

## **A Qualitative Approach to Examining the Challenges of Ghanaian Small and Medium Scale Enterprises (SMEs): The Case of New Juaben Municipality**

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### **Abstract**

The objective of this study was to find out the challenges of SMEs in New Juaben Municipality with reference to communication, market penetration, globalization, bookkeeping, regulations, technology, qualified staff etc. The methodology of the study was deductive approach. The researchers used observation, unstructured interview, reviewing of existing literature and records as method of data gathering. The sample size used was two hundred and forty two SME owners were observed, and interviewed. The findings of the study showed that with regards to access to funds/capital a number of financial intermediation schemes have been launched in the country but the effect on the SMEs is very little. The study also revealed that the local businesses (SMEs) have benefited very little from globalization but rather suffered much because of absence or inadequate government support. Another major challenge discovered was that most of SMEs lack strategic direction and the owners follow one another's vision in so far as they deem it fit Practical implications are discussed.

**Keywords:** Small and Medium Scale Enterprises (SMEs), Microfinance.

## 1.0 Introduction

According to Ahmed (2006), Small and Medium Scale Enterprises (SMEs) are sub-sectors of the industrial sector which plays crucial roles in industrial development. This suggests that SMEs are very crucial in shaping the developmental agenda of countries. Small and Medium Scale Enterprises (SMEs) as academically known over the years have had a great influence on the lives of individuals of the world's economy particularly, developing economies like Ghana. The SME market constitutes the vast majority of businesses in Ghana and have, over the years, evolved to become key suppliers and service providers to large corporations, including multinational and transnational corporations. Principally, they have contributed to expanding output, providing value-added activities in the manufacturing sector, creating employment opportunities especially in the services sector, and contributing to broadening Ghana's export base (Ghana Investment Promotion Centre, 2010).

Historically, the SMEs sector in Ghana has been in existence for a long time and there are lots of opportunities for this sector in the area of agriculture, tourism, information technology, services, energy, manufacturing etc. In his study, Ojo (2009) said that one of the responses to the challenges of development in developing countries particularly, Nigeria, is the encouragement of entrepreneurial development schemes.

This is a notion held by most of the developing countries and Ghana is no exception. The Ghana governments over the years have pledged to develop the private sector and also encourage the private sector to help drive the nation to a level of comfort for all. In Ghana, the private sector is hugely constituted by the SMEs. However, the SMEs within this sector are saddled with series of challenges and difficulties. Most of the productive poor and unemployed Ghanaians are engaged in self-employment in order to better their living and that of their families. This action subsequently has made Entrepreneurship a fast and better option in Ghana thereby reducing the rate of unemployment. Currently, employment seeking in corporate entities by the Ghanaian youth is declining. Again unemployment in the country is on the decline due to the fact that the youth are driven into establishing their own businesses. In the last decade, the Ghanaian economy has seen tremendous boom in the area of Small and Medium Scale businesses.

According to Acolatse, (2012) SMEs represent more than 90% of all businesses in Ghana SMEs occupy a central part of the Ghanaian economy. SMEs put food on the table of many Ghanaians. However, growth of these businesses seems a mirage as most of them collapse sooner after coming into existence. Most of these businesses also suffer from the actions and inactions of the bigger companies who do not mostly employ the local people and mostly too are foreign companies. Over the years the government of Ghana has enacted a number of policies to review the operations of Small and Medium Scale Enterprises and also to develop Small and Medium Scale Enterprises to a better status. Since the promulgation of PNDC Law 328 in 1991 to allow different categories of financial institutions including savings and loans companies, financial non-governmental organizations (FNGO) and Credit Union Associations (CUA) to provide a diverse range of financial services to Micro and Small Enterprises (MSEs), Small and Medium Scale Enterprises (SMEs) a lot has been done to promote the SMEs to greater height. Yet most of these SMEs have hardly seen the day light.

This paper therefore examines the various challenges that affect the development and growth of Small and Medium Scale Enterprises Ghana.

## Literature Review

### Overview of Small and Medium Scale Enterprises

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

Small business enterprises are all over the country and one cannot even recall the time their establishment came into being. They have diversified the nation's economic base and provided it with the opportunity of responding to a variety of market conditions. Barrow (1993) has observed that there has been major resurgence of small and medium scale enterprises throughout the world. It is observed that the definition of a small scale enterprise varies in different economies, but the underlying concepts are the same. There are the quantitative and non-quantitative definitions of SMEs.

