



**AN EVALUATION OF THE AWARENESS OF SMALL AND MEDIUM ENTERPRISE
FINANCING OPTIONS: A CASE STUDY OF THE TEMA METROPOLIS**

BY

ALBERTA AMANKWAH

(10178351)

**THIS DISSERTATION IS SUBMITTED TO THE DEPARTMENT OF FINANCE, UNIVERSITY
OF GHANA BUSINESS SCHOOL, LEGON, IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE AWARD OF MASTER OF SCIENCE, DEVELOPMENT FINANCE**

JULY, 2019

DECLARATION

I do hereby declare that, except references to the work of the other researchers, which have been duly cited, this work is the result of my original research and that, this long essay has not been presented elsewhere for another degree.

.....

Alberta Amankwah

(10178351)

.....

Date

CERTIFICATION

I hereby certify that this long essay was supervised in accordance with procedures laid down by the University.

.....

.....

Dr Lordina Amoah

Date

(Supervisor)

DEDICATION

This work is dedicated to the Almighty God for how far he has brought me; it is also dedicated to my Parents Mr. and Mrs. Amankwah, and my God Father, Reverend Father Anthony Narh Asare who has inspired me all these years.

ACKNOWLEDGEMENTS

My utmost thanks go to the Almighty God for His Grace and Mercies throughout my studies.

Without the help of certain individuals this work would not have been completed. To them I owe my heartfelt gratitude.

To my supervisor, Dr Lordina Amoah, I wish to express my unconditional special thanks for her support, contribution and constructive criticism.

And also to Fafali Kudjawu the teaching assistant to Dr. Lordina Amoah, thank you so much for all the assistance rendered to me.

Special thanks go to Small and Medium Enterprises in the Tema Metropolis for their support and for taking time off their busy schedule to fill out the questionnaires and to Sarah Adwoa Darkowaa thank you for helping in the administering and assembling of the questionnaires.

My great thanks go to Rev. Fr. Cyril Kalewe, my friends Sitso, Belinda, Mary, Elsinia and Annette for their encouragement, and to my lovely discussion group members Mary Ann, Aaron, John Perry and Kwaku I say thank you for the healthy relationship and care for each other.

To my Family especially my brothers, Richard, Isaac and Joel I reserve a special place in my heart for their love and support in diverse ways

And to all whose names were not mention and to you who have got time to go through this piece of work either to judge or grade, I say thank you.

ABSTRACT

Access to finance has been identified as a dominant constraint facing the Ghanaian Small and Medium Enterprises (SMEs) sector. Many sources of finance have been identified to be available to the SMEs. The purpose of this study was to determine the awareness of small and medium enterprise financing options to the entrepreneurs and the case study was the Tema Metropolis. Communities 1,2,4,5,7,8,9 and 25. A questionnaire was designed and used to collect data from ninety four (94) entrepreneurs. The respondents were selected using convenience, purposive and random sampling hence the questionnaire used to collect data from respondents was done using one-on-one interview. The data was analyzed using SPSS version 20 and statistical tools such as frequency counts, pie charts and bar charts were employed.

The respondents' ages were between 18-50+ with 65 males and 29 females. The most significant finding of the study was that respondent had knowledge of the available equity and debt sources of finance, but most of them did not have knowledge of the hybrid source of finance. Respondents were only using a hand full of the sources of finance available which are personal savings, family and friends and partners as their equity source of finance and commercial banks, overdraft and microfinance as their debt source of finance, because they had much information about these sources of finance. Most of the respondents had challenges in accessing their source of finance. Based on the results obtained major recommendation proposed was the need for more education on the other sources of finance so that entrepreneurs will have a lot of sources to choose from.

