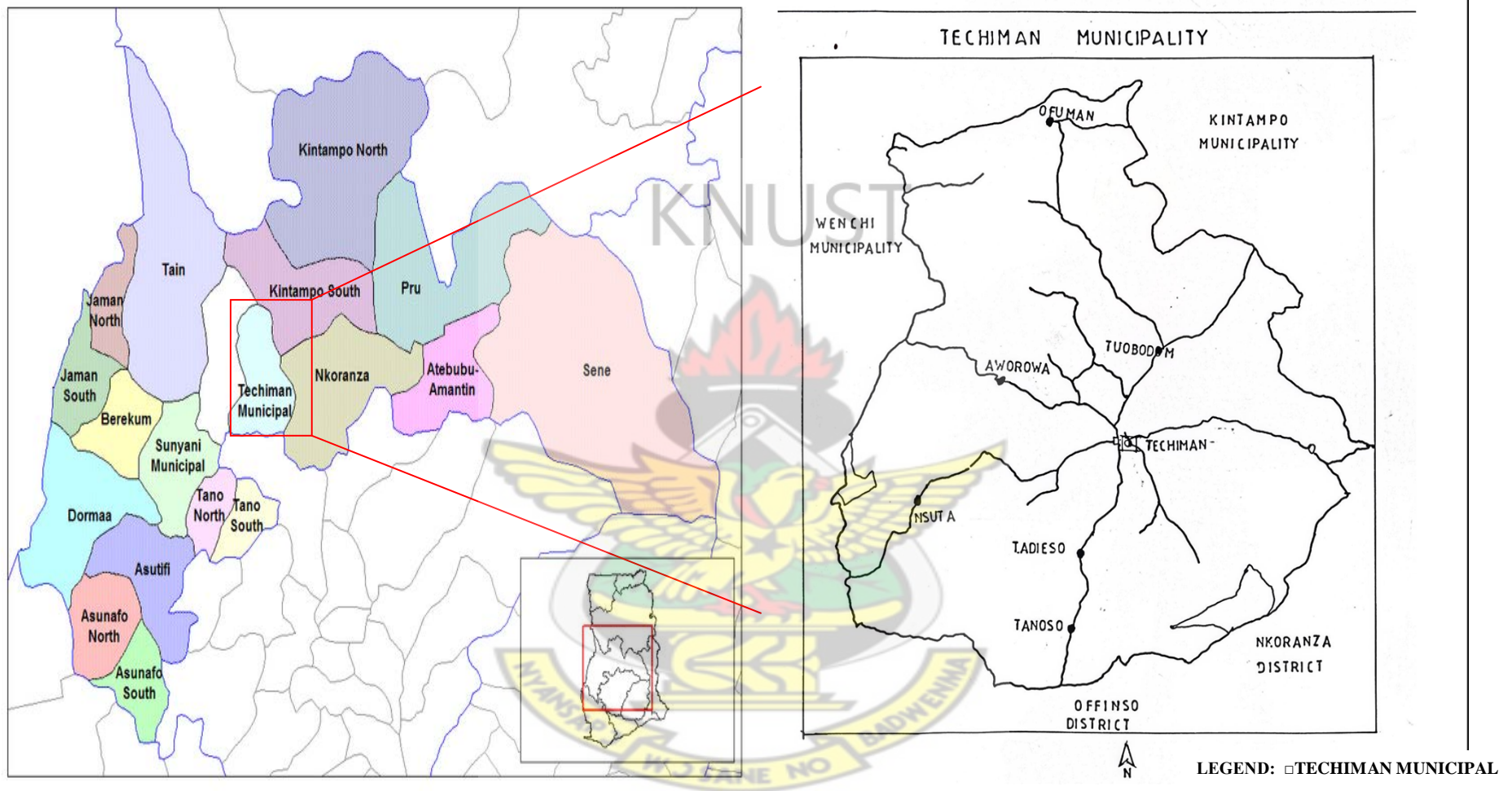


Figure 3: Map of Techiman Municipal in National and Regional Context



Source: Department of Planning, TMA 2011

3.11.2 Financial Institutions

The location of most Commercial Banks, in the Techiman Municipality, may be explained by the fact that banking operations rely on viable economic activity. There are 26 commercial and rural banks, and loans and savings companies, five (5) insurance companies, 20 Susu registered groups, Credit unions and Co-operatives operating micro-finance schemes in the Municipality. The Municipal Assembly also disbursed credit to farmers and SMEs through its poverty reduction programmes through some of these banks. These financial institutions, as at the time of the study had introduced their various brands of micro finance/microcredit concept to over 1000 micro, small and medium sized enterprises and others modernising their services to attract and maintain more customers.

3.12 Growth and Development of SMEs in Techiman Municipality

To promote the growth and development of SMEs in the Techiman Municipality, the NBSSI opened of the Business Advisory Centre (BAC) in Techiman in 1996. Rural Enterprise Project (REP) facilitated the access of SMEs to improved production techniques and technology, design, packaging and marketing. The REP also supported Business Advisory Centre (BAC) programme for the period, from 1996-2003. Within the same period (from 1996-2003), International Fund for Agricultural Development (IFAD) also supported a pilot project of the BAC in training SMEs, giving them financial assistance to purchase equipment for primary fabricators, especially those at the “magazine” as well as hairdressers and tailors. The mechanics were grouped after training and linked to financial institutions for financial support.

The immediate aim of the project was to contribute to the development of competitive rural SMEs in the Municipality backed by good quality, relevant and sustainable support services. The implementation of the project was mainstreamed into the decentralized administrative and

planning system and implemented at the Municipality through a partnership arrangement with the Techiman Municipal Assembly, NBSSI, and the GRATIS Foundation. The two key District-based implementing units of the Project were the Business Advisory Centre (BAC) and Rural Technology Services Centre (RTSC). The Project was implemented in two phases. The first Phase was implemented from 1995 to 2002 and the current or second phase, from 2003 to 2011. The project was made up of Four (4) Components.

i. Business Development Services (BDS)

This component provided training in community-based trade skills, marketing, quality packaging, small business management and introduction of viable new business initiatives. The BDS function was facilitated mainly by the BAC. The BDS function also involves strengthening the technical capacity of local business associations to enhance their effectiveness and participation in SMEs promotion at the District level. Since the project started, 3499 clients have been trained under business development service component of the project. This is made up of 1860 females and 1639 males.

ii. Technology Promotion and Support to Apprentices Training (TPSAT)

The TPSAT component aimed at adapting and transferring appropriate technology to improve efficiency in rural enterprises or industries. It entails providing employable skills and basic start-up kits to income generation at the rural level. Apart from providing support to SMEs such as technology adaption, it provided support to master craft persons and traditional apprentices, and provide technological support to SMEs. The RTSC has organized 351 training programmes since the project inception in the Municipality.

iii. Rural Financial Services (RFS)

The RFS component facilitates easier access to sustainable rural financial services for target rural SMEs. It involves strengthening technical capacity of staff through specialized training;

and improving operational efficiency of participating rural banks by supporting the establishment and operations of an Efficiency Monitoring Unit at the ARB Apex Bank Ltd. A matching Grant Fund is being administered by Bank of Ghana, through the Public Finance Institutions, for on-lending to target rural SMEs. According to BAC status report (1999-2010) for Techiman on Rural Enterprise Project and GoG/IFAD, credit totaling GH¢69,900 has been disbursed to 420 clients through the Ghana Commercial Bank and Agriculture Development Bank to expand their business.

iv. Support to Rural Micro and Small Scale Enterprises Organizations and Partnership Building (SMESOPB)

This component provided a platform for inter-sectoral policy dialogue, institutional collaboration and synergy of programmes to improve the policy and operational framework of rural SMEs. The Eureka Garages Association (Artisans and Mechanics) through the Techiman Municipal Assembly (TMA) and Techiman Traditional Council acquired 120 acres of land in Techiman for the establishment of a cluster for Artisans and mechanics' SMEs. The TMA in 2005 collaborated with the German Technical Co-operation (GTZ) for the establishment of a cluster village for artisans/mechanics in Techiman. The project was under the name 'Energy for Productive Use'. To support such industries/enterprises, GTZ provided electricity and water to the SMEs located at the cluster village. GTZ also provided them with two KVIPs and 1.5km access road. TMA assisted and linked some of the SMEs to sources of funding. Most of them have built their shops and moved in. In 2008, the Eureka Garages Association was linked-up to Kumasi Suame Magazine for capacity building on Auto Fault Diagnosis (AFD). In the promotion of SMEs in the Municipality BAC also collaborated with NGOs such as Techno Serve and HEIFER International in providing them training and equipment.

CHAPTER FOUR

MICRO-CREDIT AND SMEs PROMOTION IN TECHIMAN MUNICIPALITY

DATA ANALYSIS AND DISCUSSIONS

4.1 Introduction

The findings of the study into the promotional challenges and existing potentials for the development of the SMEs are summarized and discussed in this chapter. The chapter also discusses both macro-and micro-environment that affect the growth of enterprises. The problems discussed include those of infrastructure, the supply of raw materials, tools and equipment, the sourcing of capital, production and output as well as marketing. The chapter ends with the findings from the analysis of the data gathered from the field.

4.2 SMEs Characteristics

i. Age and Sex Distribution of SMEs

The data from the study indicated that the majority of the SMEs proprietors were between the ages of 35 and 39 years old. This age group formed 46% of the SMEs proprietors. Also, 22% of the SMEs proprietors are between the age of 30 and 34 years old. This implies that the SMEs proprietors in the Municipality are made up of the youthful and energetic age group. Therefore any government support package such as training and finance for the youth in the SME sector could improve its contribution towards the economic development of the country.

The study revealed that 8% and 16% of the SMEs or firms operate in the Municipality for the past 3 to 4 years and 76% for 5 years and above. Also, 52% of the SMEs were owned by females and 48% by males in the Municipality.

ii. Level of Education

The findings revealed that the level of education was very low. Out of 250 SMEs sampled, 125 representing 50% of them either attended school to primary level or did not

attend school at all. Also, 40% of them said they attended school to JHS/Middle level and 10% SHS/Technical school and above. As a result of this, it was observed that the majority of the SMEs could not keep records.

iii. Raw materials

The enterprises relied heavily on indigenous resources. The findings revealed that 66% of enterprises obtained their resources such as raw materials from Techiman and its environs, 22% from Kumasi and 12% from Sunyani.

iv. Skills acquisition

It was also observed that most of the skills exhibited were acquired outside the formal school system; such skills were learnt by the youth as they gave helping hands to the family owned or apprenticeship training acquired.

4.3 Growth of SMEs in the Study Area.

A number of factors in the country, at the time of the study, have contributed to the favourable macro-and micro-environment for SMEs development in the study district. The macro-environment factors include:

i. Political Stability.

Political stability and Government commitment to carry out economic reforms as contained in GPRS I & II yielded favourable response from the private sector. This resulted in improved enabling environment for doing business and greater access to key resources and growth of businesses. According to a report from the OECD, the private sector is showing positive signs of response to these reforms. Similarly, the World Bank/IMF's annual Doing Business Report (2008) has ranked Ghana as a top ten global reformer for two years in a row for 2006 and 2007.

ii. The Development of Market Economy.

