INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH

UNIVERSITY OF GHANA

AN EXPLORATION OF FACTORS THAT LEAD TO SUCCESS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN GA EAST MUNICIPALITY

BY

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THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF ARTS IN DEVELOPMENT STUDIES DEGREE

MARCH, 2016
DECLARATION

I hereby declare that, with the exception of references made to other people’s work, which I have duly referenced, this work is the product of my own research. I am singularly responsible for all views expressed in this research as well as any shortcomings that may be found in it.

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DEDICATION

This thesis is dedicated to God Almighty for His Grace, Favour and Protection.

And

To My Wonderful Family.
ACKNOWLEDGEMENT

My appreciation goes to the Almighty God who gave me the opportunity and the protection to go through education up to this level successfully. I express my deepest and humble appreciation to my supervisor, Dr. Charles Ackah, who made time to enrich this work through his discussions and suggestions. I am grateful for his time in reading through every submission I made.

My sincere gratitude also goes to my friends Papa Deveer Lutterodt and Ebenezer Quaye for their immense support throughout this undertaking. God richly bless you guys.

While appreciating the great assistance from my supervisor, family and friends in making this work possible, I am also grateful to Mr David Akrong of the Ga East Municipal Assembly and my research respondents without whom there would not have been any data for this study.
ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) have over the years developed to become an important driver of economic growth. Ideas are transformed into opportunities which have provided jobs for a large number of people outside formal jobs through the setting up of small businesses. This study focuses on the Ga-East municipality.

The objectives are to identify the factors that lead to MSMEs success and also the major challenges faced by MSMEs operators. Using an ordered probit model with primary data, the study reveals that age and years of education of microenterprise owners as well as sound bookkeeping practices determine business success. The study further revealed that the major challenge faced by business owners is fuel and transportation costs.

It is recommended that government give further training to firms regarding sound bookkeeping to further enhance their productivity. In addition, government must make entrepreneurship education a priority so that majority of people upon completion of formal education would have entrepreneurial skills. Also, government must work on the transportation sector and the macro-economy as a whole to bring down transportation cost and cost of credit.
Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AMA</td>
<td>Accra Metropolitan Assembly</td>
</tr>
<tr>
<td>AZC</td>
<td>Abokobi Zonal Council</td>
</tr>
<tr>
<td>BAC</td>
<td>Business Advisory Centre</td>
</tr>
<tr>
<td>BAF</td>
<td>Business Advisory Fund</td>
</tr>
<tr>
<td>DZC</td>
<td>Dome Zonal Council</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>ECDC</td>
<td>Early Childhood Development Centre</td>
</tr>
<tr>
<td>EDP</td>
<td>Entrepreneurial Development Fund</td>
</tr>
<tr>
<td>ERP</td>
<td>Economic Recovery Programme</td>
</tr>
<tr>
<td>FUSMED</td>
<td>Funds For Small and Medium Enterprises Development</td>
</tr>
<tr>
<td>GCB</td>
<td>Ghana Commercial Bank</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GES</td>
<td>Ghana Education Service</td>
</tr>
<tr>
<td>GEDC</td>
<td>Ghana Enterprises Development Commission</td>
</tr>
<tr>
<td>GEMA</td>
<td>Ga East Municipal Assembly</td>
</tr>
<tr>
<td>GIF</td>
<td>Ghana Investment Fund</td>
</tr>
<tr>
<td>GIHOC</td>
<td>Ghana Industrial Holding Corporation</td>
</tr>
<tr>
<td>GPSDF</td>
<td>Ghana Private Sector Development Fund</td>
</tr>
<tr>
<td>GPRS</td>
<td>Growth And Poverty Reduction Strategy</td>
</tr>
<tr>
<td>GRA</td>
<td>Ghana Revenue Authority</td>
</tr>
<tr>
<td>GRATIS</td>
<td>Ghana Appropriate Technology Industrial Services</td>
</tr>
<tr>
<td>GSGDA</td>
<td>Ghana Shared Growth Development Agenda</td>
</tr>
<tr>
<td>GSS</td>
<td>Ghana Statistical Service</td>
</tr>
<tr>
<td>GTZ</td>
<td>Deutsche Gesellschaft Fur Technische Zusammenarbeit</td>
</tr>
<tr>
<td>GWMA</td>
<td>Ga West Municipal Assembly</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>ITTU</td>
<td>Intermediate Technology Transfer Unit</td>
</tr>
<tr>
<td>MPSD</td>
<td>Ministry For Private Sector Development</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro Small And Medium Enterprises</td>
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<tr>
<td>MPCU</td>
<td>Municipal Planning And Coordinating Unit</td>
</tr>
<tr>
<td>NBSSI</td>
<td>National Board For Small Scale Enterprise</td>
</tr>
<tr>
<td>NIS</td>
<td>National Industrial Census</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Governmental Organisation</td>
</tr>
<tr>
<td>PAMSCAD</td>
<td>Programme Of Action To Mitigate The Social Cost Of Adjustment</td>
</tr>
<tr>
<td>PEEDF</td>
<td>Private Enterprises And Export Development FUND</td>
</tr>
<tr>
<td>PDF</td>
<td>Project Development Facility</td>
</tr>
<tr>
<td>SFP</td>
<td>School Feeding Programme</td>
</tr>
<tr>
<td>SSNIT</td>
<td>Social Security And National Insurance Trust</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Congress On Trade And Development</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Organisation</td>
</tr>
<tr>
<td>USSBA</td>
<td>United States Small Business Administration</td>
</tr>
<tr>
<td>WB</td>
<td>The World Bank</td>
</tr>
<tr>
<td>WBCSD</td>
<td>World Business Council For Sustainable Development</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Micro, Small and Medium Enterprises (MSME) have over the years developed to become an important driver of economic growth. Ideas are transformed into opportunities which have provided jobs for a large number of people outside formal jobs through the setting up of small businesses. Large firms today, at a point started as MSME businesses and developed into their current state through hard work and determination. Hisrich (2005) argued that in order to make an economic progress in a business no matter how small, the progress needs to be pursued by realistic and determined people who are industrious and innovative, able to exploit further opportunities and are willing to take risks in the process.

In recent times, there is a growing recognition of the important role MSMEs play in economic development. They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines (Abor and Quartey, 2010). Even in the developed industrial economies, it is the Small and Medium Scale Enterprises (SMEs) sector is the largest employer of workers rather than the multinationals (Mullineux, 1997). Interest in the role of small businesses in the development process continues to be at the forefront of policy debates in most countries. Governments at all
levels have undertaken initiatives to promote the growth of micro, small and medium enterprises (Feeney and Riding, 1997).

In Ghana, Micro, Small and Medium Scale Enterprises are significant component of the industrial sector, which account for approximately 70% of GDP (Abor and Quartey, 2010). Also in Ghana, small businesses constitute about 90% of total business units and account for about 60% of Ghana’s employed labour force (KDI, 2008 cited in Ackah and Vuvor, 2011, p.1). The Ghana Statistical Service revealed that nearly 93 percent of all registered businesses in Ghana are of the small and medium scale business category (Opoku, 2009). SMEs employ over 65% of the employable people in Ghana. They also provide about 85% of manufacturing employment in Ghana (Steel and Webster, 1991; Aryeetey, 2001). The preceding statistics unambiguously show that small businesses form a greater portion of business in Ghana and thus indicating the extent to which microenterprises impact on the country’s economy.

Microenterprises help to reduce the rural-urban drift as they operate in every part of the country, and they contribute to state revenue through the payment of taxes. They are the most common type of business in the country. They are flexible, innovative and easily accessible form of business. Microenterprises are widely spread throughout the country providing a wide range of goods and services (Acquah et. al., 2012). With the rapid population growth coupled with globalization and trade liberalization, there is the realization of huge potentials for individuals especially in the private sector, of which if
interventions are taken, will provide a good environment for small businesses (Ackah et al, 2010).

The contributions of MSMEs to the development and growth of an economy is therefore extensive due to the large employment it provides to people in a particular country. The development of small businesses therefore plays an important role in reducing unemployment. Mbuta and Nkandela (1998) argued that the importance of microenterprises in job creation is now widely accepted in both developed and developing countries which also contributes to the growing acceptance of entrepreneurship. When MSMEs grow and develop into medium size enterprises, they tend to make substantial contribution to economic growth and job creation. It is at this point of growth that these enterprises become capable of employing large numbers of people thereby helping in the fight against poverty.

On the other hand, when MSMEs fail to grow due to a number of factors including poor management, lack of conducive environment needed for growth, inadequate support from government, unemployment will equally be persistent and poverty will still exist and probably grow. While an average operator will always attribute his failure to lack of access to finance, some think otherwise arguing that inappropriate management skills, huge some of foreign substitute goods, lack of entrepreneurial skills and know how, and poor infrastructure are largely responsible (Collins et al, 2015).
Despite the high risk of collapse reported in MSMEs, there have been many other successful ones. Many factors therefore account for the success of these microenterprises in Ghana which has to be given due attention hence the reason for this study.

1.2 Problem Statement

MSME are considered the mainstay of many economies both in the developed and developing world. In countries like China and India, MSMEs have led to economic expansion, which in turn has resulted in employment creation, poverty reduction, and expansion of the domestic market and widening of the tax base (Balassa, 1982). They have also laid a strong foundation for the development of a competitive domestic private sector industry as well as a self-sustaining market economy. Furthermore, they have the potential of increasing a country’s exports of manufactured goods and reduce over dependency on the export of primary commodities.

Year in year out, governments, non-governmental organizations and donor countries have made budgetary allocations, policies and pronouncements with the aim of promoting the growth of MSMEs. The growth of MSMEs are therefore a critical ingredient in the economic development of nations. About 50% of MSMEs start-ups in developing countries do not survive up to five years in operation (Vesper 1990). Some of the reasons attributed to the failure of MSMEs may include inadequate access to finance, lack of formal education, poor management skills and lack of adequate infrastructure. According to Coleman (2000), most businesses in Ghana are operated by people who lack capacity in
managing their businesses, which results in the inability to publish good financial information. Rather people start businesses focusing more on the capital than the skills needed to manage and keep them running. The lack of management skills rather destroys such businesses and keeps them out of the market. Moreover, many small businesses in Ghana produce similar goods with the same target population, which also makes it difficult for sales.

Despite the increasing attention on factors that lead to business failure by the literature, there have been successes recorded in other MSMEs in the past years which influence the need for a research aimed at exploring the success of MSMEs in promoting development. It is against this background that this study seeks to examine the success factors of MSMEs in Ga-East Municipal Assembly from the owners’ perspective. This location was deliberately selected because of the relatively high numbers of MSMEs scattered across the Abokobi community.

1.3 Research Questions

Based on the foregoing, the research questions that arise are:

- What factors determine the success of microenterprises in the Ga-East Municipal Assembly?
- What are the main challenges faced by MSME operators in the Ga-East Municipal Assembly?
1.4 Research Objectives

Generally, the study aims at identifying the factors that lead to the success of MSME in the Ga-East Municipality.

The specific objectives are:

- To identify the major determinants of success of MSMEs in Ga-East Municipal Assembly
- To investigate the main challenges MSMEs operators face in Ga-East Municipal Assembly

1.5 Justification of the study

Failure of MSME is a common phenomenon in many countries. In South Africa for instance, averagely, 50% of small businesses fail due to so many reasons and this goes up to 80% in some regions (Buckley 1998:87; Kinunda-Rutashobya & Olomi 1999:7). This common phenomenon in most countries and in Ghana, motivated this study. The study is to probe and provide answers to the success of these poverty alleviating enterprises and also shed some light regarding the problems experienced by such businesses. The results will act as guidelines to prospective and existing businesses to learn from the experiences of others so as to help them better run their businesses and not to commit the same mistakes committed by others in the past. In addition, the findings will add to existing knowledge on this subject which may help improve the success of MSME and reduce its likely failures.
Finally, it is also intended to provide policy makers with one more source of rich information in the task of designing simple and pragmatic economic and social intervention initiatives requisite for fruitful engagement with the operators of these micro-enterprises.

