

UNIVERSITY OF CAPE COAST

**CHALLENGES AND COPING STRATEGIES OF SMALL AND
MEDIUM-SCALE ENTERPRISES (SMEs) IN THE TEMA METROPOLIS**

PAUL GYESI BOAH

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SCALE ENTERPRISES (SMEs) IN THE TEMA METROPOLIS

BY

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NOVEMBER 2018

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:..... Date:.....

Name: Paul Gyesi Boah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature:..... Date:.....

Name: Dr. Frimpong Siaw

ABSTRACT

Small and medium-scale enterprises (SMEs) are considered as the heartbeat of every economy due to their immeasurable contributions to GDP as well as employment (Aryeetey, 2001; and Abor and Adjasi, 2007). Despite all these, they face myriad of challenges from capital inadequacy to technological deficiency. This study, therefore, sought to identify the source(s) of funding available to SMEs in Tema Metropolis, their performance and prospects as well as the challenges and coping strategies. The study employed the descriptive survey design and administered questionnaire to 120 owners, managers and employees within the metropolis. The business operators were largely satisfied with their performance in terms of employment, customer base, sales, cost/expenditure, profit and physical expansion. The main prospect indicators included customer base, cost or expenditure reduction and increased sales and firm growth. The main challenges facing businesses in the metropolis were as follows: high taxes; Cedi depreciation; low demand/sales; high rent; high interest/lending rates; theft/burglary; payment of high salaries and utility bills and lack of technology. The coping strategies that firms adopted were bulk purchasing, judicious use of input material, bargaining on input prices and employees' salary negotiation. Timely intervention by Government and other stakeholders, through: reducing taxes, interest rates, rental cost and utility bills; ensuring stable exchange rate regime; and improvement of research and development, among others, is needed to avert the possible collapse of many of these businesses.

KEY WORDS

Challenges

Coping and Adaptation strategies

Entrepreneurs

Micro, Small and Medium-Scale Enterprises (MSMEs)

Small and Medium-Scale Enterprises (SMEs)

Tema Metropolis

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DEDICATION

To my wife, Mrs. Elizabeth Boah, and my late parents, Mr. Ebenezer Albert Boah
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CHAPTER ONE

INTRODUCTION

“Business entities in the developing countries, like Ghana, face serious challenges to the extent that 85% of such businesses collapse before their fifth anniversary” (a quote from a panel discussion on BUSINESS ADVOCATE, a CAB Governance Consult and BUSAC Fund-sponsored programme aired on the Ghana Television (GTV) in 2011). This statement has since been a motivator which urged the researcher to take it up in order to identify the challenges facing small and medium scale enterprises (SMEs) in Ghana, in general and Tema metropolis in particular and the coping strategies that can be taken to address them.

Background to the Study

Small and medium-scale enterprises (SMEs) are acknowledged globally as a means for empowering the citizenry. It has also been associated with the speedy economic growth of countries (European Union, 2009). The contributions of these enterprises have been known as the main sustenance of an economy because of their capacity in enhancing most economies’ output and improve human welfare. They are playing significant role in the economic growth, social enrichment and political steadiness of every state. SMEs can be recognised for any kind of industry activities in the urban and rural communities in every nation. It can be well thought-out as a backbone of national economic development (Amini, 2004). Due to considerable contribution of SMEs towards the development of an economy, various agencies, particularly that of government, have given a lot of

importance to the development of SMEs. According to Radam, Abu, Bmimi, Abdullah and Mahir, (2008), in order to support SMEs, a number of programmes and facilities must be provided to improve their performance and competitiveness.

The small and medium-scale enterprise sector is a central contributor to the overall performance of the Ghanaian economy (Siaw, 2014; Mensah, 2004). Small businesses account for nearly 97 per cent of all private sector businesses, and 51 per cent of private sector employment (Australian Bureau of Statistics, 2011).

Longenecker, Moore and Petty (2003) provide information indicating that in the United States, 23 million small and medium-scale enterprises continue to be the driving force in their economy. The small enterprises take up 52 per cent of the private workforce and put in 51 per cent to Gross Domestic Product (GDP) in the USA. Longenecker et al. (2003) and Burns (2001) also mentioned that small and medium-scale firms accounted for half of all new innovations in the USA. In the same way, Burns (2001) pointed out that SMEs in the United Kingdom provide work for 62 per cent of the population and contribute 25 per cent to GDP. In the European Community as a whole, small and medium firms take up 66 per cent of the workforce. The role SMEs play in the European community results in 79 per cent, 63 per cent and 60 per cent to employment creation in Italy, France and Germany, respectively.

Small and medium-scale enterprises are the bedrock of a country's economic development. They do not only represent the largest category of businesses numerically in the European Union, they also make the largest

contribution to Gross National Product (GNP) and employ a high percentage of the labour force. In 2008, companies having 250 or less employees were accountable for 66 per cent of all jobs and 58 per cent of total business turnover (European Commission, 2009).

Small and medium-scale enterprises are progressively becoming popular and vital in the Ghanaian economy as they play an influential role in contributing to employment generation, poverty reduction and the opening of wider distribution of wealth and opportunities (Abor & Adjasi, 2007). In Ghana, small and medium-scale enterprises (SMEs) are said to be a distinctive mark of the production landscape and have been noted to represent about 92 per cent of Ghanaian businesses and contribute about 70 per cent to the nation's GDP and more than 80 per cent to employment creation (Aryeetey, 2001; Abor & Adjasi, 2007) and, therefore, contribute appreciably to the growth of the economy. Mensah (2004) hinted that in Ghana, small and medium-scale enterprises have been identified as the vehicle for the country's economic growth as they are a chief source of income and employment. Acolatse (2013) stated that entrepreneurship has been the backbone of the most colossal and growing economies of the 21st century and has been one of the most effective ways of wealth creation and putting the people's life in their own hands. She reiterated that it has become necessary that the private sector and business organisations share the responsibility of governments to empower young and budding entrepreneurs by equipping them with skills and assistance to enable them take entrepreneurial initiative and build formidable businesses.

Owing to the exceeding importance of SMEs, successive governments have been making strenuous efforts to reduce poverty and speed up economic growth by increasing foreign direct investment, diversifying the economy, enacting strategies which favour small business ownership and sometimes initiating employment and entrepreneurship programmes. The Economic Recovery Programme (ERP) instituted in 1983 has broadened the institutional support for small-scale businesses (SSBs). The National Board for Small Scale Industries (NBSSI) has been established within the Ministry of Trade and Industry to address the needs of SSBs. The NBSSI established an Entrepreneurial Development Programme (EDP) and the Board of Advisory Council intended to train and assist persons with entrepreneurial abilities into self-employment.

Small and medium-scale enterprise (SME), according to the National Board for Small-Scale Industries (2008), is a general term with sub-divisions of small and medium-size categories differ from country to country according to the country's economy. SMEs operates in the manufacturing, agro-industrial, service and trade sectors (excluding farming, forestry, and mining). In Ghana, definitions by the National Board for Small-Scale Industries (NBSSI) are: Micro – less than five employees; Very small – between 5-9 employees; Small – between 10-30 employees; and Medium – between 31-99 employees.

However, Boeh-Ocansey (1996) pointed out that in Ghana despite the significant contributions of SMEs to the national output of goods and services, creating jobs, which are responsive to rural development and decentralisation initiatives with relatively low capital outlays, they continue to face many

constraints that hinder their performance, growth and sustainability (Frimpong, 2014). It is upon this background that the researcher is interested in investigating the challenges and prospects of budding and growing small and medium-scale enterprises (SMEs) in the Tema metropolis.

Statement of the Problem

Small and medium-scale or private sector enterprises are usually referred to as the engine of growth of the economy because of their immense contributions. According to Aryeetey (2001), and Abor and Adjasi (2007), SMEs constitute 92 per cent of Ghanaian businesses. They are scattered all over the country with much concentration in the regional capitals.

Despite these contributions of SMEs, they are faced with several challenges from lack of capital to technical-know-how. For instance, Parker, Riopelle and Steel (1995) indicated credit constraints pertaining to working capital and raw materials as a major concern in the industry. Similarly, in a study by Aryeetey, Baah-Nuakoh, Duggleby, Hettige and Steel (1994), it was found that 38% of the SMEs surveyed mentioned lack of credit as a constraint. This stems from the fact that SMEs have limited access to capital markets both locally and internationally. Furthermore, it is believed that because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms, many SMEs are denied financial supports, including credit. Other challenges of SMEs border on quality human resources as well as a favourable legal and regulatory framework.

Quite a number of studies have been done both within and outside Ghana. However, the challenges facing SMEs are not only time specific, they are location and firm specific, which means that generalisation may lead to concealment of individual specific factors resulting in wrong policy formulation. Tema is regarded as the industrial hub of Ghana, perhaps because of its harbour and nearness to Akosombo hydroelectric power, and in recent times, the thermal generation plants in the metropolis. All categories of SMEs can be found in the city. It is important that attempt is made to unravel the challenges facing the firms and the coping and adaption strategies adopted in Tema for the right policy formulation. This is the motivation of the study.

Purpose of the Study

The general objective of this study was to identify the challenges and coping strategies of SMEs in the Tema metropolis. The specific objectives are to:

1. identify the sources of funding available to SMEs;
2. find out the performance of SMEs over the years in the metropolis;
3. assess the prospects of SMEs in the metropolis;
4. find out the challenges facing SMEs in the metropolis; and
5. identify the coping strategies employed by SMEs in the metropolis.

Research Questions

The following research questions were formulated to guide the research:

1. What are the sources of funding available to SMEs in the metropolis?

2. How are the SMEs in the metropolis performing?
3. What are the prospects of SMEs in the metropolis?
4. What are the challenges facing SMEs in the metropolis? and
5. What coping strategies do the SMEs in the Tema metropolis cope with the challenges they faced?

Significance of the Study

As the old adage goes “a problem well diagnosed is 50% solved”. The output of this study would help stakeholders to know from what angle to tackle the challenges facing SMEs in Ghana. With the problem well-diagnosed and the solutions found, policy makers can make the right policy recommendations to strengthen the business sector. This would also serve as motivation for potential entrepreneurs to set up their business entities. The net effect is that more businesses would be set up and existing ones would be facilitated to grow helping to address the unemployment problems in the country.

This study is essential for the fact that it is going to identify and document the real challenges facing these firms in the Tema metropolis in particular as well as Ghana as a whole, which would help financial institutions, governmental and non-governmental agencies to devise workable plans and framework to deal with the challenges head-on. With the high unemployment levels in the country, it is believed that mitigating the challenges facing SMEs could help create the much needed jobs and also grow the economy. It would also entice the youth to set-up their own business entities rather than waiting for someone to employ them.

Delimitation of the Study

Delimitations of a research are boundaries that the researcher sets in order to control the range of study. First the study is limited to SMEs. It does not include large-scale firms. Second it is limited to firms in Tema metropolis and does not extend beyond it. Also, as a result of time and resource constraints 120 SMEs were selected using multi-stage sampling procedure. Furthermore, the study focuses on the prospects and challenges of small and medium-scale enterprises in the Tema metropolis. It also examines the potentials and capabilities as well as sources of support and finance available to SMEs. Lastly the method of analysis is basically descriptive.

Limitations of the Study

It is the researcher's desire to work widely on this topic if possible, nationwide, but there are a number of militating factors. First, the samples to be reached out are scattered and very difficult to reach all of them. The population is very large and thus the sample chosen will take a lot of time to survey all of them. Lack of funds and time constraints will also make it practically impossible for the study to be conducted on all SMEs in the study area. Since the respondents would be contacted at their work places, the attention they would give would be divided and even some of them may refuse to respond.

Organisation of the Study

This study is organised into five chapters. Chapter one presents the background to the study, statement of the problem, and the purpose of this study.

It also includes the research questions, the delimitation and limitations of the study as well as how the entire study is organised. Chapter two reviews relevant literature on the subject matter of concept and definition of strategy, marketing, marketing strategies, firm growth, marketing strategies that influence growth, summary and ends with the conceptual framework of the study.

In Chapter three, the methodology employed by the researcher was explained. This comprised the study area, research design, study population, sample and sampling procedure, instrument for data collection, pre-testing of data collection instruments, validation of the instruments, data collection procedure and data analysis. Chapter four deals with findings and analysis of the study, Chapter five, the summary of findings, conclusions, recommendations and follow-up research work were addressed.

CHAPTER TWO

LITERATURE REVIEW

The chapter presents literature related to the prospects and challenges of small and medium-scale enterprises (SMEs). It looks at the definition and concept of SMEs, sources of funding available to SMEs, measuring the performance of SMEs, contribution of SMEs to Ghanaian economy, support systems for SMEs, and the challenges facing SMEs.

Definition and Concept of SMEs

Defining small businesses is an area of concern in the literature due to the huge disparity in meaning given to this area of business. There is a broad range of definitions and measures for small and medium-scale enterprises which differ from country to country (Storey, 2004). According to Abor and Adjasi (2007), the context of segregation ranges from size, number of employees, annual turnover, ownership of business and worth of fixed assets.

However, a number of researchers are inclined to define small-scale enterprises as having 0-9 employees, and in Africa this number is set around the 10 mark (Ayyagari, Beck & Demirguc-Kunt, 2007). The British Department of Trade and Industry maintains that the best explanation of a small business hangs about that of the Bolton Committee Report of 1971 which defines a small business as an autonomous business, managed by owners and co-owners and having a small market share (British Department of Trade and Industry, 2001).

The phrase “small-scale enterprise” covers an all-embracing variety of definitions and measures, varying from country to country and changing between the sources reporting small-scale enterprise definitions. Moreover, based on the trade and industry activity sectors, the definitions are different. Some of the frequently used criteria are the number of employees, total net assets, sales and investment level, number of annual working hours, annual turnover, annual balance sheet or production volume, and independence of the company (Harjula, 2008). Among the various criteria, the number of employees and the annual turnover appear to be the most important criteria used to define small-scale businesses (Peacock, 2004).