The economic reforms of Ghana towards a market economy at the turn of the century have led to a substantial growth of SMEs. These reforms such as divestiture or privatization have given impetus to the competitiveness of the private sector and positively affected the growth and development of SMEs significantly in the country.

iii. Support Services for SMEs

There have been several supporting institutions with programmes which influence the activities of the informal sector, especially Micro, Small and medium-sized Enterprises (MSMEs). These include programmes in finance, technical assistance, technical and management training. The institutions include the NBSSI, Ghana Enterprises Development Commission (GEDC), the Ministry of Trade and Industry, MASLOC, GRATIS Foundation and the Entrepreneurship Development Programme (EMPRETEC) of the NBSSI. This has resulted to the development of SMEs. The Micro-environment for SMEs Development includes the following;

iv. Availability of Raw Materials

The SMEs sourced their raw materials mostly from within and sometimes Kumasi or Sunyani. This state of affairs promotes interdependence between the SMEs and the big industries in Techiman and such a linkage usually leads to an overall countrywide industrial development.

v. Location Factor

The Municipal capital Techiman, is a major market centre and a nodal town or entrepol, where roads from the three northern regions converge. Trunk roads from Sunyani, Kumasi, Wa and Tamale all met at Techiman thus making it a bustling food crop market and commercial centre. The Techiman Market is the hub of economic activity, hence the growth of SMEs.

vi. Access to Capital

The location of most Commercial Banks, in the Techiman Municipality, may be explained by the fact that banking operations rely on viable economic activity. There are 26 commercial and

rural banks, and loans and savings companies, 20 susu registered members as well as credit unions and co-operatives operating micro-finance schemes in the Municipality. The Municipal Assembly also disbursed credit to farmers and SMEs through its Poverty Alleviation Fund and other programmes through some of these banks. These financial institutions, as at the times of the study had introduced their various brands of micro finance/microcredit concept to over 1000 micro, small and medium sized enterprises and others modernising their services to attract and maintain more customers.

vii. **Markets/Commerce**

The major periodic market centres within the Municipality are the Techiman Market in the south and the Offuman Market in the north. Large varieties of farm produce are marketed in these areas in large volumes. The Techiman market is regarded as the biggest periodic market, within the Municipality and largest agricultural produce market in the country. It is even considered by many as one of the largest periodic markets within the West African sub-Region. It attracts patrons from other West African countries like Burkina Faso, Mali and Niger. The Offuman market has helped to contain the excesses that would have been experienced by the periodic market at Techiman. There are other satellites markets such as Tuobodom and Nsuta. These markets have important influence on the economic life of the surrounding communities. The vibrant market is a major reason for more SMEs springing up in the Municipality.

4.4 Potentials, Opportunities, Constraints and Challenges of SMEs Promotion in the Techiman Municipality

A Focus Groups Discussion (FGD) was organized on the potentials, opportunities, constraints and challenges of SMEs promotion in the Techiman Municipality. Observations from the discussion revealed that a lot of opportunities exist for the promotion of SMEs amidst constraints and challenges. These opportunities include

availability and access to local raw materials, the large Techiman market and other satellites markets in the Municipality. The Table 3 summarize the outcome of this discussion.

Table 3: Analysis of potentials and opportunities, constraints and challenges in promotion of SMEs in Techiman Municipality.

POTENTIALS	OPPORTUNITIES
<ul style="list-style-type: none"> • Optimistic and dynamic SMEs. • Strategic and active market location in the centre of Ghana. • Availability of low cost labour, arable land and raw materials for agro-processing. • Active financial institutions in Techiman. • Relatively peaceful environment. 	<ul style="list-style-type: none"> • Favourable government policies such as NYEP. • Presence of NGOs, CBOs, Training Centres and other support institutions like BAC /RUTTIP and RTSC Strong government focus on SMEs sector and rural development. • More pro-active role of TMA in promoting local economic development. • Diversification of agro-business towards national and international markets. • Presence of agro-processing facilities like Ghana Nuts, Tomato Factory and number of gari-processing factories.

CONSTRAINTS	CHALLENGES
<ul style="list-style-type: none"> • Bureaucracy in public sector affects business. • Low level Public-Private Dialogue • Fluctuating input and market prices affect business/SMEs • Poor entrepreneurial and manage skills. • Weak organization of the private sector. • Financial system insufficiently adapted to requirements of enterprises. • Inadequate utilities supply, poor infrastructure. • Absence of District framework for private sector development. 	<ul style="list-style-type: none"> • Inadequate extension services. • Untimely or late release of credit to SMEs • Unrestrained liberalization of imports. • Lack of action and adequate framework to implement change. • Unfavourable land tenure system. • Lack of market information. • Low access to capital.

4.5 Credit Schemes in the Techiman Municipality

The financial institutions which offer micro-credit for SMEs development comprise the following; Agricultural Development Bank (ADB), Ghana Commercial Bank (GCB), Barclays Bank, Baduman Rural Bank, Nsoatreman Rural Bank, Nkoranza Kwabre Rural Bank, Fiagya Rural bank, First Allied Savings and Loans Ltd, and Opportunity International Savings and Loans Ltd. These financial institutions offer various micro credit schemes to their customers in the Techiman Municipality. The schemes include the following:

i. Micro-Credit Scheme for Rural Enterprise Development.

The scheme was established in 2007 under the Community Based Rural Development Project (CBRDP) to provide training and start-up or additional capital to rural small scale enterprises (farm and non-farm), unemployed and unemployed among the rural populace. The loan was channelled through some selected rural banks under the supervision of the ARP Apex Bank. In 2008, a total amount of GH¢51, 516.00 was disbursed as seed capital or additional capital to beneficiary SMEs under the CBRDP project in Techiman Municipality (TMA, 2008).

ii. Kudi Nkosuo (Money is progress) for Ghana Commercial Bank Ltd.

This is a hybrid of savings and credit account designed for the informal sector. The account helps the customer cultivate the habit of saving and also be eligible for a loan to expand one's business. A fixed account (determined by the customer) is contributed on daily, weekly or on monthly basis. Contributions will have to be consistent without any withdrawal for a minimum of six (6) months to make the customer eligible to apply for a loan. For purposes of reconciliation, a passbook is given to the contributor (customer) while the bank maintains its copy. This product is targeted at all categories of self-employed such as small scale businessmen/women, traders, artisans and small-scale agro-processing industries. Qualified customers receive between Gh¢200.00 to Gh¢2000.00. The repayment of the loan does not exceed the customer's regular contribution.

iii. Allied Mpuntu Scheme/Micro Finance

This is an outreach/community lending programme in which official of Allied Savings and Loans Company Ltd reach out to prospective customers outside the Techiman Municipality. Groups are organized into membership ranging from 5 to 20 people. They are guided through an orientation programme for six weeks where members contribute a weekly savings equivalent of 25% of the loan amount. Each group elects their own executives who act as

intermediaries between the bank and the group. A joint guarantee system is relayed to the group which then apply for a loan.

4.6 Government institutions and provision of SMEs credit facilities.

There has been various efforts made by government to provide credit facility to SMEs in the Municipality. Various interventions by the government to provide credit facilities for SMEs. The role played by government in providing credit facilities to SMEs in the Techiman Municipality include the following:

i. National Board for Small Scale Industries (NBSSI) Funding Schemes

The support for SMEs financing was broaden from 1990 with the establishment of the NBSSI by Government and merged with the Ghanaian Enterprises Development Commission (GEDC) in 1991. The various credit schemes information is channeled through the Business Advisory Centre (BAC) to SMEs. The Table 4 showed some of the credit facilities of NBSSI administered to SMEs.

Table 4: NBSSI Funding Schemes

FACILITY	TARGET BENEFICIARY/SECTOR	CLIENTS	INTEREST RATE	REPAYMENT PERFORMANCE
1. PAMSCAD Credit Line	Small Scale Entrepreneurs operating in the rural areas, poor urban areas, women entrepreneurs.	1200	20% p.a	87%
2. ENOWID Revolving Loan Fund	Women in development. It was operated largely in the Brong Ahafo, Volta and Western Regions for the Department of Community Development (National Commission for Women and	3,500	20% p.a	96%

	Development).			
3. NBSSI/DED Credit Scheme	Micro and Small Enterprises in the Northern, Brong Ahafo and Eastern Regions through the Business Advisory Centres.	<200	20% p.a	75 %
4 .Small and Micro Enterprise Promotion Fund (SMEPF)	Micro and small Enterprise sector in general.	<200	20% p.a	< 70%

Source: Compiled from records obtained from the NBSSI

ii. **Rural Financial Services Project (RFSP)**

The RFS component facilitates easier access to sustainable rural financial services for target rural SMEs. It involves strengthening technical capacity of staff through specialised training; and improving operational efficiency of participating rural banks by supporting the establishment and operations of an Efficiency Monitoring Unit at the ARP Apex Bank Ltd. A Match Grant Fund is being administered by the Bank of Ghana through the participating financial institutions, for on-lending to target rural SMEs. The funds were channelled through the Agricultural Development bank and Ghana Commercial Bank for on –lending to target SMEs.

iii. **Microfinance and Small Loans Centre (MASLOC)**

MASLOC was established in 2004 to support government's programme of a sustainable reduction in poverty as spelt out under the Growth and Poverty Reduction Strategy (GPRS). It was set as apex for the judicious administration, coordination and monitoring of micro credit and small loan schemes and the promotion of decentralized micro financial system in Ghana. Economic activities that qualify under MASLOC include agro-processing, poultry, livestock,

piggery, micro-enterprise, traditional catering, transportation of foodstuffs, garages and mechanics, agro-marketing, fish mongering, fishing, aquaculture, handicrafts, farm inputs and agricultural machinery.

iv. Financial institutions

Also various financial institutions in the country have been supportive in providing credit support to SMEs. They provided various brands of micro finance concept to over 1000 micro, small and medium sized enterprises and others modernizing their services to attract and maintain more customers from the SMEs sector.

4.7 Credit provision for SMEs promotion

In Ghana, there are many governmental agencies and institutions (such as the Ministry of Trade and Industry, Ministry of Food and Agriculture, the Ministry of Employment and Social Welfare, the Ministry of Finance and Economic Planning, NBSSI, District Assemblies, and the like), donor partners, NGOs and financial institutions directly or indirectly, play various roles in the development of SMEs. The issues of SMEs development cuts across the ministries, agencies and socioeconomic institutions, and therefore, needs harmonized efforts of all partners. However, the various roles played by these partners mentioned above are scattered and not co-ordinated. This diminishes their effectiveness support to SMEs than otherwise. Also, the institutional survey conducted by the study revealed that there is poor decentralization of policies, projects and programmes meant for the development of SMEs. For instance, all the NBSSI SME Funding schemes of the Brong Ahafo Region are at the Regional level and their BAC Officers at the District levels who deals with the SMEs are not aware of the various schemes. From the above, the various roles played by government and SMEs promotion agencies are not effective in providing credit for the development of SMEs.