TABLE OF CONTENTS

DECLARATION	ii
CERTIFICATION	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
ABSTRACT.....	vi
TABLE OF CONTENT	vii
LIST OF FIGURES	x
ABBREVIATIONS	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of Study.....	1
1.2. Research Problem.....	2
1.3. Research Objectives	4
1.4. Research Questions	4
1.5. Significance of the research	4
1.6. Scope and Limitation of study	5
1.7. Chapter Outline	5
CHAPTER TWO	6
LITERATURE REVIEW	6
2.1. Introduction	6
2.2. Theoretical Review	6
2.3. Empirical Review	10
2.3.1 Definitions and Characteristics of Small and Medium Enterprise	10
2.3.2. Contributions of Small and Medium Enterprises.	15
2.3.3. Small and Medium Enterprises Financing.....	19
2.3.4. Sources of Small and Medium Enterprises Financing.....	22
2.3.5. Challenges in Accessing Finance.	25
2.3.6. Entrepreneurs Knowledge about Financing Sources.....	29
CHAPTER THREE	30
METHODOLOGY	30
3.0. Introduction	30

3.1. Research Approach/ Design	30
3.2. Population.....	30
3.3. Sample Size and Technique	31
3.4. Data Collection Instruments.....	31
3.5. Data Analysis	31
3.6. Profile of the study area	32
3.7. Limitations of Data Collection.....	32
CHAPTER FOUR.....	34
PRESENTATION AND DISCUSSION OF ANALYSIS	34
4.1. Introduction:	34
4.2. Socio Demographic Characteristics of Respondents	34
4.2 Characteristics of sampled SMEs.....	37
4.3. Sources of Finance and Awareness	40
4.3.1 Respondent Knowledge of Equity Source of Finance	41
4.3.2. Respondents Knowledge of Debt Source of Finance:	44
4.3.3. Respondents Knowledge of Hybrid Instrument:	50
4.4 Most Used Source of Finance	50
4.4.1 Equity.....	51
4.4.2 Debt.....	52
4.5 Source of knowledge for the choice of financing option	53
4.6 Influences of the choice of finance option by SMEs	54
4.7 Challenges faced by owners of SMEs in acquiring finance.....	55
CHAPTER FIVE	57
SUMMARY, CONCLUSION AND RECOMMENDATION	57
5.0. Introduction	57
5.1. Summary of key findings	57
5.2. Conclusion.....	58
5.3. Recommendation.....	59
REFERENCES	60
APPENDIX 1.....	66

LIST OF TABLES

Table 4.1	Socio Demographic Characteristics of the respondents
Table 4.2	Characteristics of Sampled SMEs
Table 4.3	Level of awareness of the various sources of finance - Family and friends
Table 4.4	Level of awareness of the various sources of finance – Personal savings
Table 4.5	Level of awareness of the various sources of finance – Business angels
Table 4.6	Level of awareness of the various sources of finance – Partners
Table 4.7	Level of awareness of the various sources of finance – Corporate Ventures
Table 4.8	Level of awareness of the various sources of finance – Private Placements
Table 4.9	Level of awareness of the various sources of finance – Venture Capital
Table 4.10	Level of awareness of the various sources of finance – Commercial bank loans
Table 4.11	Level of awareness of the various sources of finance – Overdraft
Table 4.12	Level of awareness of the various sources of finance – Microfinance
Table 4.13	Level of awareness of the various sources of finance – Trade credit
Table 4.14	Level of awareness of the various sources of finance – Factoring
Table 4.15	Level of awareness of the various sources of finance – Commercial paper
Table 4.16	Level of awareness of the various sources of finance – Equipment suppliers
Table 4.17	Level of awareness of the various sources of finance – Bonds/ Public Offer
Table 4.18	Level of awareness of the various sources of finance – Asset Based Lending

LIST OF FIGURES

- Figure 4.1 A bar chart showing the most used source of financing option (Equity)
- Figure 4.2 A bar chart showing the most used source of financing option (Debt)
- Figure 4.3 A pie chart showing how respondents got to know about the source of finance
- Figure 4.4 A bar chart showing respondent's influence
- Figure 4.5 A pie chart shoeing challenges in accessing sources of finance

ABBREVIATIONS

Abbreviation	Full Name
AGI	Association of Ghana Industries
GDP	Gross Domestic Products
GEDC	Ghana Enterprise Development Commission
GPRS	Growth and Poverty Reduction Strategy
GSS	Ghana Statistical Services
MFIs	Microfinance Institutions
NBSSI	National Board for Small Scale Industries
NGOs	Non-Governmental Organizations
OECD	Organization of Economic Cooperation and Development
SMEs	Small and Medium Enterprises
UNIDO	United Nations Industrial Development Organization
VCTF	Venture Capital Trust Fund