According to Stokes and Wilson (2010), the EU law in 2005 adopted that SMEs should be defined by the number of employees, turnover and balance sheet total. This is expressed in table 1 below:

**Table 1**

Company category	Employees (headcount)	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

**Source:** Stokes and Wilson. Small business management and entrepreneurship, 6<sup>th</sup> Ed: 2010

This quantitative scale-measuring of what SMEs are is very important for policy purposes in the European Union (EU). The idea here is that it is objective and relatively simple to apply and also facilitate the use of statistical analysis but have some limitations. The number of people employed is dependent on the sector under which the business falls and this makes generalized comparison across sectors very difficult (Stokes and Wilson, 2010). According to Curran and Blackburn (2001), the use of numbers employed has become even more problematic as full-time employment has become less common with increasing number of part-time, casual and temporary workers. In the United States of America, any business with fewer than one hundred (100) employees is classified as "small" while a medium scale business refers to a business with fewer than five hundred (500) employees. (allbusiness.com 2010)

It can therefore be deduced that Small and Medium Scale Enterprises are enterprises that have the capacity to employ up to five hundred or at most five hundred (500) employees. In Ghana, these SMEs do not have up to five hundred (500) employees. Most have the capacity to employ between the numbers of 200 and 300. Again such SMEs tend to have branch (es) offices across the ten regions of the country. It is also known that most of these SMEs are owned by individual entrepreneurs. Only few are in the form of partnership or joint venture. According to Fees and Warren (1987), some of the activities the SMEs engage in include;

carpentry, blacksmithing, dressmaking, etc. However, in Ghana, most of the activities the SMEs engage in are manufacturing, (very often local products such as footwear, cloth making, herbal/orthodox medicines, agricultural tools, blacksmithing etc.), Radio/TV broadcasting, hospitality business especially restaurant, hotel/guest house business, importation of goods and selling of goods (especially in the area of electronics and electrical, cars, clothes etc.).

From allbusiness.com (2010), the abbreviation MSMEs occurs commonly in the European Union and in international organizations such as the World Bank, the United Nations and the World Trade Organization. In India, the term Micro and Small Enterprises is used and plays a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 39% of the manufacturing output and about 33% of the total export of the country. Also in South Africa, the term Small, Medium and Micro Enterprises (SMEs) is usually used, while in Nigeria, the term Small and Medium Scale Enterprises (SMEs) is generally used. (Oni and Daniya, 2012). In Ghana, the term SMEs is what is known and used with regards to such businesses.

An economic report on Africa by UNECA (2010) noted that MSMEs in Ghana could be categorised into urban and rural enterprises. The former could be sub-divided into `organised and unorganized enterprises. The organised ones tend to have employees on salary with a registered office whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home and employ little or in some cases no salary workers. They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (UNECA, 2010).

## **Challenges of SMEs in Ghana**

### **Communication**

One of the challenges affecting the success of SMEs and Micro enterprise within the municipality is the need for effective communication skills to negotiate favourably. Investigations by the researchers showed that majority of the owners of these SMEs have hardly gone beyond basic (junior high) and secondary (senior high) education and therefore lack the required communication skills. The predominant mode of communication among the SMEs is verbal and the language is local (Twi). The English language is hardly used and when used, the skill in communicating is not there making it difficult to articulate problems clearly. The quest for customer service relationship is not popular with the Ghanaian businesses in general and the small business enterprises in particular. (Acquah et al 2012)

The National Board for Small Scale Industries (NBSSI), the body for regulating activities of the SMEs over the last decade has been admonishing SMEs owners, particularly those who have less education, to upgrade their level of education. The rationale for this call is to help these small enterprises to compete in the growing economy and also help them bargain effectively for resources. The Economic Recovery Programme instituted in 1983 has broadened the institutional support for SMEs. The National Board for Small Scale Industries (NBSSI) has been established within the Ministry of Industry, Science and Technology to address the needs of small businesses. The NBSSI established an Entrepreneurial Development Programme, intended to train and assist persons with entrepreneurial abilities to becoming self-employed.