The World Bank defines small-scale enterprise as one with up to 50 employees, total assets and total sales of up to US\$3 million (Ayyagari, Beck & Demircuc-Kunt, 2007). The Australian Bureau of Statistics (ABS) defines an Australian small enterprise as a vigorously trading business with 0-19 employees. Therefore, the two common ways of defining an Australian small business is by annual turnover and the number of employees or a combination of the two (Australian Bureau of Statistics, 2011).

The Ghana Statistical Service (GSS) considers firms with fewer than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Kayanula and Quartey (2000) said the Ghana Statistical Service in its national accounts considered companies with up to 90 employees as SMEs.

According to Teal (2002) cited in Darkwah, Morrison, Gyimah, Berko and Adusei (2013), a more recent definition of SME is the one given by the Regional Project on Enterprise Development Ghana manufacturing survey paper. The survey report classified firms into:

- Micro enterprise, less than 5 employees;
- Small enterprise, 5-29 employees;
- Medium enterprise, 30-99 employees; and
- Large enterprise, 100 and more employees (Teal, 2002, p. 34).

The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs. However, the National Board for Small-Scale Industries (NBSSI) in Ghana applies both the “fixed asset and number of employees” criteria. It defines a small-scale enterprise as a firm with not more than nine workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding GH¢10 million. The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a GH¢10 million upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions outdated (Kayanula & Quartey, 2000).

According to the European Commission (EC), SMEs are largely defined in terms of the number of employees are firms with 0 to 9 employees – micro enterprises; 10 to 99 employees – small enterprises; and 100 to 499 employees – medium enterprises. Thus, the SME sector is comprised of enterprises (except

agriculture, hunting, forestry and fishing) which employ less than 500 workers. In effect, the EC definitions are based solely on employment rather than a multiplicity of criteria. Secondly, the use of 100 employees as the small firm's upper limit is more appropriate, given the increase in productivity over the last two decades (Storey, 1994).

Measuring Performance of SMEs

Various authors present numerous and diversified definitions of business growth and ways of measuring this growth. Business growth is defined and measured using absolute or relative changes in sales, assets, employment, productivity and profit margins (Achtenhage, Davidsson & Naldi, 2005; Allinson, Braidford, Houston & Stone, 2006). Achtenhage et al. (2005) also maintained that all measures have particular merits and demerits in appreciating the trend of growth but some variations make systematic knowledge build-up and comparisons problematic. The authors further pointed out that quite a lot of researchers argue that firms do not end up with particular growth patterns by chance, but how firms grow is systematically related to the characteristics of these firms and their environments.

It is also said that, a firm's growth widely depends on business age, size, customer behaviour and industry. Therefore, sales growth need not correspond to or underpin other dimensions of growth in which policy makers might also be interested (Aw, 2001). For instance, sales can increase while employment and/or profits fall. This may be partly related to contextual or structural issues such as

sector or age of business but not to the strategic choices made by principal decision-makers within the firm. Firms might, for example, expand sales at the expense of profit margins by reducing prices, or by outsourcing work, with no impact on employment (Nkonoki, 2010). However, Boachie-Mensah and Marfo-Yiadom (2007) argued that increasing sales and profit are not the only indicators of growth of small-scale businesses, but growth could be achieved using two routes to profitability, thus, productivity increases and volume growth.

SME growth, according to Goldmark and Nichter (2005), is an increase in the number of employees over time because small business owners are usually able to remember the number of employees over time, even if they fail to maintain reliable written records. This definition also circumvents the need to deflate figures, often necessary when using revenue and other monetary metrics. Unfortunately, even if a business does grow, entrepreneurs may find themselves hitting a ceiling in which they cannot produce the amount of product they would like due to staffing, financial, or market access constraints, consequently limiting their expansion. However, Eversole (2003) also suggested that many entrepreneurs overcome this obstacle through diversification, one of the most common growth options for small businesses.

Again, small and medium-scale enterprise growth, according to USAID (2005), is simply put as an increase in the number of employees. USAID further adds that small business growth is also the drive of overall increases in output and income levels. However, this may not be sustainable, but growth accompanied by improvements in productivity is likely to contribute to the desired development

effects such as broad-based economic growth. One exceptionally rigorous World Bank study found that the initial productivity of firms is a significant determinant of subsequent growth (Aw, 2001). Figure 1 gives the pictorial presentation of how productivity contributes to growth and how growth also contributes to productivity.

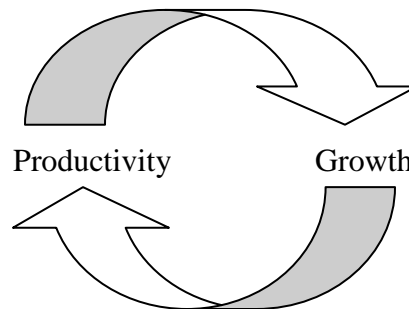


Figure 1. Growth and Productivity Model for SMEs (Aw, 2001, p. 8)

Sources of Funding available to SMEs

Finance is considered as the main resource needed by most SMEs, particularly in Ghana. According to Mensah (2004), there are many who believe that the single most important factor constraining the growth of the SME sector is the lack of finance. This situation can be attributed to factors including the following:

- a relatively undeveloped financial sector with low levels of intermediation;
- lack of institutional and legal structures that facilitate the management of SME lending risk; and
- high cost of borrowing and rigidities of interest rates.

Abor and Biekpe (2006) also revealed that the presence of the ‘finance gap’ is mainly a result of the existence of information asymmetries between finance providers and borrowers. Information asymmetry is the disparity between the information available to businesses seeking capital and suppliers of capital who are typically assumed to be at an informational disadvantage with respect to insiders of the business.

Important issues identified within the context of informational asymmetry are adverse selection and moral hazard. Under adverse selection, theoretical models often assume that an entrepreneur has private knowledge about the success probability of a project or expected profits that are not shared with the financier. Consequently, suppliers of capital cannot differentiate between a high-quality business and a low-quality business and adverse selection can result. Moral hazard refers to the inability of the finance provider to control fully how the entrepreneur uses funds provided.

Binks and Ennew (1996), cited in Abor and Biekpe (2006), mentioned that enterprise owners can conceivably benefit economically by, for example, redirecting borrowed funds to invest in higher risk projects than those approved by the lender. To avoid this situation, financiers can implement contract provisions that discourage borrowers from acting against the interests of investor or lender, and these precautionary actions can lead to credit rationing. Certain types of moral hazard play a role in the costly monitoring problem, but these moral hazard problems do not affect the outcome of the entrepreneur’s projects. Instead, moral hazard affects costly monitoring problems by adding the risk that

entrepreneurs will lie about their returns and profit at the expense of the finance provider (Binks & Ennew, 1996). It is seen that because of the persistent financing gap, many interventions have been launched by governments and development partners to stimulate the flow of financing to SMEs over and above what is available from existing private sector financial institutions. Mensah (2004) identified a number of schemes designed and implemented by Ghana's development partners as presented in Table 1.

Table 1: SMEs Financing Schemes implemented by Development Partners

Donor	Title	Short description
CIDA	Private Sector Development Support	Assist MSMEs (deepening technological capacity)
DANIDA	Private Sector Programme	Business linkages between Ghana and Denmark
DANIDA	Business Sector Development	Lending to SMEs, front-runner legal reform (pilot)
GTZ	Promotion of Private Sector	Promotes German investments in Ghana
GTZ	Promotion of Small and Micro Enterprises	Assist MSEs (Credit Fund - Urban and Rural areas)
GTZ	Rural Financial Services Project	Capacity building to rural and community banks and informal financial sector; and to ARB Apex Bank
IFAD/AFD	Rural Enterprise Project	Enterprise development in rural areas
IFC	Africa Project Development Facility	Support the development of SMEs (training)
UNDP	African Management Services Company	Assist SMEs (training and secondment)
UNDP	EMPRETEC Ghana Fundatn.	Assist SMEs (entrep'hip dev't)
UNDP	Micro Start Ghana Programme	Support MFIs build institutional capacity
UNDP	Promoting Private Sector Development	Capacity building of private sector interlocutor
UNIDO	Strengthening competitiveness of MSMEs	Strengthening capabilities of MSMEs
USAID	Amex International	Support development of nontraditional exports
USAID	Micro enterprise Development	Assist micro and small-scale

	Assistance	farmers
USAID	Trade and Investment Programme	Assist SMEs in non-traditional exports (credits)
World Bank	Non-Bank Financial Institutions Assistance	Promote growth of non-bank financial sector

Source: Mensah (2004)

From a study conducted by Abor and Biekpe (2006), they found that most of the 125 firms sampled were unaware of these financing schemes. Apart from EMPRETEC Ghana Foundation (EGF) and DANIDA, less than 50% of the respondents were aware of the other financing schemes. Other sources mentioned included;

- Export Development and Investment Fund (EDIF)
- Japan International Cooperation Agency (JICA)
- Ghana Private Sector Development Fund (GPSDF)
- Deutsche Gesellschaft Fuer Technische Zusammenarbeit (GTZ)
- Business Assistance Fund (BAF)
- Department for International Development (DFID)
- Ghana Investment Fund (GIF)
- Trade and Investment Programme (TIP)
- Private Enterprises and Export Development Fund (PEED)
- Funds for Small and Medium Scale Enterprise Development (FUSMED)
- Africa Project Development Facility (APDF)
- Support for Private Enterprise Expansion and Development (SPEED)
- Promotion of Small and Micro Enterprise Fund (PSME)
- Business Sector Programme Support (BSPS)

- Revolving Loan Fund (RLF)

Equity Financing

Equity financing is also identified as a capital raising option for small and medium-scale businesses in Ghana. Mensah (2004) however mentioned that long-term financing in terms of equity capital, needed by growth-oriented mainly small and medium companies, is virtually non-existent for SMEs.

Only two commercial venture capital funds have been established in Ghana over the past 10 years. According to Mensah (2004) and Abor and Biekpe (2006), in 1991, the U.S. Agency for International Development (USAID) and the Commonwealth Development Corporation (CDC) sponsored the formation of a venture capital fund in Ghana in response to a perceived need for financial products and services designed to meet the long-term financing requirements of growing businesses in Ghana within the context of Ghana's financial sector reform programme.

In the absence of a regulatory environment, the sponsors agreed to establish, a non-bank financial institution to hold the funds – Ghana Venture Capital Fund (GVCF), and a management company, Venture Fund Management Company (VFMC) to make investment decisions. USAID provided a \$1,094,000 grant to underwrite the operational expenditures over a three year period ending in 1994, while CDC's \$2 million commitment to GVCF was leveraged for an additional \$3.8 million in invested capital from developmental finance and local institutions. The combined investment capital thus became \$5.8 million. The

GVCF became operational in November 1992, and was fully invested with 13 investee companies. The average investment was \$250,000.

In addition to managing the GVFC, VFMC in 1995 was awarded the management of a \$4 million Enterprise Fund, promoted by the European Union which is also fully invested with 18 direct investee companies and 12 indirect (through leasing) investee companies. The average size of investment by the Enterprise Fund was \$100,000. Subsequent to the GVFC, a \$5 million Fidelity Equity Fund was established by a joint venture between Fidelity Discount House and FMO (The Netherlands Development Finance Company). This fund is also fully invested with 10 investee companies, and managed by the Fidelity Investment Advisors. In the recent past, there has also been a trend of foreign direct venture capital investment in Ghana from pan-African focused Venture Capital Funds (VCFs) such as Modern Africa Growth Fund, the Commonwealth Africa Investment Fund and the African Enterprise Fund.

Venture Capital

According to Frimpong (2014), venture capitalists alleviate uncertainty and information asymmetry associated with young firms by actively scrutinizing firms intensively before providing capital and monitoring them afterwards. However, Mensah (2004) revealed that it is very difficult, if not impossible to obtain funding for SMEs. In 2010, this researcher approached the venture capital trust for source of funding to establish a business proposal generated from entrepreneurship assignment to establish an enterprise in waste management with

three subsidiaries (thus, recycling plastic waste into finished and semi-finished products, generation of electricity from solid waste and production of fertilizer from the waste residue). The requirement that 50% equity be provided before the venture capital trust also make available the other half as venture capital to be run for five years so that the venture would retrieve its equity either by direct withdrawal or debt capital for the business entity to stand on its own thereafter. The problem was how to raise twenty-five thousand (USD25,000.00) out of the fifty thousand united states dollars (USD50,000.00) in order to establish a medium-scale enterprise. In fact, it was a great challenge which still stalls the progress of this laudable venture on the drawing board or the shelf. The waste management venture was aimed at creating employment, clean the cities of filth and produce electricity and fertilizer from the filth gathered. The output of this study would help sensitise the authorities and financial institutions on the importance to SME startups either in venture capital or debt capital to enhance establishment and sustainability of SMEs.

Loan from Family and Friends

Loans from family and friends are an informal external finance used extensively by MSMEs, especially at the start-up stage, because financial institutions are reluctant to provide funding for start-up businesses due to the risk involved (De la Torre, Martinez Peria & Schmukler, 2010). OECD (2004) states that a loan from family and friends is one of the most important sources of finance for innovative start-ups. The reason is that these firms tend to be highly risky with

intangible assets and the prospect of years of negative earnings. These features make it extremely difficult to secure loans from banks. This assertion is supported by Korosteleva and Mickiewicz (2011) who observed that previous empirical studies on start-up financing (Bygrave, 2003) showed that start-ups typically exhibit a moderately low level of formal external financing, largely relying on their own equity and informal finance, primarily funds from family and friends and investment of other individuals comprising business angels.

Contribution of SMEs to Ghanaian Economy

It is acknowledged worldwide that small and medium enterprises (SMEs) are the engines of economic development and industrial growth, solving the twin problems of unemployment and poverty. They are said to account for approximately 95 per cent of all the companies in the world. In most countries, the contribution of small and medium manufacturing, service and business enterprises is significantly greater than that of large-scale enterprises when it comes to innovations, productive employment including self-employment and optimum utilisation of latent resources.