CHAPTER ONE

INTRODUCTION

1.1. Background of Study

Small and Medium Enterprises (SMEs) require efficiency increments through sufficient financing if they are to keep up or increase their commitment to almost all financial obligations in developing nations like Ghana. The improvement of the activities of SMEs by means of creating powerful financing possibilities have stem discussion and established passion among researchers, policy makers and business people, realizing the tremendous contributions of the subsector to economic growth. SMEs have established themselves as the driving power of modern development and advancement and this is essentially because of their incredible prospect in enhancing and developing modern economic activities.

While some governments had defined approaches focusing on encouraging and enabling the development and improvement of SMEs, others had concentrated on helping the SMEs to develop through delicate credits and other financial motivators so as to facilitate the financial advancement of the economy in order to mitigate against destitution, upgrade human advancement, and enhance the general welfare of the general population. Active and vibrant SMEs activities lead to the improvement of human and capital assets towards economic growth particularly in the rural sector.

Christopoulos and Tsionas (2004) described SMEs as exceedingly esteemed, particularly in developing countries, for some reasons, and this include SMEs accomplish tolerable levels of profitability particularly of capital and some other factors than larger firms. Small and Medium Enterprises have been most discussed in many symposiums and conferences organized both in the country and in the outside world. A number of works have exploited small and medium enterprise financing, and some of them are discussed below:

Adjei (2012) in his research described finance as very prime in every productive venture; access to finance will thus provide SMEs with the resources for their businesses and operational cost. Hence apart from the difficulties in assessing the finance the other factors are lack of saving culture and the ignorance of the sources of finance. In a research conducted in the Ashanti Region by Darkwah, Morrison, Gyimah, Berko and Adusei (2013), they concluded that SMEs are the aggressive catalyst to the growth and the expansion of the region and the nation as a whole, and as such, all efforts must be made to assist them in terms of finance. According to them “The thought of financing SMEs is for them to develop and offer significant and outstanding services to clients, so they can move away from borrowing from sources that load heavily on them and the source of funds is to get rid of high monetary risk and maintain desirable level.” Fearn (2008) stated that “Some factors are important for the sources of small business financing from the entrepreneur’s perspective. The entrepreneur should be aware of and chose the appropriate sources of finance at any given point in time” (Abor, 2016).

1.2. Research Problem

Small and Medium Enterprises assume an essential role in the Ghanaian economy but in spite of their role, the monetary limitations they face in their activities always have an adverse effect on their expansion and this affect the potential to drive growth in the economy.

“A research by Abor and Biekpe (2006) in the Ghanaian SMEs sector revealed that there were moderate understanding and usage levels of the separate financing initiatives among SMEs and also the challenges SMEs regularly deal with in obtaining these funds include: absence of collateral, lack of information by finance providers about entrepreneur’s nature of business, precise qualification measure, lack of information about loaning criteria, trouble in getting some answers concerning convenient finance and administration. These truly minimize SMEs' capacity to access funds from these activities.”

A research by Chimucheka and Rungani (2011) in South Africa also revealed that lack of awareness of the available finance sources can affect access and this is because information such as how financing can be obtained, whether the financing sources is accessible, would not be known by entrepreneurs, and as such finance will not even be accessible to the individuals who may require it. They continue that about 28% of SMEs reviews had not requested for financing from a bank before, and their main reasons was that they did not have an idea of the strategies for applying for an advance whiles 53% did not know much about the sources of money obtainable from the banks. According to Hussain, Farooq and Akhtar (2012), there are numerous financing options, but most entrepreneurs are not aware of them, and this shows that challenges of finance for entrepreneurial or business start-ups are not only due to funds not being available but also the knowledge other existence. Daskalakis, Jarvis and Schizas (2013) in a study conducted in Greece, share the same view that most of the entrepreneurs in the developing countries are ignorant of the various sources of finances; hence lack or inadequate knowledge of the available sources is a setback in accessing capital. Quaye and Sarbah (2014) in their research in the Greater Accra Region concluded that SMEs are not very much informed of the different sources of finances and where loan facilities are very adjustable because they lack information. They recommended that SMEs should be more eager in acquiring knowledge about the sources of finance, so that they are not restricted in their decision influencing process but will have numerous choices to survey and looked at.