4.8 Effectiveness of the various Credit Schemes

The institutional survey of the study revealed that existing SMEs financing schemes are not properly coordinated. This provide room for duplication of functions among the various schemes. As Asiamah and Osei (2007) put it; “the overlap is due partly to the fact that organizational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined”. Also, legal and regulatory framework for SME financing explains the ineffectiveness of some of the schemes. Mensah (2004) identifies the inadequacy of laws and enforcement mechanism for the formation of companies and disclosure to relevant parties as key constraints.

4.9 Sources of finance to SMEs in the study

Limited access to capital is a serious challenge to SMEs growth. With regards to the source of finance for the conduct of their business activities, 60% of the SMEs sampled indicated they started mobilizing their capital through Susu savings. Susu is a privately-run savings and credit association which provides credit to all their clients including the medium scale Enterprise entrepreneurs (Aryeetey et. al, 1994). Also, 40% of the SME respondents raised initial capital through loan from the bank to supplement their owned capital. The respondents however, raised a number of difficulties in accessing finance from the banks to include collateral/guarantee, bureaucracy, short grace period for loan repayment and high interest rate. Among the difficulties in access loans, 52% cited high interest, 20% cited demand for collateral and 28% cited bureaucracy. As a result of the difficulties in accessing finance, some of the SMEs from observation are adopting coping strategies to survive. Some of the strategies includes;

- First, they negotiate for credit inputs supply especially, raw materials from their suppliers. Creditworthiness and trustworthiness is the key to secure such a supply. Most

of the SMEs benefiting from such arrangement include the local soap producers, agro-processors, carpenters, bakers and kente weavers.

- Secondly, some of the SMEs resort to finance from middlemen. The middlemen finance part of their production activities, after which they (middlemen) control the marketing of the product to recoup their investment before returning any balance left to the SME (producer). Analysis from the study showed that 46% of SMEs sampled market their products through middlemen.
- Thirdly, 60% of the SMEs indicated they rely on group Susu to mobilize capital to operate their business activities.
- Finally, others said they arrange for loans from friends and relatives.

According to the SMEs, interest rate, collateral security and bureaucracy is not involved under such arrangement.

4.10 SMEs and Access Credit Facilities

SMEs encounter a number of difficulties when trying to access finance for their enterprises. Some of these includes regulatory rigidities or gaps in the legal framework, lack of information on both the bank's and the SME's side. Start ups and very young SMEs that lack collateral or whose activities offer the possibilities of high returns but at a substantial risk of loss may even be avoided by some banks in accessing credit facilities.

i. Higher interest rates

Banks and other traditional sources of credit perceived SMEs as entities with greater risk because some of them lack collaterals and have not demonstrated both business capability and creditworthiness. Most financial institutions responded to this by charging higher interest rates. This makes it more difficult for SMEs to borrow than for bigger companies, and even impossible for many SMEs to borrow money at all because the cost of credit is too high. From

the study, 52% respondents attributed their inability to access credit to high interest rates. Also, 20% of the SMEs sampled cited their inability to access credit due to demand for collateral by financial institutions, while 28% of them cited bureaucracy. The Table 5 shows the level of interest rates per annum of some micro financial institutions in Techiman as at the time of conducting this research.

Table 5: Interest rates per annum of some micro financial institutions in Techiman.

NAME OF FINANCIAL INSTITUTION	INTEREST RATES	DURATOIN OF LOAN	TYPE OF ACCOUNTS IN OPERATION
Fiagya Rural Bank	<ul style="list-style-type: none"> Individual (30%) per annum) Group (30% per annum) 	2 years 6 months	Current, Savings and Susu Savings
Nkoranza Kwabere Rural Bank	<ul style="list-style-type: none"> Commercial (30% per annum) Group (30% per annum) 	Depends on the individual	Savings account Savings account
Barclays Bank	Business solution loans (37.75%)	1 year-1½ years	- Business account in the name of business - Business registration
Baduman Rural Bank	<ul style="list-style-type: none"> Susu (32%) 	12 months	Susu
Nsoattrman Rural Bank	<ul style="list-style-type: none"> Group (25.5%) Commercial (35%) 	6 months 1 year	Savings account Savings
Agricultural Development Bank	Commercial loan (31.5%)	12 months or more	Commercial/current account, savings account

First Allied Savings and Loan Limited	<ul style="list-style-type: none"> • Susu - Golden Susu (39%) - Allied Mpuntuo (39%) - Group (39%) - Super golden (39%) • Overdraft (varied) • Commercial (41%) 	12 months 12 months 12 months	Susu and savings
Ghana Commercial bank Ltd	<ul style="list-style-type: none"> • Kudi Nkusuo (28.75%) 	12 months	Susu and savings
Opportunity International Savings and Loans Ltd	<ul style="list-style-type: none"> • SMEs/petty traders loan (30%) 	12 months	Susu and savings

Source: BAC and Field Study, March 2010

ii. Poor information sharing between banks and SMEs

Inadequate information on cost of borrowing constrains access to the required credit. Banks usually do not supply all the required information to the small borrowers, except the lending rates – that is, other fees are not mentioned. When these are added up, the cost of borrowing escalates. On the other hand, small borrowers do not supply all the information required by banks, thereby constraining their own access to credit. The causes of this problem can be traced to the doorsteps of both the firms and the financial institutions (Dinye, 1991; 236). At the firm's level, lack of experience in dealing with financial institutions, lack of credit history, low levels of management experience, inability to prepare business plans and difficulty in meeting collateral requirements are the underlying reasons that explain why entrepreneurs are unable to access credit from the banks. At the bank level, the high administrative cost of transacting business with the micro and small scale industries entrepreneurs and the high risk associated

with loans contracted out to them account for the inability of the banks to advance credit to SMEs as expected.

iii. Lack of acceptable collateral

The lack of credit history, low levels of management experience, inability to prepare business plans and high default rate of loan repayment made financial institutions impose collateral requirements to offset any default credit from SMEs. Most SMEs however, do not have acceptable properties that can be converted into collateral. From the study, 20% of the SMEs sampled said they are unable to access credit due to demand for collateral. It was observed from the study that where collateral security could not be provided, SMEs form groups to serve as a guarantee in group loan.

iv. Bureaucracy

Accessing credit facility from the formal financial sector requires strict administrative procedures and a number of documentations which must be strictly followed. The process also includes administrative cost. This is time consuming and considered as cumbersome by SMEs. From the study, 28% of the SMEs cited bureaucracy for their inability to access credit. As a result, most of them prefer sourcing their credit from the informal sector. The study shows that 60% of SMEs source their credit from the 'Susu' loan.

4.11 SMEs Promotion

SMEs Promotion refers to the series of activities undertaken by individuals, groups, institutions and organizations (Government or Non-Government) to bring about growth and change in the SMEs sector. The aim is to develop SMEs in order to improve the sector as a tool to achieve certain developmental goals and objectives (Dinye, 1991). In this study, SMEs promotion refers to the efforts of individuals, groups, institutions and their agencies or organizations or combine effort of these institutions/agents to effect an

expansion in the activities of existing SMEs and/or develop more new ones in the Municipality. Expansion in their activities can take the form of increase in the number of the existing enterprises all resulting in increased output or creation of new industries taking the form of the establishment of modern forms of the existing industries.

4.12 The role of Techiman Municipal Assembly in Promoting SMEs

In line with government policy of encouraging private sector led growth, the Techiman Municipal Assembly is vigorously promoting a local economic development strategy. The Assembly in 2008 inaugurated SMEs Sub-Committee to be responsible in collaborating and implementing planned activities with other SMEs promotion agencies towards enhancement and promotion of the growth of SMEs in the Municipality. The Assembly also has embarked on some public private partnership initiatives by ceding some of its functions, which the private sector is better placed to deliver. For example, all the public toilets in Techiman Township as well as a restaurant and bar have been put under private management. House to house solid waste collection is also being undertaken on a limited scale. The Assembly is also undertaking the construction of public toilets with the private sector through the Built Own Operate and Transfer (BOOT) system. Shop/store complexes have been undertaken with private sector participation. To promote SMEs clusters in the Municipality and preserved some cultural heritages, the Assembly in collaboration with Techiman Traditional Authority, University of Michigan in the USA, Kwame Nkrumah University of Science and Technology (KNUST) and the Centre for National Culture have established a contemporary Cultural Centre in Techiman dubbed “Nkwantananso Cultural Centre” to house artisans who produce traditional artefacts.

i. Infrastructure facilities

The Assembly in its efforts to create a favourable economic environment for SMEs or increasing in general commercial activities in the Municipality has improved on its road and market infrastructure, postal and communication services. According to the Medium Term Development Plan (2006-09) of the Techiman Municipality, the Municipality has a total road length of 927.69 Kilometres of these; the feeder road network consists of 454.40 (49%) kilometres with 473.29 kilometres (51.1%) of urban roads. Of the feeder roads, 207.7 Kilometres (65.7%) are engineered with 108.0 kilometres (34%) partially engineered. Also, 38.62% of the roads in the Municipality are in good condition, 38.14% fair and 36.96 in poor condition. Apart from the two major markets of Techiman and Offuman, the Assembly has also developed a satellite market at **Tuobodom**, to boost commercial activities, especially marketing for SMEs.

ii. Financial Support and Training

The Assembly runs a Micro-Credit Scheme for Rural Enterprise Development under the Community- Based Rural Development Project (CBRDP) to provide training and start-up or additional capital to SMEs. This fund is disbursed to SMEs either in individuals or in groups. The groups serve as guarantee for each other's loan. The scheme in 2008 disbursed GH¢51, 516.00 as seed capital or additional capital to beneficiary SMEs under the CBRDP project in Techiman Municipality. Beneficiaries were engaged in kente weaving, bakery, leather work, carpentry, mushroom production, grass cutter and snail farming. The BAC and RTSC also organized interested community members for registration, training and groups' formation and linking them to financial institutions and agencies for support services.