According to SME Ghana Awards (2015), SMEs are mainly described as the engine of growth in most economies but also in most cases are not given the due recognition and needed support. SMEs contribute immensely to the industrial output and export of goods and services. They play an important role as the engine of growth of our economy registering about 90% of businesses in Ghana with about 70 per cent contribution to GDP, accounting for 85 per cent

manufacturing employment and 75 per cent general employment. Similarly, Acolatse (2013) believed that more than 90% of all businesses in Ghana, SMEs occupy a central part of the Ghanaian economy – they put food on the table of many Ghanaians. They are essentially the drivers of the Ghanaian economy even though some of them are hardly noticed. The contribution of SMEs to, income, employment generation and ultimately economic growth is therefore not in doubt.

Government and Support Systems for Entrepreneurs in Ghana

The Government of Ghana with its development partners appears to have instituted many agencies aimed at mentoring and assisting Ghanaians to develop their business plans. Amongst them are the National Board for Small-Scale Industries (NBSSI), Microfinance and Small Loans Centre (MASLOC), the Rural Enterprise Programme (REP), and the Youth Enterprise Support (YES) Fund (GoG, 2014). According to the Ministry of Trade and Industry, the NBSSI was formed to address the needs of small-scale businesses. The NBSSI established an Entrepreneurial Development Programme (EDP) and the Business Advisory Centre intended to train and assist persons with entrepreneurial abilities into self-employment. The activities of NBSSI fall into two broad categories: financial and non-financial services.

Financial services include extending credit through its loan schemes to entrepreneurs both as working capital and for the acquisition of fixed assets. Interest rate on loans granted by the NBSSI is 20% and repayments are by monthly installments to ease the burden of loan repayment and borrowers are

usually granted between 2-4 months grace period. Personal guarantors are accepted as security since small-scale entrepreneurs do not usually have collateral security. Beneficiaries are encouraged to open accounts with the bank and transact their business, especially the loan repayment, through the bank so that they get acquainted with the banking culture (NBSSI, 2013).

The NBSSI's non-financial services include facilitating access to an enabling environment; facilitating access to credit; training and counselling in the areas of management, development, skills, marketing, choice of equipment, business plan preparation, business registration, and feasibility studies. Some corporate companies have also been assisting SMEs in the country. For example, Tullow-Ghana in 2011 announced a US\$ 194 million package for SMEs. According to Dr. Toni Aubynn, Head of Corporate Affairs Department of Tullow-Ghana, the company had expended US\$ 194 million dollars on local companies and Small and Medium Enterprises (SMEs) to improve their capacity and competitiveness. He said 1,035 local companies benefitted from the package with US million dollars expended on local enterprises that had employed over 1,000 workers in the country (GNA, 2011).

The government of Ghana now has the Ministry of Private Sector Development (PSD) and Public-Private Partnership (PPP) besides the Ministry of Trade and Industry to pay special attention to the nurturing and development of SMEs. The then Sector Minister, Dr. Rashid Pelpuo, in 2016 assured small and medium-scale enterprises (SMEs) of government's support to boost the sector

(GhanaWeb, 2016). The question is, are these initiatives enough to propel SMEs to their full potentials?

In Ghana, innovators usually find it difficult to implement their vision for lack of support. In the developed countries, their system of governance is well laid with proper planning for school curricula developed to encourage the students to develop their skills while supporting graduates to pursue their visions and dreams, hence no one can complain of not being supported so that he grew and died poor.

Challenges facing SMEs

Creating a successful SME has never been easy, but it is more difficult in developing countries such as Ghana (Acolatse, 2013). Developing countries often have high rates of start-up businesses, but the chances of the creation of a sustainable business (survival longer than 42 months) are greatly reduced when compared to developed countries. Several researchers have identified some of the challenges facing SMEs as follows:

Lack of Access to Capital

Lack of access to credit facilities has been identified as the major constraint to the development of SMEs all over the world and Ghana is not exception (Asare, 2014; Cofie, 2012; Abor & Biekpe, 2006; Parker et al., 1995). It has been noticed over the years that financing for small and medium enterprises comes from personally saving of firm owners and sometimes from friends and

family members. This pool of financial resource is limited and cannot sustain the lifespan of these enterprises.

Documentation requirements by banks and other financial institutions are challenges to many SMEs (Cofie, 2012). Micro credit facilities have turned out to be a source of credit facility for small and medium enterprises. The high interest rate charged by these micro-credit institutions turns to cripple these business since all the revenue made is used to repay their loans and nothing left to develop new innovative products and expand their business (Ayeetey et al., 1994).

According to a World Bank study, it was found that about 90% of small enterprises surveyed identified credit as their major constraint to new investment (Parker et al., 1995). Similarly, Levy (1993) mentioned that limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their low growth and development. This stems from the fact that SMEs have limited access to capital markets partly due to the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. In Sub-Saharan Africa, most small businesses fail in their first year due to lack of support from government and traditional banks (Biekpe, 2004).

Mensah (2004) also bemoaned the difficulties SMEs go through in order to secure financial assistance for their operations. He said that access to credit from the banking sector is severely limited. Hayford (2012) also found in his study that more than half of the respondents mentioned availability of financial facility from banks as the major challenge in their operational activities.

Low Level of Education and Managerial Skills

Acolatse (2013) identified lack of technical-know-how as one of the constraints of many SME owners in Ghana. In a study by Andoh and Nunoo (2012), they found that majority of the respondents had some level of education. About 49% of owners of SMEs had basic education, 30% with secondary or technical education and about 2% had tertiary education, while 19% of the owners of the SMEs sampled had no education. The lower percentage of tertiary education confirms the fact that tertiary graduates in Ghana find themselves in paid employments instead of self-employment.

From the study it was revealed that the low level of education of entrepreneurs limit their capacity to deal with plans that can lead to business growth like keeping proper books of records, preparing business plan, taking advocacy issues to support their businesses and also look for more training programmes to improve their businesses which is normally run by development organisations like NBSSI (Cofie, 2012). However, according to Tambunan (2008), while an average operator would always centre his failure on lack of access to finance, some others think differently, arguing that inappropriate management skills, lack of entrepreneurial skills and knowledge are largely responsible.

The lack of managerial know-how places significant constraints on SME development. Even though SMEs tend to attract motivated managers, they can hardly compete with larger firms. The scarcity of management talent, prevalent in most countries in the region, has a magnified impact on SMEs. The lack of

support services or their relatively higher unit cost can hamper SMEs' efforts to improve their management, because consulting firms are often not equipped with appropriate cost-effective management solutions for SMEs. Besides, despite the numerous institutions providing training and advisory services, there is still a skills gap in the SME sector as a whole (Kayanula & Quartey, 2000). This is because entrepreneurs cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency.

Furthermore, the gap in management literacy is higher since most owners of SMEs have little or no knowledge about management processes and procedures. There is the lack of management talents in this sector as compared with larger firms and MNC's (Kayanula & Quartey, 2000). And this can be attributed to the high cost associated with training and consulting services, while others do not see the essence to upgrade their skills since their business thrive under current dispensations.

The rapid change in development has also served as a hindrance to the development of SMEs in recent times. This is because small and medium enterprises do not have the capacity to conduct research and development to develop new innovative product. The difficulty associated with having access to new technologies and modern methods of productions in their respective areas poses a strict challenge to the growth of this sector (Aryeetey et al., 1994).

Use of Obsolete Technologies

Nyagah (2009) posited that SMEs tend to have productivity and they are weak in terms of competition which is the result of using inefficient technology, not maximising machinery utility and not improving in technology due to the limitation of funding and most SMEs are mainly users of technology, not adaptors of technology. The World Bank (2009) claims that investments in technology are required in order to build up existing capacity and to improve the quality and productivity of production which will generate in higher value-added products that will improve the competitiveness for firms.

Regulatory and Legal Constraints

High start-up cost for firms, including licensing and registration requirements has the likelihood to impose excessive and unnecessary burden on SMEs. SMEs are adversely affected the most as a result of the high cost of settling legal claims together with delays in court proceedings as well as in registering businesses (Hayford, 2012). The burdensome process and requirements to commence business has been an issue for small and medium enterprises. The legalities in clearing goods from the ports and the processing of export documents are also an issue in terms of the time it takes and the monetary values involved.

According to Cofie (2012), regulatory constraints are militating against SME development even though recent reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. The

high start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs. The high cost of settling legal claims, and excessive delays in court proceedings adversely affect SME operations. In the case of Ghana, the cumbersome procedure for registering and commencing business are key issues often cited. The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing issues and there are 16 procedures involved in licensing a business in Ghana. Meanwhile, the absence of anti-trust legislation favours larger firms, while the lack of protection for property rights limits SMEs' access to foreign technologies (Abor & Quartey, 2010; Kayanula & Quartey, 2000).

Governmental Policies

The significance of SMEs within an economy emphasises the importance of having governmental policies that support SMEs; issuing regulations that help them and their ability to operate efficiently; and regulations that imply low administrative costs (Harvie & Lee, 2005). Although there has been an increase in governmental policies promoting and supporting SMEs in order to achieve economic growth and reduce poverty, there is still a lack of laws, administrative procedures and access to assistance from governmental agencies (Harvie, 2005).

Most entrepreneurs have little access to policy makers or representation on policy making bodies. Large companies and men can more easily influence policy and have access to policy-makers, who are seen more as their peers. Some

entrepreneurs' lack of access to information also limits their knowledgeable input into policymaking (UNECE, 2004).

ILO (2009), Roberts (2004) and OECD (2002) added that the key factors that affect entrepreneurs' performance especially in developing continents like Africa are vulnerability to the adverse effects of trade reform; restraints with regard to assets (land); lack of information to exploit opportunities; and poor mobilisation of entrepreneurs; lack of management skills; lack of awareness among youth offering entrepreneurship as a career option; conflicting gender roles; gender inequality; inappropriate technology; and constraints at the legal, institutional and policy levels.

The current economic challenges have compounded the constraints faced by all business actors. These challenges include the frequent electricity and water interruptions, high inflation, deprecation of the Cedi, high interest on credit, and high import duties, among others (Business & Financial Times, 2014). Therefore, addressing these issues should be among the main responsibilities of the government so as to keep the growth rate positive, reduce poverty through job creation and make the nation prosperous.

Marketing and Access to Market

It is very difficult for SMEs in developing countries to market their products. They normally produce on small scale and lack the capacity to promote their products to take advantage of economies of scale to expand their production

base which could offer them to experience a larger share of the market than current share.

According to Brush, Ceru and Blackburn (2009), marketing is another obstacle for companies to grow since many businesses are confronted with challenges establishing effective distribution channels; communicating product features and pricing products and services in an attractive way. Also, implementing sales and marketing efforts to win and retain customers and undertaking constant product development in order to sustain sales. Furthermore, the Office of SMEs Promotion [OSMEP] (2009) in USA identified other aspects of marketing such as the understanding of the domestic and international marketing; lack of capabilities to create innovation, image, exclusive branding; and the lack of appropriate support from marketing infrastructure as obstacles to a firm's growth.

SMEs generally do not have the knowledge or information about other markets. This limits their ability to market their products to larger groups of customers and expand their business (Asian Productivity Organisation [APO], 2001). Brush et al. (2009) argued that massive marketing campaigns are not the best form to achieve success, conversely, close personal relationships, word-of-mouth referrals, repeat business, and niche marketing efforts have proven to be more cost effective and successful.

The high cost of developing new business contacts and relationships in a new country or market is a big deterrent and obstacle for many SMEs. Women may also fear or face prejudice or sexual harassment, and may be restricted in

their ability to travel to make contacts (UNECE, 2004). Minimal Growth through Multiple Enterprises Research shows that some female entrepreneurs in a range of African countries grow businesses beyond the micro or informal level. However, such women are seen as an exception to the rule (Marcucci, 2001). Moreover, how they grow their businesses, commonly by starting multiple businesses (known as horizontal growth), is overtly or tacitly seen as a weak strategy when compared to the norm of linear growth of a single business (Olomi, 2001).

Coping Strategies to SMEs' challenges

Generally, SMEs in Ghana and in particular, Tema metropolis are hindered by many challenges which need ways, methods, techniques or plans these SMEs and individuals must exploit in achieving success in the marketplace (Ebitu, 2016). Gleuck (1984) as cited in Achumba (2000:2) defines strategy as a unified, comprehensive and integrated plan relating to the strategic advantage of the firm to the challenges of the environment. He added that organizations that desire not only to survive but also to improve their marketing effectiveness and efficiency must learn to create and improve sound marketing strategy.

Lack of Access to Capital

To tackle the problem in respect of lack of access to credit facilities as has been identified as the major constraint to the development of SMEs all over the world and Ghana is not exception (Asare, 2014; Cofie, 2012; Abor et al., 2006; Parker et al., 1995), entrepreneurs must be of saving-conscious to mobilize

reasonable capital as seed money for startup. Harper (1984) cited in Agwu & Emeti (2014), believes that the capital shortage problem in the small firm sector is partly one, which stems from uneconomic deployment of available resources by the owner-managers. This view was shared by Ihyembe (2000) who claimed to have businessmen take loan for expansion projects only to turnaround to marry new wives, acquire chieftaincy titles or buy houses abroad. Binks et al (1996) expressed the view that the funding problem of SMEs is primarily due to the behavior of banks and imperfection of the capital market. King (2007) stressed that the solution to SMEs' lack of or low access to capital is often easier than most entrepreneurs realize as it mostly starts with a plan to see what your cash needs are and when your cash needs arise and concluded that then one is in a position to manage it and focus on the cash management techniques most likely to be successful in your business.

SME owner-managers should embrace self-discipline and leadership skills that inspire and motivate commitment and action for a chosen solution to allow for availability of cash for intended expansion programme (<https://www.decision-making-solutions.com/decision-making-skills.html>). Rivers State government should encourage banks in Port Harcourt City to set aside 20% of their annual profits before tax as soft loans to SMEs at a very low interest rate (Agwu et al., 2014). The majority of consumer credit decisions across the globe are now automated and made using credit scoring (Jennings, 2001). This technology is now being increasingly transferred to small business lending. Small business scoring is already well established in the United States and in Western Europe. It

is also beginning to become more common in Asia. The whole concept of scoring depends on the fact that historical performance can be used to “predict future performance” (Coffman, 2001).