## **Market Penetration**

The municipality in 2002 could boast of about 200 MSMEs. Currently, the municipality has over 550 MSMEs but most of them are declining in operations and profits because of their inability to penetrate into the market. Market penetration is another big challenge for SMEs in the municipality. Big businesses within the municipality control the entire supply chain and also manipulate it to meet the needs of the customers. In an interview with some SMEs, these businesses also leverage high technology to keep cost in check in a way that cannot be copied by these SMEs. Careful investigation by the researchers revealed that almost all of these SMEs do not use modern technologies as do the big businesses. The most used is the computer.

In addition to this, the big businesses employ different soft-wares, huge and latest machinery, internet connectivity etc. making their business operations less expensive and cheaper. This has made penetration of the market difficult for the SMEs with fewer expensive goods. The phenomenon has led many of these MSMEs over the years die out. Again, these SMEs do not have partnership with financial institutions as the big businesses do which enable them to bundle a wide range of products and services to their customers. It is therefore difficult for the SMEs within the municipality to penetrate the market.

## **Qualified Staff**

Another challenge facing the SMEs in the municipality is the inability to find and also retain qualified staff. In Ghana, the SMEs cannot pay comparable wages and benefits as the big businesses offer. The researchers observed that remunerations range between GH¢100 and GH¢1,800 monthly and only those at management positions do earn between GH¢600 and GH¢1,800. Because of this, most professionals use the SMEs in the municipality as a stepping stone for a better paid job. This situation contradicts the 12<sup>th</sup> principle of Henry Fayol, “Stability of tenure of personnel” which is a recipe for organizational growth. For this reason, the SMEs within the municipality are not able to grow and most fold up because, the experiences learnt by these young professionals over the years which could be used to make the SMEs grow, are taken away to the big firms because of poor conditions of service in the SMEs.

## **Regulations**

With regards to regulations, the SMEs have to comply with a variety of regulations including obtaining permits and licenses. While necessary for the community’s well-being, this puts a burden on SMEs with regard to time and money that could have been used to grow the business.

India in 1947 was faced with extensive bureaucratic controls which stifled enterprises with an industrious licensing system that required approval from the Ministry of Industries before individual investments in new ventures could be made. This was a big regulation challenge to the Indian SMEs. However, a change in that policy in 1991 radically encouraged the private sector and also liberalized the economy (Stokes and Wilson, 2010). In Ghana, the situation is yet to change because the challenges with regards to regulatory bureaucratic controls still exist.

Environmental regulations, workplace rules and the paper work associated with tax compliance contribute to the burden. Most of these SMEs are burdened with numerous taxes including Market tax, Municipal tax, Business tax etc. with very minimal evidence in infrastructure such as roads, markets, hospitals etc. as indicated by these SMEs owners. Aside all these, most of these MSMEs in the country are at the mercy of harsh economic conditions that they have no control over. For example, in July 2013, the government of Ghana

announced the government's intention to raise corporate tax and as well introduce new taxes. According to the Head of Banking Supervision at the Bank of Ghana, Franklyn Belnye, the minimum capital requirement for microfinance institutions is being considered for upward adjustment (Ghanaian Chronicle, 2013).

## **Globalization**

Globalization has affected Ghanaian SMEs drastically, particularly companies that manufacture products for other countries at lower prices. The Ghanaian market today is flooded with numerous "Cheap" products from China competing with the locally manufactured products which seem expensive because of absence of economies of scales and cheap labour as enjoyed by China.

Tambunan, (2008) investigated the relationship between international trade liberalization at the macro level and its micro- or firm-level adjustment effects in the South African manufacturing industry. His findings suggested that there is a strong relationship between the average firm size and the volume of cross-border trade. It may be noted that the trade liberalization policies of the 1980s and even later exposed many SMEs to greater external competition than they were used to or could cope with. Aryeetey et al (1994) identified this problem in 12.5 percent of medium-sized enterprises in Ghana. Riedel et al (1998) reported that Tailors in Techiman who used to make several pairs of trousers in a month went without any orders with the coming into effect of trade the liberalization. In the municipality, the situation is no better as most of these SMEs are not able to compete with the foreign businesses due to this trade liberalization

Events such as multinational treaties like dollar rate fluctuations and new trade blocs have had and still have great impact on SMEs. The Economic Community of West African States (ECOWAS) treaties have also opened the flood gate of woes to the Ghanaian SMEs. Citizens of member states now freely move across borders to transact businesses. Though the Ghana government has regulations guiding the kind of businesses these foreigners can engage in, these laws seem ineffective as most of these foreigners are engaged in high-technology businesses rendering the indigenous SMEs powerless. In the mining sector for instance, the Chinese and the Nigerians have taken over the small scale mining industry leaving the indigenes struggling. This situation has resulted because the local SMEs are not fully empowered financially, technologically and legally to compete with these foreign SMEs' owners who come into the country with huge capital to start businesses as a result of the relative peace Ghana as well as the ECOWAS treaties.