1.6 Scope of the study

This study will be conducted in the Ga East Municipality specifically Abokobi, the capital of the Municipality and Dome. This location was selected because of the relatively high number of micro-enterprises scattered across the Abokobi community.

1.7 Limitation of the Study

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

1.8 Organization of the study

The report is organized into five chapters. Chapter one provides a general introduction to the study, a statement of the problem, research questions, research objectives, scope, limitations and justification of the study. Chapter two focuses on the review of relevant literature on the topic and the conceptual framework while chapter three also looks at the
methodology adopted as well as the profile of the study area. The results of the study are presented and discussed in Chapter four. The summary of findings, conclusions and recommendations are summarized in chapter five.
CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0 Introduction

Micro, Small and Medium Enterprises (MSMEs) play very important roles in the socio-economic development of nations. They are often described as efficient job creators, the seeds of big businesses and the fuel of national economic engines (Abor and Quartey, 2010). According to Mullineux (1997) and Abor & Quartey (2010), in the developed industrial economies, it is the small and micro enterprise sector rather than the multinational companies that employ a large number of workers, hence the largest job creators. This in effect shows the great importance which these ventures play in the development of an economy and in the lives of people. In developing countries, the setting up of these enterprises is often hindered by many obstacles, and a major factor among them is funding. Nonetheless some of these enterprises have also recorded successes in their operations. This chapter, therefore, presents a review of existing literature in relation to studies of microenterprises in Ghana and beyond.

2.1.0 Literature Review

2.1.1 Understanding MSMEs

The Grameen Bank and its founder Yunus Muhammad, suggest that micro-enterprise development has reached considerable popularity for resolving a host of economic and now
social problems in the global south (Karides, 2010). MSMEs are mostly seen as social development strategy to alleviate poverty (Midgley, 2014). As a development strategy, it is seen as business operated by poor people who are supported by sponsoring organizations (Midgley, 2014). In whichever sense it is used, microenterprises may be owned or operated by individuals, and often their family members are also involved. Otherwise, they may be owned and operated cooperatively by groups of people.

2.1.2 Some Global definitions of Micro, Small and Medium Enterprises (MSMEs)

The SMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes referred to as MSMEs. The MSMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services.

The term MSME does not lend itself to a simple definition. “There is no single uniformly acceptable definition of small firms” (Storey, 1994). MSMEs differ in their level of capitalization, employment and revenue. Hence definitions which employ measures of size (net worth, profitability, turnover, number of employees, etc.) when applied to one sector could lead to all firms being categorized as small, while the same size definition when applied to a different sector could lead to different results. The World Bank Group SME Department (2004) have adopted the following definitions of SME for its programmes.
Table 2.1: The common global MSME definition of IFC and the World Bank

<table>
<thead>
<tr>
<th>MSMEs Characteristics</th>
<th>No. of Employees</th>
<th>Capital investment</th>
<th>Annual turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-enterprise</td>
<td>Less than 10</td>
<td>Less than $100,000</td>
<td>Less than $100,000</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>10-50</td>
<td>$100,000 to $3 million</td>
<td>$100,000 to $3 million</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>51-300</td>
<td>$3 million to $15 million</td>
<td>$3 million to $15 million</td>
</tr>
</tbody>
</table>


Also UNIDO defines MSMEs in developing and industrialized countries according to the number of employees in an enterprise. UNIDO’s definition for developing countries is shown in tables 2 and 3 respectively.

Table 2.2: UNIDO definition of MSMEs for developing countries

<table>
<thead>
<tr>
<th>MSMEs Characteristics</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than 5</td>
</tr>
<tr>
<td>Small</td>
<td>5-19</td>
</tr>
<tr>
<td>Medium</td>
<td>20-99</td>
</tr>
<tr>
<td>Large</td>
<td>100+</td>
</tr>
</tbody>
</table>

Source: UNIDO
Table 2.3: UNIDO definition of SMEs for industrialized countries

<table>
<thead>
<tr>
<th>MSMEs Characteristics</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Less than 99</td>
</tr>
<tr>
<td>Medium</td>
<td>100-499</td>
</tr>
<tr>
<td>Large</td>
<td>500+</td>
</tr>
</tbody>
</table>

Source: UNIDO

The foregoing definitions of an MSME clearly confirms the fact that the concept MSMEs defies simple definition. According to the literature, MSMEs in Ghana can be defined as follows:

- According to the number of employees
- According to the enterprise fixed assets

The confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. As contained in its Industrial Statistics, The Ghana Statistical Service (GSS, 2010) considers firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, The GSS in its national accounts considered companies with up to 9 employees as Small and Medium Enterprises (Kayanula & Quartey, 2000).

However, the National Board of Small Scale Industries (NBSSI) in Ghana applies both the fixed asset and number of employees’ criteria. It defines a Small Scale Enterprise as one
with not more than 9 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghana Cedis (US$ 9506, using 1994 exchange rate). Again, Kayanula and Quartey (2000) caution that the use of fixed assets definition can be problematic citing issues with asset depreciation. Steel and Webster (1991), Osei et al. (1993) in defining small scale enterprises in Ghana used an employment cut off point of 30 employees. Osei et al. (1993) in defining, small scale enterprises categorized small scale enterprises into three:

(i) micro-employing less than 6 people;

(ii) very small, those employing 6-9 people;

(iii) small- between 10 and 29 employees.

Again, the various definitions given by researchers on SMEs in Ghana and abroad simply go to confirm the difficulty of finding a standard, universally accepted definition for it. For the purpose of this work, the definition of MSME given by Steel and Webster (1991) and Osei et al (1993) has been adopted as both definitions fit the nature/characteristics of MSMEs in the study area.

2.1.3 Characteristics of MSMEs in Ghana

MSMEs in Ghana can be categorized into urban and rural enterprises with the former subdivided into —organizedl and —unorganized enterprises (Kayanula and Quartey, 2000). Usually, MSMEs that have paid employees and a recognized office are considered organized whiles the unorganized ones are mainly made up of artisans who work in open
spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers and rely mostly on family members or apprentices. The major activities within this sector include: soap and detergents, fabrics, clothing and tailoring, textile (as in kente, tie and dye) and leather, village blacksmiths, timber and mining, bricks and cement, beverages, food processing, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Liedholm & Mead, 1987; Osei et al., 1993) as cited by (Kayanula & Quartey, 2000). The level of education and training attained by those who normally man this sector are said to be low. Family members mainly own the businesses in this sector and proper accounting procedures are rarely followed to the extent that owners do not separate business account from their personal accounts.

Another major difference between an MSME and a larger firm is that the latter has direct access to both international and local capital markets whiles the high cost of administration for this service puts it beyond the means of SMEs. Besides, SMEs face the same fixed cost as Large Scale Enterprises in complying with regulations but have limited capacity to market product abroad (Kayanula & Quartey, 2000).

In another data from the Social Security & National Insurance Trust (SSNIT), by size classifications, the Ghanaian private sector is highly skewed, with 90% of companies employing less than 20 persons, and such businesses are characterized as follows;

They are dominated by one person, with the owner/manager taking all major decisions. The entrepreneur possesses limited formal education, access to and use of new
technologies, market information, and access to credit from the banking sector are severely limited. Management skills are weak, thus inhibiting the development of a strategic plan for sustainable growth. This target group experiences extreme working capital volatility. And the lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities (Mensah, 2005).

2.1.3.1 MSME Contribution to National Economic Development

“The private sector is the engine of growth of the economy therefore they must be given the necessary tools to increase their growth” (Anyima-Ackah, 2006). The contribution of (MSMEs) to employment, growth and sustainable development is now widely acknowledged. Their development can deepen the manufacturing sector and foster competitiveness. It can also help to achieve a more equitable distribution of the benefits of economic growth and thereby help alleviate some of the problems associated with uneven income distribution (UNCTAD, 2000).

Many authors (Birch, 1989; Storey, 1994; Abdullah & Beal, 2003) and international organizations (e.g. The World Bank) have highlighted several important contributions of SMEs in this regard. Firstly, SMEs create employment opportunities because they are labour intensive.

As development strategy, MSMEs, originally referred to as petty production were seen as subsistence production that existed outside the realm of economic development, thus
economically unviable during dominance of modernization ideology (Malaki 1996; Reddock 1994). Currently, international development agencies place emphasis on small local enterprises to solve problems like poverty and unemployment.

The development literature and media reports dealing with micro-enterprises have generally concluded that the promotion of small businesses among people especially the poor is an effective antipoverty strategy (Midgley, 2014). This assertion is confirmed by some research that came with evidence that small programs have contributed to poverty reduction among households. For instance, Hulme and Mosley (1998) found that the incomes of households engaged in microenterprise activities increased more rapidly than those who are not engaged in microenterprise. Further, Yunus (1999) was also emphatic that microenterprise have had a major impact on poverty reduction in Bangladesh.

Also, SMEs play a vital complementary role in relation to larger firms. In many cases, larger firms depend on SMEs as suppliers and distributors of goods and services. The World Business Council for Sustainable Development (WBCSD) (2007) argued that by working closely with MSMEs, large corporations can develop a new customer base that may not be accessible to the traditional distribution networks of these corporations.
2.2 The concept of business failure

Several terms have been used in the literature to describe firm failure, for example: bankruptcy, insolvency, liquidation, death, deregistration, discontinuance, ceasing to trade, closure, and exit (Bruno et al., 1987; Storey, 1994: 78-81). These terms overlap each other to some extent (Sten, 1998) and thus the concept of failure is ambiguous, as it can have different interpretations by different people (Wickham, 2001).

It has been stated in the literature that business failure can be equally important as it serves as learning lessons and hands-on experiences for new aspiring entrepreneurs who venture into SME business to avoid committing serious mistakes that their predecessors made.

2.3 The concept of success

According to Georgieveski et al (2011), the concept of success has been a subject of considerable debate. This implies that numerous research on MSME success has not succeeded in providing a unanimous definition. In the entrepreneurial literature, terms such as success, survival or growth are sometimes used in place of each other to mean the same. Ibrahim and Godwin (1986) contend that “success in business is defined in terms of rate of return on sales and age or longevity of the firm”.

2.3.1. Success as ‘survival’

A number of research work in the area of entrepreneurship tend to equate success to survival. Van Praag (2003), argued that if a business is able to avoid possible exit and stay
in operation for a considerable length of time, then it can be justified that such a business is successful. Reijonen & Komppula (2007) defined success in relation to survival as continued business operations, and failure was going out of business. The above definitions of success seem to hold some amount of truth in view of the fact that the survival rate among SME startups especially up to the first decade of establishment is widely known to be very low both in the advanced and developing countries. However, there are those who also question the above stance as not all business that fold up can be attributed to failure. They contend that some business voluntarily exits due to the fact that the purpose for which it was set up has been achieved, (Pérez & Canino, 2009).

2.3.2 Success and ‘growth’

Generally, firm growth has been measured by using absolute or relative changes in sales, assets, employment, productivity, profits, and profit margins (Delmar, 1997; Davidsson et al., 2005; Allinson et al., 2006). Firms that experience a positive increase in for example the number of assets, employees, productivity including profits can be said to be successful or ‘growth’ oriented.

2.3.3 Measurement of success: Financial and Non-financial

Researchers normally use financial indicators such as profitability, sales turnover, sales growth and return on investment, in gauging the extent to which a firm is successful or not (Brüderl & Preisendörfer, 1992). They argued that for organizations to be considered
successful, it is important for them to generate income and increase in profit, and to
demonstrate some level of growth, as indicated in their sales and income (Perren, 2000).

Hall & Fulshaw (1993) added that growth indicates long-term achievement, whereas
profitability reflects short-term achievement. However, other researchers consider the use
of nonfinancial measures (Frese et al., 2002; Hoque, 2004) as success. Non-financial
indicators include personal satisfaction, personal growth, skill improvement, flexible
lifestyle, business survival, customer satisfaction, customer retention, and career progress.
(Cooper, 1993; Buttner & Moore, 1997); argued that the attainment of personal objectives
such as the desire for personal involvement, responsibility and the independent quality and
life style, rather than financial outcome, is the best principal criterion of success for many
MSMEs. According to the literature, non-financial measures are highly subjective and are
mainly determined by the SME owner’s motivation for establishing the SME. That
notwithstanding, these ‘life style’ indicators presume that a certain level of financial
security is established even though they are not interested in financial gain and have no
intention of growing their businesses into larger entities (Beaver, 2002).