Awuah & Amal (2011) stated that building on a developed operational framework affecting the competitiveness of firms, some of the expected results are that firms' capabilities with regards to innovation, learning, and internationalization, which increase their competitiveness, are enhanced by institutional setups. They further maintained, establishing that relationships with governmental and non-governmental institutions is crucial in terms of accessing resources, innovating, and entering into foreign markets. Agwu et al. (2014) suggested that the government should guarantee long term loans to SMEs in Port Harcourt City since they lack the necessary collateral to access such funds from the financial institutions. Ackah & Vuvor (2011) reiterated in their study on SME Financing in Ghana, challenges faced by Ghanaian SMEs that there are institutions such as bank and non-bank financial institutions that are willing to provide funds to SMEs but Ghanaian SMEs are not able to meet the requirements of these financial institutions. Chief among these requirements is the issue of collateral, which most SMEs cannot provide. Aside this is the other issue of small equity base of these SMEs among others. They continued, those who are able to access this credit are also faced with high interest rates and short repayment periods making it very difficult to embark on any developmental or expansion projects. Another interesting revelation with regards to the high rate of defaults in repayment of loans contracted, relates to the tight cash flow situations

of these SMEs that is mostly due to difficulties in the management of the account receivables of the respective SMEs surveyed. The study concludes with some recommendations to help free up capital or credit to the SME sector. Among the recommendations are encouraging financial institutions (bank & non-bank) to establish factoring services, enforcement of the credit reporting act and finally provision of tax incentives for banks that lend to SMEs to encourage others to do same.

Low level of Education and Managerial Skills

International Labour Organization (ILO) in *Improving Management and managerial skills of small-scale entrepreneurs*, agreed that despite many favourable attributes, the average small enterprise is often struggling for survival in a hostile environment. It further bemoaned that lessons learnt in Africa show that the policy framework many times is to the disadvantage of the small entrepreneur citing a Nigerian example of larger companies paying duties of between 0-10 percent on import value while small-scale competitors had to pay 30-65 percent although they were producing identical or similar goods. This is possible mainly due to low level of education as well as training and lack of effective managerial skills on the part of owner/managers to take advantage of lea-ways in the policies, coupled with low financial status to engage qualified personnel. Papulova & Mokros (2007) in their study *Importance of Managerial Skills and Knowledge in Management for Small Entrepreneurs* cited Papulova (1995, p.28) and suggested the following coping strategies for SMEs: the entrepreneur should identify necessary abilities, roles and skills in order to

possess creativity, intuition, goal-oriented, responsibility, self-confidence, initiative, independence, cautiousness, scrupulosity, discipline, persistence, optimism and fantasy. They further cited Gerber (2001) that there should be three types of positions needed for running an enterprise; technician (professional), manager and entrepreneur. In a survey among students and young entrepreneurs (Newton, 2001), respondents answered strongly (74%) that there should be a difference between education in entrepreneurship and management. Many countries have training programmes for the small enterprise sector but lack a specific education and training policy for small enterprise development (Sahlin, ILO). He continued that a number of issues need to be resolved before policies can be implemented at the national level. Some experts believe that wasted effort and financial loss can be avoided by a self-selection process whereby rigorous exercises completed before attending a formal training programme allow participants to judge their own entrepreneurial potential.

Use of Obsolete Technologies

Small and medium-sized businesses across the United States are increasingly relying on new technology solutions to strengthen their product development, marketing, and customer engagement activities. Technology adoption is often the best way to drive relative advantage over competitors, even among small businesses. This is especially true with regard to computer and internet technologies. Your business might be basically “technology enabled” but you may be missing out on new, fast-evolving technologies that could supercharge your business, regardless of its size

(<http://www.forbes.com/business/>). In a presentation on “a case of incubation facility (TBIF), Rwanda, Africa”, Aggarwal (2007) maintained that conventional teaching in institutions of higher learning was not adequately responding to the social economic situation, unemployment and private sector development. He was quick to say that “a mechanism to carry our research, develop and disseminate appropriate technologies relevant to the community was thus thought out; establishment of Centre of Innovations and Technology Transfer (CITT) by KIST in 2002” as a means to overcome identified challenges. Expenditure on training and development activities should be treated as an investment. Small Industries Associations (SIA) should also involve themselves in providing knowledge and skills required for them in the changing environment (McGarg 2003). With high level of subsistence levels of small enterprise sector, SMEs in Africa generally are constrained to the use of modern technologies to improve productivity. The governments of the developing countries which have high risk of deteriorating in productivity as a result of obsolete technologies should help in the technology transfer of small enterprise sector in order to increase SME productivity to take advantage. The SMEs should invest in technological transfer programmes with foreign entities in order to enhance capacity building and take advantage of economies of scale and improve their productivities which is prerequisite for achieving such goals. In Kenya, the level of technological development or availability determines most of the micro businesses to a large extent that the type of products they offer is affected largely by the technology. Given the Kenya’s level of technological development, it will be more advisable for management to employ a technology that can have both automated and manual operation. The

changes of technology in an enterprise affect the actions of its competitors (Makori, 2013). Small entrepreneurs are not properly trained in deciding about suitable location. Actually, they select their location due to other considerations like availability of cheap land, family business, sentimental attachment to their traditional ancestral property etc. Small and micro enterprises are facing the problem of competition from their other counterparts; medium and large scale industries. Since 1991, a large number of items reserved for small industries are now freely importable. In addition, obsolete technology is another challenge that small and micro enterprises face. SMEs lack latest technology as they do not have any technological support from the government and other technological institutes and laboratories. But in practice, technology alone can ensure quality and high level of productivity. Research & development efforts are a costly venture and SMEs do not have resources to finance these programs individually and internally. The Technology Innovation Agency (TIA) Act established the Technology Innovation Agency with the objective of: "... stimulating and intensifying technological innovation in order to improve economic growth and the quality of life of all South Africans by developing and exploiting technological innovations." It continued that in giving effect to this objective TIA recognises that it must straddle the gap between scientific research on the one end, where scientific or technological ideas originate, and established businesses on the other end.

Improvement in techniques of production and proper technology is another strategy. Government consultancy enterprises and laboratories have an important role to play in this context. They have to arrange viable and modern

techniques of production to them, as they are unable to expend money on this count. Besides, SMEs should keep themselves in touch with development in technology. They should also try to give a lead, if possible financially, in research and development efforts.

Regulatory and Legal Constraints

SMEs have very little or no control over regulatory and legal constraints as these are external factors. They must, however, put in certain measure to reduce their impact on their operation, productivity, capacity and profitability (Asare, 2014; Cofie, 2012; Abor et al, 2006; Parker et al., 1995). Makori (2013) stated in her study that “good customer care is necessary in any business, as this is mainly because of the personalized services that most customers anticipate when dealing with small business owners or managers. The results of this study are consistent with the findings of Morara, Bowen and Mureithi (2009), who mentioned competition as a challenge to SMEs in Nairobi’s Central Business District. 71 percent of their respondents mentioned it among their top three. When asked how they counter their competitors, 30.2 percent of the respondents mentioned good customer service followed by discount offers (which vary according to client), which was mentioned by 18.3 percent as the remedy. 7.9 percent of the respondents reported that they use price as a competitive edge by selling more cheaply than their competitors. The least three strategies adopted by the respondents were making use of security firms or guards to safeguard businesses, collection of debts after one month and the imparting of proper education and training to workers”.

Governmental policies

Nzelibe (1996), cited in Agwu et al. (2014) maintained that the business owner should always consider challenging situations and be prepared to meet them with pre-planned strategies. They also cited Irwin (1991) and stressed that the survival of SMEs is only possible through a systematic analysis of the problems they are facing and mapping out appropriate strategies of overcoming them, through a proper understanding of the business environment. Ansoff (1981) concluded that for a business to survive in unfriendly environmental conditions it should adopt a strategy that utilizes its strengths to exploit opportunities while avoiding its weaknesses. SMEs of developing countries have received a certain level of support to promote growth of SMEs through such policies geared towards achieving economic growth and reduce poverty (Harvie & Lee, 2005). There is still the need to address inadequate laws, administrative procedures and access to assistance from government and governmental agencies (Harvie, 2005). Cited in Agwu et al. (2014), Nwoye (1994) argued that strategic changes might take place in a firm without initial formulations, such decisions could be informed by expansion strategy, preference to cash sales policy, innovation strategy, change in production techniques, local sourcing or use of alternative materials, backward integration and merger. Thus, any entrepreneur who wants to succeed must identify business opportunities, be creative, visionary, daring, risk taking, courageous and sensitive to changes in the business environment (Agwu et al, 2014).

Marketing and Access to Market

Scheers (2010) appreciated that though SMEs comprising over 90% of African business operations and contributing over 50% of African employment and GDP, it seemed that a number of challenges have been identified as contributing to the failure of SMEs in South Africa and worldwide. Citing researches such as Bowler, Dawood and Page (2006) and Phakisa (2009), revealed that 40% of new business ventures fail in their first year, 60% in their second year, and 90% in their first ten years of existence. Marketing skill challenges of SMEs have been addressed in the various studies on SMEs in the following related understanding: gain an understanding of the market and potential for growth; market segmentation; market needs analysis; access to finance; education and training; competitiveness; and marketing of products and services. Murphy (2006: 13-14) states that small business owners exhibit certain personality traits that are responsible for the success or failure of their businesses. Strong management and marketing skills are identified as critical for growth of SMEs deficiencies in both general and financial management are described as the major causes of business failure (CMA Canada). The report continued that resources to hire professional advisors (24%); more staff training (17%) and a continuous learning philosophy (25%) are all important to ensure business success. Scheers (2010) postulated the importance that the marketing concept rests on the importance of customer to a SME and stated that all company policies and activities should be aimed at satisfying customer needs and profitable sales volume is a better company goal than maximum sales volume and recommended

that SMEs use the marketing concept and determine the needs of their customers (market research); analyse their competitive advantages (market strategy); select specific markets to serve (target marketing); and determine how to satisfy those needs (market mix).

Forging Partnerships to Enhance Capacity

Local SMEs in the metropolis under review, as usual, are basically lower units and should therefore forge partnerships to enhance productivity as also build capacity to increase volume levels as a means of achieving (Scheers, 2010). As the old pieces of adage go, “a single broom is easier to break, but impossible if it is a bundle”, “there is strength in unity” and “two heads are better than one”, it should be appreciated that those SMEs with lower capacities come together to contributing 90% of African business operations and contributing over 50% of African employment and GDP, it seemed that a number of challenges have been identified as most of the partnership in the developing countries, especially, Africa which governments should help solutions to alleviate their partnerships of collapsing but rather facilitate the blossoming of local capacities to take advantage of economies of scale for higher productivity leading to profit maximization and, in extension, viability and sustainability of local businesses.

Conceptual Framework of Challenges and Coping Strategies of SMES

Challenges of SMEs and factors that affect the growth of SMEs may be said to be two sides of the same coin. In other words, challenges of SMEs may be said to be the lack of or limitedness of the resources and opportunities that affect firm growth. Following Bouazza, Ardjouman and Abada (2015), the objectives of

this study is conceptualized as SMEs growth being influenced by two main categories of factors, namely Business environment factors and SMEs internal factors. The former, however, influences the latter. The Business environment factors are as follows: Legal and regulatory framework; access to external financing and human resources capacities, while the SMEs internal factors include entrepreneur characteristics, access to internal financing, management capacities, marketing skills and technological capacities. Lack or limitedness of these factors result in coping and adaptation strategies, otherwise, the firm collapses. The coping and adaptations strategies include judicious use of materials, advertisement, training of workers and negotiation of salaries with staff.

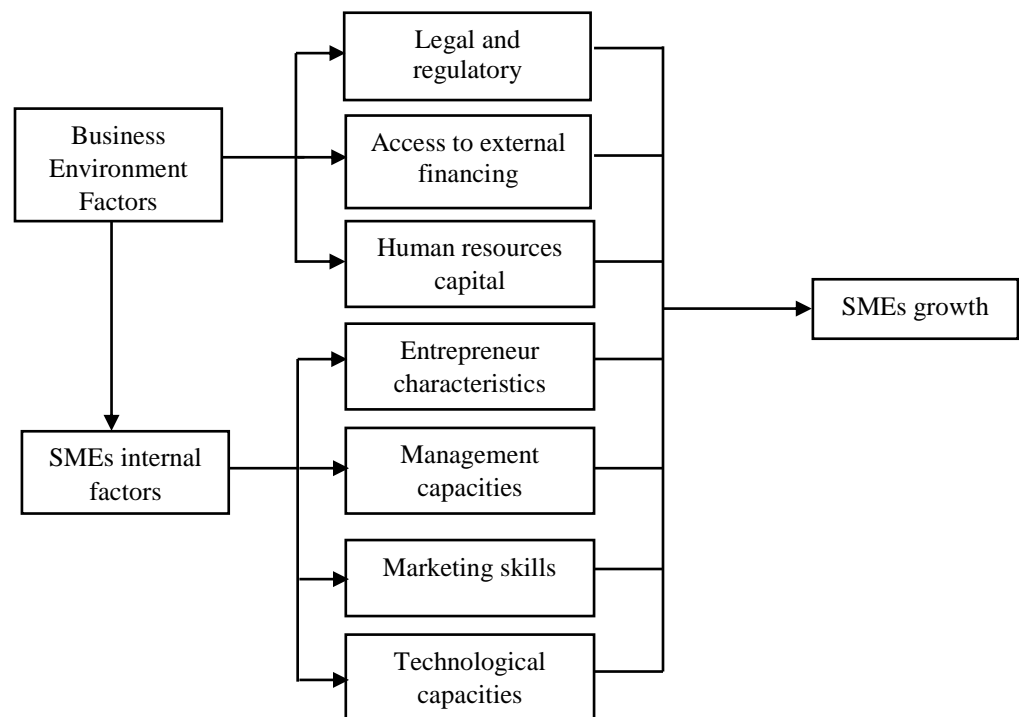


Figure 2: Conceptual Framework of Challenges and Coping Strategies of SMES

Adapted from Bouazza, Ardjouman and Abada (2015).

