SOME REASONS ACCOUNTING FOR THE UNDERUTILIZATION OF CROWDFUNDING AS A FINANCIAL SOURCE FOR SMES: THE CASE OF SELECTED ENTREPRENEURS IN ACCRA

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A LONG ESSAY SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILMENT OF REQUIREMENT FOR THE AWARD OF EXECUTIVE MASTER OF BUSINESS ADMINISTRATION

MAY, 2019
DECLARATION

I declare that this long essay is the result of my own research and that it has not been submitted in this University or any other school for any degree whatsoever.

HELENA PAWLOWSKI (10104126)
CERTIFICATION

I certify that this research work was supervised in accordance with laid down rules, regulations and procedures of this University

…………………………                                                                              …………………….

DR. DANIEL QUAYE                                                                                         DATE

(SUPERVISOR)
ACKNOWLEDGEMENT

I am most grateful to the Almighty God for how far He has brought me. He is my strength, my
provider and my source of wisdom. My sincerest gratitude goes to my supervisor Dr. Daniel
Quaye for his invaluable contributions and directions. I will forever be grateful to him for his
enthusiasm, kind words and dedication. I am also grateful to all the lecturers of the University of
Ghana Business School, especially the entrepreneurial management department for their
invaluable contributions and constructive criticisms throughout the EMBA programme. I am
thankful to Dr. Elikplimi Komla Agbloyor for being inspiration during my selection of research
topic and to my entrepreneurial course mates for their encouragement and support.
DEDICATION

I dedicate this work to my dear husband Mr Jerzy Pawłowski and our lovely daughter Grazyna for their support and tolerance.
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ABSTRACT

The overall goal of this study was to investigate some reasons accounting for the underutilization of crowd funding as a financial source to selected SMEs in Accra. The study employed qualitative research approach with semi-structured interviews as its main research instrument.

A total of fifteen (15) SMEs dealing in various businesses were employed as sample size with the study being conducted in Accra only. The study reveals that, SMEs in Accra and Ghana at large do not utilize crowd funding as their source of financing SMEs related activities even though some SMEs owners have knowledge of the existence of crowd funding schemes and their contribution to the financing of SMEs partly due to reasons like absence of legal regime on crowd funding, low level of education among most SMEs owners on crowd funding, lack of government control, socio-cultural factors and personal factors like preference of other sources of funding as against crowd funding.

Moreover, the study reveals that, the underutilization of crowd funding to SMEs financing in Accra is largely due to some reasons like lack of education, legal, government, personal, and socio-cultural related issues. Again, the study has established that, the promotion of crowd funding scheme to SMEs financing in Accra hinges on factors such as government support, education, advertisement and linking crowd funding to SMEs.

The study has recommended the conduct of education and sensitization to SMEs and Ghanaians as a whole, and institutions of systems of support as necessary prerequisite to the development and advancement in the utilization of crowd funding in Accra.
CHAPTER ONE
BACKGROUND TO THE STUDY

1.0 Introduction

This first section of the research work discusses the background and problem statement to the study, research goal and objectives, research question and significance of the study. Again, the chapter details the theoretical perspectives of the research work as well as the organization of the study.

1.1 Background to the study

Until relatively recently, Small and Medium Enterprises (SMEs) financing in Ghana and the world extensively depended on various traditional sources of finances, like venture capital, banks and Micro Finance Institutions (MFIs). This is particularly so, as new entrepreneurial and venture development as well as the quest to create value chain, calls for the organization and assembling of new and substantial amount of financial resources (Schumpeter, 1934). These sources provided the financial muscles to majority of SMEs in the country in the form of loan requisition. In Ghana, according to Agbozo et al. (2012, pg.14), “SMEs sources of financing are limited with the major ones being “bank overdraft, bank loans’ and trade credit whereas other sources like microfinance, personal savings, and susu schemes also exist for SMEs financing”. Despite the presence of these sources of financing SMEs particularly in Ghana, SMEs still face various forms of financial challenges. For instance, securing loans from banks in Ghana warrants high interest rates of approximately 35.50 percent in 2018; 42.84 percent in 2016 (Bank Lending Rate, 2018) and around 27 percent in 2013 (Andoh & Quaye, 2013, pg. 46) indicating a rather high rate charged on loans.
Again, banks require viable and bankable projects, high rate of collateral that can exceed the value of the initial loan to the tune of about two-to-three times, tough banking procedures, among other things, in the loan requisition process (Bruns & Fletcher, 2008 as cited in Andoh & Quaye, 2013, pg. 46); (Abor, 2007). These rather discouraging conditions set up by the traditional banks which were to be the major sources of SMEs in the country and the global community as a whole has affected the sources of financing SMEs both in Ghana and beyond.

In another stream, the presence of Micro Finance Institutions (MFIs), as another source of financing SMEs and reducing poverty could also not do much to resuscitate the financial challenges facing entrepreneurs in Ghana. This is partly so as most MFIs which initially begun to spread loans to SMEs have rather become commercial entities as against the backdrop of targeting poverty and people who could not access loans at the back. For instance, Halloway (2011) reported that, “there is commercialization of microfinance institutions since the naissance of the Grameen bank in 1983 and that microfinance institutions that originally started as non-profit, are transforming into licensed banks and non-bank financial intermediaries. Since such banks, as part of their physical make up, do not have collateral as insurance, in order to attract shareholders, they needed to raise interest rates and participate in aggressive marketing and loan collection, specifically in developing countries where microfinance institutions are popular”.

The initiative of SME financing has been completely saturated by an influx of microfinance institutions that are looking for funding by charging high interest rates to get back returns. The justification for this is that commercialization is the only way to attract money needed to expand the outreach (Halloway, 2011). This situation is not only peculiar to a few MFIs but majority of them across the globe. For instance, studies indicate that majority of MFIs loans rates have been faced with the issue of high interest rates charges from MFIs owing to the commercialization of
the sector (Norwegian Microfinance Initiative, 2010 as cited in Andoh & Quaye, 2013, pg.46). Again, the sector has been occasioned by the transfer of administrative cost of loan recovery to borrowers, high interest rate and poor modes of loan recovery. Biekpe (2004), contended that in Africa, governments and financial institutions do support small businesses financially, resulting in most of them failing, particularly in their first years of operation (Biekpe, 2004 as in Agbozo et al., 2012). Further studies, in particular, Agbozo et al. (2012), Omidyar Network (2013), and Wolf (2004) submitted that, the lack of access to credit in Ghana specifically is the dominant challenge to entrepreneurship in the country as the situation forestalls the growth and expansion of SMEs. The lack of access to financial credit resulting from higher interest rates, request for collateral amongst other things to a large extent presents a challenge to the financing and sustenance of SMEs in Ghana and this calls for a search on alternatives source of financing.

1.2 Problem statement

According to Hofstede’s cultural dimension, Ghana is a highly collectivist society where people belong to member groups; ethnic, tribes, extended family, or relationship and various sects of people see themselves as being members of a given group with almost everybody belonging to a particular sect with a high sense of commitment, and responsibility (Hofstede, 2010; 2006; 2001). The presence of these favorable conditions of collectivism and increased internet usages should imply a somewhat higher application of crowdsourcing streams of financing SMEs (Agbozo & Yeboah, 2012). This is particularly so as relationships between and amongst people in the Ghanaian society seems somewhat close. Again, owing to the extent of collectivism, individuals and groups care for the need and growth of other peoples’ activities resulting in the application of individual contributions and support of an associate’s businesses and activities.
However, unfortunately, crowd funding has not been applied largely in the financing of SMEs in Ghana, despite the availability of these favorable conditionalities. Crowd funding is, a system of crowdsourcing where resources are collated from individuals, groups and organizations that express interest in the contribution, management and development of a particular business or activity mostly through the internet. The World Bank Group (2015) reported that, Africa’s low crowd funding patronage which is evidenced by its consumption of less than 2 percent of the global crowd funding figure is attributed to factors included but not limited to poor national regulatory environments that are not conducive for crowd funding of equity and debt and technological environments where e-commerce is not widely utilized with Ghana not being an exception to this report. The focus of this study is thus to examine some reasons contributing to the underutilization of crowd funding in Accra.

1.3 Research Aim

The overall aim of the study is to examine some reasons accounting for the underutilization of crowd funding as a financial source for SMEs in Accra.

1.4 Research Objectives

Specifically, the study seeks to achieve the following objectives;

- To identify the current state of crowd funding schemes in Ghana
- To examine some factors accounting for the underutilization of crowd funding as a financial source for SMEs in Accra.
- To identify strategies for promoting the usage of crowd funding platforms in Accra.
1.5 Research Questions

The questions guiding the study are;

- What is the current state of crowd funding in Ghana?
- What factors account for the underutilization of crowd funding as a financial source for SMEs in Accra?
- What strategies are best in promoting crowd funding in Accra?

1.6 Methodology

This study employed qualitative research approach to examine some reasons accounting for the underutilization of crowd funding as a source for SMEs financing in Accra. The study selected SMEs in Accra and used semi-structured interviews as its main instrument for data collection. In all, a sample size of fifteen (15) was employed for the conduct of the study through purposive and convenient sampling techniques. Thematic analysis with in-depth descriptive and exploratory discussions accompanied by simple percentages and chart will form the basis of analysis of research findings.

1.7 Significance of the study

The conduct of this research work seeks to serve the following purposes;

First, the study will help identify the current state of application of crowd funding to SMEs financing in Accra. This is particularly so as the study will seek to gather data on whether people have knowledge and have applied the concept of crowd funding to raise funds towards their businesses. By this, the study will be able to report on whether crowd funding is being used to a larger extent as an alternative source of financing SMEs in Ghana.
Secondly, the findings of the study will help in examining the factors/challenges that have perhaps undermined the effective and efficient evolution and management of crowd funding to entrepreneurship in Ghana. By this, the study will expose all possible factors which might have been the cause. This will eventually lead to the realization of the challenges in the business and entrepreneurial pursuit as regards financing entrepreneurship in Ghana.

Further, the findings of the research work will help in establishing the various significant measures necessary in promoting crowd funding schemes in Ghana. By the identification of these significant factors through the study, various challenges to crowd funding in Ghana will be reduced to the minimal level which will assist in the promotion of crowd funding for business financing in Ghana.

Finally, the findings of this study will contribute to the knowledge of crowd funding among professionals, institutions and organizations as regards its existence, and how best they can apply crowd funding as alternate source of funding their businesses. By this, most organizations, institutions and professionals who are faced with the challenge of securing resources for their business will now have the opportunity of improving their businesses and activities through crowdsourcing means.