Small and Medium Enterprise financing are very crucial to start up business holders. There are many sources of finance available to small and medium enterprises. However, very few studies have explored the information or knowledge entrepreneurs have on the sources of financing available, hence this study set out to examine entrepreneur's knowledge about the available sources of finance.

1.3. Research Objectives

- i. To determine the main sources of finance used by small and medium enterprises in the Tema Metropolis District.
- ii. To determine factors that influence entrepreneur's choice of sources of finance being used
- iii. To examine the entrepreneur's knowledge on the main and alternative sources of finance.
- iv. To investigate the challenges in accessing these sources of finance.

1.4. Research Questions

- i. What are the main sources of finance being used by small and medium enterprise in the Tema Metropolis District?
- ii. What factors influence entrepreneur's choice of main source of finance?
- iii. What information or knowledge does an entrepreneur have about the main and alternative sources of finance?
- iv. What are the challenges in accessing these sources of finance?

1.5. Significance of the research

Small and Medium Enterprises play a critical part in the economy of a country and because of their significant role, the findings of this work would help the target group to have additional information and knowledge about the main sources of finance that are being used by them. The results would equally be useful to other regions and towns even though the study was done in the Greater Accra Region. In the area of academia, students would find the information very useful and beneficial, and thereby help future researchers who might endeavor to do extra research in these areas.

1.6. Scope and Limitation of study

This research sought to explore the main sources of SMEs financing the reasons for that particular choice, was to examine the extent to which small scale business entrepreneurs were aware of these sources of finance and the challenges in obtaining them. The study was limited to some selected small and medium enterprises in Tema Metropolis District in the Greater Accra Region of Ghana.

1.7. Chapter Outline

The research project is classified into five chapters. Chapter one is made up of the background of the study, research problem, purpose of the research, research questions and the significance of the research. The second chapter comprises the theoretical and empirical reviews. The third chapter addresses the methodology of the project work and this includes the research approach, population, sample size as well as technique of sampling and the data source. The fourth chapter presents us with the discoveries of the research, with the analysis and explanation of the study results. The final chapter offers last remarks and conceivable for further research study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter looks at the existing literature and reviews into details the available and relevant theoretical and empirical literature with regards to small and medium enterprise financing and its related issues.

2.2. Theoretical Review

According to Bates (1971), the life cycle approach explained financial structure by discussing that “small firms initially use owner’s resources, firm survival over time widens financial sources, rapid growth, reduces liquidity and relies on short term finance. Failure to gain entry to equity markets results in financial gap and linear type progression in financial sources” With regards to its implication for the growth of the firm: “growth is dependent on obtaining wider sources of finance (which is costly), failure to gain access leads to growth slowdown as rely on internal sources of finance”

Also with testable hypotheses it has been observed that “firms relying on internal sources of finance fail to grow over time, however, higher success rate with firms diversifying sources of finance” was observed. Lastly with the life cycle approach some of the implications associated with low income countries are “limited range of financing options (venture capital, factoring, trade credit and so on) and high failure rate among small firms in LICs due to non-financial factors.”

Approach two which is the pecking order approach Weston and Brigham (1981) where firms financing needs are hierarchical explained further by using the following; “Financing structure where they “use internal sources, debt and equity (outside) reflects relative cost of sources of finance”. Implications for the growth of the firm are “owner reluctance to widen finance because of lose control

of firm and costly stock market access.” Testable hypotheses: “if you use internal funds initially, then expect firms with lower profits to go for external funds. High profits give more internal retained earnings so borrow less in the short term and older firms are more liquid so use less external funds”. Implications with low income countries include “if use internal funds initially, then expect firms with lower profits to go for external funds, high profits gives more internal retained earnings so borrow less in the short term, older firms are more liquid so use less external funds.”