2.3.4 Success factors

According to the literature the following factors can account for the success of a small
business even though the following list is not exhaustive.
2.3.4.1 Age of the entrepreneur

Evidence abounds in the entrepreneur literature regarding the effect that the age of an entrepreneur has on the chances of success of an SME. These researchers are of the view that older people are rather conservative, rarely risk takers and also are less inclined to adhere to new ideas which could probably help their SMEs to grow faster. It has been suggested that younger individuals would, on the other hand, be more inclined to take risks and grow their business (Hambrick & Mason, 1984). A research finding conducted by Sinha (1996) in India, also corroborated the view that youth entrepreneurs stand a better chance of succeeding in their MSMEs than their older counterparts.

2.3.4.2 Education

The vital role of education in the success of MSMEs has been studied extensively. There are those who contend that the level of education of an entrepreneur is positively linked to MSME success; i.e. the higher the level of an entrepreneur’s level of education attained, the more likely the entrepreneur will succeed. According to Rogerson (2001) and Martinez et al. (2007), a firm’s ability to perform can be determined by the entrepreneurs’ level of education, which is characterized by knowledge, skills, problem solving ability, financial discipline, motivation, self-confidence and behaviours that allow them to identify market opportunities and gather resources required to set up the business. These qualities no doubt help entrepreneurs who apply them, experience increased growth in their businesses.
2.3.4.3 Previous experience

Researchers argue that the greater the entrepreneurs’ experience in a particular industry, the greater their chances of success. According to Fielden et al., (2000), previous experience enables one to acquire skills that put them in a position to become more efficient, and also apply more technical knowledge in the performance of various tasks. The literature also indicates another form of experience is on-the-job experience, where owners gain experience while operating their MSMEs. Highly important for developing capabilities within MSMEs, as entrepreneurs with more years of work experience typically have faster-growing MSMEs. For example, one empirical study found that Kenyan entrepreneurs with at least seven years of work experience expanded their firms more rapidly than those without such experience (Mead and Liedholm, 1998; Parker et al, 1995).

2.3.4.4 Access to Finance

Access to finance has been identified as one of the main determinant of SME success as most SMEs require it both for start-ups and also for expansion or capital investment. SMEs find it difficult to obtain the necessary finance from formal banks as either they are unable to provide the required collateral to secure loans or sometimes banks simply refuse to do business with SMEs because cost of doing business with them are thought to be expensive – the risks being too high for the lenders because of the generally perceived unfavourable economic and business fundamentals.
Beck et al. (2006) are of the view that getting access to finance for the operation of MSMEs is very important for the success of MSMEs. Thus most MSMEs in Africa start business using their own savings and also borrowing from friends and family members, which are considered to be woefully inadequate or extremely scarce (Mason, 1998). In the event that bank loans become available, the interest charged on the loans by banks is considered or found to be prohibitive. Currently in Ghana, businesses bemoan high interest rates charged on loans from banks, which hover around 35%.

2.3.4.5 Taxation

The issue of taxation is also thought to impact negatively on the success of MSMEs especially when the level of tax imposed on MSMEs is known to be too high. Even though government is justified to tax businesses to enable it raise enough revenue to finance its development project in a nation, such a move may hinder the development of MSMEs, as too much tax could affect the operations or profit margins of the MSMEs. If tax rates are high, they reduce the profit incentive drastically (Ahwireng-Obeng & Piaray, 1999). This becomes a demotivation for doing business in the first place.

2.3.4.6 Formality of Firms

Formal firms tend to grow or are more likely to succeed than informal SMEs. The reason being that, such SMEs that are officially registered with the appropriate state institutions can bid for government contracts or trade in bigger market which always require evidence of formal business registration certificates and provision of other documents like proof of
payment of employees’ pension schemes (SSNIT) certificate, tax certificates from Ghana Revenue Authority (GRA) and other documents. Informal MSME may not be able to access certain government services like legal and other financial services to help promote their businesses. Analysts at McKinsey and Co. argue that because “informal companies operate fully or partially outside the formal fiscal and legal environment, they tend to be subscale, sub invested and sub skilled, they also tend to produce substandard products and services” (Capp, Elstrold, and Jones Jr., 2005, p. 2). It means that profits that might have accrued to informal SMEs for growth are denied due to lack of formal registration.

2.3.4.7 Government Support

The importance of government support to SMEs success cannot be over emphasized. This can be in the form of provision of an enabling environment to facilitate access to financing and at reduced costs to MSMEs. Similarly, Sarder et al. (1997) conducted a study of 161 small enterprises in Bangladesh and found that firms receiving support services, such as marketing, management education and training, technical, extension and consultancy, information, and common facilities from the public or private agencies experienced a significant increase in sales, employment and productivity. Other researchers have been able to show that government support in the form of finance may not necessarily provide evidence that SMES will grow or succeed as was the case with the Nigerian rubber industry Mambula (2002). In Ghana, loans offered by government scheme such as MASLOC have been facing serious challenge as default rates are quite high. An indication of misuse of government funds by MSMEs.
2.3.4.8 Infrastructure

Infrastructure refers to physical structures or facilities that support the society and economy, such as transport (ports, roads and railways); energy (electricity generation, electrical grids, gas and oil pipelines); telecommunications (telephone and internet); and, basic utilities (water supply, hospitals and health clinics, schools, etc.).

Researchers identify the various channels through which investment in infrastructure can contribute to sustainable growth as follows:

- **Reducing transaction costs and facilitating trade flows within and across borders.**

- **Enabling economic actors – individuals, firms, governments – to respond to demand in different places;**

- **Lowering the costs of inputs for entrepreneurs, or making existing businesses more profitable;**

Furthermore, another factor that can ensure the success of small firms is availability and use of technology. It is argued that the firms that adopt modern technological tools in their business are more likely to cause the business to grow faster than small business without modern technological tools (Michael and Gardias 2006). This is basically because modern tools enable efficiency and effectiveness to be achieved in doing business, therefore saving money, time and energy (saving more for less) while producing quality products that are competitive on the market.
2.3.4.9 Networking and access to information

Networks are defined as SME owner/manager’s personal relationships with his external actors or outsiders (Dubini and Aldrich 1991, Premaratne 2001). Two types of network are identified namely social network (family, relatives, friends and acquaintances) and organizational network (government bodies, Nongovernmental Organizations (NGOs), both of which are necessary for firm success. Of course other stakeholders include investors, finance institutions, suppliers and service providers.

The study of Davidson and Honig (2002) focused on human capital and social capital influences on nascent entrepreneurs. The study examined the comparative importance of various contributions and factors, such as personal networks, business networks, contact with designated assistance agencies and taking business classes, on the likelihood of successful emergent activity. The findings support that factors such as formal education, as well as previous start-up experience influenced peoples’ attempt to start nascent business activities. The study further pointed out that social capital variables such as parents and friends who owned business were found to be very strong and consistent predictors of business becoming successful. Thus, bonding social capital based on strong ties, such as having parents who owned businesses or close friends who owned businesses, was a good predictor of a successful business.

Furthermore, entrepreneurs are required to deal with many people including suppliers, customers, employees, government authorities, competitors, and other stakeholders. The
interaction of SME owner/manager’s with these stakeholders on regular bases enable them to benefit from certain vital information and other resources which help to promote the success of their MSMEs (Jenssen & Greve, 2002).

2.4 Microenterprise Environment in Ghana

2.4.1 Historical Development of Microenterprises in Ghana

From 1970 to date, there has been a conscious government effort at promoting small businesses with the aim of helping to improve the living conditions of people. This saw the emergence of the Office of Business Promotion and Ghana Enterprise Development Commission (GEDC) aimed at encouraging Ghanaian entrepreneurs to enter into foreign dominated business fields. The establishments of these organizations were all in an effort to develop local businesses, hence the GEDC was equipped with packages for strengthening local industries with both technical and financial aid (Kayanula and Quartey, 2000).

The National Board for small Scale Industries (NBSSI) was also established in 1985, two years after the Economic Recovery Programme (ERP) was instituted. It was made the apex body for the development of Micro and Small Scale Enterprises (MSEs) in Ghana. Out of this, the district offices of Business Advisory Centres, (BACs) were set up. The NBSSI also established an Entrepreneurial Development Programme, intended to offer training.
and assistance to people with entrepreneurial abilities to help drive and promote self-employment (Abor & Biekpe, 2006).

In 1987, the Ghana Appropriate Technology Industrial Service (GRATIS) also came into operation. It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country and was aimed at upgrading micro enterprises and small scale businesses through the introduction of technology to these enterprises at the local level. All these, including the setting up of the Ministry for Private Sector Development, were efforts made to develop, improve and support microenterprises within the country (Kayanula and Quartey, 2000). The efforts to focus on the development of these businesses hence the establishment of the above industries was hindered by some institutional weakness and main among them was the lack of access to external finance (Aryeetey et al., 1994).

The World Bank assisted with the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) and through this, a special fund was created to assist microenterprises, through which the Fund for Small and Medium Enterprises Development (FUSMED) was also initiated. The aim was not only to increase the availability of credit but also the amount through commercial and development banks. This was done to help hasten the development of these small businesses, as it was realised that the establishment of the various institutions to promote the development of micro enterprises and other small businesses mainly lacked finances, a phenomenon which was presumed as one of the major reasons why the private sector had not grown as expected (Aryeetey et al., 1994).
In recent times, the issue of finances in the development of businesses has improved as a number of financing schemes and institutions have been set up to provide financial aid or assistance to the SME sector. Some of the institutions include Deutsche Gesellschaft Fuer Technische Zusammenarbeit (GTZ) a German corporation, Business Assistance Fund, Ghana Investment Fund, Private Enterprises and Export Development Fund, Project Development Facility, Support for Private Enterprise Expansion and Development and a few others including the Revolving Loan Fund, Ghana Private Sector Development Fund and Promotion of Small and Micro Enterprise Fund (Abor & Biekpe, 2006).

The support of MSME has gained ground in Ghana, but the issue of financing still remains a huge problem. Nonetheless, their outstanding contributions to the lives of people cannot be over looked. Churchill (1983) noted that these enterprises could be used to achieve industrial dispersal and regional balance in order to promote economic development and more importantly, the usefulness of small firms in the transformation of the rural economy. However, the above support from both government and donor bodies do not seem to have yielded the intended result to stem the tide of the failure rate of MSMEs.
2.4.2 Policy environment of the Promotion, Growth and sustainability of MSMEs in Ghana

The National Industrial Census (NIS) report declared an estimated 70% of all industrial establishments in the category of Small and Medium Enterprises Sector (GSS, 2003). They accounted for about 92% of all businesses in Ghana and an estimated 85% of employment making this sector a contributor of large employment growth in the country.

The sector therefore is highly anticipated to have a significant contribution in the development and growth of many countries. Due to the importance of this sector in the development process of countries, it continues to remain in the forefront of policy discourse. Countries at various levels have made great efforts to promote the growth and sustainability of such enterprises (Feeney and Riding, 1997).

This in many other ways is done through the implementation of policies and in other cases programmes. In Ghana for instance, one such policy aimed at promoting the growth and sustainability of this sector was in the second Growth and Poverty Reduction Strategy (GPRS II 2006 - 2009) or the now Ghana Shared Growth Development Agenda, 2010-2013 framework with a policy objective to cause a sufficient economic growth that was to aid in the achievement of a middle-income economy by the year 2015 (Asare, 2014).