1.8 Scope of the Study

This study is limited to selected and high-profile entrepreneurs in Accra. The study, mainly, examines the challenges to the limited application of crowd funding schemes among selected entrepreneurs in Accra. Thus far, data for the study will be employed from only these groups of respondents for discussions and analysis. The reason for the application of data from only this group of respondents is due to the time frame of the study as well as the quest of entrepreneurs to
always look out for sources of investment and financing. Only three main theories have being employed to aid in the discussions and subsequent conclusions of the study.

1.9 Limitations of the study

First, the study is limited to only selected entrepreneurs in Accra thus making other entrepreneurs in the country who have knowledge and experience of crowd funding not being participant.

Finally, time constraint and cost of data collection may have affected the research in way one or the other.

Despite these constraints, the study ensured that entrepreneurs selected were of high standards in the entrepreneurial business and well known in Ghana and largely represents the face of SMEs. Again, the study was organized with the researcher being time cautions to ensure that, she was able to complete on time.

1.10 Organization of the study

This study is organized into five main chapters. Details of the respective chapters are as follows;

Chapter one of the study contains the background, problem statement, research goal and objectives, research question, brief methodology, significance, scope and limitations of the study as well the organization of the research work.

Chapter Two, discusses the literature review and is organized under the following; challenges facing Ghanaian entrepreneurs, sources of entrepreneurship financing in Ghana, entrepreneurship
intervention by the government, the concept of crowd funding, characteristics of crowd funding, types of crowd funding, advantages and risk in crowd funding, crowd funding, the global perspectives and the African and Ghanaian perspectives of crowd funding to entrepreneurship.

Chapter Three takes on the research methodology guiding the study and is treated under; research design, research population, sampling technique and sample size, sources of data, research instrument, data presentation and analysis.

On the other hand, Chapter Four of the research work takes on the data presentation, analysis and discussions whereas Chapter Five details the summary, conclusion and recommendations to the study.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

Chapter two of the research discusses the various literature component of the study and is organized under the following sub-sections; concept of SMEs, characteristics of SMEs, contributions of SMEs to economic development, conceptual framework, sources of entrepreneurship financing, concept of crowd funding, types of crowd funding, advantages of crowd funding, empirical literature and utilization of crowd funding in Ghana and Africa.

2.1 Concept of SMEs

Literature as to what constitutes SMEs has received varying reactions with almost each definition proffering different features and characteristics of the concept. Abor and Quartey (2010) presented for instance that, attaining a single definition for SMEs has been a major concern in SME literature as almost every researcher employs different criterion for the concept. Whereas some researchers employ firm size to define SMEs, others use factors like financial resource, employee size, legal status, and production method. One principal definition granted to SMEs was the one by the Bolton Committee (BC) of 1971 in which SMEs was defined employing two main criteria, namely “economic” and “statistical”. Economically, the Bolton Committee (1971) explained SMEs when it meets the following three criteria, “a relatively small market place; managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure; and is independent, in the sense of not forming part of a large enterprise”
On the other hand, “statistically”, the committee explained SMEs under the following criteria, “the size of the small firm sector and its contribution to GDP, employment, exports, etc.; the extent to which the small firm sector’s economic contribution has changed over time; and applying the statistical definition in a cross-country comparison of the small firms’ economic contribution”.

An examination of the above definition by the commission explains SMEs to be the form of business which largely is operated by an individual on a small scale with low contribution to GDP and smaller employee size. This definition presupposes that, most SMEs are not done on large scale as against large corporations and thus SMEs usually are either individual businesses or family run businesses with little economic contribution to the financial fortunes or gains of their economies.

In the case of the European Commission (EC), MSMEs is defined based on certain factors like employment size. Largely, according to the commission, firms with 0-9 employees are micro enterprises with those between 10-99 employees being small enterprises whereas those with 100-499 are medium enterprises. A critical assessment of EC’s definition indicates that, SMEs were defined solely based on the number of employees in place whereas ignoring other important factors like financial contribution to economy among other relevant indicators.

Similar to the global view of SMEs, various definitions have been coined for the term in Ghana but also depend on the number of employees in place (Kayanula & Quartey, 2012; 2000). For instance, the Ghana Statistical Service (GSS) considered firms whose employee size are less than 10 to be small-scale enterprises while those with more than 10 employees are considered as medium and large-scale enterprises (GSS as cited in, Kayanula & Quartey, 2012; Gockel, 2012).
Juxtaposing the above conception of SMEs by both foreign and Ghanaian organizations, it could be inferred that, SMEs largely encompasses businesses owned by either an individual or group of individuals, mostly family members or close associates, with few employees and usually done on a smaller scale. This study incorporates the background definitions provided above by the GSS, EC and the BC to define SMEs as “the form of business operated usually by an individual or a group of associates on a smaller scale with not too many number of employees, smaller financial position and usually involved not in many goods and or services but a particular kind or fewer services and contributes a smaller proportion to economic growth owning to its smaller size in a country”. This study thus adopts the operational definition provided by the researcher for its further analysis and discussions.

2.2 Characteristics of SMEs

Fisher and Reuber (2012) outlined various features of SMEs in both developed and advanced economies under the following; labour characteristics, sectors of activity, gender of owner, payment of taxes, registered and efficiency.

In terms of labor characteristics, SMEs do not employ larger size of staff. They mostly run by small number of employees. In most instances, SMEs are run by family members more especially in developing countries with only a few of employees being hired from the outside. SMEs are more labor intensive than larger firms but with low capital base (Anheier & Seibel, 2011; Liedholm & Mead, 2009).
In terms of business activity, most SMEs are largely engaged in, trading, retailing and manufacturing (Fisher & Reuber, 2012). In most cases, SMEs are engaged in not multiple activities or businesses.

Further, SMEs are registered entities with local unit of business management that pay taxes on their operations and activities to appropriate authority in the state.

According to Kayanula and Quartey (2012; 2000), in Ghana, SMEs can be broadly put under two main domains; rural and urban enterprises and as well as be sub dived into organized and unorganized. Abor and Biekpe (2006) observed that most SMEs are female owned and are often operated from their homes and are often not registered businesses with paid salaried workers.

2.3 Contributions of SMEs to Economic Development

Literature on SMEs largely indicates that, SMEs are important to the socio-economic development of countries. Economically, SMEs provide the major sources of employment particularly for those in rural areas and women as well (Advani, 2013). This is more so as they provide the streams of smaller employment for the informal sector of the economy. In the case of Ghana for example, the GSS indicates that, the informal sector dominated by SMEs provides at least 60-70% of employment in the country (GSS, 2015).

Again, SMEs contribute to the GDP of most developing economies in particular and this strengthens the financial position of government as well as improving the national product of countries through either manufacturing goods of value or through service provision to consumers. In Ghana for example, SMEs represent about 90% of Ghanaian businesses and contribute about 70% to GDP and over 80% to employment. In the case of south Africa, SMEs
make up for about 91% of the formal businesses, contributing between 52% and 57% to GDP and providing about 61% of employment (CSS, 2013; Ntsika, 2011; Gumede, 2008; Berry et al., 2007).

Additionally, economically, SMEs offer the avenue of consuming raw materials from other industries. Such an offer from the SMEs sector contribute indirectly to the growth and development of other sectors of the economy in the form of revenue generation, employment creation and GDP growth (Berry et al., 2007).

Further, SMEs serve the importance of introducing new products by adding to the variety of goods and services available on the market and to consumers and this ensures the sustainability and value attainment of societies (Berry et al., 2007).

2.4 Sources of Entrepreneurship financing in Ghana

Studies on entrepreneurship financing have indicated that financial streams to their activities could be obtained from three main sources. For instance, Mensah (2004), categorized the sources of finances to entrepreneurship into formal, the semi-formal and the informal sources of financing. On the part of Mensah (2004), the formal sector basically constitutes the banking industries whereas the semi-formal sector includes all “Credit Unions, savings and credit Cooperatives and a number of NGOs” (Jones et al., 2000). The informal sector however is made up “moneylenders, Susu collectors (savings mobilisers), traders, agricultural processors and input distributors, Susu groups/ROSCAs (Rotating Savings and Credit Associations), and friends and relatives” (Jones et al., 2000). Among these sources, Cole et al. (1995) asserted that the banks
and micro finance are the most sought-after source through its various initiatives like loans, and other credit facilities.

Despite the over reliance of SMEs on banks and micro finance for support, Alabi et al (2007), indicated that, SMEs face difficulty in accessing funds from these institutions partly due to factors included but not limited to issues of limited access to deposits, credit facilities and financial support services coupled with the lack of collateral security and the high risks and failure rates of SMEs, which makes the banks reluctant in giving loans to these types of firms (World Bank, 1994 as in cited in Alabi, 2007). For the purpose of leveraging loans provided by the banks, they charge high interest rates which undoubtedly limit SMEs access to credit facility from the financial institutions.

Similarly, as regards to sources of financing entrepreneurship in Ghana, a study by Chu and Benzing (2007) on 156 Ghanaian entrepreneurs indicated that 95% of businesses in Ghana are resourced from personal and family savings indicating that predominantly, Ghanaian businesses rely on savings for their financial needs. According to the Harrod-Domar growth model, “savings and economic growth are positively correlated because savings are used to finance investment which in turn stimulates growth” (Todaro et al, 2011, pg.11). However, studies on savings in Ghana indicate that the level of savings is low even among those who save and this is indicated by the small proportion of people who have bank accounts (Asante Bremang, 2012). Asante Bremang (2012) again identified the reasons for low saving culture among Ghanaians has been “low savings and deposit rates, poor attitudes of bankers towards small savers, numerous documentation requirements”.

Similar to formal saving scheme for entrepreneurship is susu schemes. Susu, a traditional scheme among residents in a given locality where savings are done particularly to support their financial
needs be it businesses or individual requirements. In most instances, individual members of susu schemes have benefited from their contributions for business purposes and this has largely been employed by most people as startup capital for their entrepreneurial activities. Again, among business people or entrepreneurs, traditional susu schemes are adopted as a means of building up capital to support the growth and development of their businesses and this operated by most people in the country. According to the World Bank (1994), Susu “has been a major source of fund mobilization for many MSEs in Ghana” (World Bank, 1994 in Alabi, 2007).

Barclays Ghana terms it as the “Ghanaian Micro-finance” (Barclays Ghana qtd. in Alabi, 2007). Alabi (2007) further intimated that, susu helps in the development and growth of Ghanaian SMEs. Going by this, it could be argued that susu schemes play a pivotal role in the financing of entrepreneurship in Ghana. However, the form and sum of contributions made through susu scheme could only help in small businesses and whereas large businesses that require lump sum amount of money is likely to suffer as the scheme is not able to raise adequate amount of money needed to fund such big businesses. Traditional susu scheme thus cannot be a solution to the financial needs of the entrepreneurial drive needed in the country leading to most people resorting to alternative funding source like crowd funding.