“Jensen and Meckling (1976) also discussed the transaction cost hypotheses and models of financial sector reform under the financial structure, implications for growth of firm, testable hypotheses and the low income country implications:” “For the transaction cost hypotheses their approach revealed that inter-firm transactions costs are high for small firms. Buyers and manufacturers offset high transactions costs by dealing in high volumes”, implications for the growth of firm also stated that “limits opportunities for small firms and investment in infrastructure will help lower transactions costs” and the implications on the low income country is that “weak infrastructure leads to higher transactions costs and argued that high transactions costs need to be subsidized in LICs and goes on to introduce new financing form e.g. venture capital.” Their financial sector reform discussed financial market imperfections hence the financial structure commented on “lowest cost of capital favours labour, lower wages favour smaller firms and higher efficiency of larger firms means high wages.”

Implications for the firm’s growth: “capital market and labour market distortions impede growth and capital market distortions result in small firms with a smaller proportion of net value added”

Testable hypotheses: “small scale sector likely to be smaller than it would be if there are no factor market distortions. Capital intensity would be higher in small firms if no distortions in capital market and when there exist factor market distortions then lower productivity of smaller firms will result in higher proportion of employment in total even though proportion value added is lower compared to

larger firms”. Low income country implications: “factor market distortions greater in LICs, existing studies one effect of liberalization give mixed results and argued high transactions costs.”

Another theoretical model by Myers (1984) discussed the principal agency models which come into two forms that is between firms and banks; and between insider and outsiders. The financial structure between firms and banks is as follows “high transaction costs in getting external funds, information problems cannot access risk, banks need signals from small firm owners to assess risk, banks want to reduce risk of lending to smaller firms, banks need to monitor agent, pass on costs of monitoring through lending and banks follow cautious lending policy will ration credit or charge higher interest rates”.

Implications for growth of firms discusses “information problems lead to moral hazard and adverse selection, start-up firms are learning, are less likely to hide information and therefore are attractive to banks, get short term finance for growth, increase incentives to agents to act in principal’s interest to increase lending and conditional contracts to ensure repayment facilitates lending”.

With regards to testable hypotheses, “firms use collateral to solve agency problems, small firms rely on short term credit because of agency problems, moral hazard implies firms move to high risk, high return investments if rates of interest rise, assumes owners of small firms have more information than banks, banks reduce risk by raising interest rates, competition in banking lowers interest rate collateral, restrictive conditional clauses in lending banks with imperfect information less likely use price mechanism to allocate their loan funds leads to adverse selection, highest return projects missed.” Agency cost implications on low income countries include the following, “small firms have low fixed assets so difficult to induce longer term lending by offering collateral, small firms have poor record keeping, banks in LICs have better knowledge on firm survival, business planning able to assess risk/ overcome agency problems, banks in LICs better vehicle for overcoming information

problems than equity markets, small firms willing to pay more for credit not given option if rationing system operates, monitoring costs higher in LICs and competition/ regulation banks suspect.”

Second agency model which is between insider and outsiders were also discussed and under financial structure “inside management has better information than outside shareholders, insiders derive private benefits from investment so they use internal funds, do not want outsiders gaining control on larger firms where macro environment/legal protect goods, outsiders have better information and power.”

Implications for growth of firm between insiders and outsiders: “higher growth firms where legal protection is high have more investment. Outsiders accept lower dividends in knowledge that insiders do not misbehave, low growth firms where legal protection is high have low investment since outsiders take higher share in dividends, if dividends are substitute for legal protection then insiders go to external capital market for funds to invest.”

Testable hypotheses discuss the following: “do other forms of ownership lead to different investment/ dividend policies and so on cooperatives/ partnerships, common law systems offer better protection to investors than those based on civil law, if legal/regulatory system weak, outsider shareholders not able to demand high dividends, yield to insiders power and are only short term equity investors, entry to external funds market requires credibility on part of insiders and so pay dividends.” Low income country implications talk about: “some LICs legally stipulate payment of dividends, market for selling shares limited in LICs and distinction between insiders and outsiders less clear.” “A large portion of the theoretical work on small firm finance and the behaviour of institutions that lend to small scale enterprises has been undertaken on the industrial countries, particularly the US and the UK” (Chittenden, Hall & Huchinson, 1996).