This was recognized by the World Bank hence the IMF”s annual Doing Business Report (2008), ranking Ghana in the top ten global reformer in 2006 and 2007.
According to Asare (2014), Ghana has therefore moved towards divestiture of state-owned enterprises and private ownership in its economic policy. This move has brought about the establishment of both public and private institutions and NGOs with the aim of facilitating the growth of the industrial sector, a sector which includes local businesses. Specific assistance such as training, central organization to protect the interest of industry, entrepreneurship development, the promotion of exports of goods made in Ghana among others are to be provided by these institutions to locals engaged in any small or microenterprise business in Ghana (Asare, 2014).

2.4.3 Contribution of MSME to development

MSMEs are engaged in a great variety of small-scale vending, services, repair and manufacturing activities. The development literature and media reports dealing with microenterprise have generally concluded that the promotion of small businesses among people especially the poor is an effective antipoverty strategy (Midgley, 2014). This assertion is confirmed by some research that came with evidence that small programs have contributed to poverty reduction among households. For instance, Hulme and Mosley (1996) found that the incomes of households engaged in microenterprise activities increased more rapidly than those who are not engaged in microenterprise. Further, Yunus (1999) was also emphatic that microenterprise has had a major impact on poverty reduction in Bangladesh.

As development strategy, micro-enterprises, originally referred to as petty production, were seen as subsistence production that existed outside the realm of economic
development, thus economically unviable during dominance of modernization ideology (Malaki 1996; Reddock 1994). Currently, international development agencies place emphasis on small local enterprises to solve problems like poverty and unemployment.

Increased business activity may also create new employment opportunities, as successful businesses expand and require additional workers. Microenterprise are also likely to stimulate a greater interest in entrepreneurship and make a positive contribution to human and social capital mobilization at the local level, with positive consequences for poverty alleviation.

Although small enterprises in Africa are dominated by microenterprises of fewer than 10 workers, these small firms provide the bulk of manufacturing employment in most African countries and contribute between 26 to 64 percent of manufacturing value added (Steel and Webster, 1991; Liedholm and Mead, 1987). A survey in the 1963 estimated that small scaled manufacturing employed some 184,000 workers in Ghana – about 17 percent of total nonagricultural employment as against nearly 32,000 or 3 percent in large-scale manufacturing (Steel and Webster, 1991). By 1973, the figures had increased by half with small scale firms contributing about a quarter of manufacturing value added and at least 85 percent of manufacturing employment –most of it outside the principal urban centers (Steel and Webster, 1991).
Further as contribution of microenterprise to development, it is also widely accepted that women are mostly the ones engaged in some form of small business or microenterprise, this makes women become empowered and that their status are improved through the operation of MSME (Midgley, 2014). In terms of industrial development as a contribution of small and micro business to economic development, both cross-sectional and time-series data suggest that the industrialization process normally begins with rapid growth of MSMEs, some of which expand into medium and large-scale firms or survive in a market niche where they can remain competitive as large-scale industries come to dominate the size distribution (Steel and Webster, 1991; Liedholm and Mead, 1987, little, et al., 1987; Nanjundan, 1987; Staley and Morse, 1965).

2.4.4 Gender and MSMEs

Women are seen as playing a pivotal role in the informal economy. Irrespective of their important role in the informal economy, women entrepreneurs in Africa face huge discrimination with regard to economic and social assets, including land rights (Commission for Africa, 2005, credit and other aspects. The reason for this is simply stereotypical attitudes toward women. The difficulty of female access to such basic assets constrains their ability to enter dynamic self-employment activities when compared to their male counterparts. The traditional roles of women in many developing countries often become a restriction and discourage female involvement in activities outside of what women traditionally do: dressmaking, hairdressing, trading, catering etc. (Palmer, 2007).
A quantitative analysis of household enterprise in Ghana revealed that women constitute half of the labor force, and over 70 percent of Household Enterprise operators in Ghana are women in both urban and rural areas (Fox et al, 2011). Reasons cited for this are related to educational gaps between men and women in the labor force in Ghana. Thus, men in the labor force are more educated, and the highest educated labor force participants are more likely to be found in wage and salary jobs. This appears to be an important reason why men are overrepresented in wage earning jobs and women in Household Enterprises. With this differential between men and women in terms of educational level and wage and salary jobs, Household Enterprise becomes a fall back occupation for those (especially women) who are not able to complete secondary school (Fox et al, 2011).

In a further analysis of household enterprises, apprenticeships in fact do follow gender lines. About 98 percent of female Household Enterprise owners who took an apprenticeship chose the fields of textiles and apparel, food preparation and processing, or personal services while only 27 percent of their male counterparts chose these female dominated fields, with 71 percent choosing the fields where women were mostly excluded (Fox et al, 2011). In a regression analysis where observed characteristics (education, training, sector of industry etc.) were controlled, it was observed that there were higher earnings among male operated Household Enterprises compared to female (Fox et al, 2011). Part of this is caused by men and women getting different returns in different sectors. For example, men get higher returns in the transport sector, while women do not (and they are not present in the sector anyway). Men get higher returns to training as well. Men also get higher returns
in the excluded sector, trading (their constant is higher), and men get slightly higher returns in education overall. Experience seems to pay off for both genders, as older Household Enterprise operators have higher earnings while age and longevity both pay off a bit more for women (Fox et al, 2011).

In terms of start-up capital for microenterprise, there are gender differentials. A higher proportion of female masters (62%) obtained their start-up capital from their family compared to male masters (28%). Where male masters obtained start-up capital from their family it primarily came from their parents or other relatives, and not their wife. In contrast, women who obtained finance from their family, nearly one third obtained finance from their husband (Palmer, 2007). The high percentage of women receiving start-up finance from their family may be connected with support from maternal uncles (matrilineal system) even though, as noted earlier among the younger generation the matrilineal system appears to be weakening and giving way to the stronger nuclear family system. Males (45%) were more likely to engage in informal self-employment activities to finance start-up, compared to females (31%). Further, Males were more likely to engage in farming activities or use periods of informal wage-employment to finance start-up their enterprise in a very small way, than their female counterparts.

Turning to access to credit, sharp gender differential has been observed by earlier studies. For instance, Owusu (2011) mentioned that even though the creditworthiness of poor people has no basis in terms of gender, there is evidence to support the fact that though women have often been denied access to credit by legal and traditional barriers, experience
has shown that women as a group are consistently better in promptness and reliability of repayment. As a result, focusing on women as clients of micro-credit programmes has been a very effective method of ensuring that the benefits of increased income accrue to the general welfare of the family, and particularly children.

According to the literature, women entrepreneurs in Ghana lack access to finance from banks and other formal institutions due to gender-related issues. Women face high interest rates and huge collaterals which are needed for the acquisition and repayment of the loans (Amu, 2004). In most cases, the collaterals (lands, buildings etc.) demand by financial institutions from women who wish to access credit facilities are in the possession of the men.

Verheul and Thurik, (2000) state that women are disadvantaged in acquiring finances since they have less equity and are seen to be less experienced than men in business; they are discriminated against by lenders on the basis of gender, nature and/or size of the business. They added that banks often provide services to large and medium-sized companies to the disadvantage of small scale enterprises, which comprise mainly women. Thus, women-owned businesses are generally small, and this prevent banks from providing financial resources to small scale enterprises, as they are regarded to be riskier than large scale enterprises to invest in.

2.5 Conceptual Framework

Ekpe (2011), Faridi (2011); Daou and Karuranga, (2012); and Bhasin and Akpalu (2001) provide the theoretical framework for determinants of business success. Factors such as the
lack of financial resources, lack of technological resources, lack of technical know-how such as marketing and management skills, no business plans developed, little or no access to business information, inadequate government support to the business environment, age, educational level, family size, gender, and marital status of the enterprise owner are mostly the bane to the success of small and microenterprises. Therefore, the availability of such resources and technical know-how in small and microenterprise will be some sort of guarantee for the success of the businesses. This is presented in the figure 2.1.

**Figure 2.1: Conceptual Framework**

- **Demographic characteristics:**
  - Gender
  - Age
  - Education
  - Family size
  - Marital status

- **Firm-led factors:**
  - Financial resources
  - Technological resources’
  - Firms Formality
  - Marketing strategy
  - Years of operation
  - Number of Employees

- **Environmental factors:**
  - Government Support
  - Taxation
  - Information Access
  - Infrastructure

- **Business success**
  - (Profitability,
    Increased Sales Volume),
  - Survival or longevity
The conceptual framework is developed in line with the evidence available in literature. The framework establishes the relationship between these variables and business success.

All the above mentioned variables are vital in the business success of MSMEs as many previous researches have supported these variables and found a deep connection between these variables and business success of an MSME.

Financial resources are of vital importance for a business to run operations profitably. MSMEs have comparatively limited resources and greater difficulty in accessing funding sources, are more dependent on a single product, have less adequate budget control system, lack economies of scale (Jasra, 2011).

Information refers to the frequency of contact which an individual makes with different sources of information. Information access stands for the availability of business information which is important to initiate new enterprises and to run the existing enterprise profitably. Thus, for a business to be successful, access to vital business information is key in the business.

Technological resources, is one of the most important elements in the success of any business. Firm that use the latest technology tend to capture their customers more than their competitors. Although technology has its costs, in the end, businesses usually recover this cost as they operate. Still they are able to get an edge over its competitors by application
of new technology (Jasra et al, 2011). In most third world countries, MSMEs are not able to install new technology due to its higher cost. But technology is deeply rooted in business success of the MSMEs.

Well-planned business activities as manifested in a business plan will yield a better business performance. Businesses that are planned before it starts and goes into operation turn to be successful than businesses that have no systematic plan of start-up and operation. Government support is one of the major variables that ensure the business success of the MSMEs. With most of the governments support in the world, it is focused on their support programs for the MSME sector development, in order to sustain a stable national economy (Jasra, 2011; Butler, 2008).

Further, it is essential to have availability of proper infrastructure for MSMEs successful operations. Improved infrastructure facilities such as comprehensive and navigable transport network from roads to trains and aviation can significantly reduce production costs and increase market accessibility of businesses. (Calderón & Servén 2004).

Most of the MSME’s operating around the globe tend to have less marketing and technical resources, do less market research, possess fewer incentive and reward programs, lack presence in large readily accessible markets and have less well-recognized brands (Jasra et al, 2011; Hanyami, 2009). Market development is, seen as, vital for preserving high growth
in the small and medium line businesses and their success. Furthermore, market orientation is also necessary for the development of a business.

The framework further stipulates that, while the variables outlined are seen as contributing to business success, the factors are seen as interconnected. Thus, the presence of only one of the variables will not automatically lead to business success.
CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter focuses on the research methodology used in order to understand the factors that lead to the success of microenterprises in Abokobi. This chapter is divided into two sections. The first section focuses on the profile of the Ga East Municipal Assembly where the study was held, whilst the second describes the variables, and data collection and estimation technique employed in the study.

3.2 Profile of the Study Area

3.2.1 Demographic Characteristics

3.2.1.1 Geographic Location of Municipality

The Ga East Municipal Assembly is located at the northern part of Greater Accra Region. It is one of the Sixteen Districts in the Greater Accra Region and covers a Land Area of about 96sq km. The capital of the Municipal Assembly is Abokobi. The Assembly is boarded on the west by the Ga West Municipal Assembly (GWMA), on the east by the La - Nkwantanang Municipal Assembly (LaNMA), the south by Accra Metropolitan Assembly (AMA) and the north by the Akwapim South District Assembly. The Municipality is sub divided into two administrative as Zonal Councils. Namely the Abokobi Zonal Council and Dome Zonal Council. (GEMA Archives).
Figure 3.1: GEMA Map

Source: GEMA profile, 2013.
3.2.1.2 Population Growth of the Municipality

The 2010 National Population and Housing Census put the Municipal Assembly’s population at 198,220 with inter-censal growth rate of about 4.2%. The projected population for the year 2013 was therefore 224,837. The growth of the population is mainly due to the influence of migration inflows. The estimated population by the Municipal Planning Coordinating Unit (MPCU) is about 450,200 people. The structure of the population has about 51% males and 49% female with an average household size of 4.6.

There are about 52 settlements in the district with Abokobi, a well-known Presbyterian community as the Municipal capital. The population is concentrated mainly along the urban and peri-urban areas of the Municipality particularly along the border with AMA to the south. These include; Dome, Taifa and Haatso among others. (Ga East Municipal Assembly Archives).