2.5 The Concept of Crowd funding

Empirical studies suggest that, crowd funding emanated from two different concepts; crowdsourcing (Kleeman et al., 2008, Belleflamme et al., 2010) and; micro financing (Morduch, 1999). According to Kleeman, et al. (2008, p. 6), crowdsourcing occurs “when a profit-oriented firm outsources specific tasks essential for making or selling its product to the general public (the crowd) in the form of an open call over the internet”. The main motive behind crowdsourcing is
to employ multitudes of people (the crowd) to generate business ideas, solutions and feedback for a particular issue, or problem either in a company or the society at large (Belleflamme et al., 2010). Micro financing however entails the system of lending money, usually smaller amount to borrowers who either lack access to existing traditional financial sources of revenue or do not have money. The concept of micro financing commonly details the system of providing financial assistance to the poor and needy with the aim to either undertake a particular business venture or for personal reasons in relation to reducing and/or alleviating poverty (Armendáriz & Labie, 2011; Morduch 1999).

This term “Crowd funding” was made popular by Tim O’Reilly in 2004 after the first ever platform was created in U.S in 2001 by the name “ArtistShare”. In 2006, 2008 and 2009, various other major world platforms of crowd funding like “Sellaband”, “Indiegogo” and “Kickstarter” sprung up (Zouhali, 2011). Since this period, various studies have been conducted to examine the specifics of crowd funding. Lambert and Schwienbacher (2010) defined crowd funding as “an open call, essentially through the internet, for the provision of financial resources either in form of a donation or in exchange for some form of reward and/or voting rights, in order to support initiatives for specific purposes” (Schwienbacher & Larralde, 2010, p.4). Similarly, the concept of Crowd funding as defined by Ahlers et al. (2012) is “a method of Crowd investment financing whereby an entrepreneur sells equity or equity-like shares in a company to a group of investors through an open call for funding on internet-based platforms” (Ahlers et al. 2012, in Stiernblad, 2013).

The definitions above explains the concept of crowd funding to be a form of financing where businesses, entrepreneurs and individuals who are interested to start businesses resort to various internet sources developed primarily to secure funding for projects and entrepreneurship with the
conditions of either the financers benefiting in one way or the other or in some cases such donations are offered with no attached conditions. Such platforms according to the authors above are resorted to when individual businesses need some form of funding to support their activities and operations such that, they have no other sources of financing. According to Hagedorn et al., (2013), crowd funding is an emerging financial source of businesses which entails a connection between the entrepreneur seeking the fund and business investors through an online portal or platform in which shares are traded for financing purposes.

According to Schwienbacher et al. (2010), crowd funding is characterized by the following; the reactiveness of crowd funders more than consumers in social networks; crowd funding becomes more successful for non-profit organizations than for profit organizations; helps in the development of corporate activities; and value -creation and cost -reduction. Crowd funding according to Hagedorn et al. (2013) submitted that, crowd funding is a relatively new concept and has not received much attention and research in academia. Crowd funding works as “a means of generating ideas and solutions to the problems affecting the production and development process, companies use of consumers and crowd in general to provide them ideas and feedback to increase the efficiency of the business” (Belleflamme et al., 2010). Crowd funding is said to have several potentials particularly in relation to SMEs financing. Youkin and Kashkooli (2016) indicated that, the utilization of crowd funding possess two main potentials for businesses; first, the use of online portals aids in the coordination of a support group around the entrepreneur; secondly, crowd funding offers the opportunity of accessing investment sources where traditional sources of financing do not.
2.6 Advantages of Crowd funding

Studies on crowd funding schemes to entrepreneurship and projects financing has indicated that, the concept comes along with varying degrees of importance to the entrepreneurship and business world as well as not-for-profit organizations. Among the list of importance of crowd funding schemes are;

2.6.1 Development of customer base and network of relationships

Crowd funding portals serves as a greater platform where customer base to businesses and service is built. This is because; the platform offers the opportunity for presentation of goods, services, ideas and business knowledge to the various potential investors. After people have visited the online portals, they either show support for the product and express interest in engaging in the business or recommend other potential ones to engage in the business. Such activities thus give the impetus for selling off the idea of the entrepreneur which greatly results in the attainment of investors and subsequent financing of the business.

2.6.2 The non-invasiveness of funders

When venture capitals or angel investors finance a project, they usually demand to be an active part of the plan. This situation is truly helpful in most situations; however, it can create diseases if the lenders start to be too “invasive”. In crowd funding, this does not happen limiting external influences. Crowd funding also allows creating a network of relationship that might continue across time, being useful for other future ideas.

2.6.3 Low Levels of control by funders

Crowd funding presents the advantage of less participation and influence of investors in the business and ideas of the entrepreneur. According to literature, in most cases, funders are not
usually known in crowd funding and thus limited to follow the campaign and offering advice without having a participation in first person. This thus affords the borrower the opportunity to follow his idea and initial product plan without much control from the outside world.

2.6.4 Reduces risk of losing or the “lenders’ risk”
Crowd funding schemes provide a range of business opportunities and avenues for lenders to see and examine a wide range of business proposals in which they can select from the lots available to fund their activities. This is because, crowd funding web contains several business choices and visiting such a site means the potential investor and business person could examine the wide range of proposals available to choose from. This allows the investor to invest a minimum amount into different forms of businesses.

2.7 Types of crowd funding

2.7.1 Donation-based crowd funding
Donation based crowd funding is a form of crowd funding scheme which is purely based on donations made by individual people, organizations, associations, both for profit and not-for-profit. It does not usually involve any economic gain, interest or return on investment made through the donation by the people involved. This kind of crowd funding is also known as “charity crowd funding” as it depends largely on charity of the individual and organization. Donation based crowd funding could occur in three different ways; charity crowd funding, civic crowd funding and social crowd funding.

2.7.2 Reward-based crowd funding
Reward based crowd funding is the type where individuals make donations and investment with no expectation for tangible return or profit on their investment. That is, it is the type where
providers of resources for a project, business or a particular activity are made with the investor or financier expecting some immaterial benefit. It is usually based on pervasive investment which does not involve the financier in the execution of the project. The immaterial benefit could come in the form of the financiers’ name being mentioned in the dailies, made public or commonly made known to the general public of his investment towards the project execution. Reward based crowd funding is the most common type used worldwide.

2.7.3 Equity-based crowd funding

Equity based crowd funding involves capital rising through an online platform by which people and organization acquires shares in a company. That is, this type of crowd funding involves a situation where investors contribute to the sustenance and growth of a business or company financially by acquiring shares in the business. It usually involves issuance of securities and a connection to risk capital. Equity crowd funding is not common in most countries.

2.7.4 Lending-based crowd funding

This type involves the exchange of a particular amount of money provided by means of a loan from an investor or lender to an entrepreneur or lender through a crowd funding platform.

2.7.5 Royalty-based crowd funding

Royalty based crowd funding involves the type where financiers attains returns on gains and losses made through a project. It is often identified as a hybrid of the reward and equity-based types of crowd funding as investors receive money on returns made from their investment.
2.8 Empirical Literature on Crowd funding Utilization

Throughout history, various forms of innovations have occurred in the financing and resource requisition regarding to access to capital for SMEs, individuals, groups and organizations for the purpose of attaining ample opportunities for businesses and entrepreneurial opportunities (Allen and Yago, 2010). New forms of financing businesses have evolved overtime based on several factors like technology, difficulty in accessing other sources of financing, global economic situation amongst such other facts. Variously, historical venture capital, angel funders and recently, crowd funding, have all received a boost in the financing streams of business, and entrepreneurial capital sourcing. The concept of crowd funding is regarded to be an integral part of the already existing concept of crowdsourcing (Lehner, 2013; Belleflamme et al., 2014; Mollick, 2014). Following this, most entrepreneurs seeks to make contact with the larger majority (crowd) as against few individuals (agents) in the resource requisition process. Again, the concept of crowd funding is regarded to have strong ties with the microfinance (Marom, 2013; Bruton et al., 2015).

Crowd funding establishes a particularly interesting avenue for business financing as it creates online platforms and media for fund raising. Until relatively recently, crowd funding was employed largely by entrepreneurs whose businesses did not attract much funds like creative arts faculties (e.g. Lehner, 2013) as it generated huge rates of funds for their activities. However, in recent times, various development and modalities have occurred with crowd funding including reward-based, lending-based and equity-based crowd funding (Massolution, 2015), providing varying forms of services and demands to different individuals and groups (e.g. entrepreneurs, social enterprises, communities and organisations, network of donors, customers, investors and funding institutions).
Accordingly, crowd funding is being employed, globally, for the requisition of capital by individuals, groups, organizations, and communities etc thus resulting in the limited application of most traditional streams of entrepreneurial resource requisition like traditional venture capital, and banks (Eckhardt et al., 2006; Witt and Brachtendorf, 2006). Entrepreneurs across the globe now exploit crowd funding to finance their businesses resulting in a continuous growth in the usage of crowd funding sources annually, since 2012, thus making crowd funding a global phenomenon (Massolution, 2015). For instance, the European Commission presented that, “Crowd funding continues to experience an acceleration of steep market growth, reporting an annual global investment volume of US$16.2bn (£9.83bn), which represents a growth rate of 167% from 2013. In terms of regional investment distribution, North America represents the largest crowd funding market with an investment volume of US$9.46bn (£5.74bn). Asia and Europe follow with US$3.4bn (£2.06bn) and US$ 3.26bn (£1.98bn), respectively”. Although the concept of crowd funding is a new phenomenon compared to other sources of business financing, data on the usage of the concept shows an increasing rate. Thus, the concept continues to influence SMEs activities greatly, resulting in the European Commission explores the potential value and risk of this non-traditional venture capital mechanism (European Commission, 2013a, 2015a, 2015b). Furthermore, various investors like business angel investors, and venture capital organizations have commenced studies examining the opportunities and risk associated with crowd funding for their investment strategies (British Business Bank, 2014; UKBAA, 2015b).