4.13. Analysis of the factors that affect micro credit on SMEs promotion in Techiman

The use of statistical correlation to evaluate the strength or degree of the relationship between Micro credit and labour was applied in analysing the factors that affect micro credit on SMEs promotion in the study area. This degree of the relationship is measured by what is called coefficient of correlation, denoted by 'r'. The value of the coefficient of correlation (r) is such that $-1 \leq r \leq +1$. The nearer r is to -1 or +1, the stronger is the relationship. Also, to measure the percentage of the variations in the dependent variable (Micro credit), which is explained (or accounted for) by the independent variable (Labour), the correlation coefficient (r) is squared. This is called coefficient of determination and represented by r^2 . The coefficient of determination is such that $0 \leq r^2 \leq 1$, and denotes the strength of the linear association between micro credit and labour from the analysis (the two variables (see Appendix 3a). The factors that affect micro credit on SMEs promotion in Techiman are discussed below:

i. Analysis I: Micro Credit and Labour

The correlation coefficient (r) for labour is 0.38 (see appendix 3a). The relationship between the micro credit and labour as determined by the analysis is weak, according to the Rule of Tumb (Salkind, 2000). The Rule states that a correlation between 0.0 and 0.20 is very weak; 0.20 to 0.40 is weak; 0.40 to 0.60 is moderate; 0.60 to 0.80 is strong; and greater than 0.80 is very strong. The magnitude of the coefficient of determination (r^2) indicates that there exist a positive correlation between the two variables. The r^2 is 0.14. This mean that 14% of the variation in growth of SMEs in the study area depend on access to labour. However, 86% is due to other factors. The analysis here means that micro credit affects SMEs growth directly and therefore, influences SMEs promotion in the study area. Access to quality labour would increase productivity of SMEs.

ii. Analysis II: Raw Materials

The input to the production process of a business is accessibility to Raw materials. From the analysis, (see Appendix 3a) correlation coefficient (r) for the relationship between micro credit and the raw materials was 0.850. The coefficient of determination (r^2) is 0.72. This means that 72% of the variation in growth of SMEs in the study area depend on access to raw materials. However, 28% depend on other factors. It implies that access to more credit has a very strong positive impact on SMEs expansion activities and hence their growth. From the study, the majority of SMEs representing 66% access raw materials from within their respective communities and the Municipality at large. The findings further showed that SMEs are predominantly utilizing local resources produced in these rural economies the majority of them purchase their raw materials at high costs. Also, the study showed that some of the SMEs which established good relations, creditworthiness and have history of trustworthiness dealing with their suppliers could take delivery of raw materials on credit basis.

iii. Analysis III: Technology

Technology is a cost-efficient method of production and access to technology is very crucial for creativity, competitiveness and innovations. From the study, the correlation coefficient of the relationship between the variables is 0.54 (r). The co-efficient of determination (r^2) is 0.29. This means that 29% of the growth of SMEs in the study area depend on access to modern technology. This is characterized as a moderate relationship using the rule of thumb. However, 71% is due to other factors. From the study, 34% of the SMEs indicate they invest in technology on expenditure range of Gh¢500.00 - Gh¢600.00 which is very low. At higher expenditure range above Gh¢3000, only 0.8% of SMEs invest in technology. This explains why technology level is low. Their situation of applying and benefiting from technology was challenged by irregular power supply as 32% of the SMEs sampled cited irregular power supply as one of their daily problems. The analysis means that an increased access to more

micro credit would lead to more adoption of newer technologies by SMEs to enable them innovate products and respond to market demand either by enhancing services or introducing new products, given them competitive edge over others.

iv. Analysis IV: Marketing

The correlation coefficient (r) of the relationship between micro credit and the market was 0.393. This indicates the characteristic of a weak relationship using the rule of thumb. The coefficient of determination is 0.15. This means that 15% of the variations in the growth of SMEs in the study area depend on access to market. Access to market will enable SMEs to expand their sales and serve as a motivation factor to engage in business in those profitable areas with improved market conditions. However, 75% account for other factors. This is why 46% of SMEs sampled indicated they channel their products for sale through middlemen. I also explained the undeveloped and small size of the market for SMEs in the study and Ghana as a whole.

4.14 Impact of Micro-Credit Facilities to the SMEs

Credit facility was observed by the study to be the life wire of the SMEs in terms of their operational activities. As a result, 50% of the SMEs sampled said financial problem is a major challenge affecting their daily activities and most of them have to adopt coping strategies to stay in business as observed by the study. On SMEs that had access to credit facilities, the study revealed that 74% of them said it has benefited them in their business activities. However, the rest of the 26% cited high interest rate which posed repayment problem, influx of foreign products and irregular power supply as some of the challenges eroding the benefits. The category of SMEs activities include tailors and dress makers, hand/kente weavers, soap makers and leather workers. On application of the credit facility, 64% respondents said they purchased raw materials to have continuous production, additional 18% said they purchase

additional tools/equipment for production and the other 18% said it serves as an additional capital for their operational activities.

4.15 Outcome of Credit Facilities for SMEs

Following access to credit facilities by some of the SMEs, the study revealed that various outcomes emerged as a result of the application of the credit. Some of the outcomes include the following.

i. New jobs created

Out of the 250 SMEs sampled, the study showed that 175 representing 70% responded the credit facility has enabled them add one or two hands to speed up production activities in their businesses. Given an explanation to their ability to create jobs, some of them said the credit facility enabled them purchase raw materials for continuous production and as well serve as an additional capital for operational activities of their businesses. This has resulted in increased output according to the SMEs due to employing of additional hands.

ii. Adopting of new technology

Some of the SMEs have adopted new technology as a cost-efficient means of production due to access to credit. The study indicated that 50% of the SMEs have adopted new technologies means of production. The study revealed that the SMEs has adopted various technologies to enhance their output. The study indicated that out of 25 hair dressers sampled, 56% were using electric hair dryers; also, 72% of tailors and dress makers sampled were either using knitting and/or designing machines and the use of attached electric motors to sewing machines. Other new technologies adopted includes 56% of gari processors were using corn mills, 40% of blacksmiths had also attached electric motor with fan to enhance the efficiency of their work. The study further revealed that 56% of bread bakers were using gas to bake bread and 68% of metal workers had adopted electric or arc welding. Finally, the study revealed that 56% of

carpenters were using either sawmills or plane. These created avenue for more hands and apprentices and improvement in their business activities. However, the study revealed that 18% of the 250 sampled cited irregular power supply as their daily problem at work and sometimes, they either have to wait for power to returns or revert to manual where possible. This negatively affects their work and output.

iii. Formation of partnership

The study revealed that 28% of the SMEs sampled had formed partnerships, 66% predominantly sole proprietors, 4% family owned and 2% co-operatives. There is an increased formation of partnership as a result of enterprises pooling their resources and expertise together to expansion the enterprise to enable them access more loans but not formalised.

iv. Market Access

There are three major periodic markets in the Municipality. These are Techiman, Offuman and Tuobodom as well as four other sattelites markets at Tanoso, Fiaso, Nsuta and Aworowa. They facilitate the sale of the products of the surrounding areas and encourage the inflow of other goods into these areas. Out of 250 SMEs sampled on channels of marketing their products by the study 46% said through middlemen and 20% said at work site. The 46% of SMEs had their products sold through middlemen because some of the SMEs are financed by middlemen. Also, 60% of the SMEs said they market some of their products outside the Municipality to nearby Districts such as Wenchi, both Kintampo South and North, Nkoranza North and South. Some said they also sent some of their products to Tamale, especially the soap makers.

v. Apprenticeship training

The study of SMEs in the Municipality revealed that 58% of them relied on apprentices as their source of labour and 6% of hired labour. With access to credit facilities , the SME proprietors said these apprentices and the hired labours are given regular training to upgrade their skills.

vi. Improved SMEs performance

The outcome of the credit has led to improved performance of SMEs. The improved performance has also led to increased productivity due to adoption of new technologies, improved market access, adding of additional hands and giving apprenticeship training to employees. Out of 250, 58% of the SMEs sample said they are able to make average profit ranging between GH¢200.00- GH¢300.00, 28% makes between GH¢100.00- GH¢200.00 and 14% said they makes profit between GH¢300.00 - GH¢400.00 and above per month.

vii. Expansion in of businesses

The outcome of the credit to beneficiary SMEs has led to the expansion of some enterprises. The study revealed that out of the 250 sampled, 40% said the credit has assisted them expand their business infrastructure, 32% said they acquired new infrastructure and 24% said they carried out maintenance on their infrastructure. The adoption of new technologies (50%), apprenticeship training (58%) and marketing of products outside the district (60%) all results in expansion of enterprises.

Institutional survey conducted by the study also revealed that some positive outcome of the intervention. The Rural Enterprise Project (REP) of GoG/IFAD Status Report for Techiman Municipality, 2010 by the BAC, confirmed this assertion. The Table 6 depicts the outcome of the project in the Municipality which also supported SMEs within the study period.

Table 6: Outcome of REP intervention

NO.	OUTCOME INDICATORS	MALE	FEMALE	TOTAL
1	Agro processing equipment produced and installed	340	72	412
2	Adopting New Technology	314	216	530
3.	New jobs created	4783	271	5000
4.	Recording increased production	2000	1200	3200
5.	Clients recording increasing sales	3000	1200	4200
6	Clients keeping business records	2450	1350	3800
7	Clients selling outside Home District	41	21	62
8	Clients operating active bank account	2120	1310	3430
9	Clients adopting good workshop safety and environmental management practices	2100	480	2580
10	Unemployed supported to enter into apprenticeship training	75	45	120
11	Visiting apprentices trained	18	7	25
12	Technical apprentices trained	42	6	48
13	Clients receiving extension services	520	280	800

Source: Rural Enterprise Project, GoG/IFAD Status Report for Techiman Municipality, 2010.

4.16 Hypothesis Testing

The study is to assess the power of micro-credit utilization in revitalizing the promotional strategies of small and medium enterprises in Techiman. It is hypothesized that:

H₀: Micro-Credit facility does not have significant influence on Small and Medium-sized enterprises (SMEs), in revitalizing their promotional strategies in Techiman.

H₁: Micro-Credit facility has significant influence on Small and Medium-sized enterprises (SMEs), in revitalizing their promotional strategies in Techiman.

4.16.1 F Test

An F-test is any statistical test in which the test statistic has an F-distribution (see appendix 6) under the null hypothesis. The approach computes a test statistic from empirical data and then compares it with a critical value. If the test statistic is larger than the critical value or if the test statistic falls into the rejection region, the null hypothesis is rejected.

The strength of evidence in support of a null hypothesis is measured by the P-value. If the P-value is less than the significance level, we reject the null hypothesis. The P-value is the probability of observing a sample statistic as extreme as the test statistic, assuming the null hypothesis is true. In the p-value approach, researcher computes the p-value on the basis of a test statistic and then compares it with the significance level (test size). If the p-value is smaller than the significance level, the null hypothesis is rejected. A p-value is considered as amount of risk that researchers have to take when rejecting the null hypothesis. Finally, the confidence interval approach constructs the confidence interval and examines if a hypothesized value falls into the interval. The null hypothesis is rejected if the hypothesized value does not exist within the confidence interval.

Based on the Analysis Of Variance (ANOVA) table for the linear regression, the **F** test for Significance of **R** in Regression analysis was applied to the empirical data processed and analyzed. The ANOVA approach is based on the partitioning of sum of squares and degrees of a freedom associated with the response variable which is micro credit. The Table 7 is the ANOVA from the SPSS output.

Table 7: ANOVA

3c. ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	151.016	4	37.754	993.526	.001 ^a
Residual	9.308	245	.038		
Total	160.324	249			

a. Predictors: (Constant), Transport and other cost before sales (Marketing), Cost of labour per month, Cost of tools/Technology, Cost of Raw Materials used per Month.

b. Dependent Variable: Maximam Amount of Credit Received.

4.16.3 Testing the Hypothesis at 5% Significance level.

The computed F-value from the statistics (Table 7) is 993.526. The p-value computed (from Table 7) is 0.001. The hypothesis was tested at 5% significance level (i.e, $\alpha = 0.05$). The critical value obtained from the F distribution (see appendix 6) with $\alpha = 0.05$, $d.f_1 = 246$, and $d.f_2 = 245$ (degree of freedom= $df_1 \&_2$) is 1.00. From the analysis, the p-value is reported as .001, far less than the critical value of 1.00 and so there is strong evidence to reject the null hypothesis and conclude that the estimated relationship is a significant one.