The urban / peri-urban population constitutes 82% of the Municipality’s total population with the remaining 12% residing in the rural portion towards the Akwapim Hills. The Municipality can therefore be described as urban.

Indeed, the level of urbanization is above the national average of 43.4%. It is however important to note that the urban population resides in about 65% of the total land area of the district. This indicates a densely populated urban area with its associated pressure on social infrastructure and land. The estimated 2010 population figure yields a density of 1,214 persons per sq km - much higher than the national density of 79.3 and the regional
density of 895.5 persons per sq. km. This indicates a great pressure of population on land and resources or what the land can generate.

Land litigation, encroachment on the few open spaces; overcrowding and construction of illegal structures are some of the development challenges the Assembly has to manage. The projected population for 4 years (from 2010 to 2013) is given in table 3.1

**Table 3.1 District Projected Population**

<table>
<thead>
<tr>
<th>District</th>
<th>Base Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEMA</td>
<td>198,220</td>
<td>206,723</td>
<td>215,590</td>
<td>224,837</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** MPCU, 2013

**3.2.1.3 District Economy**

The Ga East Municipal Assembly has a great deal of opportunities for both private investment and joint ventureship with the public sector. This is due to the enabling factors for development coupled with the infrastructure set-up and the district’s proximity to the nation’s capital, Accra. There are four main economic activities in the District, which are commerce, agriculture, service and industry.

**Industrial Sector**

The industrial sector can boast of a number of industrial establishments, particularly in the Dome area, example, Phyto Riker (GIHOC) Pharmaceuticals and Royal Aluminium Company among others.


**Service Sector**

The service sector appears to be one of the fast developing sectors of the local economy. Banking services are provided by the Ghana Commercial Bank and Ecobank Limited. The Rural areas are not left out. The Abokobi Area Rural Bank is performing very well and has agencies at Dome and Madina. An agency of the Shai Rural Bank, Pro-Credit Limited (now taken over by Fidelity Bank) and a number of Micro finance companies are also located in the Municipality.

The Abokobi Presbyterian Women’s Center provides one of the excellent conference facilities in the district. There are also hotels like Royal Gateway Hotel, BriHiny Guest House, Loving Blue Hotel and Tosway Hotel, among others.

**Construction Sector**

The construction sector (estate development) is also fast growing. There are enormous deposits of natural building materials of high quality, coupled with large tracts of undeveloped lands, especially in the peri-urban sectors of the municipality. The municipality has become a favourite area for estate development.

Currently a very wide range of housing units are being developed in Ashongman and Abokobi areas mainly by private individuals and also real estate developers.

To preserve some of the agricultural farm lands, the Assembly will have to create land banks in selected areas which will include Abokobi and other areas. This will then be given
out to farmers to ensure food security and generate income to reduce poverty. The impact on the environment as a result of the activities of these estate developers and construction firms needs to be critically assessed and sustainable interventions developed to mitigate the effect on the environment.

**Agricultural Sector**

Farming is the major economic activity and accounts for about 55% of the economically active population. About 70% of the rural population depends on agriculture as their main source of livelihood, with about 95% of them being small holders. The major agricultural activities are crop production and livestock production. Among the wide range of vegetables produced are pepper, tomatoes, cabbage, okra and garden eggs. Livestock production has a very good potential, and the district is encouraging it. There are a number of poultry farmers in and around Abokobi, the Municipal capital. The major one is the Abokobi Agric Project and TK farms at Dravaga. Other livestock production includes the rearing of turkeys and cattle even though not on a very large scale like poultry. About seven farmers are known in the district to be rearing rabbits and are located in Akporman, Boi, Ashongman and Abokobi.

The cultivation of cash crops like maize, cow pea and cassava is also very encouraging. The women in the rural communities mostly farm and process cassava into Gari and Cassava dough, and this is predominant in Dravaga. This situation provides an enabling environment for the various agro-based modules selected for implementation under the youth employment programme in the Municipality.
In all the sectors that make up the economy of the district, businesses that operate within the various sectors are mostly small and micro enterprise. Only a few of the businesses are on large scale, thus a study into the success factors of small and micro enterprises within the municipality is rightly placed.

3.2.1.4 Education

Distribution of schools in the municipality is quite even. There are about three privately owned secondary schools which include Perfect Senior High School, The Masters School and Maxvic School. The municipality however is yet to have a public Senior High School of its own. There are twenty-seven public Junior Secondary Schools and a number of private schools, which are sited mainly in the peri-urban areas of the municipality. Also, there are twenty-six public primary schools with about fourteen Early Childhood Development Centers (ECDC) which enroll only 13.4% of children at that level. There are however a number of privately owned ECDCs. In all, there are 67 public schools in the municipality as may be referenced from table 3.2. Most of the schools lack libraries; ICT resource centers and recreational grounds.
Table 3.2: Public and Private Schools as at September, 2013

<table>
<thead>
<tr>
<th></th>
<th>No. of Schools</th>
<th>Total of Schools</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Early Childhood</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>14</td>
<td>122</td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>108</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Primary Schools</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>26</td>
<td>104</td>
<td>304</td>
</tr>
<tr>
<td>Private</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Junior High School</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>27</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Senior High School</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: GES GEMA 2013

It can be noted from the table above that privately owned schools at all levels are more than the public schools in the Municipality. Not surprising though, pupils in private schools have relatively better infrastructure than their public school counterparts in the municipality. The problems of inadequate and poor quality infrastructure in the public schools can be found throughout the municipality.

The situation in the urban areas of the municipality that is Dome, Haatso, Taifa and Kwabenya is compounded by overcrowding, with an average of about 120 pupils per class.
This means the number of classes exceed the number of classrooms, and therefore the children are overcrowded. This situation is affecting the quality of education and increasing concerns about the competence of our public schools. Unlike the situation in the urban and peri-urban areas, enrolment is low in the rural areas, especially Adenkrebi. The same trend applies to staffing. The introduction of the capitation grants and the School Feeding Programme has increased enrolment in the 20 participating schools. Adenkrebi, one of the rural communities however need serious attention to improve enrolment.

3.3 Data Collection, Data Analysis and Estimation Technique

3.3.1 Data Collection

3.3.1.1 Method of Sampling and sampling size

The study employed the purposive and systematic sampling methods. The purposive sampling was used in the selection of one business development officer from the district assembly to find out more about his functions and two successful business owners. The systematic sampling method was also used to select 200 owners of microenterprise units that are currently in operation to ascertain data on the challenges they face in the setting up and in their operation of their businesses and factors that lead to the success.

In the first stage of the systematic sampling, the municipality was divided into two administrative Zonal Councils, namely the Abokobi Zonal Council and Dome Zonal Council. Out of the two zonal councils, the Abokobi zonal council was randomly selected for the study. After the selection of Abokobi, a list of businesses in the zonal council were
obtained from the Ga East Municipal Assembly and the simple random sample applied in the selection of microenterprises. The choice of this sampling technique gave all microenterprises or household enterprises an equal opportunity of being selected to respond to the data collection instrument. The estimated sample size of the study was therefore 203.

3.3.1.2 Data type and Collection Instruments

This study employed both primary and secondary data. The primary data were collected by the use of well-structured questionnaires, while the secondary data were collected from the Municipal Assembly concerning microenterprises in the municipality. Questionnaires were designed for the current business operators. The questionnaires were both closed and open ended. This was to ensure that sufficient information is gathered and also prevent the study from going out of its objectives. An interview guide was used to gather information through a one-on-one interview with the Business Development Officer of the Municipal Assembly and two successful business owners. Tape recorders were used in capturing the information during the in-depth interview with permission from the respondents. A local language (Twi or Ga) was used during the interview in situations where the respondents expressed him or herself in vernacular, and answers were recorded in English by the researcher.

A relatively high proportion of the respondents failed to answer the age and education questions. This coupled with other varying degrees of inconsistencies from the business success and avoidance of business failure sections of the questionnaires, led to the rejection of 29 responses representing 14.29% of the total questionnaires administered. The data
analysis was therefore based on 174 responses which represent 85.71% of the entire questionnaires.

3.4 Measure of Variables

3.4.1 Measure of Success: Operational Variable

The understanding of the success of an enterprise depends on the definition of what the firm is, how much has it grown, what it offers to the market and what assets it controls. A large number of possible determinants came along in exploring literature review. Obviously, not all determinants could be included in our analysis. Success has many dimensions which includes; survival, growth and profitability.

According to Baldwin (1995), growth can be measured by changes in a firm’s market share, its productivity and profitability. By market share he explained that a firm may be growing or declining relative to its competitors in the same industry. He further argued that firms that are gaining market share may not be considered successful if they become less profitable. He measured productivity both in terms of sales per assets and sales per employee whiles profitability was measured as the ratio of profits to assets, the ratio of profits to equity, and the ratio of profits to sales. Other scholars measure success of a business according to the characteristics of its operators. Van Praag (1999) for instance measured success according to the following characteristics of their owners or operators: knowledge of the business; knowledge of the risk involved; capital injection; ability to deal with uncertainty; intellectual capacity; and the firm's ability to make progressive profits.
For the purpose of this study and in line with Hawariyuni et al. (2014), business success was measured by the volume of sales and level of profitability. To get a measure for which MSME owners ranked (1= decreasing, 2=remain the same, and 3=increasing,) their performance on this indicator in their business. In accordance with the literature (Ngaosi and Navarro, 2007; Springuel, 2011; Mohd et al, 2011), the factors deemed to impact business success are: socio-economic, business, and environmental variables. These variables are described in table 3.3.

Table 3.3: Description of determinants of the business success

<table>
<thead>
<tr>
<th>VARIABLE CATEGORY</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-Economic variable:</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>Age is a continuous variable. It is believed that mature people would succeed in business compared to younger people. The reason is that mature people are vested with experience about the economy and interplays in the country. Thus age is expected to have a positive relationship with the business success variables.</td>
</tr>
<tr>
<td>Gender</td>
<td>Gender is coded as a dummy variable with female as the reference category. Male = 1 whilst Female = 0. The relationship of gender to business success unknown.</td>
</tr>
<tr>
<td>Education</td>
<td>Education is a continuous variable. It measures the number of years the business owner spent in school.</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Education makes people knowledgeable. Thus a positive relation is expected between business success and education, as highly educated people are expected to do well in industry than the low educated ones.</td>
</tr>
<tr>
<td><strong>Family Size</strong></td>
<td>Family size is a continuous variable. It measures the number of people making up the household. Its expected sign is ambiguous. This is because, a large family size can themselves provided the needed employment for the business. In this case, there family size would improve business success. This works when the family is made of adults. On the other hand, large family made up of children could hamper business success, as a lot of working time would be spent caring for the children.</td>
</tr>
<tr>
<td><strong>Marital status</strong></td>
<td>Marital status is a dummy variable. It is coded 1 if the individual is married and 0 if the individual is single. The reference category for this variable is single.</td>
</tr>
<tr>
<td><strong>Business Variable:</strong></td>
<td>Number of employees is a continuous variable. It measures the number of people employed by the respondent. Its relationship with business also ambiguous. A high number of employees may not</td>
</tr>
</tbody>
</table>
necessarily improve business success. This may accrue to the invisible Law of Diminishing Marginal Returns, leading to higher cost of production. A small number of employees may also hamper business development.

<table>
<thead>
<tr>
<th>Bookkeeping System</th>
<th>Bookkeeping is a dummy variable. It is coded 1 if the respondent answers Yes to practicing bookkeeping and 0 if the respondents answer No. It informs if the business owner keeps records or not. The reference category is “not maintaining bookkeeping”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Operation (Experience)</td>
<td>Years of Operation or experience is a continuous variable. It measures the number of years the respondent has operated the business. It is expected that lots of experience would increase business success and vice versa. Thus the expected sign is positive.</td>
</tr>
<tr>
<td>Technology usage</td>
<td>Technology is represented as categorical variable. It is coded 1 if the respondents make use of technological devices such as computers and telephones, and 0 if otherwise. The reference category is the case where MSMEs not make use of technological devices.</td>
</tr>
<tr>
<td>Environmental Variables:</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>Taxation is also a categorical variable. It informs whether the respondent pays tax to the central government or not.</td>
</tr>
</tbody>
</table>
It is expected to have a negative relationship with business success. It is coded 1 if the respondent pays tax and 0 if otherwise.