Crowd funding has also witnessed a major boost by been backed with laws and other legal enactments in most settings, particularly the advanced economies. For instance, in the US the recently passed Jumpstart Our Business Startups Act (JOBS Act) aims to back the activities of
crowd funding towards SMEs. In the case of the UK, crowd funding is supported by the Financial Conduct Authority (FCA) policy statement. The existence of these legal and policy instrument on crowdfunding has given the concept the right impetus to thrive in these economies thus resulting in their sudden over subscription (Massolution, 2015). Some studies on crowd funding suggest that, “with its presence, entrepreneurs identify and exploit non-traditional online tools for their venture development (Franke et al., 2013; Fischer & Reuber, 2014), and crowd funding offers a new route to pursue business opportunities by accessing and assembling funding from online social networks” (Ordanini et al., 2011; Lawton and Marom, 2013). This is more so as crowd funding mechanisms presents ample opportunities via non-traditional online driven approaches, which enables SMEs to link up with consumers and investors to partake in the funding of projects and businesses.

2.9 Utilization of Crowd funding in Africa and Ghana

Entrepreneurial and SMEs challenges in Africa and Ghana specifically are not quite distinct from that of the European community and America. The challenge of finance runs through almost all sectors of entrepreneurship and startups businesses in Ghana, Africa and the entire globe. The challenges in securing finances towards SMEs growth in Ghana and the continent as a whole has led to the adoption of the concept of crowd funding, as a means of securing finances for the development and advancement of the SME sector on the continent. Andoh & Quaye (2013) after a careful examination of financing SMEs in Ghana in relation to various studies like (Ahinful (2012), Abor & Biekpe (2007) and Abor & Biekpe (2006) expressed similar opinion that, the challenge of financing SMEs calls for the application of alternative sources of funding more particularly for start-up businesses and this is not exceptional to Ghana but most African
countries. Studies on the availability of crowd funding portals in Ghana and other African countries indicates the presence of 57 local crowd funding platforms including but not limited to FundFind, Ventura Capital for Africa, Ghana (VC4A), SliceBiz- Ghana, StartMe, Gogo-Afrika, Startup Africa Fund, ThundaFund-South Africa, M-Changa- Kenya, Jump Starter- Nigeria, Lelapa fund, homestirngs, Actionghana, Afrikstart and 234Give (Crowdsourcing.org; Malgudo.com; BBCAfrica.com; Afrikstart.com).

2.10 Theoretical Framework

This study employs three main theories of entrepreneurship for its analysis. Theories employed includes; the psychological theory, resource -based theory and the networking theory.

2.10.1 Psychological Theory

Studies on entrepreneurship have employed largely the psychological theory of entrepreneurship to examine the motivation behind individual’s starting their own businesses by describing the unique attributes of such people (traits). Studies on the psychological theory to entrepreneurship like (Brockhaus, 1982; Gartner 1989; Low and MacMillan 1988; McClelland and Winter 1971) have outlined some characteristics owing to an individual setting his own business. Among the list of features includes but not limited to the high need for achievement, high need for power or internal locus of control, and high need for affiliation. According to the theory, individuals do not only happen to be entrepreneurs. However, to a great extent, the quest to become an entrepreneur is due to certain psychological factors which is found in the mindset and pushes such fellows to undertake their individual private ventures. Relating this theory with the study,
the theory is being employed to examine the concept of entrepreneurship and the motivations behind the study’s participants’ quest to become entrepreneurs despite the challenges at hand.

2.10.2 Resource-based Theory

The resource-based theory posits that, organizations and businesses need various forms of resources running from human capital to financial capital. The theory postulates that, the success of businesses like SMEs will depend on the viability of finances and human capital to greatly manage the affairs of the business. According to the theory, financial capital is key to the sustenance of any entrepreneurial activity just like the human capital. Thus far, entrepreneurship becomes complete with the presence of financial resources, human capital amongst other essential resources.

This theory is being applied to examine how financial capital is required urgently for the success of entrepreneurial activities in Ghana (Becker 2007; Brush et al. 2006; Carter, Van Auken & Harms, 2011).

2.10.3 Networking Theory

This theory views entrepreneurship as an activity that is embedded in a system of network of social relationships. Within this network of relationships, the process of an individual entrepreneurship is either promoted or constrained. This theory posits further that the presence of networks either friends, business associations, families, business partners, among others play an important role in an entrepreneurial access to funds, businesses viability, market trends and market situation, (Aldrich & Zimmer, 2007). Owing to the networking content of crowd funding, this study employs the networking theory to examine crowd investment in Ghana in terms of the factors causing it underutilization.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This section discusses the methods of data collection and analysis used for the study. The concepts discussed includes research design, research population, and sampling technique and sampling size, sources of data, research instrument, and data analysis.

3.1 Research design
Research design refers to the strategic framework that guides research activities to produce sound results (Blanche et al., 2016). A research design is comparable to “an architectural blueprint”. There are diverse categories of research design centred on different philosophical assumptions, categories of strategies used and detailed methods employed. The choice of a particular research design is based on the research objectives and questions (Van Der Merwe et al., 2010). According to (Creswell, 2009), research designs falls in three categories, the Qualitative, the Quantitative and Mixed methods approach. Qualitative research seeks to examine a particular situation by adopting exploratory or descriptive techniques to generate words rather than numbers as data for analysis. Quantitative analysis on the other hand seeks to measure the relationships that exist between variables. Mixed method approach combines both qualitative and quantitative methods. This study adopted a qualitative research approach because it is subject to present a comprehensive analysis of the concept of crowd funding and its usage in Ghana. Qualitative design was employed for this study to help investigate thoroughly the various causal factors to the underutilization of crowd funding in Ghana. Through this approach, a
descriptive analysis was offered to all the factors leading to the underutilization of crowd funding in Ghana.

Moreover, qualitative approach assisted the researcher in proffering detailed analysis as well as offering adequate explanation to the various factors raised by respondents. By this, the study provided a comprehensive discussion and conclusion to the data gathered.

Finally, qualitative approach was employed to help offer simplistic and explicit explanations of all the various causes as against the use of figures which would have been ambiguous for readers to interpret and understand.

3.2 Research Population

According to Weiers (2005), a study population is defined as any group of items that can be measured empirically or observed theoretically. For the purpose of this study, the target population comprised selected entrepreneurs in Accra. Entrepreneurs selected for the study were people who had knowledge and understanding of the concept of crowd funding and who were either start-uppers and/or already existing businesses. The choice for start-uppers and already existing businesses was due to the fact that they have either faced financial challenges towards their business development and might have resorted to one or more sources of SMEs financing in Ghana. Participant for the study were only made up of those in Accra with the objective that, the city is largely business dominated and has greater population for the conduct of SMEs activities in the country. Again, Accra was chosen since it has high quality internet services compared to some other areas in the country.
3.3 Sampling Technique and Sample Size

For achieving the objectives of the study, only purposive sampling technique was employed to aid in the selection of entrepreneurs for the study. Purposive sampling is a sampling technique where a researcher selects participants or respondents based on their knowledge of the study. Purposive technique was considered to ensure that only people whose activities relates the topic of investigation forms part of this research. This was done to help avoid respondents whose activities do not relate with crowd funding. Moreover, purposive technique was chosen to arrive at respondents who had much understanding and experience of the Ghanaian SMEs environment as well as crowd funding schemes. The study employed fifteen (15) respondents who were SME owners in Accra and spanning frozen chicken business, restaurant, and sale of farm produce, natural mineral water and fruit juice extraction, clothing, cosmetics, hair, shoes and related products. The others are engaged in pharmaceuticals and construction related businesses within Accra.

As regards SMEs, respondents were drawn from well-known SMEs owners and beginners in Accra who have basic knowledge in crowd funding schemes. This group of respondents were considered necessary for the study as they most likely have knowledge in crowd funding due to the nature of work, they are involved in. The choice for fifteen (15) respondents was that they aided in examining the concept of crowd funding as well as assisted in drawing a conclusion for the study.

3.4 Sources of Data

This study employed two different types of data to assist in its discussions and analysis, primary and secondary data. Primary data is the type of data gathered by first-hand information of the
researcher and which happens to be original data on the topic of research. For the purpose of this study, primary data was gathered from various respondents who served as the study population. Primary data for the study were arrived at by means of semi-structured interviews. The choice of primary data for the study was to have first-hand experience of the understanding of various respondents as well as gather data which originally represented the case of Ghanaian entrepreneurs with regards to crowd funding and entrepreneurship financing in Ghana. On the other hand, secondary data for the study were employed by means of literature reviews, internet search and book reviews. Secondary data were employed for the study because they served as reference point for the study and gave much more knowledge as well as information on the subject of study.

3.5 Research Instrument

An interview method for data collection is explained as “a purposeful exchange of ideas, the answering of questions and communication between two or more persons” (Scott, 2006). This technique makes it possible to build a positive relationship with the respondent leading up to the building of trust which results in the release of vital information which otherwise would not been released. The study resorted to the use of semi-structured interviews because of its ability to get first-hand and in-depth information from the respondents. Again, interview method was considered as it enabled the researcher to offer better explanation to questions posed as well as creating the platform for a more robust engagement between the interviewer and interviewee. Interview method also helped interviewee to offer detailed explanation to all issues raised in the course of data collection.
In designing the interview guide, questions were developed by the researcher with the following principles in mind; the questions were based on literature covered as well as the objectives and questions guiding the study. This allowed for more exploration into SMEs financing visa-vie crowd funding and its associated challenges in Accra.

### 3.6 Data Presentation and Analysis

Data analysis is the explanation or interpretation of primary data gathered during the study. As a means of ensuring the attainment of standardization and uniformity in the presentation and analysis of the primary data which will be gathered during the research activity, analysis and presentation of materials was done in accordance with the set objectives of the research work. This was done by using thematic analysis which discussed and analyzed similar data on the same objectives per the study under one objective topic whereas findings considered to be quite different were treated as such. In the case where quite special and more different answer is provided it was put in an *italicized* format to give more meaning to the view expressed by the respondent. This was done with the aim of putting more emphasis on the most compelling and findings that are deemed special with regards to the data generated. Further, data analysis was accompanied with chart, explanations and other descriptive statistics. This was done to give graphical presentations to the various data that which required such.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS OF FINDINGS

4.0 Introduction

This chapter of the study entails primary data gathered from field work, analysis and discussions on the topic “Some Reasons Accounting for the Underutilization of Crowd funding as a Financial Source for SMEs; The Case of Selected Entrepreneurs in Accra, Ghana”. Data presentation, analysis and discussions of findings are organized employing thematic analysis model in relation to the objectives set out for accomplishment in the study. Data presentation and analysis is done through detailed descriptive and exploratory means with emphasis on all materials gathered from research interviews. Interviews were recorded and hand written as well. Recorded information was transcribed by the researcher into normal writing.