## **Technology**

Another challenge identified in the municipality is the general laggard of SMEs in technology adoption. Reasons accounted for this posture is the high cost of keeping up with the latest technological innovations or advancement in this particular industry, especially in the last decade when the pace of technological advancement has been phenomenal. According to Curran (1997), one of the reasons for the Small Business Revival was Information Technology and new technologies which provided opportunities for new enterprises to develop and spread. However, the SMEs within the municipality have been battling with the risk of living with outdated technology which has high operational and administrative costs. The investigation showed that these SMEs owners have inadequate managerial experience and for that matter have less knowledge and most often very little interest in the use of technology.

Again, the new technology development which is supposed to make the SMEs grow and spread is so sophisticated and complicated that these SMEs operators find it very difficult to

apply in their daily operations because of their low levels of education. This challenge has left the SMEs in the municipality dwindling instead of expanding to provide job opportunities to the indigenes as well as generate more revenue for the government.

## **Funds/Capital**

The biggest challenge is the access to adequate capital and funds. Most of the SMEs within the municipality find it difficult to obtain finance, especially when they need start-up capital. Lenders (Commercial banks, Microfinance, Money lenders etc) require security for loans and most of these SMEs do not have adequate security to make them secure the loans they need.

There are two main sources of finance for micro and small scale enterprises in Ghana. These are the formal and informal sources. Formal sources of finance include commercial banks, investment banks, savings and loans associations, rural banks and also funds provided solely by the government with the support of donor agencies. It is said that, high interest rates, collateral requirements and cumbersome documentation demanded by the formal financial institutions deter many entrepreneurs such as dressmakers as well as hairdressers from easily accessing formal funds (Davenport 1967:134). Acquah (2012), banks and MFIs require collateral such as house, land, savings deposits etc. before granting loans to SMEs to fund or expand their operations.

In Ghana, Microfinance Institutions (MFIs) are the major source of funds for SMEs. However, the high rate of interest (8% -12% per month) coupled with unfavorable terms of payment makes it very difficult for these SMEs to service the loans collected. This phenomenon has led the MFIs refuse to support the SMEs. This situation has led the SMEs in the municipality to solely rely on internally generated funds (IGFs) which are woefully inadequate for expansion and growth. In the event that profits are not made, the SMEs begin to dwindle gradually over the years and eventually collapse. This explains the rampant decline and collapse of SMEs within the municipality. The investigation has also shown that most of these SMEs wind up in order paying the MFIs monies borrowed from them.

Most SMEs do not know that the government gives financial support in the form of grants to help them expand their operation. i.e. the knowledge gap. For example, in 1997, an amount of \$72,000 was disbursed to 1,400 small businesses in Ghana. The Ghana government again introduced Micro-Credit Schemes in the 2001&2002 periods to assist SMEs in Ghana. By the close of 2004, credit amounting to U\$101,322 had been granted to over 1,500 borrowers. The Ghana government in 2006 under the leadership of President John Agyekum Kuffour (Ex-President) made a great stride in establishing Microfinance and Small Loan Center (MASLOC) to help those unreached by the banks. Within two months of operation, over U\$161,700 had been disbursed to over 10,000 applicants within the Greater Accra Region alone. (Asiama and Osei, 2007). Studies by earlier researchers show that, to date, most of the SMEs within the municipality have not accessed any funds from MASLOC and do not even know anything about MASLOC. As a matter of fact, the most common source of funds for the SMEs within the municipality are family members and friends but these are not easy to get as most of these friends and family members cannot just trust the owner-managers with huge sums of money even with an agreement to pay back. (Asiama and Osei, 2007).