From the study, the Null Hypothesis (H_0) at the 5% level is therefore, rejected in favour of the Alternative Hypothesis (H_1) and conclude that there is a significance relationship between micro credit and, Small and Medium-sized enterprises (SMEs) in revitalizing their promotional

strategies in Techiman. The study concludes that SMEs with access to more credit facilities are able to revitalize their promotional strategies and expand their enterprises in Techiman.

More recently, commentators such as Littlefield, Murdugh and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of micro-credit in achieving the Millennium Development Goals. According to Simanowitz and Brody (2004, p.1), micro-credit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people.” Littlefield, Murdugh and Hashemi (2003) state, “...micro-credit is a critical contextual factor with strong impact on the achievements of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale”.

Therefore, provision of microcredit is regarded not only as an alternative credit to the most vulnerable groups to enable them attain the standard of creditworthiness required by commercial lending institutions but also as a tool for alleviating poverty and empowering the poor in Ghana. Because poverty alleviation and jobs creation has been a key development challenge since independence (1957), different programmes have been initiated to address the need for microcredit such as Rural Enterprise Project and Community-Based Rural Development Programme in Ghana.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1. Introduction

The goal of the study was to examine the role of micro-credit in revitalizing the promotional strategies of small and medium-sized enterprise development in Ghana and propose policy measures for improvement. This section discusses the summary of the findings, implications, recommendations and conclusions drawn from the findings. It is the highlight of issues that were revealed during the research. It also involves the recommendations that can help promotional institutions to overcome the challenges faced by them and the various enterprises and entrepreneurs.

5.2. Threat of Substitutes and Competition on SMEs in the Techiman Municipality

The study has revealed that enterprises in the Techiman Municipality are facing various threats from large scale enterprises and global competition from multinational companies from observations. The threats such as substitution and competition were found in the area of marketing of their products.

It was observed that men and women footwear, plain leather belt, computer bags, ladies' bags and leather were imported and sold at low prices. Most consumers especially, the youth patronised these products, both new and used, because their prices are low and they believe they are quality products. The local SMEs in the leatherwork industry whose production cost is very high are accused of high prices and low quality products. As a result, they are therefore left at the mercy of middlemen who they channel their products but are mostly cheated. Their products are either sold at low prices or abandoned altogether. The SMEs in the artisans sector that produce products such as cooking pots, hoes, cutlasses, knives, metal tanks are also left at the

hands of the cheating middlemen to market their products as they face stiff competition from Large Scale Enterprises (LSE) in marketing their products and distribution centres throughout the country. Most consumers of these products patronize those of the LSE for their low prices. The iron/metal tanks are abandoned in favour of the rubber polytanks which are enjoying a lot of adverts on our media.

In the case of clothes, imported used clothes and 'ready made' clothes are highly patronized. The majority of tailor and dressmakers said, most people sew clothes only for occasions. On the part of hand/'kente' weavers similar products such as smocks imported from nearby Burkina Faso are mostly patronized by the people, rendering them virtually unemployed.

SUMMARY OF FINDINGS

The summary of findings of the study are summarized below:

1. From the study, 70% of the SMEs sampled said they were able to employ one or two hands due to the credit facility to speed up production activities in their businesses.
2. The study indicated that 50% of the SMEs have adopted new technologies means of production to enhance their output.
3. The study revealed that 18% of the 250 sampled cited irregular power supply as their daily problem at work and sometimes, they either have to wait for power to return or revert to manual where possible. This negatively affects their work and output.
4. The study revealed that 28% of the SMEs sampled had formed partnerships
5. From the study, 46% of the SMEs sampled said they channel their products through middlemen sale. Some of these middlemen financed by middlemen.
6. The analysis revealed that as a result of the difficulties in accessing finance, some of the SMEs from observation are adopting coping strategies to survive. Some of the strategies includes;

- First, they negotiate for credit inputs supply especially, raw materials from their suppliers. Here, they said creditworthiness and trustworthiness is the key to secure such supply. Most of the SMEs benefiting from such arrangement include the local soap producers, agro-processors, carpenters, bakers and kente weavers.
 - Secondly, some of the SMEs resort to finance from middlemen. The middlemen finance part of their production activities, after which they (middlemen) control the marketing of the product to recoup their investment before returning any balance left to the SME (producer). Analysis from the study showed that 46% of SMEs sampled market their products through middlemen.
 - Thirdly, the majority of the SMEs said they rely on group Susu. This is supported by the study as 60% of the SMEs sampled said they started mobilizing their capital through Susu savings to operate their business activities.
 - Finally, others said they arrange for loans from friends and relatives.
 - According to the SMEs, interest rate, collateral security and bureaucracy is not involved under such arrangement.
7. Inadequate information on cost of borrowing constrains access to the required credit. Banks usually do not supply all the required information to the small borrowers, except the lending rates – that is, other fees are not mentioned. When these are added up, the cost of borrowing escalates.
8. From the study, 20% of the are unable to access credit due to demand for collateral. From the study, it was observed that where collateral security could not be provided SMEs form groups to serve as a guarantee in group loan.
9. From the study, 28% of the SMEs cited bureaucracy for being one of the reasons of their inability to access credit. As a result, most of them prefer sourcing their credit

from the informal sector. The study shows that 60% of SMEs source their credit from the 'Susu' loan.

10. The study indicate that 52% of the SMEs proprietors are owned by females and 48%, owned by male.

11. The study revealed that sole proprietorship type of SMEs is predominant in the Municipality. A total of 66% of the SMEs sampled are sole priortetors.

5.3 Recommendations

Against the background discussed in the foregoing section, the following recommendations are made:

i. Cluster Development

The government through the District Assemblies and development partners should encourage cluster development among SMEs. This could lead to efficient development of infrastructural facilities and establishment of subsidiary industries to benefit from other auxilliary services. It could also present an active channel of communication among the members of the cluster and reveal the identity of SMEs which render their activities visible and act as a potential for the formation of co-operatives and partnerships to access other opportunities to expand their businesses. Though the TMA and GTZ, with land support from traditional authority, have established a Light Industrial site at Tuobodom a suburb of Techiman to move way side mechanics and other artisans, the Assembly and GTZ and other stakeholders will need to step up their efforts to ensure that the site is put into full use to the benefit of the SMEs. They should collaborate with other stakeholders to strengthen SMEs' business associations, through consultations and dialogue to move. This is to develop strategy for enhancing productivity/competiveness of SMEs and to facilitate economies of scale;

ii. Government should give the SMEs sector more attention

Growth and Employment in Ghana are directly linked to the growth of the SMEs sector

especially within the category of Micro, Small and Medium Enterprises. The Government through the Ministry of Trade and Industry should strengthen SME support institutions such as NBSSI and NGOs working in the area of enterprise development. The NBSSI should be equipped to support the BACs at the district level to contribute effectively to make the SMEs a vibrant sector and for the growth of new ones.

iii. Establishment of SMEs ‘Care Centres’

Financial institutions that deal directly with SMEs in credit support in collaboration with NBSSI should set-up ‘Care Centres’ at selected locations where they can address the financial grievances and queries of SMEs. Through these Care Centres, financial institutions could provide information to SMEs on requirements for loan, attend to and provide easier, quicker and convenient means of timeframe for dealing with SMEs’ loan applications and disbursement, interest rate applicable and other vital information so that SMEs can make meaningful comparisons with other financial institutions, before taking any decision regarding loans and other services which they may need. This would breach the information gap between financial institutions and SMEs in their financing.

iv. Sustainability of SMEs Development Projects and Programmes

The Community-Based Rural Development Project (CBRDP), which was initiated by the Government of Ghana as part of its poverty reduction strategy in 2004 to build and strengthen capacities of rural communities, and enhance their quality of life should be sustained. It should also be extended to cover all the rural centres in the Municipality to improve their productive assets, infrastructure and facilitate their access to key support services from both public and private sources. The three training centres in Techiman namely Darko college of Artisans, BEMCOM Youth Association and Training Centre, and Precious Manufacturing Enterprise and Training Centre should be maintained and additional centres created to support rural entrepreneurial skills training in collaboration with the BAC.

v. Technological Upgrading

The provision of appropriate technologies and innovations would be a driving force for SMEs to upgrade their production system and to develop new products. GRATIS Foundation should device appropriate technological means that SMEs are capable of employing to expand production. Appropriate technology means that it is simple and matches the capabilities of the local entrepreneurs, is flexible and thus can be adapted to future demands, is of good quality and requires less maintenance and repairs and meets the local production patterns (UNIDO, 2002: p.117).

vi. Coping Strategies

The NBSSI and other SMEs funding and promotion agencies should incorporate SMEs coping strategies into their policies, programmes and orientate them to replicate these strategies for others to enable SMEs have flow of resources (inputs) for production.

vii. Instituting Adult Literacy Programmes

Adult Literacy Programmes should be instituted and restructured to upgrade skills of SMEs who either are not educated or have low education to provide training and simple management techniques such as book keeping and production techniques. This is to meet the operational needs of the existing SMEs with low managerial capacity to operate their businesses efficiently and to upgrade skills of new enterprises. In this direction, Government through the Non-Formal Division of Ministry of Education and NGOs in to the development of the SMEs sector could collaborate to provide this training.

viii. Strengthening Credit Reference Service (CRS)/Credit Bureau

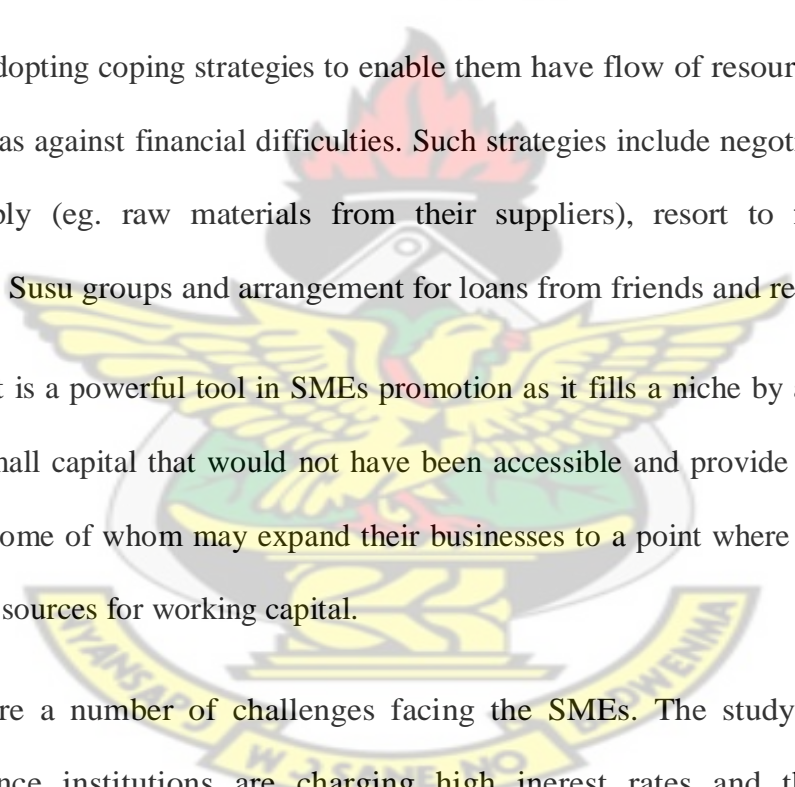
The formal financial sector has recognized the threat of multiple lending to SMEs. Government should strengthen the Credit Reference regulation which seeks to promote mechanisms to forestall the adverse effects of multiple lending by facilitating credit information sharing among credit providers. Through the CRS, information on client

identification, current indebtedness of clients and past loan performance could be shared upon request. This would afford financial institutions to deal effectively with prospective loan seekers and defaulters at an early in giving more loans.