Theoretical Framework of the Study

The theoretical underpinning of the study is Erickson and Pake's (1995) Active Learning Model which states that a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm. From Erickson and Pake's (1995) model, the theoretical framework of the study follows from the conceptual framework. Thus given that the firm's performance depends on the external environment and internal factors, it behoves on it to study these environments so that it can make maximum use of the opportunities and strengths available to it while it minimizes the threats and weaknesses it faces. Failure to do this means that the firm would be stagnant and eventually collapse. For instance, the firm must know about a change in the laws and regulations affecting business and prepare itself to abide by these laws, otherwise it risks prosecution. In the same way, an entrepreneur must not only build his/her capacity through formal education and training, he/she must encourage and support the staff to do same if they are to be abreast with modern ways of doing business. Lastly, there is the need for the firm to conduct market surveys to identify the demand of customers as well as the products and behaviours of competing firms so as to secure a significant share of the market. The objectives of this study implies that attempts will be made to unravel SMEs' main sources of finance, their perceived performance as well as their prospects, based on the learning outcomes of the internal and external environments in which they operate. Then based on the learning outcomes, the coping and adaptation measures they are taking to realize their potentials.

Empirical Literature Review

As indicated earlier, a number of related studies have been conducted within and outside Ghana. This section gives a summary of some of these studies and identifies the gap in the literature that the present study attempts to fill.

The first study to be examined is the one by Anggadwita and Mustafid (2013). They sought to propose a conceptual framework for measuring SMEs performance. Some of the factors they proposed are entrepreneurial skills, competence of human resource, innovativeness and sustainability. This is a very relevant study because it ties in with the conceptual framework of the present study, where it was intimated that the factors that influence firms' performance are categorised under external business environment and internal factors. One limitation of this study, however, was that the focus was on only internal factors. The quantitative method of analysis (specifically the ANOVA and t-test) was employed and the study area was Bandung city of Indonesia. The findings indicated that entrepreneurial skills and competence of human resource were the only positive and significant determinants of firms' performance. Innovativeness and sustainability were not significant. This implies that challenges with respect to entrepreneurial skills and human resource are likely to negatively affect SMEs growth in the study area. The current study is necessary to unearth the external factors that can negatively influence SMEs growth in Tema.

Pletney and Barkhatove (2015) also carried out a survey involving 212 SMEs in Russia. The objective was to investigate entrepreneurs' perceived effects of their social responsibility on firms' performance. While firm's performance was

defined as its economic efficiency (i.e. return on invested capital), the social responsibility was operationalised as the ratio of the labour wage to the salaries of entrepreneurs. The results showed a positive correlation between entrepreneurs' social responsibility and economic efficiency. In other words, enterprises with high economic efficiency have lower income differences between management and staff. This is a very important finding which does not only look at independent internal factors of a firm influencing its performance, but it looks at the equity among the human resource vis-à-vis the performance of the firm. It would be interesting to see how this relates to entrepreneurs in Tema (Ghana) and their staff.

A similar study was by Kemayel (2015) which involved an investigation into the success factors of Lebanese SMEs in continuous crises environment. The method of data analysis involved the use of Likert scale to measure SMEs' satisfaction of their performance and the perceived determinants of such performance. The results indicated that most of the firms' performance indicators (e.g. level of income, sales, cash flow and customer satisfaction) were low. Also environmental factors (such as customers, suppliers, competitors and banks) as well as internal factors (e.g. manager's risk aversion and his or her age) were significant in influencing SMEs performance. However, macroeconomic factors and government policies had negative effect on firms' performance. As indicated earlier, this study was carried out in a war-torn country. The findings would definitely be different from that of a relatively peaceful political environment like

Ghana. This is confirmed by the negative effects of macroeconomic and government policies on firm performance.

De Vera (2012) also made an assessment of the 107 micro, small and medium-scale enterprises (MSMEs) that volunteered to become part of a firm audit by the University of the Philippines Institute for Small-Scale Industries. The major challenges of the firms were categorised under marketing, production, organization and finance. The coping and adaptation strategies that were suggested to overcome the problems were as follows: a more aggressive marketing through advertisements and promotions; the need to set up quality control systems; the need to formalize job evaluation of workers, and the need to improve accounting records. Again, even though Philippines is a developing country like Ghana, the business environment there may be different from what pertains in the latter. It would be expedient to unearth how firms in Tema are coping with the challenges they face in their daily business operations.

In the study by Quartey, Turkson, Abor and Iddrisu (2017), the aim was to identify the determinants of SMEs access to finance in the 15 member states of the Economic Community of West African States (ECOWAS). Specifically, the objective was to investigate as to whether there are similarities and/or differences in the proposed determinants across the countries. This study also used the quantitative approach of analysing data using the World Bank's Enterprise data. The factors that were found to influence SMEs access to finance at the sub-regional level were firm size, ownership of firm, strength of legal rights, depth of credit information, export orientation of the firm and experience of the top

manager. The country specific factors, however differed from among the countries. This study, though has a wide coverage involving the ECOWAS community can be described as narrow because it focused on only the finance aspect of the numerous challenges facing SMEs. Also, the use of secondary data meant that the authors could not have direct contacts with the respondents of the firm to probe further their concerns. Furthermore, much as the quantitative method of analysis is desirable, it glosses over some qualitative responses that are vital at defining the problems of firms. Lastly, the study is sub-regional work that at best, looks at country level situation. After a general level study like this there is the need for a town specific work that is able to bring out grassroots information for grassroots policy formulation.

Agwu and Emeti (2014) also researched into the challenges and prospects of SMEs in Port-Harcourt City Nigeria. The sample size was 120 and descriptive statistics were used for the data analysis. Results from the data analysis indicated that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting the SMEs in Port-Harcourt City,

Another study in Ghana was by Fuseini (2015) who investigated the determinants of demand and access to credit as well as the challenges facing SMEs in Ghana. Like Quartey et al. (2017), he used the World Bank Enterprise data, but specifically on Ghana. The sample size was 720 small, medium and large-scale firms across Ghana. The method of analyses was basically quantitative involving probit estimation. The results indicated that, of the 720 sampled firms

only 19.89% had access to credit and approximately 28% of them indicated that they did not need a loan. Also, the significant determinants of access to credit were firm innovation, registration, location, possession of bank account, future expansion plan, and having either savings or current bank account. In terms of challenges facing firms, access to finance was the most important. Others were access to land, electricity problems, taxes, customs and trade regulations, and competition from external firms.

Ackah and Vuvor's (2011) study sought to investigate as to whether or not SMEs in Ghana have challenges accessing credit and if yes, to what extent these affected the running of the business operations and whether the alternative sources of finance were viable. The findings indicated that the inability of SMEs to provide collateral and other information needed by banks such as audited financial statements coupled with the high interest rates make it difficult to access bank loans. Lack or limitedness of bank loans has meant that any delays in receiving payments for goods and services rendered them ineffective and further cripple their business operations and consequently limit their growth. The findings also showed that notwithstanding the limited access to bank loans, SMEs were not exploiting other avenues such as Ghana Venture Capital Trust Funds, Micro-finance and Small Loans Centre (MASLOC). It would be interesting to investigate in this study, whether or not SMEs in Tema in particular also have limited access to bank credit and whether they have found loans in non-banking institutions as better alternative sources of loans.

The study by Adomako-Ansah (2012) was carried out in Tema metropolis with two main objectives, namely; to investigate the definition of SMEs, as viewed by the financial institutions in Ghana and assess the SME loan eligibility criteria of the Ghanaian financial institutions. Data was collected through interviews of 10 banks and 5 non-bank financial institutions in Tema metropolis. He found that there were two main definitions of SMEs identified as follows: firms whose annual turnover ranged between GH¢1 and GH¢1,000,000; and those whose annual turnover ranged between GH¢5,000,001 and GH¢6,000,000. He postulated that the former are the small scale firms while the latter are the medium scale firms. In terms of SMEs' loan eligibility criteria by banks in Ghana the following were identified: collateral security; customers' operation of bank's account; audited account; SME's bank statement; registered business and its documents; and recommendation by the risk manager. Eligibility criteria by non-bank financial institutions also in order of importance were as follows: collateral security; registered business and its documents; guarantor; six months' bank statements; Tax documents; and age of business existence. Although this study was also carried out in Tema, the study is narrow in scope, like some of the studies outlined above, in that it focused only on access to credit as a challenge to business operation. This study is broader in the sense that it investigates firms' sources of finance in addition to the other challenges facing firms. It also measures firm's perceived performance as well as their growth potential.

From the aforementioned it is clear that quite a number of studies have been done with respect to the challenges facing SMEs and related issues.

However, these studies were done in different geographical locations at different times, with different emphases. A limited number of the studies are in Tema in Ghana to the best of the researcher's knowledge. It is expedient that we narrow down the focus to Tema in order to do a much more in-depth qualitative analyses with respect to SMEs sources of finance, their performance and growth potential as well as the coping and adaptation strategies that the firms are adopting to stay in business.

CHAPTER THREE

RESEARCH METHODS

This chapter focuses on the procedure used in collecting and analysing the data. The first section looks at the study area and the research design. This is followed by the descriptions of the population, sample and sampling techniques, instrument for data collection, pre-testing of data collection instrument, validity of the instruments, data collection procedure and data analysis.

Study Area

Tema is the administrative capital of the Tema Metropolitan Assembly. It is a coastal city situated 25 kilometres east of Accra, the national capital. The Greenwich Meridian (0° Longitude) passes through the city of Tema. Until 1952, when the Government of Ghana decided to develop a deep seaport there, Tema was a small fishing village. Tema became an Autonomous Council in 1974 and was elevated to the status of a metropolitan assembly in December, 1990. Tema metropolitan forms part of the sixteen (16) metropolis, municipalities and districts in the Greater Accra Region. The metropolitan shares boundaries with Ashaiman Municipal, Adentan Municipal, and Ledzokuku-Krowor Municipal to the west respectively, to the east with Kpone-Katamanso District, to the North with Dangme West District and to the South with the Gulf of Guinea (<http://www.Ghanadistricts.com/districts>).

It hosts several major businesses, including the largest seaport in the country, Tema Oil Refinery (TOR), Aluworks and others. The metropolis is

believed to be the industrial hub of Ghana since it is full of business activities from micro, small, medium and large scale ones (chemicals, textiles, food processing, engineering, paint, fish cold stores, printing and wood working). According to the Ghana Statistical Service's 2010 Population and Housing Census, the metropolis has 402,637 population size with 193,324 and 209,303 males and females, respectively (Ghana Statistical Service [GSS], 2012).

Research Design

A research design is the overall programme and structure of investigation for obtaining answers to research questions (Amedahe, 2002). Therefore, this study employs the descriptive survey design. This is because the study solicited responses from SME owners and managers/employees on their prospects and challenges. According to Fraenkel and Wallen (2005), the descriptive survey is often directed towards determining the nature of a situation as it exists at the time of the study. Creswell (2008) added that the descriptive survey design is used to determine individual opinion about a policy issue or programme. The design, according to him, provides useful information for decision-makers since it has the advantage of measuring current attitudes or practices. According to Polit and Hungler (2003), descriptive survey has an advantage of producing a good amount of responses from a wide range of people. Descriptive survey is appropriate when a researcher attempts to describe some population or aspect of population by selecting unbiased samples of individuals who are asked to complete questionnaire, interviews or test (Fraenkel & Wallen, 2005).

Study Population

According to Amedahe (2002), a population comprises the entire aggregation of elements in which the researcher is interested in. The target population for this study includes all business owners and managers/employees of small and medium-scale enterprises in the Tema metropolis of the Greater Accra Region. Data available from the Tema Metropolitan Assembly, Tema Development Cooperation (TDC) showed that there are about 15,000 SMEs with over 46,000 workers in the metropolis. However, it was not possible to interview all the firms as a result of time and resource constraints. There was the need to choose representative sample of the population so that accurate inferences can be made about the population.

Sample size and Sampling Techniques

A sample size of 120 was determined for this study through a multistage sampling procedure. The determination of the sample size follows Slovin's (1960) formula used to calculate sample size when little information is available for the population. The formula is given as follows:

$$n = \frac{N}{1 + Ne^2}$$

where n is the sample size, e is the margin of error (which is 0.10 with confidence level of 90%). Normally, 95% confidence level is used but in this study a lower 90% confidence level is chosen because of a high degree of uncertainties about the present number of firms in the metropolis (i.e. a higher e is expected). N is

the population of SMEs, which is 15,000 for this study. By substitution, the sample size (n) is computed

$$100 = \frac{15,000}{1 + 15000(0.1)^2}$$

However, this was increased to 120.

The choice of Tema as the study area was purposive, given that it is considered as the industrial hub of the country. The firms were also stratified into small and medium scale, after which the simple random sampling technique was employed to select the individual firms from the respective sub-samples. This was done through the use of the random number generator function in the SPSS to randomly pick respondents from the pool. The simple random sampling technique ensured that the respondents had equal chances of being picked from the sub samples.

Research Instrument and Data Collection Procedure

A questionnaire was designed and administered to collect data from the respondents (see Appendix). According to Fink (1995), the questionnaire as a tool is preferred because it is less expensive than other methods such as interviews and observation; it promises a wider coverage since the researcher can approach respondents more easily than other methods; it is stable, consisted and uniform, without variation, and it can be completed at a faster rate as compared to the others. The instrument contained both closed-ended and open-ended items generated from the research questions. The questionnaire had six sections as

follows: Section A contains questions on the socio-demographic indicators of respondents while sections B and C ask about business characteristics and sources of finance respectively. Section D also contains questions on the performance and prospects of businesses while section E asks about the challenges facing SMEs. Lastly, section F solicits for suggestions on coping with the challenges the firms face. The Likert scale was used in sections D and E. This is an instrument that gives respondents the opportunity to indicate their level of agreement for no or low level of perception/agreement to a high level.