## **Lack of Strategic Director**

In order for experience growth, Henry Fayol advocates “unity of direction” as the 5<sup>th</sup> of his 14 management principles. In this direction, he said that businesses should have a common goal and a distinct direction for the organization. However, the situation is different with the SMEs in the municipality. The research revealed that the SMEs follow one another’s vision. This is to say that the owners tend to copy what one competitor is doing if it is found to be selling or

appealing to the market. Investigation by the researchers also revealed that one of the constraints for sustainable growth in SMEs within the municipality is basically as a result of lack of strategic direction in terms of a long term financial (management) plan. Most of them did not have up to 3 years long-term plan. The significance of this revelation is that it cut across all the SMEs specially the micro enterprises which seem to be the future of an emerging economy like Ghana. This challenge stems from the fact that the owners do not have rich managerial experience (high education) and for that reason do not see the significance of having a strategic plan for the business.

## **Bookkeeping System**

Tawiah (2004), identified lack of basic knowledge in bookkeeping and accounting as another major challenge resulting in inadequate or incomplete records. Mordedzi (1996) also identified illiteracy as a cause of improper books kept by small scale businesses. He said, small scale business operators are usually not well educated, they speak a variety of different languages and dialect, often busy and running their businesses single handedly. The phenomenon is same for the SMEs in the New Juaben Municipality. The researchers found out from the study that the reasons for the improper bookkeeping of their transactions were numerous. Most of them felt it was not necessary in so far as they could remember everything, while others too did not use money for intended purposes and therefore found it difficult to keep record. Another reason for the improper bookkeeping was to evade tax payment. It is a common practice to notice that most Ghanaian businessmen and women do not keep records or keep some minimum records on leaflet and in notebooks. (Obeng and Yiadom, 2008). This makes it difficult to assess the tax liability of such people.

## **Methodology**

This paper principally used observation, unstructured interview, existing literature and records relevant to the subject matter of the study. Using the deductive approach, the researchers were able to draw conclusions having critically observed, interviewed respondents and reviewed salient issues in existing literature and records. This method was adopted because time would not permit the use of questionnaire which ordinarily had to be administered to a sizeable number of small and medium scale enterprises, relevant government agencies, conventional banks, specialized banks as well as micro finance banks across the country. However, reviewing related works by other researchers gave the researchers insight which enabled them to draw reasonable conclusions.

## **Findings**

With respect to the reviewed literature as well as the unstructured interview and observation, it became very clear that over the years, micro, small and medium scale enterprises within the New Juaben Municipality are burdened with numerous challenges. Successive governments have tried to eliminate or reduce these challenges through formulation and implementation of various policies, programs and establishment of institutions.

With regards to access to funds/capital a number of financial intermediation schemes have been launched in the country with the objective of providing easy access to finance. For example, the government introduced the Micro-Credit Scheme in the 2001/2002. By close of 2004, credit amounting to U\$101,322 had been granted to over 1500 borrowers. Also the government launched a Micro-credit and Small Loans Fund as a follow-up to the earlier micro-credit scheme which became operational in 2006. The establishment of the fund was part of an ongoing initiative aimed at reducing poverty and promoting growth in the economy. Within two months of operation, over U\$161,700 had been disbursed to over 10,000 applicants within the Greater Accra Region alone. Surprisingly, the effect of this

disbursement was missing in the New Juaben Municipality as majority of the SMEs had not even heard of the (MASLOC) intervention by government since 2006. On the whole, MASLOC could not achieve much of its desired objectives because of political interferences, inappropriate administrative directives, lack of proper monitoring of beneficiaries' use of the funds etc. The study also revealed that the NBSSI Credit Scheme provided credit facilities to the SMEs. For example, in June, 2002, the NBSSI through its Revolving Fund Loan Scheme granted over U\$2.5million to about 273 MSMEs, the NBSSI had disbursed about U\$2,437 million to entrepreneurs in the Brong Ahafo, Eastern and Northern regions of Ghana.

With regards to the communication and training programs, the study also found that the government had done it in bits. The Economic Recovery Programme, Ghana Appropriate Technology Industrial Service (GRATIS) etc. are examples of programs instituted to train SMEs in the areas of use of technology, communication skills, management, etc in order to compete with foreign organisations as well as reduce dominance of foreign players in the sector. Again, it was evident that these programs hardly saw continuity in successive administrations. The municipality had seen less in terms of these interventions.

Though globalization offers some good benefits, the SMEs within the municipality rather suffer under globalization. "Cheap" products, cheap labour, economies of scale, international supports are some of the benefits globalization offers to businesses. Unfortunately, the local businesses (SMEs) tend not to benefit but rather suffer because of absence or inadequate government support. The open market has led to the influx of "cheap" products into the country, making the local businesses die out in the competition.