3.3.2 Data Analysis and Estimation Technique

A choice model is specified to investigate the effects of the explanatory variables. Business success as used in this study is measured by the sales volumes of the MSMEs (Hawariyuni et al. 2014). Since respondents often conceal business information about their sales volumes, the study adopted an ordinal measure to find out if the levels of this variable is decreasing, constant, or increasing. The most appropriate model for studying data of this nature is the ordered probit or ordered logit (Green, 2008). This study thus employs the ordered probit to analyse the data.

3.3.2.1. The Ordered Probit

The Ordered Probit Model was employed as the main estimation technique for the study. The ordered probit was preferred in this study because although business owners choose the figure that correspond to the performance of their sales and profitability, it may not be a true reflection of the situation. The true performance of the variables may lie within a certain interval (Maddala, 2005 and Greene, 2008). This implies that although the outcome of the event is discrete, the multinomial logit or probit model would fail to account for the ordinal nature of the response variable.
The ordered probit model has merits over the unordered multinomial conditional or nested logit or probit model in that while accounting for the nature of the dependent variable, the unordered multinomial probit and logit models fail to account for the ordinal attribute of the dependent variable (Botchway, 2011). Linear regression model is also not an appropriate framework for dealing with such an ordinal dependent variable because the assumptions regarding the specification of the stochastic term in the linear model would be violated (Maddala, 2005). The ordered probit is also preferred to linear regression model because it accounts for unequal differences between the ordinal categories in the dependent variable (Greene, 2008). The ordered probit model is specified as follows:

\[ y_{ji}^* = \beta_i' X_i \]  

Eq. 1

Where: \( y_{ji}^* \) is a latent variable, \( i = 1, 2, 3 \ldots N \) and \( j = \) sales volume.

\( \beta_i \) are parameters estimates and \( X_i \) are the explanatory variables. Because each of the dependent variables has three alternatives, there are two thresholds \( \alpha_{1j} \) and \( \alpha_{2j} \) with \( \alpha_{1j} < \alpha_{2j} \) (Hill et al. 2008). If a respondent’s choice of an indicator of business success is towards the lowest category, then \( y_{ji}^* > \alpha_{1j} \), the alternative “decreasing” is chosen. If \( \alpha_{1j} < y_{ji}^* \leq \alpha_{2j} \) then the alternative “remained the same” is chosen. Finally, if the
respondent’s choice is towards the highest category, then $y^*_{ji} > \alpha_{2j}$ and the alternative “increasing” is chosen. That is:

The ordered probit models the stochastic terms follow the standard normal distribution, $N(0, 1)$ (Green, 2008 and Hill et al. 2008). Based on the assumption, the probabilities are presented as:

$$P(y_j = 1) = P(y^*_{ji} \leq \alpha_{1j}) = P(\beta_i X_i + e_i \leq \alpha_{1j})$$

$$= \Phi(\alpha_{1j} - \beta_i X_i) \quad \text{Eq.2}$$

$$P(y_j = 2) = P(\alpha_{1j} < y^*_{ji} \leq \alpha_{2j}) = P(\alpha_{1j} < \beta_i X_i + e_i \leq \alpha_{2j})$$

$$= \Phi(\alpha_{2j} - \beta_i X_i) - \Phi(\alpha_{1j} - \beta_i X_i) \quad \text{Eq.3}$$

$$P(y_j = 3) = P(y^*_{ji} \geq \alpha_{2j}) = P(\beta_i X_i + e_i \geq \alpha_{2j})$$

$$= 1 - \Phi(\alpha_{2j} - \beta_i X_i) \quad \text{Eq.4}$$
Estimation and Interpretation

Estimation of the ordered probit model is by the maximum likelihood method (Hill et al, 2008). The likelihood for the ordered probit is the product of the probabilities associated with each discrete outcome. That is:

\[ L(\beta, \alpha) = \prod_{i=1}^{N} P(y_{ij}) \] \………………………………………………………………………………..Eq.5

Where: \( L \) is the likelihood function; \( k = 1, 2, 3 \); \( \beta \) is the vector coefficients of the independent variable; \( \alpha \) is the thresholds or cut points be estimated. Eq.5 is estimated when it is specified in the following manner:

\[ L(\beta, \alpha) = \sum_{i=1}^{N} \sum_{k=1}^{K} Z_{ik} \prod_{i=1}^{N} (\log[\Phi(\alpha_{k+1} - X_{ij}\beta) - \Phi(\alpha_{k} - X_{ij}\beta)]) \] \……………… Eq.6

Where:

\[ Z_{ik} = I(y_{ji} = k) \]

In using models such as the ordered probit, interpreting the parameters from the regression is of little importance. According to Woodridge (2010), the response probability does not matter much because \( y_{ji}^{*} \) is unobserved. Meaningful conclusions can be made if the marginal effects are estimated. The marginal effects show how the probability of each outcome changes as a result of changes in the explanatory variables. The marginal effects for the categories are given by:

………………………………………………………………………………..Eq.7
\[ \frac{\partial P(y_j = 1)}{\partial X_i} = - \Phi(\alpha_{ij} - \beta_i X_i) \beta_i \]

..........................Eq.8

\[ \frac{\partial P(y_j = 2)}{\partial X_i} = [\Phi(\alpha_{ij} - \beta_i X_i) - \Phi(\alpha_{2j} - \beta_i X_i)] \beta_i \]

......................................Eq.9

\[ \frac{\partial P(y_j = 3)}{\partial X_i} = \Phi(\alpha_{2j} - \beta_i X_i) \beta_i \]

In the ordered probit model, the signs of the ‘internal’ marginal effects are unknown and cannot be determined by the signs of the estimated coefficients (\(\beta_s\)) in the regression. Only the signs of the marginal effects of the lowest and highest categories may be known by observing the signs of their coefficients in the ordered probit regression.

Thus only the marginal effects of \(P(y_j=1|X)\) and that of \(P(y_j=3|X)\) may be known readily. However, the sign of the marginal effect of the other category may differ from the signs of the \(\beta_s\).
CHAPTER FOUR

ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the findings and discusses the empirical results obtained from the study. The chapter comprise of two sections. The first section analyses the data via descriptive methods whiles the second section focuses on the econometric estimation of the data.

Respondents were asked the number of years they spent in school or the number of years they spent acquiring formal education. On the average, respondents spent 5.68 years in school with a minimum of zero years and maximum of twelve years. This finding tends to imply that microenterprise owners on the average possess basic to secondary level of education. This result is not quite surprising as the study is focused in the Greater Accra of Ghana where majority of people tend to possess appreciable level of education. This finding agrees with the findings of the Ghana Statistical Service (GSS, 2012).

Respondents were also asked to report their ages. The study revealed that the average age of microenterprise owners in the Municipality is 40.66 years with a minimum of 21 years
and maximum of 69 years. This reveals that majority of the youths\(^1\) are not involved in microenterprise activities. The probable reasons for this revelation could emanate from the initial capital requirement. In relation to this, the average family size in the sample is 4 with a minimum of 1 and a maximum of 11.

Business owners were asked to provide the number of years they have been in business and the number of people currently on their wage bill. It was found that the average number of years in operation, representing years of experience, is 13.60. The minimum however is zero whilst the maximum is 39 years. This is an indication that the respondents have an appreciable experience in microenterprise activities. Also, the average number of people engaged by a typical microenterprise is 4, with a minimum of 1 and maximum of 12 employees. This augments the myriad findings that MSMEs are employment creators.

The study also revealed that 77.4% of the respondents’ main income is derived from the microenterprise activities they are engaged in. The remaining 22.6% revealed that they have other sources of income. These include remittances from spouse or family members and salary from formal employment.

4.2.2 Business related Information

Descriptive information regarding how MSMEs owners handle their businesses were also obtained. Respondents were asked to state the type of business they operate: wholesale,

\(^1\) The National Youth policy of Ghana defines “youth” as persons who are between the ages of (15) and (35).
service provision, manufacturing, and retailing. Thirty-five of them reported that they operate retail activities whilst 13% operate wholesale activities. In addition, 25% of the respondents are engaged in manufacturing works whilst 27% are engage in service provision activities.

**Figure 4.1: Proportion of Business type**

![Proportion of Business type](http://ugspace.ug.edu.gh/)

**Source: Author’s computation from survey**

Respondents were asked how much their start-up capital was. Whilst 46% divulged that they started their businesses with their personal savings, 12% revealed that they started up by selling their assets. In addition, 24% respondents took loans from family members and friends to start their firms whilst 18% took loans from formal financial institutions. See figure 4.2.
The study also sought to find out how business owners promote their businesses. The study found that 52% of business owners promote their enterprises through erection of billboards. Also, 31% of the respondents revealed that their businesses are promoted with the use of posters and fliers whilst 17% used the mode of media advertisements.

See figure 4.3

Source: Author’s computation from survey
When respondents were confronted with the question of maintenance of bookkeeping system, 60% of them answered in the affirmative. That is, they kept records of their business activities. Forty percent of the respondents however, do not practice bookkeeping. The revelation that majority of the respondent kept records of their activities may be linked to findings that majority of the respondents possess basic and secondary education. See figure 4.4 for a pictorial description.

**Figure 4.4: Records keeping**

![Bar chart showing records keeping](http://ugspace.ug.edu.gh/)

**Source:** Author’s computation from survey

With questions regarding technology usage and tax payment, 58.05% of the respondents used technological devices in their day-to-day running of their businesses whilst 41.95% do no use any technological device specially purchased for business activities. Also, 55.17% revealed that they pay various forms of taxes to the central government through the municipal authority whilst 44.83% do not pay any business related tax. See figures 4.5 and 4.6.
In order to obtain information on challenges facing microenterprise owners, respondents were asked questions regarding security, fuel and transportation cost, cost of credit (interest rate), availability of raw materials and power availability. The study found that transportation cost is business owners’ biggest challenge with 42%. This is followed by
cost of credit, attracting 35%. A few of the respondents (6%) also revealed that security at
the municipality is a little weak, because of theft and other untoward occurrences at their
business centers whilst 17% of the respondents reported that raw materials for production
are not readily available. See figure 4.7

**Figure 4.7: MSME Challenges**

Source: Author’s computation from survey
4.3 Section Two

4.3.1 Results of the Ordered Probit Model

Using the 174 valid responses, the ordered probit model was estimated with *Stata 13*. Tables 4.1, 4.2, 4.3, and 4.4 present the parameter estimates of the ordered probit model and the marginal effects of the three categories. The overall model is significant at all levels with a pseudo $R^2$ of 0.3201 and a log likelihood of -114.89 (See Appendix 1). Although the interpretation of the parameters estimates in table 4.1 are complex (Green, 2008), age education, and bookkeeping are statistically significant at 5% level. Hawariyuni et al. (2014); Ngaosi and Navarro, (2007) and Springuel, (2011) found similar results. Statistically the other variables are statistically insignificant although they have the expected signs with only experience assuming the unexpected sign.