An introductory letter was obtained from the Head of Department of Management to seek permission from SME owners and managers/employees. This letter enabled the researcher to explain the objectives of the study to the respondents before they were given copies of the questionnaire. Data collection was carried out in two main stages, namely; a pilot-study and the main study for a period of three months from April 10 to July 10, 2017. The data collection was done personally. Out of the 120 sample size, 110 responded, suggesting 91.7 per cent retrieval rate.

Both the primary and secondary data were collected. Primary data “is the data gathered specifically for the research project at hand” (Zikmund, 2003, p. 176). The author further argues that primary data does not exist prior to the research and is collected by researchers to address a specific research problem. He indicated that primary data can be collected with qualitative or quantitative research. However, in this study, only quantitative data were gathered through the use of questionnaire.

Pilot-Testing of Instrument

This involved two main processes. First questionnaire pre-testing with small segment of the respondents outside the study area but who share the same characteristics as respondents in the main study area. And second, questionnaire review after which the actual survey was carried out with the entire sample. The questionnaire pre-testing was meant to test the questionnaire feasibility and the extent of respondents' understanding of the questionnaires. It also helped to determine whether enough accurate and all needed information had been captured to address the objectives of the study. Thus, the pre-test gave the researcher the opportunity to ensure the validity and reliability of the questionnaire for the actual survey in the study area.

Copies of the questionnaire were piloted among 20 SMEs randomly selected from the Sekondi-Takoradi metropolis. This location and enterprises were chosen because they share similar characteristics with those within Tema metropolis in terms of business operational activities and location. Issues of validity and reliability were addressed using the pilot data.

The validity of the instruments for the study was also established by making the instrument available to the supervisor and colleagues from the Department of Management, School of Business, University of Cape Coast. Similarly, the piloted data were analysed to find the Cronbach alpha reliability coefficient. And a coefficient of 0.818 was obtained. Compared to the acceptable range of 0.600 or above as required by Cohen (cited in Leech, Barrett & Morgan, 2005), it was adjudged that the questionnaire was reliable and could be used for

the main data collection without any major revision. These, therefore, gave the researcher the green light to proceed to collect the main data from the actual study area, thus Tema metropolis.

Data Analysis

The data gathered from the field of study were edited to check contradictions and ensure consistency. Thereafter, the data were coded and captured in a template designed in the Statistical Product and Service Solutions (SPSS) version 21.0. The main statistical tools included tables, charts, frequencies and percentages.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter deals with the results and discussion of the data gathered from the respondents. The main purpose of the study was to identify the challenges and coping strategies of SMEs in the Tema Metropolis. To this end, the study specifically sought to find out the source(s) of funding available to SMEs, how SMEs are performing and their prospects, the challenges facing SMEs as well as their coping strategies.

Background Characteristics of Respondents

Data on the characteristics of the respondents were collected to better appreciate the understandings and opinions of the respondents in the study. This is because these variables might influence their responses either directly or indirectly. The personal characteristics examined included gender, business ownership status, age, marital status and highest education qualification. Table 2 presents further analysis on their gender distribution.

Table 2: Gender Distribution of Respondents

Gender	Frequency	Percentage
Males	79	71.8
Females	31	28.2
Total	110	100.0

Source: Field Data, 2017

Table 2 reveals that majority of the respondents were males (71.8%) compared to 28.2% of females. This, however, contradicts the long held view that female entrepreneurs dominate the small and medium scale business landscape. Tema metropolis touts itself as the business hub of Ghana, but has witnessed a visible decline in economic activities in recent times.

Also, the researcher enquired about the ownership status of the businesses. The ownership of the business also, to a large extent, has influence on the knowledge and understanding of the operations of the business. Table 3 presents the details.

Table 3: Business Ownership Status of Respondents

Ownership status	Males		Females		Total	
	Freq.	%	Freq.	%	Freq.	%
Owners	44	55.7	14	45.1	58	52.7
Managers	17	21.5	11	35.5	28	25.5
Staff	18	22.8	6	19.4	24	21.8
Total	79	100.0	31	100.0	110	100.0

Source: Field Data, 2017

More than half of the respondents were owners who control the business operations of the sampled small and medium businesses within the metropolis. Out of the 110 respondents, 58 (52.7%) more were identified as owners as against 28 (25.5%) managers/manageresses and the remaining being employees. In terms of their gender distribution, majority (55.7%) were male owners compared to 17 (21.5%) managers and 18 (22.8%) staff members. Similarly, there were 14

(45.1%) female owners as against 11 (35.5%) manageresses and six (19.4%) employees. The involvement of all relevant stakeholders (owners, managers and workers) in any business enterprise in this study is laudable since appropriate and indepth information would be gathered. Table 4 presents the age of the respondents. Furthermore, the analysis was gender base.

Table 4: Age of Respondents

Age (in years)	Males		Females		Total	
	Freq.	%	Freq.	%	Freq.	%
Less than 30	19	24.1	6	19.4	18	16.4
30 – 40	6	7.6	19	61.3	25	22.7
41 – 50	43	54.4	6	19.4	49	44.5
51 – 60	6	7.6	0	0.0	6	5.5
61 and above	5	6.3	0	0.0	5	4.5
Total	79	100.0	31	100.0	110	100.0

Source: Field Data, 2017

As shown in Table 4, the modal age of the respondents was 41-50 years, with 44.5 per cent of the respondents. Twenty-five representing 22.7 per cent were aged 30-40 years, followed by 18 (16.4%) who were less than 30 years and six representing 5.5 per cent were 51-60 years. Interestingly, none of the female respondents was aged above 50 years in this study. Age of business operators, especially in Ghana is considered as a critical determining factor in the running of a thriving private business as their functions involve a lot of physical activities.

Unlike in the past, the younger ones are now into business, compared to the older ones. In a related development, Table 5 shows the marital status of the respondents.

Table 5: Marital Status of Respondents

Marital status	Males		Females		Total	
	Freq.	%	Freq.	%	Freq.	%
Married	73	92.4	19	61.3	92	83.6
Single	6	7.6	12	38.7	18	16.4
Total	79	100.0	31	100.0	110	100.0

Source: Field Data, 2017

A large percentage of the respondents were found to be married. Thus, as many as 92, representing 83.6 per cent of them were married. This compared to 18 (16.4%) who were not. Among the male respondents, 73 (92.4%) were married while six representing 7.6 per cent were single. On the other hand, 19 (61.3%) of them females were found to be married, as against 12 (38.7%) who were single. In terms of their educational qualifications, Table 6 presents the details.

Table 6: Highest Educational Qualification of Respondents

Qualification	Males		Females		Total	
	Freq.	%	Freq.	%	Freq.	%
Basic	5	6.4	6	19.4	11	10.0
Secondary	38	46.1	0	0.0	38	34.5
Tertiary	36	45.5	25	80.6	61	55.5
Total	79	100.0	31	100.0	110	100.0

Source: Field Data, 2017

More than half of the respondents had had tertiary level education. Specifically, 61 (55.5%) were HND, bachelors and master's degree holders. Also, 11 (10.0%) and 38 (34.5%) of the respondents had obtained basic and secondary education respectively. Several studies have found that the level of education of business operator is positively related to the success/profitability of the business, hence a higher educational attainment might achieve more than those with low educational attainment. Generally, it can be concluded that the respondents appeared to be fairly educated as none was uneducated, which is a good omen for any promising business venture.

Characteristics of Business Entities

The features of the businesses sampled for the study are also discussed. The characteristics studied included the age, capital size and number of employees of the businesses. Tables 7 to 9 present the details.

Table 7: Age of Businesses

Age (in years)	Frequency	Percentage
Less than 5	30	27.3
5 – 10	35	31.8
11 – 15	34	30.9
16 or more	11	10.0
Total	110	100.0

Source: Field Data, 2017

As shown in Table 7, the businesses selected in this study were largely old. It was found that 80 (72.7%) had been operating for five years or more. In

fact, 35 (31.8%) of the businesses had operated for 5-10 years, 34 (30.9%) for 11-15 years, while 11 (10.0%) for 16 years or more. However, 30 (27.3%) had been in existence for less than five years. Hence, the average age of the businesses sample was 5-10 years. Again, the capital being used to run the businesses are tabulated in Table 8.

Table 8: Capital Size of Businesses

Size (GH¢)	Frequency	Percentage
Less than 50,000	52	47.3
50,000-1 Million	18	16.4
More than 1 Million	28	25.5
Unknown/undisclosed	12	10.9
Total	110	100.0

Source: Field Data, 2017

Among the respondents, about 47 per cent of the respondents claimed to have less than a million Ghana Cedis as capital, while 28 (25.5%) had more than a million Ghana Cedis. It was also found that 18 representing 16.4 per cent of them between GH¢50,000- GH¢1million as capital. Interesting, however, a good number of them (12 representing 10.9%) could not specify their capital sizes. This could be deliberate or otherwise. In all, the businesses sampled appeared to have some appreciable amount of capital. The adequacy or otherwise of this amount would be interrogated later in the study. With regard to the number of employees each of them had, their responses are summarised in Table 9. A large proportion, 76 representing 69.1% of the businesses employed less than 10 workers. Also, 22

representing 20.0 per cent had employed 10-99 workers, while only six, constituting 5.5 per cent were found to have employed at least 100 workers. In Ghana, the informal sectors (of which small and medium scale businesses) provides more than 75.0 per cent of employment (Ghana Statistical Service, 2015) despite being largely ‘unformalised’ sectors.

Table 9: Number of Employees

Response	Frequency	Percentage
Less than 10	76	69.1
10 – 29	10	9.1
30 – 99	12	10.9
100 or more	6	5.5
Unknown/undisclosed	6	5.5
Total	110	100.0

Source: Field Data, 2017

Sources of Funding available to SMEs in the Tema Metropolis

This research question sought to identify the key finance sources available to small and medium scale businesses within the metropolis. Also, the study further attempted to assess the contribution of each finance source to the capital base of their businesses. The capital sources identified were personal savings, loans, credits and foreign grants among others.

Table 10: Major Sources of Finance

Sources	Frequency	Percentage
Personal savings	41	37.3
Loans from friends/relatives	23	20.9
Both personal savings and loans	18	16.4
Bank loans	12	10.9
Credits	8	7.3
Foreign grants	5	4.5
Others	3	2.7
Total	110	100.0

Source: Field Data, 2017

The results showed that personal savings remained the main source of capital for these respondents. About 37 per cent of the respondents identified this source as their major source of capital. Loans from friends and relatives was also a common source of capital among the respondents, while the combination of savings and loans was also mentioned by 18 (16.4%) of the respondents. Similarly, 12 (10.9%) said loans secured from their bankers remained their major source of capital, while a few of them mentioned credits and foreign grants as their sources of capital. When asked about the reasons/factors which determined their choice of capital sources, they cited interest rates, easy access, collateral requirement, reliability, convenience, flexible payment terms, risk involved, among others.

Table 11 presents the distribution of the number of people who secured capital from personal savings. It was classified into less than half, half and more than half.

Table 11: Percentage of Personal Saving as Capital Source (n=41)

Response	Frequency	Percentage
Less than half (below 50%)	30	73.2
Half (50%)	6	14.6
More than half (more than 50%)	5	12.2
Total	41	100.0

Source: Field Data, 2017

Among the 41 respondents who depended on personal savings, 30 (73.2%) said personal savings contributed less than 50.0 per cent of their capital, while six representing 14.6 per cent said ‘half.’ However, five representing 12.2 per cent revealed that personal savings constituted more than 50.0 per cent of their capital size. It has been found that personal savings remains the most dominant source of capital for entrepreneurs, especially in the country. The key reasons for this source were that it comes with no interest charges, very flexible and convenient. They also pointed out that such capital source requires no collaterals, which they did not even have. Similarly, the views of the respondents regarding loans from friends and relatives are presented in Table 12.

Table 12: Percentage of Loans from Friends/Relatives (n=23)

Response	Frequency	Percentage
Less than half (below 50%)	19	82.6
Half (50%)	4	17.4
More than half (more than 50%)	0	0.0
Total	23	100.0

Source: Field Data, 2017

Out of the 23 respondents who identified loans from friends and relatives as their major source of capital, a large majority (82.6%) of them however said it constituted less than half of their capital. Also, the remaining four representing 17.4 per cent said that made up their 50.0 per cent of capital. This capital source used to be a common in the past, but not now as many families had been destroyed due to the inability on the part of borrowers to repay the loans. With regard to bank loans, Table 13 has the details.

Table 13: Percentage of Bank Loans as Capital Source (n=12)

Response	Frequency	Percentage
Less than half (below 50%)	4	31.4
Half (50%)	2	17.2
More than half (more than 50%)	6	51.4
Total	12	100.0

Source: Field Data, 2017

As shown in Table 13, out of the 12 respondents who went for bank loans, half of them claimed that this source made up more than half of their capital size

at 51.4%. Also, four representing 31.4 per cent said loans from the bank was less than half of their capital, while two representing 17.2 per cent claimed loans from the bank constituted 50.0 per cent of their capital. The main reasons adduced for the low contracting of bank loans included high interest rates, demand for collaterals and the unpredictable nature of their businesses. Another source of capital identified was family inheritance. Table 14 presents the details about this capital source.

Table 14: Percentage of Family Inheritance as Capital Source (n=3)

Response	Frequency	Percentage
Less than half (below 50%)	3	100.0
Half (50%)	0	0.0
More than half (more than 50%)	0	0.0
Total	3	100.0

Source: Field Data, 2017

Furthermore, the researcher sought to understand whether or not the capital available to the business operators was adequate. Figure 2 presents the results from the respondents. The results shows that majority of them (53.6%) said their capital was inadequate relative to the nature of their businesses.