The study also revealed that the SMEs do not use any market penetration strategies. More seriously, most of these SMEs do not even have strategic plans to even include market penetration strategies and this is a major challenge. Another findings made was that the perennial challenges with regard to regulatory bureaucratic controls still exist. Day in and day out, the SMEs have to battle with new regulations which very often are not too conducive to them. For instance the upward adjustment of capital requirement for MFIs, tax increase is clear examples of regulatory challenges that the SMEs have to battle with.

On the basis of qualified staff/workforce, the situation is not different from other regions and countries. However, the study revealed that within the municipality, the SMEs were used as a stepping stone to better paid jobs. In that vein, the SMEs have suffered greatly from the "brain drain" syndrome making the industry an uncomfortable place to build a career in a chosen discipline. As far as the municipality is concerned, no interventions have been seen to address this issue. The situation seems to have been worsening with the current high unemployment rate in the country. Here, the big firms shy away from employing and training new employees and poach those trained by these SMEs. Particularly, the small businesses do not see the significance of proper bookkeeping in so far as the mind can remember. The study revealed that the major reason for improper bookkeeping by the SMEs was to avoid tax payment by reducing the profit component of their financial statements.

## **Conclusion**

From the study, there is absolutely no doubt that small and medium scale enterprises are saddled with challenges despite their enormous contribution to national development. These challenges identified are not absolute but predominant in the New Juaben Municipality. Eliminating these challenges will be a mirage as various interventions have not been able to stand the test of time due to political interference, poor implementation, poor administrative directives etc. Government and mandated state institutions have all contributed to streamlining the activities of the SMEs, however, more needs to be done with regards to implementation of policies and directives.

## Recommendations

### On the basis of the findings made, the paper recommends the following:

1. Government, Policymaking bodies should increase their effort in promoting private sector development, with SMEs taking the forefront in the area of funding and mode of funding. They know what will and can work for them and therefore, political colours should be taken away from government financial interventions/support to the SMEs.
2. The National Board for Small Scale Industries (NBSSI) should do more than just paying lips service. The body should put in place an annual educational program aimed at equipping the SME owners with low educational levels in areas such as bookkeeping, strategic management, customer service, market research, information technology etc. The program should be subject to review within a particular year with reference to changes taking place in the economy. The body can also collaborate with the government, to provide these SMEs with the needed technologies at subsidized cost to make them competitive enough. This will reduce the burden of these SMEs raising funds at exorbitant cost which eventually leads to the collapses of the businesses. This collaboration will help the local SMEs compete on level grounds with the foreign businesses and also be in a position to compete with the bigger firms.
3. Governments should review and enforce the country's international laws especially, the laws relating to the kinds of business foreigners can engage in and those reserved for only citizens. The study revealed that international treaties such as the ECOWAS treaty allowing free trade across borders and among member states created some challenges for the local SMEs due to the fact that certain laws were not adhered to fully. In this light the paper recommends, first of all, proper enforcement of the international laws. Again, the government should not offer a death ear whenever the SMEs raise any alarm about the operations.
4. Government policies which are aimed at SMEs' development should be made to top the list of policies aimed at developing the businesses in the private sector so as to reduce the perennial rural-urban migration. This paper also recommends that all administrative difficulties or challenges which make funds inaccessible to small and medium scale enterprises operators should be mitigated through appropriate measures like employing qualified and competent workforce to manage state institutions.
5. With regards to workforce and working conditions, this paper recommends that the SMEs should endeavor to engage the services of professionals and also provide good working conditions. The focus should not be on pay package alone but rather create conducive working environment and giving recognition through citation, and bonuses to hardworking employees. This will help boost the morale of the workforce and therefore reduce the "brain drain" in that sector. The singular act of improving the working conditions will also help strengthen the SMEs' sector and make it lucrative.
6. In the area of education, successive governments should enact policies that require that prospective business operators should at least have a secondary level of education. This, when done, will enhance effective communication and bargaining power, and promote the use of technologies in their operations to make them competitive within the open market. Again, in a country like Ghana, with high illiteracy rate coupled with poverty, the government should pay attention the informal education program to help the illiterate adults in business. The concentration should be on the 3Rs: Reading, Writing Arithmetic and information technology. This will equip them with the necessary skills to make them effective and competitive in the market place.

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