5.4. Conclusion

In spite of the problems enumerated in the findings, the small and medium-sized enterprise is a distinct entity with a specific role to play in the economic development in the Techiman Municipality. It displays a number of characteristics which helps to raise the living standards of the people in the Municipality some of which are as follows:

- i. The findings showed that SMEs are predominantly utilizing local resources produced in these rural economies and the majority of them purchase their raw materials at high costs. Also, the study showed that some of the SMEs which established good relations, creditworthiness and history of trustworthiness dealing with their suppliers could take delivery of raw materials on credit basis.
- ii. The findings also revealed that SMEs channel their products for sale through middlemen and this explained the undeveloped and small size of the market for SMEs in Ghana to market their products.
- iii. The level of technologies used by the SMEs is generally very low and it is important that GRATIS Foundation provides the appropriate technologies that would enable SMEs to upgrade their production system and to develop new products or add additional value to their products. By upgrading the products and the production systems, small scale manufacturers are able to "reduce the attractiveness of imported goods in domestic markets" and compete more effectively on international markets (Murphy, 2007: p.1756).

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- iv. The information gap between financial institutions and SMEs in their financing could be bridged with the establishment of 'Care Centres' for SMEs which would enable them make meaningful comparisons with other financial institutions, before taking any decision regarding loans and other services which they may need.
 - v. The study concludes that sole proprietorship dominates the ownership pattern of the SMEs sector. In the Techiman Municipality, the SMEs sector of the economy is dominated by females with very low educational level and who mobilized their capital through Susu savings as the major source of capital for their businesses.
 - vi. SMEs are adopting coping strategies to enable them have flow of resources (inputs) for production as against financial difficulties. Such strategies include negotiation for credit inputs supply (eg. raw materials from their suppliers), resort to financing from middlemen, Susu groups and arrangement for loans from friends and relatives.
 - vii. Micro credit is a powerful tool in SMEs promotion as it fills a niche by allowing people access to small capital that would not have been accessible and provide training ground for SMEs, some of whom may expand their businesses to a point where they can utilize commercial sources for working capital.
 - viii. There are a number of challenges facing the SMEs. The study revealed that, micro finance institutions are charging high interest rates and this makes the repayment of the loans very difficult for SMEs.
 - ix. The Techiman Municipality also had some of its share of the challenges which includes fluctuating input and market prices affect SMEs, poor entrepreneurial and manage skills, weak organisation of the private sector, financial system insufficiently adapted to requirements of enterprises, inadequate utilities supply, poor infrastructure, absence of

District framework for private sector development, lack of transparency impinges negatively on the effectiveness of the tax system and low level Public-Private Dialogue (PPD) and the lack of political commitment. SMEs are also constrained by low technologies, inadequate capital, inadequate material input supply and weak managerial capacity. The growth and development of some enterprises is therefore left to the prospects of their coping strategies adopted.

5.5. Summary

This study has been one of the attempts at promoting the development of small and medium-sized enterprise as a strategy for local economic development initiatives. It sought to link planned interventions to existing government plans and local economic development initiatives, nation wide activities on enterprises development and the need to incorporate their planning schemes for the district's medium term development plans for implementation. Also, it sought to identify the sector's innovation and growth potentials and how existing SME financing schemes were being coordinated to ensure effective provision of credit to SMEs. It further relates challenges and other views incorporated into the formulation and implementation of medium term action plans in the Municipality aimed at strengthening the economic performance of small and medium-sized enterprises.

5.6 Recommendation for Future Research:

‘An investigation into the coping strategies of SMEs in Ghana’.

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APPENDICES

APPENDIX 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF PLANNING AND LAND ECONOMY
DEPARTMENT OF PLANNING
MPHIL PROGRAMME

The Power of Micro-Credit to Small and Medium-Sized Enterprises Promotion in Ghana. A
Case study of Techiman Municipality SMEs and Micro-Credit Schemes: The case of the
Techiman Municipality

QUESTIONNAIRE ON SMEs

Name of Interviewer:.....

Date..... Time started..... Time ended.....

Location..... Population Size:.....

Kind of activity:.....

Start of Business (Year).....

Demographic Characteristics

1. GENDER:

Male	1
------	---

Female	2
--------	---

2. Age: How old are you?

18 – 24 years	1
25 – 29 years	2
30 – 34 years	3
35 – 39 years	4
40 – 44 years	5

45 – 49 y ears	6
50 – 54 years	7
55 – 59 years	8
60 – 64 years	9
65 years or older	10

2. Ethnicity: to which ethnic group does your household belong?

Ashanti	1
Other Akan (Bono, Fanti)	2
Ga /Adangbe	3
Ewe	4
Guan	5

Mole –Dagbani	6
Grussi	7
Gruma	8
Any other, specify	9

3 Marital Status: what is your marital status?

Married	1
Consensual Union	2
Widowed	3

Divorced	4
Separated	5
Single	6

3. Educational Qualification: What is the highest level of education that you have attained?

Level of Education	
No schooling	1

Primary	2
Middle/JHS	3
SHS/Technical	4
Post Secondary/Nursing	5
Polytechnic	6
University	7

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4. Occupation Status: What is your occupation?

Primary occupation (Previous 12 months)	
Farmers	1
Public servant	2
Trader	3
Artisan	4
Food processor	5
Transport/vehicle operator	6
Wage/salary earner	7
Pensioner	8
Other (specify).....	9
Secondary occupation (previous 12 months)	
Farmers	1
Public servant	2
Trader	3

Artisan	4
Food processor	5
Transport/vehicle operator	6
Wage/salary earner	7
Pensioner	8
Other (specify).....	9

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5. Which religious group does your household belong?

Catholic	1
Protestant/other Christian	2
Islam	3
Traditionalist	4
Other (specify)	5

6. Migration

From within the District	1
From another district in Brong/Ahafo Region	2
From outside region but in Ghana	3
From outside Ghana	4

Please, what is/are your reasons for migration to this place?

.....

7. Size of household: what is the total number of persons in your household?

No of Persons	
Less than 3	1
3 – 6	2
7 – 9	3
10 – 15	4
15 above	5

10. Household Composition

Number of adult Males (18 + years)	
Number of adult Females (18 + years)	
Number of Children (below 15 years)	
Number of seasonal emigrants	

2.0 Ownership Type:

1. What is the ownership type of SME?

- Sole Proprietorship ☐ Co-operative ☐ ☐
Limited Liability ☐ Family owned ☐
Partnership ☐

Details of Ownership

2. Is this type of business activity your exclusive occupation? Yes ☐ No ☐

3. If no, what other activities are you engaged in?.....

4. Which is your main occupation?

In terms of working hours spent.....

In terms of income generated.....

How long have you been doing this job?

Less than 12 months ☐ 1year ☐ 2years ☐ 3years ☐ 4years ☐ 5years or more ☐

3.0 Typology of Business

1. Do you know of business development services in the Municipality? Yes ☐ ☐ No ☐ ☐

2. If yes, kindly name any organization(s) engaged in their delivery.

Name of organization(s)

3. What are the types of services?

Financial ☐ Technical ☐

Extension Services ☐ Raw Material Supply ☐

Others (Specify).....

4. Have you benefited from any of the services? Yes ☐ No ☐

5. If yes, which of the services.....

4.0 Location:

1. Which of the factors below influenced the location of your enterprise?

(Tick not more than 3 factors)

- i. Availability of Raw Materials ☐
- ii. Proximity to markets ☐
- iii. Availability of labour ☐
- iv. Availability of technical infrastructure ☐
- v. Others(Please specify).....

5.0 Sources of Labour Supply

1. How many workers do you have?

2. What are the types of labour supplied in your business? Own ☐ Family ☐ Hired ☐

Apprentice ☐ ☐

3. What is the level of education of your work force?

4. What is the working time per day (hours) for the various categories of labour available?

Own.....hours Hired.....hours

Apprentice.....hours Family.....hours

4. How many days do you work in a week?

Own.....days Hired..... days

Apprentice..... days Family..... .. days

6a. How much is the cost of labour per day?

Own GH¢..... Per day Hired GH¢..... Per day

Apprentice GH¢.....per day Family GH¢..... Per day

6b. Have you been able to create new jobs? Yes ☐ No ☐

6b. How many people have employed so far?

7. Do you have any problem of labour supply for your business? Yes ☐ ☐ No ☐ ☐

1a. If yes, what are the problems?.....
.....

1b. What in your view, can be done in order to improve on the problem of the labour supply in your business?.....
.....

6.0 Raw Materials

1. What kinds of raw materials do you use?

Capital goods ☐ ☐

Semi-finished goods ☐ ☐

Finished goods ☐ ☐

Others (Specify).....

2. What quantity of raw materials do you use per month.....

Indicate the quantity of raw materials use per month in terms of expenditure below

Below GH¢100	1
GH¢200 - GH¢299.99	2
GH¢300 - GH¢399.99	3
GH¢400 - GH¢499.99	4
GH500 - GH¢599.99	5
GH¢600 - GH¢699.99	6
GH¢700 - GH¢799.99	7
GH¢800 - GH¢899.99	8
More than GH¢900	9
Other (specify) GH¢	10

3. Where do you get them from?.....

4. What is the per cost unit? GH¢.....

5. How many times do you get your supplies per week?.....

6. What are the transport costs involved in obtaining the raw materials?.....

7. Do you use any intermediate products as inputs?.....

8. If yes, what are they?.....

9. Where do you obtain them from?.....

10. Is the supply of Raw Materials?

Available throughout the year ☐ ☐

Seasonal (What time of year) ☐ ☐

Occasionally only ☐ ☐

11. What is/are the problem(s) related to the supply of raw materials in your business?

.....

12. What in your view, can be done in order to improve the problem of Raw materials supply

Your in your business?.....

7.0 Infrastructure

1a. What type of infrastructural facilities do you rely on for production purposes?

Premises (Offices) ☐ Warehouse ☐ Shop ☐ Workshop ☐ ☐

Others (specify)

2b. What are the main problems encountered in connection with the provision of any

of these Facilities?.....

3c. What in your view, can be done in order to improve on the problem of infrastructural

facilities provision in your business?.....

.....

8.0 Finance

1. What is/are the source(s) of finance for your business?

Own Saving ☐ ☐ Traditional Money Lender ☐ ☐ Bank ☐ ☐ Family Source ☐ ☐

Inheritance ☐ Co-operative ☐ Others (Specify).....