2.3. Empirical Review

SMEs sector has been with us for quite a number of years and it has a lot of opportunities in almost all the sectors that is manufacturing, construction, wholesaling, retail, agribusiness, services and transport. Academically it has been known how SMEs have over the years influenced the lives of individuals economically and Ghana is not an exception.

2.3.1 Definitions and Characteristics of Small and Medium Enterprise

Descriptions of Small and Medium Enterprises can differ from country to country and it usually depends on a couple of laid down factors with regards to “investment”, “employment”, and “turnover” etc. The discussions on establishing a small and medium enterprise are varied. Distinctive writings, have by and large given diverse meanings to this class of business. SMEs have in actuality not been saved with the definition issue that is commonly associated with thoughts which have various parts. The significance of firms by size contrasts among analysts similarly as essayists. Others have portrayed SMEs to the extent of their lawful status and strategy for creation. Some enterprises use the capital resources while others use work and turnover level.

Bolton Committee (1971) first detailed “economic” and “statistical” meaning of a little firm. Under the “economic” definition, “a firm is said to be little if it meets the accompanying three criteria: it has a generally little offer of their commercial center, it is overseen by proprietors or part proprietors are owners, and not through the mode of a formalized administration structure and in conclusion, it is free, in the feeling of not framing some portion of an expansive undertaking.” Under the “statistical” definition, “the Committee proposed the accompanying criteria: the span of the small firm segment and its commitment to GDP, business, trades, and so on.”

Steel (1977) and Child (1971) both depicted in their examination that SMEs are best in making extreme utilization of alarm assets when contrasted with the bigger firms. Henceforth inquire about in

Ghana and diverse nations have given the idea that capital efficiency is as often as possible higher in SMEs than is the circumstance with bigger firms. The clarification behind this is not hard to see, SMEs are work escalated with outstandingly little proportion of resources contributed. In this manner, they will, when all is said in done watch a high capital effectiveness which is a monetarily steady venture. Thusly, it has been thought that advancing the little endeavors region in developing countries will make more prominent business openings and lead to an undeniably reasonable spread of pay and will ensure extended proficiency with better advancement. (Steel % Webster, 1991).

“The National Board for Small Scale Industries (NBSSI) which is the managerial body for SMEs in Ghana characterizes SMEs regarding both fixed assets and number of employees. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis.”

UNIDO identified fifty different definitions of SMEs in seventy five countries and the elements these researches depended on include output, capital, employment, installed capacity utilization and the type of country or other criteria, which have more importance to the industrial approaches of the specific country. “The UNIDO characterizes SMEs as far as number of representatives by giving distinctive classification for industrialized and developing countries. The definition for industrialized countries is given as follows: Large - firms with 500 or more workers; Medium - firms with 100-499 workers; Small - firms with 99 or less workers. The classification given for developing countries is as the following: Large - firms with 100 or more workers; Medium - firms with 20-99 workers; Small - firms with 5-19 workers; Micro - firms with less than 5 workers.” (Elasian, 1996)

In Ghana, SMEs are thoroughly named rural or urban. The rural businesses are comprised of individual expert, gatherings of individuals in stoneware, crate weavers and dress making. Others

incorporate bread kitchen, blacksmithing, calfskin works and materials. The urban endeavors are either sorted out or disorderly. The composed ones have enrolled office space and paid employees and the unorganized ones have no paid laborers and normally work in intermittent open spaces. (Osei, Baah-Nuakoh, Tutu & Sowa, 1993) It is frequently contented that small firms bring about developments to the market center, yet the commitment of advancements to productivity regularly takes time, and larger firms may have more resources for grasp and execute them. (Acs, Morck & Yeung, 1999).

According to Kayanula and Quartey (2000), there have been various definitions given to small and medium undertakings, in Ghana; the most conventionally used significance of SMEs is the quantity of representatives accessible inside the firm. Also, the ceaseless decline of the local spending power as against significant exchanging monetary forms frequently makes such definitions old-fashioned. In a similar research they lay out a particular segment of SMEs from bigger firms as SMEs not having direct access to the universal and the neighborhood capital markets but the larger firms have the necessary access to these markets. Furthermore, SMEs confront equal fixed cost as the large firms fit in with guidelines, yet have compelled capacity to showcase items abroad.