The study’s data was gathered from various SMEs owners and managers within Accra. In all, fifteen (15) SMEs owners were employed for the study using semi-structured interviews for data collection. A critical issue of consideration here is that, all the fifteen (15) responded to the various questions posed for the research work thus giving a wholly high response rate to all questions which are best fit to assist in the discussions of findings and necessary drawing of conclusions on the subject of study. Responses for the study were generated from various forms of SMEs that operates in different areas of businesses.

The findings of the research work is organized under four main themes; background information of respondents, current state of crowd funding schemes in Ghana, factors accounting for the underutilization of crowd funding as a financial source for SMEs in Ghana, and strategies for promoting the usage of crowd funding schemes in Ghana.
4.1 Background Information of Respondents

Background information presents the demographic features, employment history, and business profile of all SMEs that participated in the research work.

4.1.1 Demographic Features of Respondents

Table 4.1: Background Information of Respondents in the Study

<table>
<thead>
<tr>
<th>Features</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Female</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-35</td>
<td>8</td>
<td>53.7</td>
</tr>
<tr>
<td>36-46</td>
<td>4</td>
<td>26.7</td>
</tr>
<tr>
<td>47-60</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>Married</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Field data, 2019.
Table 4.2: Background Information of Respondents in the Study

<table>
<thead>
<tr>
<th>Features</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational Qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SSS</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>BA</td>
<td>7</td>
<td>46.7</td>
</tr>
<tr>
<td>PG</td>
<td>5</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Field data, 2019.

Contained in table 4.1 is the demographic feature of respondents who doubles as SMEs owners in the study. Demographic feature of respondents entails four main items, gender composition, age bracket, marital status and educational qualification. With regards to the demographic feature of gender composition, primary data gathered and as indicated by Table 4.1 shows that, females constituted the largest proportion of respondents making up nine (9) and represented 60% of the entire respondents size whereas the male category formed six (6) with 40% respondent ratio. Data on sexual composition clearly shows that, the study comprised of different ranges of respondents from the various sexes and not concentrated on only one sex group. By this, the experiences and understanding of the different sexual group was brought to bear thus defeating any possible bias in terms of gender as regards the topic of study. It is important to mention that, differences on ratio regarding sexual composition in the study was not orchestrated by the researcher in anyway but resulted from the availability of SMEs who willingly participated in the study.

Moreover, on the demographic feature of age, participants’ ages, cut across various age groups and not skewed towards only set or age group. For instance, according to Table 4.1 as eight (8)
representing 53.7 falls within 25-35 age bracket, four (4) and three (3) others respectively age between 36-46 and 47-60 respectively. Differences in the age of participant indicates a well composed group of interviewees with different experience as regards their personal self and the conduct of SMEs businesses. The presence of different age group thus aided in presenting a broader picture of CF and SMEs financing in Ghana bearing their experiences with the concept.

In relation to age group of participant is that of marital status. Of the two main items identified from the primary data, single and married, participant with single status outnumbered that of married couples in the study. Specifically, as nine (9) representing 60 were single as at the time of data collection, the remaining six (6) forming 40% of the study were married men and women. Participants’ marital status was in no way influenced by the researcher and also did not have any impact on the objective attainment in the study.

Concerning the demographic feature of educational qualification in Table 4.2, primary data indicates different qualifications of respondents in the study. Whereas majority of interviewees making up a ratio of seven (7) and representing 46.7% have acquired their first degree, another set of interviewees making up five (5) with a percentage of 33.3% were post graduate degree holders with a paltry three (3) representing 20% being Senior High School (SHS) leavers. A greater consideration of the educational qualification of interviewees indicates that they were people who were better qualified to understand the objective, subject and questions of the study whilst being able to offer critical analysis of their situation to the researcher. Differences in educational qualification were in no way under the control and influence of the researcher as her choice of SMEs collection.
4.1.2 Employment History of Respondents

A critical component of examining the background characteristics of respondents close to their becoming entrepreneurs was to find out their employment history. Owing to this, various forms of questions were posed in relation to the attainment of such objective. Primary data gathered through interviews indicates the following;

According to the interviews, majority of respondents have worked in several sectors ranging from public to private sector in the country aside being entrepreneurs currently. Of the entire fifteen (15) participant making up the study, thirteen (13) indicated of having worked in either the public or private sector organizations whereas the remaining two (2) have never worked in these sectors before. With regards to those in the majority, nine (9) making up 69.3% have worked in the private sector prior to the establishment of their businesses whereas the remaining four (4) representing 30.8% of those in this category have worked in the public sector. In the case of those working in the private sector, their organizations of work ranges from the banking, freight forwarding, telecommunication, electricity, Oil and Gas, transportation, travel and tour, marketing and distribution among others whereas those in the public sector ranges from teaching, civil servant, security and nursing.

Participant further indicated of having served in different capacities in their previous and current place of work. Positions held as gathered from the interviews included managing directors, human resource managers, cashier, heads of control and supervision unit, director of monitoring and evaluation, marketing managers, sales team members, operating managers, account managers, head of nursing unit, headmistress, public relations officer, and general managers. Moreover regarding those working in public and private sector, their experience span ten (10) years working at various portfolios in their respective organizations.
On the part of the remaining 2(13.3%) who have never worked in any formal establishment, they mentioned having worked as entrepreneurs and managing their own businesses since their school days and after completing formal education as well. Those in this category mentioned businesses like clothing, hair products, cosmetics and food stuff as the occupation they have undertaken all these years spanning not less than 10 years as SMEs. Explaining further, one participant remarked:

“On my part I have been working as entrepreneur during my school days till now. I had a small business I inherited from my mum on clothing and cosmetics and that is what I have been doing. I have been in this business for over ten years and it has been a good journey” (CEO Oliss Fashion, 2019).

A greater examination of the employment history of participant indicates they have vast years of experience in both formal employment and SMEs management and that respondents cut across diverse sectors of employment. These vast experiences makes them well suited for the study with their understanding of CF funding in Ghana.

4.1.3 Business Profile of Respondents

With regards to the background information, it was necessary to examine the nature of businesses and SMEs being run by various respondents in the study. It is important to indicate that, interviewees are engaged in different forms of businesses and SMEs within the city of Accra and Ghana at large.

Primary data gathered indicates 8 (53.3%) of the participants being engaged in food related businesses like frozen chicken, restaurant, and sale of farm produce which have been in existence in the capital city of Ghana and are doing quite well in terms of marketing and revenue
generation. On the other hand, 2 (13.3%) of the participants indicated of being engaged in natural mineral water and fruit juice extraction. Moreover, as 3 (20%) are engaged in clothing, cosmetics, hair, shoes and related products, the other 2 (13.3%) are engaged in pharmaceuticals and construction related businesses within Accra.

As regards the years of experience in SMEs businesses 7 (46.7%) indicated of being in existence for the past 10 years running undertaking their major businesses whereas also doing other related works either in private organizations or government sector whilst the remaining number of respondents with the ratio of 8 (53.3%) indicated of being SMEs owners for less than 10 years with most in this category having being in existence in less than 5 years.

As regards management of the various SMEs of participants in the study, 13 (86.7%) mentioned of being the sole owners and serving as managers and Chief Executive Officers of the various businesses, the remaining 2 (13.3%) mentioned that although being the managers in the businesses, they are in partnership with other people for the running and management of affairs of the SMEs under consideration.

Regarding the background information on sources of finance for the business 5 (33.3%) identified having begun their business from their personal savings accumulated over a long period of time either by working in other organizations, government or private and/or doing other activities that generated some level of income for their current business. Moreover, 6 (40%) indicated that they secured their funding for SMEs businesses currently from family contributions gathered from relatives and friends alike whereas 1 (6.7%) explained of having secured her funding from the fiancé who borrowed her money for the startup of the business. Similarly, another 1 (6.7%) respondent also mentioned having inherited the business and its sources of financing was the initial money invested into it by the predecessor.. On other hand,
the remaining 2(13.3%) explained having secured their sources through partnership and loans secured from the banks.

Finally, on the issue of number of employees hired by various participants, as five(5) SMEs have hired ten(10) employees, five (5)others have also five(5) employees whereas two (2) currently operate with three (3) employees and the remaining three(3) respondents having only two (2) employees

4.1.4 Motivation for Business

The final section of the background information of respondents presents the motivation or reasons for participants desire to enter into entrepreneurship. It is important to state that all participants actually responded to this question and gave different reasons for their current status as SME owners. Reasons accounting for their current status were similar in most cases. Data generated from the interviews indicates the following motivational factors to their SMEs ownership;

First, all interviewees remarked of the desire to generate additional income as their motive for pursuing individual business ideas. According to them, even though they work either in government or private sector organizations, nonetheless, their income levels do not tally with their expenditure considering the vast array of responsibilities. Responsibilities range from their individual wants, family, and society and that, meager income implies their inability to meet such high demands. Thus, owing personal businesses to generate additional income for the family and other societal demands was necessary and highly motivating to their current business pursuit.
In a similar examination of the recent increase in rate of SMEs particularly among women in Ghana, Winn (2004); Orhan and Scott, (2001) as cited in Bamfo and Asiedu-Appiah (2012) indicated similarly that, SMEs have increased recently owing to the desire of most people to generate secondary sources of income. On their part, they presented that, low levels of income in private organizations as well as government, coupled with the numerous financial demands from people is forcing majority of such to enter into private businesses. This is particularly so as SMEs seeks to offer a greater avenue of income generation particularly in areas like food related businesses and this is evident in most corporate women establishing such SMEs in the food and beverages industry. Sufficing the above narration by Win (2004), Orhan and Scott (2001) with the findings in this study, it is pretty clear that one major determinant to SMEs drive is the quest to increase individual income. The findings in this study thus do not stand in isolation on SMEs motivation factors.

Secondly, interviewees numbering 7(46.7%) identified their desire to be independent and work on their own as motivating their current SMEs in place. On the part of interviewees in this category, they explained that, working in the public and private sector is a difficult task considering the high demands for performance and timing of work in conjunction with individual and family life. As a result, individual employees both in the public/ government sectors do not have their personal freedom since they are required to follow certain kinds of rules and regulations. Thus far, the quest to be independent from such controls and to have time for the family and individual self has greatly resulted in the pursuit of individual businesses. In a further examination, an interviewee put it as;
“Those of us working in the private sector, particularly at the bank, there is too much pressure and demand. The demands to excel whilst performing different degrees of task from as early as 7 am to somewhere 7pm is quite worrying. You do not have a personal life as an employee let alone to be with the children and the rest of the family. Even on Saturdays one is forced to go to work and this puts much pressure on the individual worker. It’s like your whole life is skewed towards your job and nothing else” (CEO FuguPlus, 2019).