2. What are the problems relating to the provision of Finance.....

.....

3. What is the maximum amount of credit that you ever get?

GH¢0-50	1
GH¢51-200	2
GH¢201-500	3
GH¢500-1000	4
GH¢1000+ (Specify) GH¢	5

9.0 Benefits, problems and aspirations

1a. Did you benefit from the credit received ? Yes ☐ No ☐

1b. If yes, is the credit given to you for your business (SME) activities beneficial?

Explain

2. Can you say that the credit given to you has resulted in improvement in your business activities as a whole? Explain your answer.....

3a. What are the problems facing you in your daily activities? Mention them.....

3b. What do you think can be the most practical solutions to the problems mentioned above?

4. What in your view, can be done in order to improve the credit scheme(s)?.....

5. In your opinion, what do you think can be done to improve the overall SMEs environment in relation to finance?

10.0 Technology.....

1a. Does your business rely on technology? Yes ☐ No ☐

1b. If Yes, what kind of technology does it rely on?

List them.....

1c. Does your business use any information technology (IT) or Information and Communication Technology (ICT)? Yes ☐ No ☐

1d. What ICT facilities have you put in place in your business?

1e. Have you adopted new technology? Yes ☐ No ☐

2. What kind of tools do you use?.....
3. How do you come by those tools?
 - a) Place of origin.....
 - b) Cost of Technology GH¢.....
4. What range of products do you produce?
 1. 2. 3. 4.
5. What challenges do you face in implementing new technology solutions
in your business?.....
6. What in your view, can be done in order to improve the challenges face in implementing
Technology solutions in your business?.....

11.0 Marketing of products:

1. What are your marketing channels?
 - Sales at work site ☐ ☐
 - Sales on Market Days ☐ Name of Market.....
 - Sales through co-operatives ☐ Name of co-operative.....
 - Sales through Middlemen ☐ ☐
 - Other outlets ☐ Specif.....
2. What quantity do you sell in a day? GH¢.....
3. And at what unit price? GH¢.....
4. Do you normally incur transport and other expenses before any sale of your products?
Yes ☐ ☐ No ☐ ☐
5. If yes, specify.....
Are any of your products being sold outside your District?
6. Are you aware of any competitor in your trade? Yes ☐ ☐ No ☐ ☐
7. If yes, elaborate.....
8. What is (are) the main problem(s) with regards the marketing of your products?
.....
9. On the average, how much do you earn in a month from the sale of your products?
GH¢..... Profit GH¢.....

10. What proportion of your earnings monthly goes to support the income of your household? GH¢.....

12. Future Prospects:

1. What are your future plans, with regards to:

- a. Introduction of new products.....
- b. Introduction of new technology.....
- c. Skills upgrading:.....
- d. Employment.....
- e. Acquisition of capital:.....
- f. Market expansion:.....
- g. Closure of Business:.....



APPENDIX 2

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF PLANNING AND LAND ECONOMY

DEPARTMENT OF PLANNING

MPHIL PROGRAMME

The Power of Micro-Credit to Small and Medium-Sized Enterprises Promotion in Ghana. A Case study of Techiman Municipality SMEs and Micro-Credit Schemes: The case of the Techiman Municipality

Research Guide for SMEs Promotion agencies and Micro-Credit Finance Institutions.

Note: Skip questions which are not applicable.

1. When was this Institution established in the Techiman District?.....

2. What are your goals or aims in Techiman?.....

3. Why are you located in Techiman?.....

4. What criteria are used in the selection of SMEs for assistance?.....

5. Do you usually give preference to a type of Income Generating Activities (IGA)?.....

6a. How do you reach out to your clients?.....

6b. How much do you give to them? You can give estimates.....

7. Do they need to have guarantors or collateral security before they are granted credit?.....

8a. Do they pay back the credit received? Yes/No.....

8b. If yes, how long does it take them to start paying back the loans?.....

9a. Do they pay back with interest?

Yes/No.....

- 9b. If yes, what is the rate of interest? You can give estimates.....
- 10a. Do you organize training for the SMEs on how to manage the credit?
Yes/No.....
- 10b. If yes, when? before/after the credit has been received?.....
- 11a. What is the purpose of the training scheme?.....
.....
- 11b. Do the SMEs view the training as beneficial? Explain.....
.....
.....
- 12a. Do you involve the SMEs in decision-making, and how?
.....
- 12b. At what stages are they involved?.....
- 13a. Do you give credit on gender basis?
- 13b. Why do you give credit on gender basis.....
.....
- 14a. Are there other organizations/institutions in the district working on SMEs issues? Yes/No
- 14b. If yes, do you collaborate with them? Explain how you collaborate.....
.....
15. What are the problems confronting these SMEs who are into IGA?
.....
.....
16. Do you think the credit is able to boost IGA? Yes/No. If yes, how?
.....
17. Can you tell if your involvement in giving credit to these SMEs have resulted in
improvements in SMEs growth in Techiman as a whole?
Explain.....
.....
- 18a. Do you encounter problems in your activities?
Yes/No.....
- 18b. If yes, what efforts are you making in order to overcome the problems identified in 18
.....

APPENDIX 3

REGRESSION

3a. Descriptive Statistics

	Mean	Std. Deviation	N
Maximam Amount of Credit Received	4.0520	.80242	250
Cost of labour per Month	2.9280	1.22344	250
Cost of Raw Materials used per Month	7.2240	2.25080	250
Cost of Technology/tools	4.6960	1.62670	250
Transport and other cost before sales (Marketing)	4.4360	1.08564	250

3b. Correlations

		Maximam Amount of Credit Received	Cost of labour per Month	Cost of Raw Materials used per Month	Cost of Technology/tools	Transport and other cost before sales (Marketing)
Pearson Correlation	Maximam Amount of Credit Received	1.000	.388	.850	.541	.393
	Cost of labour per Month	.388	1.000	.185	.039	-.007
	Cost of Raw Materials used per Month	.850	.185	1.000	.280	.177
	Cost of Technology/tools	.541	.039	.280	1.000	.069
	Transport and other cost before sales (Marketing)	.393	-.007	.177	.069	1.000
Sig. (1-tailed)	Maximam Amount of Credit Received	.	.000	.000	.000	.000
	Cost of labour per Month	.000	.	.002	.268	.459
	Cost of Raw Materials used per Month	.000	.002	.	.000	.003
	Cost of Technology/tools	.000	.268	.000	.	.140

	Transport and other cost before sales (Marketing)	.000	.459	.003	.140	.
N	Maximam Amount of Credit Received	250	250	250	250	250
	Cost of labour per Month	250	250	250	250	250
	Cost of Raw Materials used per Month	250	250	250	250	250
	Cost of Technology/tools	250	250	250	250	250
	Transport and other cost before sales (Marketing)	250	250	250	250	250

3c. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.971 ^a	.942	.941	.19492	1.881

a. Predictors: (Constant), Transport and other cost before sales (Marketing), Cost of labour per Month, Cost of Technology/tools, Cost of Raw Materials used per Month

b. Dependent Variable: Maximam Amount of Credit Received

3d. Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	No
Predicted Value	1.9954	5.6960	4.0520	.77877	250
Residual	-.88937	.87061	.00000	.19335	250
Std. Predicted Value	-2.641	2.111	.000	1.000	250
Std. Residual	-4.563	4.467	.000	.992	250

a. Dependent Variable: Maximam Amount of Credit Received

APPENDIX 4

Frequency Tables

i) Gender

	Frequency	Percent
Male	120	48
Female	130	52
Total	250	100

ii) Age

	Frequency	Percent
18-24	5	2
25-29	30	12
30-34	55	22
35-39	115	46.0
40-44	30	12
45-49	15	6
Total	250	100

Educational Qualification

	Frequency	Percent
No Schooling/primary	125	50
JHS/Middle	100	40
SHS/Technical+	25	10
Total	250	100

Ownership of SME type

	Frequency	Percent
Sole Proprietorship	165	66
Co-operative	5	2
Partnership	70	28
Family owned	10	4
Total	250	100

Type of labour supply

	Frequency	Percent
Hired labour	15	6
Apprenticeship	145	58
Owned labour	65	26
Family labour	25	10
Total	250	100

New Jobs created

	Frequency	Percent
Yes	175	70
No	75	30
Total	250	100

State of Infrastructure

	Frequency	Percent
Acquired new infrastructure	80	32
Expansion in infrastructure	100	40
Maintenance of infrastructure	60	24
N/A	10	4
Total	250	100

Source of Finance for Businesses

	Frequency	Percent
Bank loan	100	40
Susu Loan	150	60
Total	250	100

Application of Credit Facility to SMEs Activities

	Frequency	Percent
Purchase raw materials	160	64
Purchase tools/equipment	45	18
Serve as an additional capital for operation	45	18
Total	250	100

Did ou benefit from the credit facility recieved

	Frequency	Percent
Yes	185	74
No	65	26
Total	250	100

Results of Credit Utilisation to Business Activities

	Frequency	Percent
Increase in productivity	130	52
Expansion in infrastructural facilities	45	18
Improvement in Technology usage	75	30
Total	250	100

Adoption of new technology

	Frequency	Percent
Yes	125	50
No	125	50
Total	250	100

Problems of daily activities

	Frequency	Percent
Irregular power supply and high bill charges	45	18
Unpaid services	15	6
Financial problem	125	50
High cost of raw materials	65	26
Total	250	100

ix) Marketing Channels

	Frequency	Percent
Sales at market	85	34
Sales through middlemen	115	46
Sale at work site	50	20
Total	250	100

xii) Monthly Sale of products

	Frequency	Percent
Ghc100.00 - Ghc1,000.00	75	30
Ghc1,000.00 - Ghc2,000.00+	175	70
Total	250	100

x) Problems of marketing products

	Frequency	Percent
Low sales (due to price fluctuations, delay in payment and unpaid services)	130	52
Competition from foreign products	65	26
Lack of finance/capital to advertise products	55	22
Total	250	100

xi) Products are sold outside the District

	Frequency	Percent
Yes	150	60
No	100	40
Total	250	100

xiii) Profit from monthly sales

	Frequency	Percent
Ghc100.00 - Ghc200.00	70	28
Ghc200.00 - Ghc300.00	145	58
Ghc300.00 - Ghc400.00+	35	14
Total	250	100

Sources of Raw Materials

	Frequency	Percent
Techiman	165	66
Sunyani	30	12
Kumasi	55	22
Total	250	100

Gender * Ownership type of SME Crosstabulation

Gender	Ownership type of SME				Total
		Co-operative	Partnership	Family owned	
Male		0	34	7	120
Female	86	5	36	3	130
Total	165	5	70	10	250

APPENDIX 5
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF PLANNING AND LAND ECONOMY
DEPARTMENT OF PLANNING
MPHIL PROGRAMME

The Power of Micro-Credit to Small and Medium-Sized Enterprises Promotion in Ghana. A Case study of Techiman Municipality SMEs and Micro-Credit Schemes: The case of the Techiman Municipality

Interview Guide for Leaders of Groups/associations

Name of Group/SME :

Location of Zonal Council (Settlement):.....