Table 4.1: Parameter estimates of the Ordered Probit Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>P&gt;Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>0.0402554**</td>
<td>0.0149172</td>
<td>0.007</td>
</tr>
<tr>
<td>Male Dummy</td>
<td>-0.268735</td>
<td>0.2085395</td>
<td>0.198</td>
</tr>
<tr>
<td>Education</td>
<td>0.1065827**</td>
<td>0.0335994</td>
<td>0.002</td>
</tr>
<tr>
<td>Married</td>
<td>-0.0024985</td>
<td>0.1602751</td>
<td>0.988</td>
</tr>
<tr>
<td>Family Size</td>
<td>0.0191709</td>
<td>0.0477699</td>
<td>0.688</td>
</tr>
<tr>
<td>Experience</td>
<td>-0.019177</td>
<td>0.0178392</td>
<td>0.282</td>
</tr>
<tr>
<td>Number of employees</td>
<td>-0.0254862</td>
<td>0.0366742</td>
<td>0.487</td>
</tr>
<tr>
<td>Bookkeeping system</td>
<td>1.502726***</td>
<td>0.3057159</td>
<td>0.000</td>
</tr>
</tbody>
</table>
### 4.3.2 The marginal Effects Estimates

To obtain the effects of a one-unit change of the explanatory variables on the dependent variables (Green, 2008; Gujarati, 2004), marginal effects were estimated for each category (decreasing, remained the same, and increasing). In other words, this makes it possible to interpret the marginal effects of each explanatory variables on the probability of choosing any of the categories.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>-0.0828451</td>
<td>.2213355</td>
</tr>
<tr>
<td>Technology</td>
<td>0.1287873</td>
<td>.2925184</td>
</tr>
<tr>
<td>Cut 1</td>
<td>1.298817</td>
<td>5936962</td>
</tr>
<tr>
<td>Cut 2</td>
<td>2.48967</td>
<td>.6154442</td>
</tr>
</tbody>
</table>

**Source:** Author’s Estimations

Note: ***, ** denote significance at 1% and 5% respectively
Table 4.2: Marginal effects

<table>
<thead>
<tr>
<th>Variable</th>
<th>dy/dx</th>
<th>Std. Error</th>
<th>P&gt;Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>0.0155014**</td>
<td>0.00573</td>
<td>0.007</td>
</tr>
<tr>
<td>Male Dummy</td>
<td>-0.1030243</td>
<td>0.07945</td>
<td>0.195</td>
</tr>
<tr>
<td>Education</td>
<td>0.0410424**</td>
<td>0.01296</td>
<td>0.002</td>
</tr>
<tr>
<td>Married</td>
<td>-0.0009621</td>
<td>0.06172</td>
<td>0.988</td>
</tr>
<tr>
<td>Family Size</td>
<td>0.0073822</td>
<td>0.0184</td>
<td>0.688</td>
</tr>
<tr>
<td>Experience</td>
<td>-0.0073846</td>
<td>0.00686</td>
<td>0.281</td>
</tr>
<tr>
<td>Number of employees</td>
<td>-0.0098141</td>
<td>0.01411</td>
<td>0.487</td>
</tr>
<tr>
<td>Bookkeeping system</td>
<td>0.5448107***</td>
<td>0.09292</td>
<td>0.000</td>
</tr>
<tr>
<td>Tax</td>
<td>-0.0319292</td>
<td>0.08535</td>
<td>0.708</td>
</tr>
<tr>
<td>Technology</td>
<td>0.0497043</td>
<td>0.11311</td>
<td>0.660</td>
</tr>
</tbody>
</table>

Source: Author’s Estimation

Note: ***, ** denote significance at 1% and 5% respectively

Table 4.2 presents the marginal effects on the third category. That is factors that determine MSMEs success. Age and education, and the practice of bookkeeping are statistically significant at 5%, and 1% respectively. Specifically, the results show that as the age of MSMEs owners increase by one year, the probability of business success increases by 1.55 percentage points. The likely reason for this finding is that older MSME operatives tend to acquire more experience regarding the business environment, municipality, and the country.
as a whole. This result corroborates the findings of (Hawariyuni et al., 2014; Ngaosi and Navarro, 2007; Springuel, 2011).

Also, additional year of formal education increases the probability of business success by 4.10 percentage points. This finding is in line with (Ngaosi and Navarro, 2007; Springuel, 2011). The probable reason is that highly educated entrepreneurs tend to understand the business environment. For instance, well-educated would comprehend and appreciate economic polices better than their than low educated entrepreneurs.

Business owners who kept records of their business activities are 54.48 percentage points more likely to report “increased in sales volume”. These findings are in accordance with the results of (Hawariyuni et al., 2014); Ngaosi and Navarro, 2007; Springuel, 2011). The probable reason is that MSMEs who keep records of their business activities are able to plan effectively since they always know the past and the present.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND POLICY RECOMMENDATIONS

5.0 Introduction

This chapter is the final section of the study. The chapter gives a summary of the study from the first to the fourth chapter. A conclusion as well as policy recommendation sections provided respectively.

5.1 Research Summary

Micro, Small and Medium Enterprises (MSME) have over the years developed to become an important driver of economic growth and development. Large firms today, at a point started as MSME businesses and developed into their current state through hard work and determination. Micro, Small and Medium Enterprises have been described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines (Abor and Quartey, 2010).

In Ghana, Micro, Small and Medium Scale Enterprises are significant component of the industrial sector, which account for approximately 70% of GDP (Abor and Quartey, 2010). Also in Ghana, small businesses constitute about 90% of total business units and account for about 60% of Ghana’s employed labour force (KDI, 2008 cited in Ackah and Vuvor, 2011). The growth of MSMEs are therefore a critical ingredient in the economic
development of Ghana. Coleman (2000) holds that about 50% of MSMEs start-ups in developing countries do not survive up to five years in operation. Some of the reasons attributed to the failure of MSMEs may include inadequate access to finance, lack of formal education, poor management skills and lack of adequate infrastructure.

Despite the increasing attention on factors that lead to MSMEs failure by the literature, there have been successes recorded in other MSMEs in the past years which influence the need for a research aimed at exploring the success of MSMEs in promoting development. It is against this background that this study seeks to examine the success factors of MSMEs in Ga-East Municipal Assembly from the owners’ perspective. This location was deliberately selected because of the relatively high numbers of MSMEs scattered across the Abokobi community.

Using a well-structured questionnaire, the study estimated and randomly sampled 203 MSMEs within the district to address the general and specific objectives catalogued by the study. Specifically, the study aims at identifying the determinants of MSMEs success in the Ga-East Municipal Assembly and the main challenges that bedevil MSME operators in the Assembly.

To effectively address the objectives of the study, descriptive statistical and econometrics analysis were used to present the survey findings. The descriptive statistical tools employed
are the mean, frequencies, and percentages. The descriptive statistics were used to analysis the challenges faced by MSMEs in the Ga-East Municipal Assembly. In line with (Hawariyuni et al. 2014), sales volume of MSMEs is the variable employed by the study to measure business success. Since respondents often conceal business information about their sales volumes, the study adopted an ordinal measure to find out if the levels of this variable is decreasing, constant, or increasing. In accordance with econometric theory (Green, 2008; Gujarati, 2004), the ordered probit model was therefore employed to identify the factors that drive business success in the Assembly.

Ekpe (2011), Faridi (2011); Daou and Karuranga, (2012); and Bhasin and Akpalu (2001) provide the theoretical framework for determinants of business success. The authors conceptualize that demographic factors of MSME operators, Firm-led factors, Environmental factors jointly impact business success. For instance, whilst the demographic factors include: gender, age, education, family size, and marital status, the firm-led factors comprise: financial resources, technological resources, firm’s formality, marketing strategy, years of operation, and number of employees. The environmental factors on the other hand, comprise of government support, taxation, information access, infrastructure, and transportation cost. Following (Ngaosi and Navarro, 2007; Springuel, 2011; Mohd, Olusegun, and Igwe-Lucky, 2011), the factors deemed to drive business success in the Ga-East Municipality are age, gender, education, family size, and marital status of the MSME operators in the Municipality, number of employees, bookkeeping system, years of operation, and technology usage as well as taxation.
The ordered probit model revealed that only age and educational level of MSME operators as well as bookkeeping practices significantly determine business success in the Ga-East Municipality. Specifically, sales volume (business success) increases by 1.55 percentage points if an MSME operative ages by one year. This suggest that older MSME operatives tend to acquire more experience regarding the business environment, municipality, and the country as a whole. Also, an additional year of formal education increases business success by 4.10 percentage points. Finally, the practice of bookkeeping increases business success by 54.84 percentage points. This implies that the bookkeeping practices enable MSMEs to plan effectively. While age and education are statistically significant at 5%, bookkeeping is statistically significant at 1%.

The second objective sought to identify the major challenges faced by microenterprise operators in the Ga-East Municipality. The findings reveal that fuel and transportation cost pose the major threat to the existence of microenterprises in the area. This was keenly followed by cost of credit, as respondents voiced out that the cost of borrowing is too high.

5.2 Conclusions

Investigating the factors that lead to success of MSMEs has become a subject of interest for researchers. The reason is the mounting evidence that indicates that there is a relationship between business success and factors such demographic factors, firm-led factors, and environmental factors. The study therefore investigated success factors of MSMEs in the Ga East Municipality. Using an ordered probit model, it was revealed that
the success factors of businesses include, age, experience, educational level of business owners and bookkeeping practices. The study also found that the major problem faced by business owners is fuel and transportation cost.

5.3 Policy Recommendations

It is highly recommended that training in book-keeping be given to the SME owners and managers. Without proper financial record it will be difficult or even impossible for SME owners/managers to know whether they are making profits or incurring losses. It is essential that financial records of SMEs are regularly evaluated either weekly, fortnightly or monthly to help indicate whether the business is growing or otherwise. A training in bookkeeping will further enhance the productivity of business owners.

Education is a significant booster of productivity as revealed by the study. It is therefore recommended that government through the universities and colleges make their entrepreneurial expertise available not only to their formal students but also to microenterprise owners. Again, given its potential for boosting a nation’s economy, it is suggested that entrepreneurship as a curriculum should be thought in formal education right from upper primary up to the tertiary level. It is anticipated that students that get exposed to entrepreneurship training, will develop confidence at creating their own businesses and offer job opportunities for others instead of waiting to be employed by somebody else.
It is also recommended that government put across a formidable macro-economy to bring down the cost of credit. This will enhance easy access to loans for output expansion. Finally, government must work on the transportation architecture of the economy to facilitate easy access to raw materials and transportation cost.
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APPENDIX I

. *(13 variables, 174 observations pasted into data editor)

. oprob salessuccess age gen edu mar fansz exp nemploy bkks tax tech

Iteration 0:  log likelihood =  -166.9734
Iteration 1:  log likelihood =  -115.69172
Iteration 2:  log likelihood =  -114.89197
Iteration 3:  log likelihood =  -114.88998
Iteration 4:  log likelihood =  -114.88998

Ordered probit regression

Number of obs  =    174
LR chi2(10)   =   108.17
Prob > chi2   =   0.0000

Log likelihood =  -114.88998
Pseudo R2     =   0.3201

| salessuccess | Coef.  | Std. Err. | z     | P>|z|  | 95% Conf. Interval |
|--------------|--------|-----------|-------|------|-------------------|
| age          | 0.0402554 | 0.0149172 | 2.700 | 0.007 | 0.0110182 - 0.0694926 |
| gen          | -0.268735 | 0.02085395 | -1.293 | 0.198 | -0.576885 - 0.23875 |
| edu          | 0.1055287 | 0.0359994 | 3.170 | 0.002 | 0.0407891 - 0.1724362 |
| mar          | -0.0024985 | 0.1602751 | -0.012 | 0.990 | -0.3168919 - 0.316349 |
| fansz        | 0.0191709 | 0.0477699 | 0.408 | 0.682 | -0.0745585 - 0.112792 |
| exp          | -0.019177 | 0.0178392 | -1.072 | 0.282 | -0.051412 - 0.015871 |
| nemploy      | -0.0254862 | 0.0366742 | -0.696 | 0.487 | -0.0973662 - 0.0463938 |
| bkks         | 1.502726 | 0.3057159 | 4.928 | 0.000 | 0.9035341 - 2.101919 |
| tax          | -0.0628451 | 0.2213255 | -0.301 | 0.768 | -0.5166546 - 0.3919644 |
| tech         | 0.3257873 | 0.2923884 | 1.112 | 0.266 | -0.4448982 - 0.7021128 |

| cut1         | 1.236817 | 0.5936962 | 1.391 | 0.166 | 0.1351937 - 2.46244 |
| cut2         | 2.458567 | 0.6154442 | 1.283422 | 0.269519 |

http://ugspace.ug.edu.gh/
Marginal effects after oprobit

\[ y = \text{Pr}(	ext{sales\success} = 2) \] (predict, outcome(2))

\[ n = 32264 \]

| variable | dy/dx | Std. Err. | z   | P>|z| | 95% C.I. | X  |
|----------|------|-----------|-----|------|---------|-----|
| age      | -0.009941 | 0.00408 | -2.45 | 0.014 | -0.01988 | 0.001988 | 40.6252 |
| gen*     | 0.0661331 | 0.05199 | 1.27 | 0.203 | -0.035768 | 0.166834 | 0.522969 |
| edu      | -0.0263287 | 0.00926 | -2.84 | 0.004 | -0.044473 | -0.008184 | 5.67816 |
| mar      | 0.0006172 | 0.003959 | 0.2 | 0.888 | -0.076983 | 0.076219 | 1.49425 |
| famsz    | -0.0047357 | 0.01132 | -0.4 | 0.67 | -0.0279 | 0.016128 | 4.01149 |
| exp      | 0.0047372 | 0.00449 | 1.05 | 0.292 | -0.004066 | 0.00954 | 13.592 |
| nemploy  | 0.0006298 | 0.00913 | 0.69 | 0.491 | -0.031604 | 0.03119 | 4.05172 |
| bkks*    | -0.273703 | 0.05529 | -4.95 | 0.000 | -0.384208 | -0.163134 | 50.9448 |
| tax*     | 0.0204173 | 0.05443 | 0.38 | 0.706 | -0.08254 | 0.123089 | 44.8276 |
| tech*    | -0.031623 | 0.07145 | -0.44 | 0.648 | -0.17166 | 0.108414 | 58.6207 |