Similarly, Buame (2013); Coughlin (2012, pg 18); Moore & Buttner (2011); Winn (2004); Orhan and Scott, (2001) as cited in Bamfo and Asiedu-Appiah (2012) found that, the desire to be independent and have control over ones economic and professional life as regards what time to go to work, what type of work to do and how to do it have caused most people to take on the entrepreneurial journey. In their case, various corporate and public sector works are stressful such that they present a challenge to the health and social life of people since they have to spend all their time having to be in the world of work with limited time for any other aspect of life.

Again, most formal employment comes along with tight schedule, rules and regulations and thus forces employees to adhere to them, failure of which results in termination of appointment. The quest to be free from such controls and directives has thus implored majority of the people to be entrepreneurs just so that they have ultimate control over their life. This finding agrees largely with that of this study, in which one of the principal motivations to SMEs activities among Ghanaians have been the interest to be independent from controls.

In another search of the reasons to SMEs businesses among respondents, they all mentioned of the desire to solve a particular societal need. According to interviews in the study, there are various communal needs at the request of consumers within the city of Accra. Owing to the growing population, there is also a growing need for consumption of various goods and services
such that in some locations, certain services are not available. The quest and environmental scanning of most areas within the vicinity thus implored the need for the conduct of certain kinds of businesses to settle a particular need. It was important for the establishment of various forms of services and products just to meet the needs of consumers, even though there is also the business aspect of making revenue. Explaining further, one respondent put her as;

“When you come to my area, at first, there were not many shops and that whoever needed certain kinds of goods and services were required to go to Accra. This situation puts pressure on all of us to the point that we had to purchase most goods in bulk for future consumption. I realized after sometime that the population in the area was increasing and thus decided to open this restaurant and wholesale provision shop. In no time after setting them up, customers flooded the place and it has ballooned ever since I started operating. So even though I am making profit, my initial interest was to solve the need of lack of shop and eatery in the estates” (CEO, Finger Lick Restaurant and American Groceries, 2019).

Bennet & Dann, (2012); Lerner et al., (2011) posited same that some entrepreneurs are motivated by the need to create and introduce a new product or service onto the market to serve the needs of society even though economic motive also exist for such people still. For instance, at a particular moment in society, certain needs might be necessary to meet growing demands. Majority of such commodities may not be government centered. Some businesses although seek to make gains from such opportunities, there is still the drive to meet the needs of society and this often pushes them to invest in the creation and development of such products or services in the country or locality. Comparing this with the findings established in this research work, it is imperative to submit that, indeed, in some instances SMEs are developed with other motive like
meeting the needs of society as against the primary desire of making profit, even though such profit making motives still persist with such businesses.

Again, interviewees numbering 6(40%) named their desire to create employment and serve as source of income generation for others to have been one of their principal drive in venturing into SMEs related activities. On the part of those in this category, limited pace of employment opportunities has been one of the core issues in society. In as much as there is the drive for increased returns in SMEs activities, the need to create avenue for others to work was also necessary to consider SMEs ventures. This is more so as SMEs to a greater extent will hire some number of employees to aid in the conduct of business. The presence of such business activities is thus necessary in aiding people to secure employment and thus, our SMEs pursuit is also driven by this, they added.

Carter et al. (2010) and OECD (2009) also found out after surveying over 100 SMEs across Europe and America on the motivating factors to such business establishment that one principal motivation factor was the desire by most SMEs owners to create avenues for employment. According to their findings, business men and women although seeks to expand their net of income generation, they also identify the creation of employment as their private responsibilities towards humanity and the development of society alike. This is particularly the case as such avenues will aid in the income generation of employees and which will transcend unto their families whilst helping government expand the tax net. The findings in this research work thus collaborates the account rendered by Carter et al. (2010) and OECD (2009).
4.2 Current State of Crowd Funding Schemes in Ghana

The first objective spelt out for attainment in the study was to examine the current state of crowd funding scheme and its application. It is worthy to remark that all respondents in the study were involved in the conduct of interviews with regards to the questions on this second objective. For the purpose of achieving such research objective, varying degrees of questions and activities were undertaken by the researcher together with participants on such motive.

First, interviewees in the study were asked whether they have knowledge of the concept of crowd funding and its application by posing a “yes” or “no”. It is amazing to note that all respondents indicated of having knowledge of crowd funding scheme as a concept and its presence in Ghana as well as the application of crowd funding to entrepreneurship related activities both in Ghana and beyond. In relation to this, participant explained the issue of crowd funding. Primary data gathered showed a rather scattered but similar conceptions of the concept of crowd funding.

Of the total participants, 6(40%) explained crowd funding as “a network of activities and programmes organized by people or groups through the internet to improve their business”. By this definition, crowd funding represents activities undertaken by people of all walks of life to generate resource usually money through any means possible. This definition although represents the concept of crowd funding to some extent, it failed to state categorically the medium through which funds are derived.

Similarly, another group making up 5(33.3%) identified crowd funding as “an internet based network or system in which funds are solicited by people for various activities like business and any other social support activity like NGOs from other people who express interest in contributing to the success of a project through mediums like the internet and crowd funding websites”. A greater consideration of this second definition wholly represents the concept of
crowd funding as illustrated in literature. This definition centers on the concept, its medium of soliciting for contributions as well as the interest of people in the business or activities in which funds are being solicited for. Greatly, this definition takes into account the most essential aspect of the concept of crowd funding both in Ghana and beyond and this tells of the understanding of participants in the study.

The third group of 4 respondents representing 26.7% however explained crowd funding as “the process in which a new organization seeks for fund for their activities by means of showing casing their products just so that others can help them improve upon it by helping financially”. Again, this third conception by participants brings into the picture on crowd funding a different feature of new organizations. Even though the definition failed to encapsulates most other essentials of crowd funding, the ability to draw to the limelight on new organizations is critical of consideration despite the fact that crowd funding is not necessarily limited to new organizations. It is important to recognize that, mostly, new organizations are in dire need for financial support and often seek for assistance than already existing ones that have gained grounds and are financially sound to support their activities. Juxtaposing the above three definitions of crowd funding illustrated by participants in the study, it is pretty clear that participants understand the concept of crowd funding and that gives an impetus to further examination of the concept in Ghana visa-vie entrepreneurship activities and the crowd funding schemes.

The definitions offered in this study by SMEs on crowd funding to a larger extent agrees with the findings and definitions offered by Ahlers et al. (2012) and Schwienbacher & Larralde, (2010, p.4) in which they specifically defined crowd funding as “a method of crowd investment financing whereby an entrepreneur sells equity or equity-like shares in a company to a group of
investors through an open call for funding on internet-based platforms” and “an open call, essentially through the internet, for the provision of financial resources either in form of a donation or in exchange for some form of reward and/or voting rights, in order to support initiatives for specific purposes”. These two separate definitions largely give impetus to that of SMEs in the study on several counts. For instance, they all identify the feature of internet usage, businesses, and request for financial assistance as necessary prerequisite for the operationalization of crowd funding.

4.3 Utilization of Crowd Funding in the Financing of SMEs in Accra, Ghana

Relating to the first objective of examining the current pace of crowd funding schemes in Ghana and its application to SMEs financing, participants were asked whether or not crowd funding have or are being applied by themselves and other SMEs in Accra and the country at large as the major source of funding their businesses. Questions on this carried a “yes” or “no” answer. Responses generated from field work are represented in figure 4.1
Figure 4.1 Utilization of Crowd Funding for SMEs in Ghana

![Bar Chart](chart.png)

Source: Field data, 2019

Figure 4.1 presents the utilization rate or otherwise of the concept of crowd funding to SMEs financing in Accra and Ghana as whole as indicated by participants in this study. Figure 4.1 contains two main axes, the vertical and horizontal axes. The vertical axis represents the ratio of respondents whereas the horizontal axis represents the response rate generated. Of the entire fifteen (15) SMEs who formed the study population, they all (15) representing 100% indicated of having not applied crowd funding schemes to their SMEs businesses ever since they have been entrepreneurs as well as not being convinced of the effectiveness and having no knowledge of any Ghanaian SMEs that have also applied the concept of crowd funding to generate revenue for their activities. This is indicated by their response of ‘NO’ answer to the question on this by all respondents. Respondents further intimated of the fact that, in general, crowd funding scheme is not applied in Ghana for the financing of SMEs. In other words, the use of crowd funding for SMEs is quite low as compared to any other possible SMEs financing source in the case of Ghana.
A more than proportionate examination of the response generated on the application or otherwise of crowd funding to SMEs activities as indicated above shows that, largely, crowd funding schemes, have not been applied by most SMEs in the study. This position is taken based on the 100% response rate in the negatives. This presupposes that, the application rate of crowd funding to generating capital for SMEs is on the low in Accra and Ghana as a whole among most SMEs even though such schemes are considered one of the most innovative and readily available sources of funding SMEs.

Based on the overwhelming endorsement of the fact that crowd funding is not employed by SMEs who formed part of the study, it is quite right and convincing enough to posit that, largely, the application of crowd funding schemes to the financing of SMEs in Accra and Ghana at large is quite low compared to other schemes of financing SMEs in Ghana. Stated differently, on the larger scale, therefore I put forward that, crowd funding is not employed by majority of Ghanaians in the financing of SMEs.

The above finding largely agrees with the position of the World Bank (2015) report on the underutilization of crowd funding in Africa. According to the report, developing countries in Africa are among the least performers in the utilization of crowd funding in the world. The report further indicated that, in 2015, African crowd funding market was expected to hit $70 million, which accounts for less than half of one percent of global crowd funding receipt. This greatly shows the slow pace in which crowd funding platforms are being employed in developing countries to access funding for entrepreneurial activities. The finding in this study largely is supported by that of the World Bank (2015) report.
4.4 Some Reasons Accounting for the Under Utilization of Crowd Funding (CF) by Entrepreneurs in Accra, Ghana.

With regards to the set research objectives, the quest to examine some reasons accounting for the low application of CF by entrepreneurs was the second one. In an examination of some reasons accounting for the low application of the concept of CF to SMEs financing in Accra, participant enumerated multifaceted rate of factors confronting the effective application of the concept. Primary data gathered through interviewees revealed various sector wide factors in areas like education, legal, government, financial, personal, and socio-cultural. Table 4.3 presents the reasons accounting for the under utilization of crowd funding in Accra and Ghana at large.