Time Start :

Time End :

1. Reasons for forming group
2. When group was formed and who facilitated formation
3. Membership and modalities for recruiting members
4. Management structures of group/SME
5. Challenges and constraints of SMEs/groups in terms of the following;
 - Operational activities
 - Access to credit
 - Business development services
6. The current financial position of SME/group and source of funding activities
7. Support from promotional institutions (BAC, TMA, NGOs and Financial institutions)
8. Opportunities and potentials for SMEs/groups in the Techiman Municipality
9. The way forward for the growth of SMEs in the Municipality

Appendix 6

F Distribution Table for $\alpha = 0.05$

	df ₁ =1	2	3	4	5	6	7	8	9	10	12	15	20	24	30	40	60	120	∞
df ₂ =1	161.447 6	199.500 0	215.707 3	224.583 2	230.161 9	233.986 0	236.768 4	238.882 7	240.543 3	241.881 7	243.906 0	245.949 9	248.013 1	249.051 8	250.095 1	251.143 2	252.195 7	253.252 9	254.314 4
2	18.5128	19.0000	19.1643	19.2468	19.2964	19.3295	19.3532	19.3710	19.3848	19.3959	19.4125	19.4291	19.4458	19.4541	19.4624	19.4707	19.4791	19.4874	19.4957
3	10.1280	9.5521	9.2766	9.1172	9.0135	8.9406	8.8867	8.8452	8.8123	8.7855	8.7446	8.7029	8.6602	8.6385	8.6166	8.5944	8.5720	8.5494	8.5264
4	7.7086	6.9443	6.5914	6.3882	6.2561	6.1631	6.0942	6.0410	5.9988	5.9644	5.9117	5.8578	5.8025	5.7744	5.7459	5.7170	5.6877	5.6581	5.6281
5	6.6079	5.7861	5.4095	5.1922	5.0503	4.9503	4.8759	4.8183	4.7725	4.7351	4.6777	4.6188	4.5581	4.5272	4.4957	4.4638	4.4314	4.3985	4.3650
6	5.9874	5.1433	4.7571	4.5337	4.3874	4.2839	4.2067	4.1468	4.0990	4.0600	3.9999	3.9381	3.8742	3.8415	3.8082	3.7743	3.7398	3.7047	3.6689
7	5.5914	4.7374	4.3468	4.1203	3.9715	3.8660	3.7870	3.7257	3.6767	3.6365	3.5747	3.5107	3.4445	3.4105	3.3758	3.3404	3.3043	3.2674	3.2298
8	5.3177	4.4590	4.0662	3.8379	3.6875	3.5806	3.5005	3.4381	3.3881	3.3472	3.2839	3.2184	3.1503	3.1152	3.0794	3.0428	3.0053	2.9669	2.9276
9	5.1174	4.2565	3.8625	3.6331	3.4817	3.3738	3.2927	3.2296	3.1789	3.1373	3.0729	3.0061	2.9365	2.9005	2.8637	2.8259	2.7872	2.7475	2.7067
10	4.9646	4.1028	3.7083	3.4780	3.3258	3.2172	3.1355	3.0717	3.0204	2.9782	2.9130	2.8450	2.7740	2.7372	2.6996	2.6609	2.6211	2.5801	2.5379
11	4.8443	3.9823	3.5874	3.3567	3.2039	3.0946	3.0123	2.9480	2.8962	2.8536	2.7876	2.7186	2.6464	2.6090	2.5705	2.5309	2.4901	2.4480	2.4045
12	4.7472	3.8853	3.4903	3.2592	3.1059	2.9961	2.9134	2.8486	2.7964	2.7534	2.6866	2.6169	2.5436	2.5055	2.4663	2.4259	2.3842	2.3410	2.2962
13	4.6672	3.8056	3.4105	3.1791	3.0254	2.9153	2.8321	2.7669	2.7144	2.6710	2.6037	2.5331	2.4589	2.4202	2.3803	2.3392	2.2966	2.2524	2.2064
14	4.6001	3.7389	3.3439	3.1122	2.9582	2.8477	2.7642	2.6987	2.6458	2.6022	2.5342	2.4630	2.3879	2.3487	2.3082	2.2664	2.2229	2.1778	2.1307
15	4.5431	3.6823	3.2874	3.0556	2.9013	2.7905	2.7066	2.6408	2.5876	2.5437	2.4753	2.4034	2.3275	2.2878	2.2468	2.2043	2.1601	2.1141	2.0658

16	4.4940	3.6337	3.2389	3.0069	2.8524	2.7413	2.6572	2.5911	2.5377	2.4935	2.4247	2.3522	2.2756	2.2354	2.1938	2.1507	2.1058	2.0589	2.0096
17	4.4513	3.5915	3.1968	2.9647	2.8100	2.6987	2.6143	2.5480	2.4943	2.4499	2.3807	2.3077	2.2304	2.1898	2.1477	2.1040	2.0584	2.0107	1.9604
18	4.4139	3.5546	3.1599	2.9277	2.7729	2.6613	2.5767	2.5102	2.4563	2.4117	2.3421	2.2686	2.1906	2.1497	2.1071	2.0629	2.0166	1.9681	1.9168
19	4.3807	3.5219	3.1274	2.8951	2.7401	2.6283	2.5435	2.4768	2.4227	2.3779	2.3080	2.2341	2.1555	2.1141	2.0712	2.0264	1.9795	1.9302	1.8780
20	4.3512	3.4928	3.0984	2.8661	2.7109	2.5990	2.5140	2.4471	2.3928	2.3479	2.2776	2.2033	2.1242	2.0825	2.0391	1.9938	1.9464	1.8963	1.8432
21	4.3248	3.4668	3.0725	2.8401	2.6848	2.5727	2.4876	2.4205	2.3660	2.3210	2.2504	2.1757	2.0960	2.0540	2.0102	1.9645	1.9165	1.8657	1.8117
22	4.3009	3.4434	3.0491	2.8167	2.6613	2.5491	2.4638	2.3965	2.3419	2.2967	2.2258	2.1508	2.0707	2.0283	1.9842	1.9380	1.8894	1.8380	1.7831
23	4.2793	3.4221	3.0280	2.7955	2.6400	2.5277	2.4422	2.3748	2.3201	2.2747	2.2036	2.1282	2.0476	2.0050	1.9605	1.9139	1.8648	1.8128	1.7570
24	4.2597	3.4028	3.0088	2.7763	2.6207	2.5082	2.4226	2.3551	2.3002	2.2547	2.1834	2.1077	2.0267	1.9838	1.9390	1.8920	1.8424	1.7896	1.7330
25	4.2417	3.3852	2.9912	2.7587	2.6030	2.4904	2.4047	2.3371	2.2821	2.2365	2.1649	2.0889	2.0075	1.9643	1.9192	1.8718	1.8217	1.7684	1.7110
26	4.2252	3.3690	2.9752	2.7426	2.5868	2.4741	2.3883	2.3205	2.2655	2.2197	2.1479	2.0716	1.9898	1.9464	1.9010	1.8533	1.8027	1.7488	1.6906
27	4.2100	3.3541	2.9604	2.7278	2.5719	2.4591	2.3732	2.3053	2.2501	2.2043	2.1323	2.0558	1.9736	1.9299	1.8842	1.8361	1.7851	1.7306	1.6717
28	4.1960	3.3404	2.9467	2.7141	2.5581	2.4453	2.3593	2.2913	2.2360	2.1900	2.1179	2.0411	1.9586	1.9147	1.8687	1.8203	1.7689	1.7138	1.6541
29	4.1830	3.3277	2.9340	2.7014	2.5454	2.4324	2.3463	2.2783	2.2229	2.1768	2.1045	2.0275	1.9446	1.9005	1.8543	1.8055	1.7537	1.6981	1.6376
30	4.1709	3.3158	2.9223	2.6896	2.5336	2.4205	2.3343	2.2662	2.2107	2.1646	2.0921	2.0148	1.9317	1.8874	1.8409	1.7918	1.7396	1.6835	1.6223
40	4.0847	3.2317	2.8387	2.6060	2.4495	2.3359	2.2490	2.1802	2.1240	2.0772	2.0035	1.9245	1.8389	1.7929	1.7444	1.6928	1.6373	1.5766	1.5089
60	4.0012	3.1504	2.7581	2.5252	2.3683	2.2541	2.1665	2.0970	2.0401	1.9926	1.9174	1.8364	1.7480	1.7001	1.6491	1.5943	1.5343	1.4673	1.3893
120	3.9201	3.0718	2.6802	2.4472	2.2899	2.1750	2.0868	2.0164	1.9588	1.9105	1.8337	1.7505	1.6587	1.6084	1.5543	1.4952	1.4290	1.3519	1.2539
∞	3.8415	2.9957	2.6049	2.3719	2.2141	2.0986	2.0096	1.9384	1.8799	1.8307	1.7522	1.6664	1.5705	1.5173	1.4591	1.3940	1.3180	1.2214	1.0000

APPENDIX 7

PICTURES DEPICTING SMEs AND THEIR WORKSHOPS

Plate 1: A woman in her hand weaving workshop



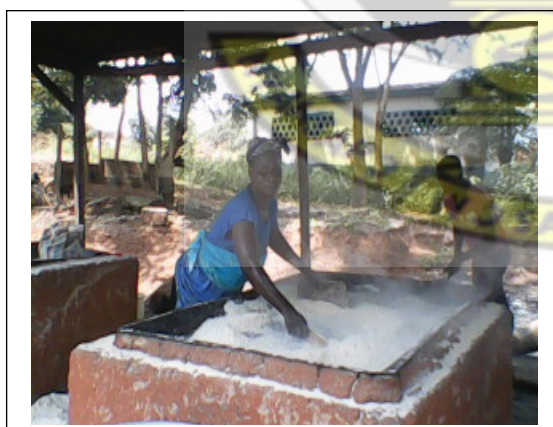
Source: Field Survey, March 2011

Plate 2: Apprentice showing piece of weaven 'Kente' at their workshop



Source: Field Survey, March 2011

Plate 3: Women in gariprocessing factory



Source: Field Survey, March 2011

Plate 4: A carpenter in his workshop



Source: Field Survey, March 2011

Plate 5: An Artisan working at his workshop



Source: Field Survey, March 2011

Plate 6: A welder working at his workshop



Source: Field Survey, March 2011

Plate 7: A carpenter working at his workshop



Source: Field Survey, March 2011

Plate 8: A dress maker working with an electric sewing machine at her shop



Source: Field Survey, March 2011

Plate 9: Tailors working with designing and
knitting machines at their shop



Source: Field Survey, March 2011

Plate 10: A dress maker working with
a hand sewing machine at her shop



Source: Field Survey, March 2011

Plate 11: A hair dresser working with a hair dryer
at her shop



Source: Field Survey, March 2011

Plate 12: A woman working with a
cassava miller at her factory



Source: Field Survey, March 2011

Plate 1: A hair dresser working at her shop



Source: Field Survey, March 2011

Plate 2: A bread baker working
with natural oven



Source: Field Survey, March 2011

Plate 1: A gas oven



Plate 2: A bread baker at her shop