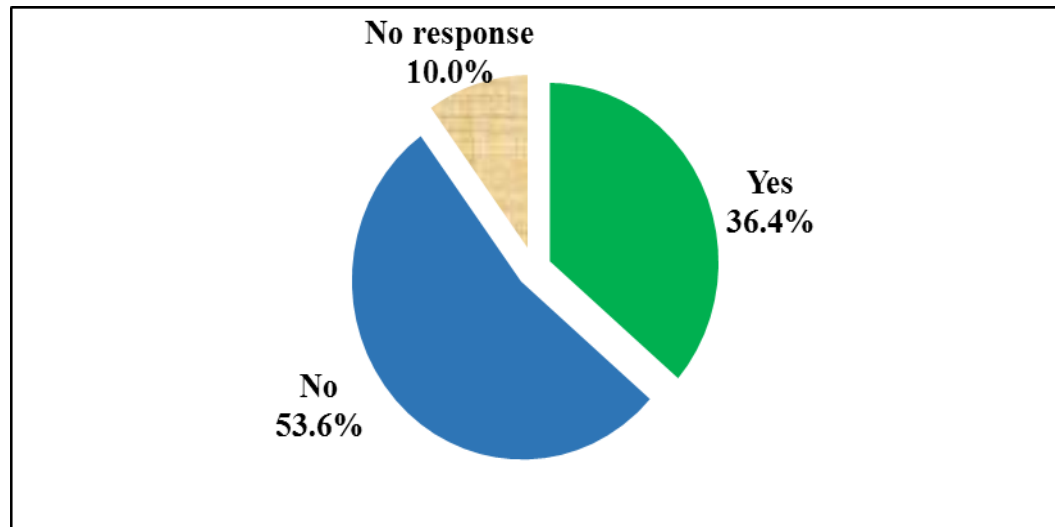


Figure 3. Adequacy of capital for operations

In conclusion to the research question that, “What are the sources of finding available to SMEs in the metropolis?”, the study found that personal savings (37.3%), loans from friends/relatives (20.9%), personal savings plus loans (16.4%) and bank loans (10.0%) were the main sources of capital available to the business operators within the metropolis. This finding is consistent with that of Abor and Biekpe (2006) that majority of SMEs are unaware of several financing schemes available to them in the country as identified by Mensah (2004). Also, Asare (2014) and Cofie (2012) found in their studies that financing for small and medium enterprises comes from personally saving of firm owners and sometimes from friends and family. This pool of financial resource, they conceded, is limited and cannot sustain the lifespan of these enterprises.

The main determinants of their choice of capital source(s), according to the respondents, included interest rates, flexibility and collateral requirement. Again, the study revealed that the capital available to the businesses sampled was woefully inadequate to commensurate with their operations. Thus, most of the

businesses had less than GH¢50,000 and employed less than 10 employees. Documentation requirements by banks and other financial institutions Cofie (2012) as well as high interest rates (Ayeetey et al., 1994) are considered as key challenges to many SMEs.

Performance of SMEs in the Metropolis

The aim of this research question was to assess the operational activities of small and medium scale businesses within the Tema metropolis. It examined the performance as well as prospects of these businesses taking into account indicators such as cost/expenditure, employment, physical expansion, customer base, sales and profit status of the businesses. The analysis in Table 15 seeks to address the above research question.

Table 15: Performance of Businesses in the Metropolis

Indicators/responses	Frequency	Percentage
<i>Cost/expenditure (N=110)</i>		
Extremely well	5	4.5
Very well	6	5.5
Well	40	36.4
Slightly well	36	32.7
Not well	23	20.9
<i>Employment (N=110)</i>		
Extremely well	0	0.0
Very well	12	10.9
Well	35	31.8
Slightly well	46	41.8
Not well	17	15.5
<i>Physical expansion (N=110)</i>		
Extremely well	5	4.5
Very well	35	31.8
Well	17	15.5

Slightly well	24	21.8
Not well	29	26.4
Customer base (N=110)		
Extremely well	6	5.5
Very well	11	10.0
Well	45	40.9
Slightly well	30	27.3
Not well	18	16.4
Sales (n=104)		
Extremely well	6	5.8
Very well	23	22.1
Well	22	21.2
Slightly well	35	33.7
Not well	18	17.3
Profit (N=110)		
Extremely well	5	4.5
Very well	18	16.4
Well	29	26.4
Slightly well	34	30.9
Not well	24	21.8

Source: Field Data, 2017

Table 15 reveals that not many of the businesses sampled had done so well with respect to their expenditure or cost. This is because only 11 (10.0%) of them indicated that they did they well and extremely well, while 40 (36.4%) said “well.” Also, 36 (32.7%) responded that they did slightly well with issues concerning their expenditures, while the remaining 23 (20.3%) did not do well at all. The implication is that, generally, many business operators found it quite difficult to control their cost/expenditure elements. Similarly, none of the respondents had indicated that they performed extremely well with employment. However, 47 (42.7%) of them claimed to have done well or very well, while 46 (41.8%) said slightly well. As many as 17 (15.5%) of them were emphatic that they had not done well at all with employment. On the physical expansion of their businesses, their responses signalled an expansion drive as 73.6 per cent

responded in the affirmative. Meanwhile, 29 (26.4%) said they had not embarked upon any physical expansion activities.

With regard to customer base, majority of them appeared to have developed a strong customer base over the years. In fact, 17 representing 15.5 per cent said their customer base was performing very or extremely well. Also, 83 per cent of the respondents appeared to be impressed with the performance of their sales, while 86 (78.2%) expressed satisfaction with their profit figures.

Generally, the findings revealed that the businesses were performing quite well. Thus, in order of importance, the business operators were largely satisfied with their performance with employment (84.5%), customer base (83.7%), sales (82.8%), cost/expenditure (79.1%), profit (73.6%) and physical expansion (73.6%).

Researchers like Achtenhage et al. (2005) and Allinson et al. (2006) measured business performance in terms of sales, assets, employment, productivity and profit margins. Meanwhile, Achtenhage et al. (2005) maintained that all measures have particular merits and demerits in appreciating the trend of growth but some variations make systematic knowledge build-up and comparisons problematic.

Prospects of SMEs in the Tema Metropolis

The aim of this research question was to profile the prospects of the various companies so as to assess their viability in the short and medium terms. The prospects involved cost/expenditure, employment, physical expansion,

customer base, sales, profit and growth. Table 16 presents the summary of the results.

Table 16: Prospects of Businesses in the Metropolis

Prospect indicators	Frequency	Percentage
<i>Cost/expenditure (N=110)</i>		
Good	69	62.7
Uncertain	30	27.3
Bad	11	10.0
<i>Employment (N=110)</i>		
Good	59	53.6
Uncertain	51	46.4
Bad	0	0.0
<i>Physical expansion (N=110)</i>		
Good	58	52.7
Uncertain	47	42.8
Bad	5	4.5
<i>Customer base (N=110)</i>		
Good	81	73.6
Uncertain	29	26.4
Bad	0	0.0
<i>Sales (n=104)</i>		
Good	57	54.8
Uncertain	47	39.4
Bad	0	0.0
<i>Profit (N=104)</i>		
Good	46	44.2
Uncertain	52	50.0
Bad	6	5.8
<i>Growth (N=110)</i>		
Good	63	57.3
Uncertain	47	42.7
Bad	0	0.0

Source: Field Data, 2017

As shown in Table 16, about 63 per cent of the business operators saw their cost or expenditure as good, as against 30 (27.3%) and 11 (10.0%) who

indicated uncertain and bad, respectively. This means that the respondents were generally having positive views about the future of their businesses with regard to cost. Also, whilst majority of the respondents (53.6%) rated the employment prospects of their entities as good, the remaining 51 (46.4%) indicated that they were not sure. The implication is that the prospects of the companies with respect to employment was not bright. Out of the 110 respondents, a little over 52.7 per cent of them had revealed that their physical expansion prospect was good, while 47 (42.8%) and five representing 4.5 per cent said 'uncertain' and 'bad'.

With regards to their customer base, 81 (73.6%) rated it as being good. However, the remaining 29 (26.4%) said it was bad. This means that the businesses expect to increase the number of their customers in the foreseeable future. Similarly, whilst 57 (54.8%) expected their sales to pick up in the year, less than half of them (44.2%) had good views about their profit prospects. With regard to the business growth, 63 (57.3%) of the businesses operators expressed confidence about the growth of their businesses, while 47 (42.7%) were pessimistic about the growth of their businesses in the future.

In conclusion to the research question, the respondents were generally having positive views about the prospect of their businesses, indicated by 57.0 per cent of them. The main prospect indicators included customer base, cost or expenditure, growth and sales. However, the prospects for profits remained relatively unfavorable. Anggadwita and Mustafid (2013) found that entrepreneurial skills and competence of human resource are positive and significant determinants of firms' performance, while Pletney and Barkhatove's

(2015) results showed a positive correlation between entrepreneurs' social responsibility and economic efficiency. In other words, if there is equity in the salaries of management and workers such that the latter do not feel cheated they would give out the best which would lead to growth of the firm.

Challenges Facing SMEs in the Metropolis

The study further explored the challenges facing the SMEs in the metropolis in order to seek their views with regard to how they could be ameliorated. Some key business-related challenges were identified and rated. Table 17 summarises the responses of the respondents.

Table 17: Challenges facing Businesses in the Metropolis

Challenges	Frequency	Percentage
<i>Cost of raw materials (n=104)</i>		
Extremely challenging	11	10.6
Highly challenging	12	11.5
Challenging	22	21.2
Slightly challenging	29	27.9
Not challenging	30	28.8
<i>Non-availability of raw materials (n=98)</i>		
Extremely challenging	0	0.0
Highly challenging	28	28.6
Challenging	5	5.1
Slightly challenging	30	30.6
Not challenging	35	35.7
<i>Utility bills (Electricity and Water) (N=110)</i>		
Extremely challenging	22	20.0
Highly challenging	12	10.9
Challenging	42	38.1
Slightly challenging	6	5.5
Not challenging	28	25.5
<i>Salary for workers (n=93)</i>		
Extremely challenging	12	13.0
Highly challenging	6	6.5

Challenging	28	30.1
Slightly challenging	24	25.8
Not challenging	23	24.6
<i>High interest rates (n=93)</i>		
Extremely challenging	24	25.8
Highly challenging	16	17.2
Challenging	30	32.3
Slightly challenging	11	11.8
Not challenging	12	12.9
<i>Depreciation of the Ghana Cedi (n=93)</i>		
Extremely challenging	22	23.7
Highly challenging	24	25.8
Challenging	24	25.8
Slightly challenging	17	18.3
Not challenging	6	6.5
<i>High taxes (n=105)</i>		
Extremely challenging	28	26.7
Highly challenging	18	17.1
Challenging	47	44.8
Slightly challenging	6	5.7
Not challenging	6	5.7
<i>High rent cost (N=110)</i>		
Extremely challenging	23	20.9
Highly challenging	30	27.3
Challenging	35	31.8
Slightly challenging	11	10.0
Not challenging	11	10.0
<i>Low demand/sales (n=92)</i>		
Extremely challenging	11	12.0
Highly challenging	12	13.0
Challenging	34	37.0
Slightly challenging	29	31.5
Not challenging	6	6.5
<i>Theft and burglary (n=104)</i>		
Extremely challenging	0	0.0
Highly challenging	11	10.6
Challenging	12	11.5
Slightly challenging	57	54.8
Not challenging	24	23.1
<i>Land litigation (n=84)</i>		
Extremely challenging	0	0.0

Highly challenging	18	20.9
Challenging	5	5.8
Slightly challenging	17	19.8
Not challenging	46	53.5
<i>Family interference (n=99)</i>		
Extremely challenging	6	6.1
Highly challenging	6	6.1
Challenging	17	17.2
Slightly challenging	12	12.1
Not challenging	58	58.5
<i>Lack of technology (n=105)</i>		
Extremely challenging	6	5.7
Highly challenging	11	10.5
Challenging	29	27.6
Slightly challenging	30	28.6
Not challenging	29	27.6
<i>Poor book-keeping (n=88)</i>		
Extremely challenging	12	13.6
Highly challenging	6	6.8
Challenging	6	6.8
Slightly challenging	17	19.3
Not challenging	47	53.4

Source: Field Data, 2017

The results show that 23 (22.1%) of the respondents rated the cost of raw materials as extremely and highly challenging problem facing their businesses. Also, 22 (21.2%) of them considered it as challenging, 29 (27.9%) said slightly challenging, while the remaining majority claimed the cost of raw materials was not a challenge. Similarly, among 98 respondents, 63 (64.3%) said the non-availability of raw materials was also a challenge to their operations. Parker et al. (1995) mentioned that raw materials as a major concern in the micro-enterprise sector. With regard to utility bills, 82 (74.5%) respondents agreed that utility (electricity and water) bills were so high and that was a challenge. Meanwhile, 28 (25.5%) did not see this as a difficulty. Also, a larger percentage of the respondents (75.4%) had indicated that salaries of their workers did not pose a

challenge to their operations. As revealed by Business and Financial Times (2014), high bills of and frequent electricity and water interruptions was impeding the successful running of small and medium-scale enterprises in the country.

About 87 per cent of them also complained bitterly about the prevailing interest rates, which make cost of capital expensive. According to Aryeetey et al. (1994), they found that 38% of the SMEs surveyed mentioned lack of credit as a constraint. Similarly, Abor and Biekpe (2006) and Parker et al. (1995) identified the lack of access to credit facilities as the major constraint to the development of SMEs all over the world and Ghana is no exception. Similarly, Levy (1993) mentioned that limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their low growth and development.

On the depreciation of the Cedi, as many as 46 (49.5%) and 24 (25.8%) rated this challenge as extremely and highly challenging and challenging, respectively. Meanwhile, 17 (18.3%) of the respondents considered the fall of the local currency as a little problem, while 23 (24.8%) of the respondents regarded the depreciation of the local currency as not a challenge. This agrees with the findings of Business and Financial Times (2014) that deprecation of the Cedi was a great concern for businesses.