(*) dy/dx is for discrete change of dummy variable from 0 to 1.
. mfx, predict(outcome(3))

Marginal effects after oprobit
\[ y = \Pr(\text{salessuccess} = 3) \] (predict, outcome(3))
\[ = .60487938 \]

| variable | dy/dx  | Std. Err. | z   | P>|z| | 95% C.I. | X   |
|----------|--------|-----------|-----|------|-----------|-----|
| age      | .0155014 | .00573    | 2.71 | 0.007 | .004271   | .026732 | 46.6552 |
| gen      | -.1030243 | .07945    | -1.30 | 0.195 | -.25875   | .052701 | .522989 |
| edu      | .0410424 | .01296    | 3.17 | 0.002 | .015633   | .066451 | 5.67816 |
| mar      | -.0009621 | .06172    | -0.02 | 0.988 | -.121928   | .120084 | 1.49425 |
| fansz    | .0073822 | .0184     | 0.40 | 0.688 | -.028675   | .043444 | 4.01149 |
| exp      | -.0073846 | .00686    | -1.08 | 0.281 | -.020824   | .086054 | 13.592  |
| nemploy  | -.0098141 | .01411    | -0.70 | 0.487 | -.037474   | .017846 | 4.05172 |
| baxs     | .5448107 | .09292    | 5.86 | 0.000 | .362687    | .726935 | .603446 |
| tax      | -.0319292 | .08535    | -0.37 | 0.708 | -.199235   | .135357 | .48276  |
| tech     | .0497043 | .11311    | 0.44 | 0.660 | -.171985   | .271393 | .586207 |

(*) dy/dx is for discrete change of dummy variable from 0 to 1
APPENDIX 2

INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH (ISSER)

UNIVERSITY OF GHANA

Research topic: An exploration of factors that lead to success of Microenterprises in Ga East Municipality.

Name of student: Steven Daamah

Dear respondent,

I am a graduate student of the Institute of Statistical Social and Economic Research, University of Ghana, carrying out a research on the above stated topic. This research is conducted for academic purpose only and all information provided by you would be treated with utmost confidentiality. I therefore request that you voluntarily participate in this study by responding to the following questions. Thank you very much for your participation. I appreciate your efforts.

SECTION A: SOCIO-ECONOMIC INFORMATION

Gender of business owner (a) male [ ] (b) female [ ]

What is your level of education in years .................................

Family size (specify) .........................................................

Business type (specify) (a) Wholesale [ ] (b) service provision [ ] (c) Manufacturing [ ] (d) retailing [ ]

Years of operation (specify) ................................................
Where is your business located currently?

a. Rented shop/building [ ]

b. At residence without separate kiosk or building [ ]

c. At residence with separate kiosk or building [ ]

d. Table top infront of residence [ ]

e. Table top by road side [ ]

f. Store/stall in market [ ]

Other (specify) ............................................

What is the Proximity (in km) of business to a market area? (specify)..............................

Is this business the main source of household income? (a) Yes [ ] (b) No [ ]

What other sources of income do you have?

a. Salary from formal employment [ ]

b. Income from other business [ ]

c. Remittance from spouse/partner [ ]

d. Remittance from family members [ ]

Other (specify) ............................................

How many paid workers have you employed? (specify) ..............................................

10b. Age .............................................
Do you pay any form of tax to the assembly? (a) Yes [ ] (b) No [ ]

What type of tax do you pay?

(a) Business operating tax [ ]

(c) Property rate [ ]

(d) Market tolls [ ]

(e) Fees and fines [ ]

(f) Other (specify) ……………………………………………………………

SECTION B: MAJOR DETERMINANTS OF SUCCESS OF MICROENTERPRISES

currently, how many of your workers have the following educational qualification

(a) No formal education [ ]

(b) Primary [ ]

(c) JHS [ ]

(d) SHS [ ]

(e) Tertiary [ ]

(f) Other (specify) …………………………………. [ ]

Do you have any book keeping system (records of sales, expenses loans, assets, debtors, creditors etc.) for your business? (a) Yes [ ] (b) No [ ]
What is the qualification of the staff/person that is in charge of book keeping system?

(a) JHS graduate [ ]
(b) SHS graduate [ ]
(c) Diploma Holder [ ]
(d) degree holder [ ]
(e) other (specify) ………………

Are there staff in your enterprise that are trained or have business planning and marketing skills?  (a) Yes [ ] (b) No [ ]

In your own opinion, which of these factors have led to the success of your business (Please rank from 1 to 7. 1 implying the most important and 7 the least important)?

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Rank from 1 to 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate financial resources for start up</td>
<td></td>
</tr>
<tr>
<td>Access to credit facilities for expansion</td>
<td></td>
</tr>
<tr>
<td>Effective leadership and good management</td>
<td></td>
</tr>
<tr>
<td>Personal networks</td>
<td></td>
</tr>
<tr>
<td>Business networks</td>
<td></td>
</tr>
<tr>
<td>Years of experience in business</td>
<td></td>
</tr>
<tr>
<td>Relying on goodwill of family business</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>--</td>
</tr>
<tr>
<td>Geographic location of business</td>
<td></td>
</tr>
<tr>
<td>Investments in technology</td>
<td></td>
</tr>
<tr>
<td>Good legal or regulatory environment</td>
<td></td>
</tr>
<tr>
<td>Innovative business ideas</td>
<td></td>
</tr>
<tr>
<td>Good relationship with community</td>
<td></td>
</tr>
<tr>
<td>Risk management</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>

Do you make use of technology in your business?  (a) Yes [   ]  (b) No [   ]

If yes, what type?

- a. Telephone [   ]
- b. Laptop/tablet computer [   ]
- c. Desktop computer [   ]

Does the business use any of the following in its communication with clients and suppliers?

- a. E-mail account [   ]
- b. Website [   ]
c. Social media [ ]

d. Mobile money transfer [ ]

Other (specify) .................................................................

SECTION C: AVOIDING BUSINESS FAILURE

How did you start/acquire the business?

a. I set up this business by myself [ ]

b. Purchased it [ ]

c. Inherited it [ ]

d. It was given to me by a relative or friend [ ]

e. I set it up with my spouse [ ]

f. It was given to me by my spouse [ ]

Other (specify) .................................................................

What was the main source of start-up funding/capital?

Personal savings [ ]

Sold some assets to start it [ ]

Loan from family members and friends [ ]

(e) Loan from formal financial institution [ ]
Is there a measure to ensure that staffs of your business are routinely given training?   Yes [ ]  No [ ] (if No skip to 24)

If yes what training/skills have your staff received? (multiple answers applicable)

(a). Management skills [ ]
(b) Marketing skills [ ]
(c) Financial skills [ ]
(d) ICT skills [ ]
(e) other (specify) ........................................

How often do staffs receive training? (if No to question 23 skip to 26)

a. Daily (on the job) [ ]
b. Weekly [ ]
c. monthly [ ]
d. Yearly [ ]
e. Never [ ]

Currently how much sales/revenue does the business make on average?

a. Sales/revenue per day [ ]
b. Sales/revenue per week [ ]
c. Sales/revenue per month [ ]
Do you have separate bank account for your business?

a. Yes [ ]  
   b. No [ ]

If yes, how often do deposit in your business account?

a. Daily [ ]
   b. Weekly [ ]
   c. Monthly [ ]
   d. Yearly [ ]

Other (Specify) ........................................

On the average, how much funds do you deposit in the business account?

a. Less than GHC 100 [ ]
   b. 100 – 199 [ ]
   c. 200 – 299 [ ]
   d. 300 – 399 [ ]
   e. 400 – 499 [ ]
   f. above 500 [ ]

How do you promote your business?

a. Media advertisement [ ]
   b. Posters and fliers [ ]
c. Bill boards [ ]

d. other (Specify) ............................................................................................

How do you treat your staff? if any (Benefits, type of training, etc.)

a. Health insurance [ ]

b. Bonuses [ ]

c. SSNIT contribution [ ]

d. Annual leave [ ]

e. Sick leave [ ]

Other (specify) ………………………………………………

SECTION D: Factors and conditions that effectively lead to the sustainable growth and performance of microenterprises.

How often do you budget for your business?

a. Daily [ ]

b. Weekly [ ]

c. Monthly [ ]

d. Yearly [ ]

Other (Specify) .................................................................................................
How do you see the growth of your business?

a. Slow growth [ ]

b. Rapid growth [ ]

c. Normal [ ]

d. Seasonal growth [ ]

Have you ever gone for any loan to help your business?

a. Yes [ ]

b. No [ ]

If yes, what was it used for?

To buy raw materials/inputs [ ]

Buy additional equipment, tools/machinery [ ]

Construct/rent building for the business [ ]

Pay workers [ ]

Attend training [ ]

Other (specify) ..............................................................

How often do you reinvest into your business after you opened it?

(a). Daily [ ]

(b). Weekly [ ]

(c). Monthly [ ]
(d). Yearly [ ]

Other (Specify) ..............................................................................................

In your opinion, how would you measure the performance of your business in terms of the following indicators?

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1=increase</th>
<th>2=decrease</th>
<th>3=remain the same</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share (customer base)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital (start-up money)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of business in terms of assets</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What was business performance in the indicators below at the time of business startup? (please state figure)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of sales</td>
<td></td>
</tr>
<tr>
<td>Number of employee</td>
<td></td>
</tr>
<tr>
<td>Market share (customer base)</td>
<td></td>
</tr>
<tr>
<td>Indicator</td>
<td>Amount</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Profit</td>
<td></td>
</tr>
<tr>
<td>Working capital (start-up money)</td>
<td></td>
</tr>
<tr>
<td>Size of business in terms of assets</td>
<td></td>
</tr>
</tbody>
</table>

What is the current performance in the indicators below (please state figures).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of sales</td>
<td></td>
</tr>
<tr>
<td>Number of employee</td>
<td></td>
</tr>
<tr>
<td>Market share (customer base)</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td></td>
</tr>
<tr>
<td>Size of business in terms of assets</td>
<td></td>
</tr>
</tbody>
</table>
What challenges do you face in the cause of running your business? (please tick, Multiple answers applicable)

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Please Tick (√)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power availability</td>
<td></td>
</tr>
<tr>
<td>Cost of credit</td>
<td></td>
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<tr>
<td>Security (e.g. theft, disorder)</td>
<td></td>
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<tr>
<td>fuel and transportation cost</td>
<td></td>
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<tr>
<td>Availability of raw materials</td>
<td></td>
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</tbody>
</table>