Table 4.3 Reasons Accounting for the Underutilization of Crowd funding

<table>
<thead>
<tr>
<th>Reason</th>
<th>Ratio of Response</th>
<th>Percentage (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Level of Education</td>
<td>15</td>
<td>100</td>
<td>High</td>
</tr>
<tr>
<td>Absence of legal regime</td>
<td>15</td>
<td>100</td>
<td>High</td>
</tr>
<tr>
<td>Lack of government control</td>
<td>15</td>
<td>100</td>
<td>High</td>
</tr>
<tr>
<td>Socio-cultural factors</td>
<td>14</td>
<td>93.3</td>
<td>High</td>
</tr>
<tr>
<td>Personal Factors</td>
<td>12</td>
<td>80</td>
<td>High</td>
</tr>
<tr>
<td>Financial Factors</td>
<td>10</td>
<td>66.7</td>
<td>High</td>
</tr>
</tbody>
</table>

**Source: Field data, 2019**

Table 4.3 presents the various reasons accounting for the underutilization of crowd funding as outlined by interviewees. Of all the six major factors outlined, they were all ranked as “high” based on the high respose rate of more than 50% generated from the entire interviewees on each of the underlisted factors.
With regards to education related factors to the underutilization of CF in Ghana, majority of the interviewees explained that, in Ghana, there is limited knowledge on the concept of CF such that, most entrepreneurs do not know of any such concept let alone with its applicability to SMEs financing. This is partly so as most courses in the university and other tertiary education institutions do not throw much light on the concept and how it can be applied regarding revenue generation. More to lack of education on CF is the less public sensitization, orientation and other social and media related orientation on the concept. By these lack of orientation schemes, SMEs owners and Ghanaians are not afforded with the knowledge of acquiring understanding on the concept and its application as regards how, where, and when to deal with CF let alone the importance of the CF of revenue generation for SMEs financing.

A study by the World Bank (2015) on the utilization of crowd funding in developing countries, particularly Eastern Africa submitted that, most people and SMEs owners are not aware of the existence of such schemes and those who are aware were not even much abreast with the CF platforms and its usages. That is, most people in developing countries lack the requisite knowledge and expertise on the usage of the concept and thus have not applied it to their SMEs activities. This has resulted in the under usage of crowd funding platforms in Eastern African countries and other developing countries on the continent of which Ghana is no exception. The findings by the WB largely coincides with that of this research in which it has been established that low level of education of SMEs owners and the general populace on crowd funding have caused its under usage in Accra and Ghana at large.

Again with regards to legal related factors to SMEs underutilization in Ghana, interviewees explained various legal limitations to the scheme. Participants in the study explained that, they have no conviction and knowledge of the legality and control of the activities of crowd funding
in Ghana. In Ghana, government do not control the management and affairs of crowd funding scheme such that there is no formal government laws, rules and regulations as well as agency managing the activities of crowd funding. By this lack of control and measures of monitoring as well as legality of crowd funding scheme, there is no point relying on the scheme for financing since any mishap could occur in the long run. As a result, there is some level of panic, fear and uneasiness having to result to the usage of crowd funding schemes to generate capital for the activities and financing of SMEs activities in Ghana. In a further exposition of the legal dilemma to crowd funding usage, one SMEs owner remarked as;

“I have knowledge of the concept of crowd funding like most people also do. In Ghana, even though we have idea of the existence of crowd funding schemes, some local and others international. The question is who regulates their activities. If one falls on crowd funding platforms, what is the guarantee that she/he will secure the needed funds after payment have been made by partners. In case such payments are not made, where do we run to? Are there laws governing crowd funding activities? Are they legal or not and what is even involved. In short, I have no knowledge of the legality or any state institution dealing with the management affairs of crowd funding in which one can run to in case the need arises” (CEO, Paradise Businesses, 2019).

Non-regulatory requirement is regarded as a challenge to the success and utilization of crowd funding in Ghana and other developing countries in Africa according to the WB report (2015). The report on crowd funding utilization in Africa suggest that, national regulatory environment are not conducive enough to aid the overwhelming endorsement and utilization of crowd funding platforms. This is particularly the case as most countries in Africa have not yet formulated laws,
control measures and other such things to check international and local crowd funding activities. Moreover, laws in such countries of which Ghana is no exception are not conducive for crowd funding of equity and debt and this often puts donors in a dilemma as to how to go about such moves in case SMEs would even contact them with their product and services. It thus pretty clear from the study that, the findings that legal environment is an affront to the success and application of crowd funding in Ghana has been largely supported by the study conducted by the World Bank in 2015.

Another area of concern to SMEs is the lack of government control and involvement in the activity of crowd funding in Ghana. Government involvement according to participant, entails a situation where the central government takes steps to regulate crowd funding schemes by establishing an agency or department in which people operating crowd funding platforms are duly registered and monitored as regards to the funds that comes in, people who go online to register on such platforms as well as the percentage or share of monies to go to fund managers, volunteers and business owners. However in the case of Ghana, there are no such government agencies to sanitize the crowd funding industry and to monitor the operationalization of crowd funding. As a result, criminals could use such opportunities to even solicit for funds from innocent people for their individual private gains. Such possibility for illegality thus implies a higher risk entering unto such platforms for business related issues as regards soliciting for finances. Such porousness poses a higher risk for SMEs to enter into crowd funding schemes thus resulting in most people in Ghana not showing interest even though they might have knowledge of their existence. One interviewee expressed it as;

“Crowd funding is applied by most SMEs in Europe and America, largely because their activities are controlled by agencies of state and even tax proceeds generated from such people.
In the case of Ghana, there are no such controls on the activities of crowd funding, even though there exist crowd funding platforms that seeks funding from both local and foreign donors. It is thus risky to involve your business as SMEs owner unto crowd funding platforms since anything at all could happen not to even talk of investing in some unknown person’s business online” (CEO FuguPlus, 2019).

Further, there is the challenge resulting from socio-cultural related factors. Socio-culturally, Ghanaians are collectivist in nature in which they seem to help each other either as relatives, friends and any other such things. Crowd funding thus should have been one of such schemes to support the already socio-cultural practices in place. However, largely, socio-culturally, this has not been the case due to it being particularly new to the cultural settings and systems of helping people in the country. The traditional system of offering assistance is such that, family members and loved ones would personally call on others to secure their assistance for such needs. Crowd funding presents a whole new system of supporting the needy as it is done on platforms and internet based of which most Ghanaians particularly less educated are not too conversant with. By this new culture of soliciting for support, most Ghanaians have not been used to it and thus remain in their old system of seeking for help from family and friends through face to face communication.

In addition to the above is the issue of personal factor to SMEs financing. On the part of interviewees personal factors to SMEs financing also inhibit the application of crowd funding as another stream to SMEs. According to interviewees in this category, there are various streams to securing finances for SMEs activities like loans, personal savings, and family contributions among such others. Crowd funding although presents another opportunity, it mostly not as fast and convenient as others in place currently. This is more so as crowd funding entails presenting
ones business idea and project unto online services for people to express interest and thus contribute to the cause of establishing the business. The time involved in dealing on the internet in soliciting for such support is another bone for contention. However, bank loans, personal savings and family contributions are easy comparatively once the individual can secure such support.

On the examination of factors accounting for the underutilization of crowd funding schemes in Eastern Africa, the World Bank (2015) report that, personal factors accounted for most of the reasons to this. According to the report, most SMEs owners complained of the time for organizing campaigns, commitment to be online all the time, moment and cost to shooting crowd funding videos among such other factors associated with crowd funding detracted them from the amount of time needed to engage customers on the ground as well as the health and growth of their business since much time is invested into crowd funding as against the management affairs of the business. A critical examination of the findings by the World Bank (WB) clearly exemplifies the findings in this study in which personal factors cause SMEs in Ghana to choose other available sources of financing as against crowd funding schemes.

Finally, all interviewees remarked of the challenge of access to finance from crowd funding platforms. Participants in the study indicated that, just like any other source of financing SMEs like banks and other financial institutions, personal savings and family contributions alike, crowd funding platforms could also fail in the generation of the requisite funding for a particular SMEs activity. Comparatively, crowd funding present a more dangerous possibility of not securing the required amount of finances since it does not present a face to face chance of securing funds. Again, crowd funding scheme presents the challenge of not accessing funds on time compared to
any other sources of SMEs in Ghana since most Ghanaians are not used to such a scheme. These associated factors and many such thus have caused the underutilization of the scheme in Ghana.

World Bank (2015) report that, crowd funding platforms like kickstarter require SMEs to have a special identification card number and bank account in one of the 18 Organization for Economic Corporation and Development (OECD) member countries before one can access the services of the scheme. Moreover, Indiegogo also require the use of Pay Pal and other major credit card and of which are not common in most developing countries like Ghana. These request and many such other factors that are not common in developing countries often presents the challenge of accessing funds from crowd funding platforms in Ghana and beyond and this often demotivates most SMEs to engaging on such platforms. It is highly evident, that the position of SMEs in the study has been collaborated by the account of WB 2015 on some difficulty in accessing funds on crowd funding platforms and which demotivates most people from applying the concept to SMEs.

4.5 Strategies for Promoting the Usage of Crowd Funding schemes in Ghana

In relation to the final objective of examining the possible strategies for the promotion of crowd funding schemes in Ghana both as a source of SMEs financing and other related need, the researcher conducted interviews on questions in this regard. An important aspect of the data generated on this objective is that it covered all respondents in the study. Owing to this research objective, respondents were first asked as to whether there could be measures to promote the utilization of crowd funding in Ghana or not. It is overwhelming to state that twelve (12) respondents answered in the positive to this question thus indicating of the future possibility of the application of crowd funding schemes to SMEs financing whereas the remaining three (3)
forming the minority also spoke in the negative of no possible measures to promote the application of such schemes in future. Of those in the positive category proposed measures like, government support, education or orientation, advertisement, and linking businesses to crowd funding.

With regards to the critical success measures of government support, interviewees in the positive category explained that, government owes the responsibility of ensuring the success or otherwise of business. That is, it is the responsibility of the government to establish the needed structures and systems that will seek to advocate crowd funding whilst also ensuring the safe implementation of such schemes in Ghana. Systems of such could include laws, institutions or agencies, controls on website by the ministry of communication and national communications authority, taxation among such others on crowd funding website as well as related activities on crowd funding. Moreover, as such systems are in place towards the management and monitoring of crowd funding related activities, SMEs and Ghanaians as a whole will develop confidence in crowd funding and thus would resort to their application for funding various projects as and when such need arises.