Business owners and operators also complained about taxes imposed on their activities. Among the respondents, 46 (43.8%) rated this challenge as extremely and highly challenging, while 41 (44.1%) said it was either challenging or slightly challenging. Meanwhile, 12 (11.4%) of them had downplayed the

impact of taxes on their businesses. In Kemayel (2015) study, macroeconomic factors and government policies had negative effect on firms' performance. Also, rent cost appeared to be one of the greatest challenges of the business operators as indicated by 90.0 per cent of them. Out of 92 respondents, 86 (93.5%) of them were worried about the low level of demand they had recorded. With regard to the spate of theft and burglary within the metropolis, majority of the respondent (76.9%) said it was a challenge to their activities.

Land litigation issues appeared not to be a challenge to most of the respondents. Only 40 (46.5%) of them, however, claimed it was a challenge to them. Similarly, as many as 58 (58.5%) of them did not consider family interferences as a challenge to their business operations, while the remaining thought otherwise. On the lack of technology, 76 (72.4%) of the respondents, said it was a challenge to them. This agrees with Nyagah (2009) and World Bank (2009) that SMEs tend to have productivity and they are weak in terms of competition which is the result of using inefficient technology, not maximising machinery utility and not improving in technology due to the limitation of funding and most SMEs are mainly users of technology, not adaptors of technology.

Meanwhile, out of 88 respondents, less than half of them (46.5%) reported to have a challenge with book-keeping. According to Cofie (2012), low level of education of entrepreneurs limit their capacity to deal with plans that can lead to business growth like keeping proper books of records, preparing business plan, taking advocacy issues to support their businesses and also look for more training

programmes to improve their businesses which is normally run by development organisations like NBSSI.

In conclusion, the main challenges facing SMEs in the metropolis were high taxes (94.3%), Cedi depreciation (93.6%), low demand/sales (93.5%), and high rent cost (90.0%). Others identified included high interest/lending rates from financial institutions (87.1%), theft and burglary (76.9%), payment of salaries (75.4%), utility bills (74.5%) and lack of technology (72.4%). In the study by De Vera (2012) the major challenges of the firms were categorised under marketing, production, organization and finance while in Agwu and Emeti's (2014) study, poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting the SMEs in Port-Harcourt City of Nigeria. In the case of Fusein (2015), access to finance was the most important. Others were access to land, electricity problems, taxes, customs and trade regulations and competition from external firms.

Coping Strategies Employed by SMEs

The researcher also sought to understand how these business operators were able remain in operation in the face of the challenges identified earlier. Therefore, they were asked to indicate the coping strategies they had put in place. Table 18 presents the summary of their coping strategies.

Table 18: Coping Strategies adopted by Business Operators

Strategies	Frequency	Percentage
Bulk purchasing	30	27.2
Judicious use of materials	25	22.7

Bargaining	15	13.6
Negotiation of salaries	14	12.7
Target marketing	11	10.3
Training of workers	8	7.2
Advertisement (using social media)	7	6.3
Total	110	100.0

Source: Field Data, 2017

As shown in Table 18, 30 (27.2%) of the respondents reported to have employed the strategy of buying their materials/inputs in bulk. This was seen as the means to reduce purchasing cost as well as avoiding the effects of currency depreciation. The business operators also employed the strategy of using their (raw) materials very judiciously. This was reported by 25 (22.7%) of the respondents, while 15 (13.6%) claimed they also bargained for price reduction.

In addition to the use of the above strategies, a number of the respondents also sometimes engaged in salary negotiations with their workers. This is usually done when their operations cost is extremely high. Similarly, 11 (10.3%) said they adopted the means of target marketing, while 8 (7.2%) indicated that they rather trained their workers adequately in order to be more efficient. Seven representing 6.3 per cent also reported of using social and other traditional advertisement media to reach out to a large segment of buyers. The use of social media for adverts is said to be relatively the cheapest cost, compared to the print, radio and television means.

In conclusion, it can be deduced that the main coping strategies used by businesses in the metropolis were purchasing in bulk as well as using materials judiciously. Bargaining for price reduction of inputs and negotiating salaries of

employees especially when business was not profitable were other strategies adopted. In the study by De Vera (2012), the coping and adaptation strategies that were suggested to overcome the problems in Philippines were as follows: a more aggressive marketing through advertisements and promotions; the need to set up quality control systems; the need to formalize job evaluation of workers; and the need to improve accounting records.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents an overview of the entire work. It contains the summary of the study, the key findings, the conclusions drawn based on the findings, and the recommendations made. It also presents some suggested topics that could serve as basis for further research.

Summary

This study attempted to identify the challenges and coping strategies of small and medium-scale businesses in the Tema metropolis. It specifically sought to identify the source(s) of funding available to SMEs, their performance and prospects. Also, the researcher identified and examined the challenges facing SMEs as well as the various coping strategies employed to reduce the militating effects of these challenges. Descriptive survey methodology was adopted to collect relevant data and analyse same using basic descriptive data analysis techniques. With respect to the background of the respondents, the analysis revealed that majority of the 110 respondents were males (71.8%), compared to 28.2% of females. Also, 58 (52.7%) of them were owners, while 28 (25.5%) were managers/manageresses and the remaining being employees.

In terms of their ages, it was found that most of the respondents (44.5%) were aged 41-50 years and 83.6 per cent of them were also married. Similarly, all the respondents were found to have formal education with more than half having tertiary education. With regard to the characteristics of the businesses involved in

this study, the results showed that 62.7% of them had been in existence for 5-15 years with most having a workforce of 10 employees. In terms of their capitals, 47.3 per cent had capital less than GH¢50,000.00.

Key Findings

The following findings were arrived at based on the research questions posed:

1. The main sources of capital for the respondents were personal savings (37.3%), loans from friends/relatives (20.9%), personal savings plus loans (16.4%) and bank loans (10.9%). The main determinants of their choice of capital source(s) included interest rates, flexibility and collateral requirement. Again, the study revealed that the capital available to the businesses sampled was woefully inadequate to commensurate with their operations. Thus, most of the businesses had less than GH¢50,000 and employed less than 10 employees.
2. The businesses sampled were found to be performing quite well. Thus, in order of importance, the business operators were largely satisfied with their performance with employment (84.5%), customer base (83.7%), sales (82.8%), cost/expenditure (79.1%), profit (73.6%) and physical expansion (73.6%).
3. The respondents were generally having positive views about the prospect of their businesses, indicated by 57.0 per cent of them. The main prospect

indicators included customer base, cost or expenditure, growth and sales. However, the prospect for profits remained relatively subdued.

4. The main challenges facing businesses in the metropolis were high taxes (94.3%), Cedi depreciation (93.6%), low demand/sales (93.5%), and high rent cost (90.0%). Others identified included high interest/lending rates from financial institutions (87.1%), theft and burglary (76.9%), payment of salaries (75.4%), utility bills (74.5%) and lack of technology (72.4%).
5. Bulk purchasing and the judicious use of input materials were identified as the main coping strategies used by businesses within the metropolis. Bargaining for price reduction of inputs and negotiating salaries with employees especially when business was not profitable were other strategies adopted.

Conclusions

The study assessed the challenges and coping strategies of small and medium-scale enterprises (SMEs) in the Tema metropolis. The sources of capital available to these businesses are vast and varied with personal savings, loans from friends/relatives, personal savings plus loans, and bank loans being the most patronised. The evidence suggests that not all above-mentioned sources are attractive to business operators, basically because of high interest rates, inflexibility, stringent collateral requirements, among others. This is responsible for the low capital available to the various SMEs within the metropolis, which they consider to be woefully inadequate to foot their expenditures.

Conclusively, however, there seems to be high expectations amongst business operators on the prosperity of their businesses. Although there could be other underlying reasons for their high expectations, they alluded to the indicators like customer base, cost or expenditure, growth and sales.

The study concludes that despite the major bottlenecks that these SMEs within the metropolis are experiencing, their coping strategies seemed to be effective. With the main challenges like high taxes, Cedi depreciation, low demand/sales, high rent cost, high interest/lending rates, theft and burglary, payment of salaries, high utility bills and lack of technology, it takes only prudent/strategic management skills of business operators to stay afloat. Clearly, the coping strategies (bulk buying, judicious use of inputs and bargaining for price reduction) employed appeared to be working perfectly well for them as a number of them were found to be performing quite well. However, a timely intervention by stakeholders, including the Government through the Ministry of Trade and Industry, Bank of Ghana and Association of Ghana Industries (AGI), among others is needed to avert the folding-up of many of these businesses.

Recommendations

Based on the research findings and the conclusions drawn, the following recommendations were made for practice and policy making:

Sources of capital: SMEs should explore all available sources of capital in order to secure the needed money to carry out their business operations. With most of them relying on personal savings because of high lending rates and collateral

requirements by banks and other financial institutions, it will remain difficult for them to beef up their capital size. Hence, the Bank of Ghana and Government must pursue means to improve access to capital as well as reduce the cost of capital.

Inadequate capital: Government through the Ministry of Trade and Industries (MoTI) should consider giving stimulus packages to these micro enterprises so as to stimulate local economic growth as well as generate employment for the teeming unemployed youth.

Prospects for businesses: Business operators should undertake strategic plans that would enable them to achieve their short-medium-long-term benefits as business people. Ingredients necessary to achieving these prospects must include providing favourable business environment in terms of reducing the high utility bills, import duties, bureaucracies and corruption.

Challenges facing businesses: Government should come to the aid of small and medium-scale enterprises (SMEs), especially those within the Tema metropolis. Specifically, reducing the high taxes, ensuring relatively stable exchange rate regime, boosting demand/sales through government expenditure (financial support), low rent cost and reduced interest/lending rates from financial institutions will eventually translate into friendly environment for especially private businesses. A timely intervention by stakeholders, including the

Government through the Ministry of Trade and Industry, Bank of Ghana and Association of Ghana Industries (AGI), among others is needed to avert the possible collapse of many of these businesses.

Staff training: Owners of businesses should endeavour to train their workers regularly. Based on their duties, they could be trained in the areas of general management, customer relations, book-keeping, material management, among others. This would enable these small and medium-scale enterprises to always be ahead of their contemporaries.

Use of modern advertisement techniques: Business managers could improve upon their marketing/sales when they employ modern means of advertisement based on strong market research. They should consider adopting modern techniques of advertisement together with traditional media. The use of online platforms, like Website, Facebook, WhatsApp, etc. are important and relevant methods these days.

Coping strategies: Business operators should continue to pursue their coping strategies, which actually appeared to be having positive impact on their business activities. Thus, bulk purchasing, judicious use of materials, price bargaining for inputs and salary negotiations are economically rational coping strategies.

Suggestions for Further Research

Researchers interested in this area of research should consider assessing the profitability and sustainability of small and medium-scale enterprises (SMEs) in the metropolis. The corporate governance approaches of these organisations must also be assessed for appropriate recommendations so that they could be better managed. Another study could also appraise the succession plans of these businesses. Also, studies could be done on the auditing, control and risk management techniques employed by SMEs within the metropolis.

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APPENDIX

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

QUESTIONNAIRE FOR SMEs

This study seeks to collect information from SMEs on the topic, “*Challenges and Coping Strategies of Small and Medium-scale Enterprises (SMEs) in the Tema Metropolis.*” I would, therefore, be happy if you could find time to complete the questionnaire. If you need further clarification, you can contact me on 0244674734 and 0208933196. You are fully assured of the confidentiality of all information provided.

Please tick [✓] or write where applicable.

SECTION A: SOCIO-DEMOGRAPHIC DATA

1. Category of respondent: Owner [] Manager/Manageress [] Staff []
2. Gender: Male [] Female []
3. Age (in years): Less than 30 [] 30 – 40 [] 41 – 50 [] 51 – 60 [] 61+ []
4. Marital status: Married [] Single [] Divorced/Separated [] Widowed []
5. Highest educational status: No Formal Education [] Basic [] Secondary [] Tertiary [] Others.....

SECTION B: BUSINESS CHARACTERISTICS

6. What does your business do?
7. How old is your business (in years)? Less than 5 [] 5-10 [] 11-15 []
16+[]
8. What is the size of your business in terms of the following?
- Capital?** Less than GH¢50,000 [] GH¢50,001-1Million [] More than
GH¢1M []
- Number of employees?** Less than 10 [] 10-29 [] 30-99 [] 100 and above []

SECTION C: SOURCES OF FINANCE

9. What are the major sources of capital for your business? (Please, tick [√] as many as applicable)
- Personal savings [] Bank loans [] Loans from friends/relatives []
Foreign grants [] Others.....
10. Why did you choose the above capital sources?
11. What is the proportion of the above sources of capital?

Source	Percentage (%)
Personal savings	
Inheritance/family assistance	
Bank loans	
Loans from friends/relatives	
Foreign grants	

12. Is your capital sufficient for your current operations level? Yes [] No []

SECTION D: PERFORMANCE AND PROSPECTS OF BUSINESSES

13. How is your business doing in terms of the following compared to targets?

Please tick [√].

Indicator	Not well	Slightly well	Well	Very well	Extremely well
Cost/expenditure					
Employment					
Physical expansion					
Customer base					
Sales					
Profit					

14. What are the prospects for your business in the following areas? Please tick

[√].

Indicator	Good	Uncertain	Bad
Cost/ expenditure			
Employment			
Physical expansion			
Customer base			
Sales			
Profit			
Growth of business			

SECTION E: CHALLENGES FACING SMEs

15. What are the **main** challenges facing the running of your business? (Rank with Not Challenging (NC), Slightly Challenging (SC), Challenging (C), Highly Challenging (HC), and Extremely Challenging (EC)).

Indicator	NC	SC	C	HC	EC
Cost of raw materials					
Non-availability of raw materials					
Utility bills (Electricity and Water)					
Salary for workers					
High interest rates					
Depreciation of the Ghana Cedi					
High taxes					
High rent cost					
Low demand/sales					
Theft and burglary					
Land litigation					
Family interferences					
Lack of technology					
Book-keeping					

SECTION F: SUGGESTIONS

16. What coping strategies do you adopt to cope with the challenges identified in

Q15?

(i)

(ii)

(iii).....

(iv).....

17. How can the challenges identified in Q15 be comprehensively addressed for your business to blossom?

- (i)
- (ii)
- (iii).....
- (iv).....
- (v)

Thank You .for Your Time!!!