Another major measure for the promotion of the scheme is through education and orientation. Education and orientation are critical to the understanding and first-hand information attainment of Ghanaians and SMEs largely about the concept of crowd funding in Ghana. Interviewees indicated that a larger proportion of most SMEs do not have knowledge of the concept of crowd funding and its usage as source of capital for various business related activities. Moreover, most Ghanaians do not have much information about crowd funding. Thus far, it is important government and the private sector undertake massive education and orientation on the concepts, its usage, functions and any other such modalities involved. Education should take the form of
organizing forums, making it a part of academic syllabus among such other educational interventions. With such educational related activities towards promotion of crowd funding in Ghana, majority of the populace will have better understanding of the scheme and thus will propel them greatly towards applying the concept for various purposes.

Furthermore, interviewees in this category named the measures of advertisement as necessary prerequisite for the advancement in the course of crowd funding for SMEs activities in Ghana. According to interviewees, a major platform of education has been the cause of advertisement in the national dailies, radio stations, online portals, social media and any other well employed tools of information dissemination in the country. With such sources of information dissemination, people are often reached as against any other medium of dissemination. As a result, and owing to the vast array of SMEs in Ghana, both at the rural areas and cities, it is imperative to employ advertisement schemes to send information largely to the hinterland as this will aid greatly in the education of the general public.

Finally, interviewees who spoke of the possibility of promoting crowd funding in Ghana identified linking businesses to crowd funding schemes as critical to promoting the use of crowd funding in Ghana. On their part, they explained that, most, businesses in Ghana do not resort to crowd funding sources of financing due to limited access to information on the concept as well as how best to handle crowd funding related concepts. Thus far, any attempt aimed at promoting the concept should consider SMEs specifically, to crowd funding schemes through a scheme that seeks to offer financial and technical assistance to SMEs by the government. Such a movement of directly assessing the activities of SMEs and linking them to relate crowd funding schemes that support such activities will aid develop SMEs and crowd funding relationship in Ghana.
Figure 4.2 Promotion or not of Crowd funding in Ghana

![Graph showing response on whether or not CF could be promoted in Ghana. Series 1 shows 12 respondents in favor, Series 2 shows 3 respondents against.]

Source: Field data (2019)

Figure 4.3 Strategies for Promoting CF in Ghana

![Graph showing various strategies for promoting CF.](http://ugspace.ug.edu.gh)

Source: Field data (2019)

Figure 4.2 and 4.3 respectively represents the response on whether there could be measures to promoting CF and strategies for crowd funding promotion in Ghana. From figure 4.2 as twelve
(12) participants making up 80% answered in the positive of the possible promotion of CF in Ghana, the remaining three (3) making up 20% answered in the negative. In the case of figure 4.3 as twelve (12) interviewees mentioned factors like government support, education and advertisement each as critical to the promotion of CF in Ghana, ten (10) made mention of the factor of linking businesses to crowd funding.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The fifth and final chapter takes on the summary, conclusion and recommendations of the study on the topic “Some Reasons Accounting for the Underutilization of Crowd funding as a financial source for SMEs in Accra, Ghana. Chapter five of the study is discussed under three main topics, summary, conclusion and recommendations. The first topic takes on the summary, with the second and third respectively taking on the conclusion and recommendations.

5.1 Summary of Research Findings

The summary of research findings is discussed based on the objectives of the study. The summary of findings is specifically organized under the following themes; current state of crowd funding schemes in Ghana, some reasons accounting for the underutilization of crowd funding as a financial source for SMEs in Ghana, and strategies for promoting the usage of crowd funding schemes in Ghana.

5.1.1 Current State of Crowd Funding Schemes in Ghana

With regards to the current state of crowd funding schemes in Ghana, primary data gathered from interviews sections revealed that SMEs in Ghana to a greater extent need to have better understanding of the concept of crowd funding and its uses as well as its role to financing SMEs both in Ghana and beyond. Despite the overwhelming understanding of SMEs of crowd funding schemes and their role in the financing of SMEs, crowd funding schemes are not being applied by Ghanaians in the management and financing of SMEs activities, largely. This is particularly the case as the study has revealed that of the fifteen (15) SMEs that formed the study population,
have all never applied crowd funding schemes as a source to financing their SMEs related activities.

5.1.2 Some Reasons Accounting for the Under Utilization of Crowd Funding (CF) by Entrepreneurs in Accra, Ghana.

In the case of the second research objective, on some factors accounting for the underutilization of crowd funding schemes in Ghana, primary data through interviews shows that, factors like low level of education, legal, government, financial, personal, and socio-cultural issues impact the utilization pace of crowd funding schemes in Ghana. In the case of low level of education, interviewees explained that, most SMEs have limited understanding of the modus operandi of crowd funding schemes visa-vie SMEs financing.

As regards, legal factors, participants identified the lack of legal regime to check the activities of crowd funding and its applicability in the country as a critical tool forestalling their usage of the concept. This is particularly so as the scheme could be used by some criminals to perpetuate fraud.

On the part of lack of government control and involvement with crowd funding schemes, interviewees indicated that government has not put in place measures like agencies, systems, institutions among such others to control the activities of crowd funding and that poses danger to individuals who might take the risk to deal just on the internet with potential people as this could be a setback to their operations.

Again, on social cultural factors, interviewees mentioned socio-culturally, Ghanaians are more in tune with individual and family support as against dealing with the external world for business establishment.
Concerning personal factors, primarily shows that majority of Ghanaians prefer to employ other means of financing SMEs like bank loans, personal savings and family contribution as against crowd funding usage.

Finally, regarding finance, interviewees mentioned of the possibility of delay in receiving funds from crowd funding platforms as being one of the main deterrent to the application of the concept to SMEs.

5.1.3 Strategies for Promoting the Usage of Crowd Funding schemes in Ghana.

As regards the final objective of the study, interviews conducted reveal measures like government support, education or orientation, advertisement, and linking businesses to crowd funding. In the case of the measure of government support, primarily shows that government ability to establish systems, rules and regulations as well as institutions to monitoring and regulate crowd funding activities is critical to promoting the usage of the concept to SMEs financing.

On the strategy of education and orientation, interviewees mentioned the lack of knowledge and understanding of CF schemes and that government must organize seminars, orientations as well as make CF a part of syllabus in academia as this will help introduce the concept to people and SMEs, largely.

Again, on the strategy of advertisement, primary data shows that government and the private sector should disseminate information on crowd funding in the national dailies, radios, online portals and social media as such avenues reach majority of the population in Ghana as against any other means of information dissemination
5.2 Conclusion

A large volume of empirical studies on crowd funding justifies of the contribution of crowd funding schemes in the financing of SMEs and other project in most countries particularly in the advanced world. For instance, studies by Bruton et al., (2015); Belleflamme et al., (2014); Mollick, (2014); Lehner, (2013); and Marom, (2013) all regard crowd funding as an integral financial sources to SMEs in the advanced world since it serves as next to the banking and micro-finance institutions. To this end, crowd funding schemes are being applied to financing various related projects and SMEs alike in the advanced world and recently in most developing countries. However, the concept of crowd funding has not received much boost in the SMEs sector of Ghana. The objective of this study thus was to examine some reasons accounting for such underutilization of crowd among SMEs in Accra and Ghana at large. The study posits that, the objectives set out have been achieved to a greater extent and that the following conclusions are made;

First, the study concludes that SMEs in Ghana do not apply crowd funding as a potential source of financing their business even though they have much knowledge of the existing of the concept and its schemes, as well as contribution to SMEs financing.

Secondly, the study concludes that some reasons accounting for the underutilization of crowd funding to SMEs financing in Accra and Ghana at large are, low level of education, lack of legal regime, lack of government control, possibility of delay in attracting funds, personal and socio-cultural factors.

Finally, the study concludes that, measures like government support, education or orientation, advertisement, and linking businesses to crowd funding are critical to the promotion and usage of crowd funding to SMEs financing in Accra and Ghana.
5.3 Recommendations

The study’s findings shows that, although few SMEs have some knowledge and understanding of the concept of crowd funding and its financing opportunities to SMEs activities, largely, its utilization is low and to the highest degree non-existent. As a result, the following recommendations are offered towards the utilization of crowd funding to SMEs financing;

First, the government of Ghana in conjunction with the National Board for Small and Medium Scale Enterprise need to organize educational tour in various districts, regions and national level on crowd funding schemes and its importance to financing SMEs in Ghana. By such initiative, majority of the populace in SMEs and the general public will have better understanding of the concept and thus will utilize it greatly to the financing of SMEs in the country.

Secondly, government should establish some more robust actions in the management, and monitoring affairs of crowd funding schemes and its application in Ghana. This should be by means of formulating appropriate laws and regulations as well as agencies to oversee its affairs so as to avoid fraudsters.
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APPENDIX

UNIVERSITY OF GHANA BUSINESS SCHOOL
DEPARTMENT OF MARKETING & ENTREPRENEURIAL MANAGEMENT....

INTERVIEW GUIDE FOR DATA COLLECTION

Objective
The aim of this interview is to gather data for academic thesis on the topic “Examining the Reasons Accounting for the Underutilization of Crowd funding as a Financial Source of Entrepreneurship in Accra”. The researcher…HELENA PAWLOWSKI… is a final year Executive Master of Business Administration student of UG.

This research is being taken as part of the requirement for the award of EMBA Degree in Business Administration. Your participation in this study is very much needed to make it a success. Please note that, information gathered in this study is only being used as an academic material. Counting on your support.

SECTION A: Interview Guide for SME Owners

Background Information of Respondents

Could you please tell me about yourself?

1. Gender
2. Age Bracket
3. Marital Status
4. Educational Qualification
Employment History

1. Could you please describe what you have done from the time you have completed your education until the establishment of your business?

2. Tell me about the organizations you have worked in.

3. Which positions have you occupied and for how long?

Business Profile

Which business venture have you created?

1. What specifically is your business; what do you do; what are you into?

2. Are you the sole owner of the business and what specific role do you play in the running of the business?

3. How did you start this business- what resources and where did you get them from?

4. How long have you been in this business?

5. How many employees do you have?

6. What is/are your main reason/s for creating your own business?

SECTION B

CF and Entrepreneurship Financing

1. Do you have knowledge of the concept of crowd funding?

2. If yes. What can you say about it?
3. Do you think CF is being employed by entrepreneurs in the financing of their businesses?  
   Yes ( ) No ( )

4. If NO to question 3, what can say are some of the reasons accounting for the underutilization of CF by entrepreneurs
   - Legal
   - Economic
   - Socio-cultural
   - Financial
   - Government/Political
   - Personal/Individual
   - Educational/Orientation
   - Any other area

5. Owning to the low usage of CF by Ghanaian entrepreneurs, do you think there could some measures to promote it?

6. If YES to question 5, what measures do you propose for such? Outline them, please!!