Fisher and Reuber (2000) determined different qualities of SMEs in creating developing countries under the accompanying headings: “Labour characteristics, sectors of activities, gender of owner and efficiency”. “To the extent of activity, they are generally busy with retailing, exchanging, or producing. While it is a common recognition that the greater part of SMEs will fall into the main grouping, the degree of SME development that occurs in the retail portion changes fundamentally among countries, and among provincial and urban regions inside a nation. Retailing is commonly found in urban areas, while assembling can be found in either rustic or urban focuses. Regardless, the level of incorporation of a country in assembling will depend upon different factors, including,

availability of crude materials, taste and consumption, and the dimension of improvement of the export markets.”

“The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem”. (Kayanula & Quartey, 2000)

The importance of small scale venture has been a debatable issue, “The European Union describes a medium-sized undertaking as one with a number of 250 workers, a small firm as one with 50 workers and a microenterprise as one with an utmost of 10 laborers.” In the USA associations with fewer than 100 workers are named as “small” while “medium-sized business” routinely alludes to those with fewer than 500 laborers. “The definition by the British Department of Trade and Industry on small enterprise as an autonomous business, regulated by proprietors and co-proprietors and having a little piece of the overall industry is the most commendable definition and structures an unmistakable worldwide system for every one of the measures coordinated towards SME's (UK Department of Trade and Industry, 2001).”

“The venture capital trust fund (VCTF) Act 2004 and Act 680, section 280 characterizes SMEs as an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of one million US Dollars in value”

According to Ward (2005), there is no comprehensive definition for SMEs and this is on the grounds that more often than not the definition depends upon who is describing it and where it is being portrayed that is with respect to the nation. Abor and Biekpe (2006) described a small and medium enterprise in Ghana in this way, that majority are female- owned businesses, which are most of the

time home based compared to the ones owned by males, and since they work from home they are for the most part not considered in the official measurements .SME's in Ghana by and large have couple of workers who are additionally relatives of the proprietor hence there is consistently absence of partition among possession and authority. In like manner since SMEs do not for the most part rely on open assets there are nonappearance of responsibility and no directions to concur with in association with consistence of workers who tend additionally to be relatives of the proprietor (Abor & Adjasi, 2007).

“The Ghana Statistical Service (GSS) (2007) characterizes small enterprises as ventures that utilize fewer than 10 people while those that utilize in excess of 10 individuals are designated Medium and Large-Sized Enterprises.”

Oluba (2009) describes SMEs essentialness to vary with areas and with the developmental period of a nation. He opined that creating qualities, for example, the dimension of capital portion/necessities, the executive's size and course of action just as constrained market get to, which make SMEs less pleasant to the eventual outcomes of advancement systems that emphasis on huge, capital intensive and high import subordinate modern plants just as failed public endeavors.

Because of the definitional contrasts of SMEs across countries and the nonappearance of a widespread definition, “the European Union in 2003 embraced an all-around acknowledged meaning of small and medium scale enterprises and micro business as companies with less than 250 employees; incomes must not surpass 50million euro (turnover) or 43million euro.” (Fatai, 2011).

One issue with small and medium enterprises identification according to USAID is progressively famous in the developing countries and since separated from the way that, small and medium scale businesses are, they are also hard to check, they are additionally difficult to measure independently,

these knowledge on the number, size, topographical appropriation and exercises and the SMEs sub-areas are fractional and very untrustworthy. (Akingunola, 2011). The characteristics of proprietors of small and medium ventures cannot be viably detached from their business. This is in light of the fact that most SMEs are generally made of sole ownership and association sort of business where proprietorship is not separate from control. In fact, even by virtue of constrained obligation where there exists an alternate lawful element, ownership would seldom be able to be confined from control. There are varieties in the implications of small and medium enterprises. The most typically utilized paradigm is the quantity of workers of the endeavor. SMEs in Ghana will as a rule have couple of employees who tend similarly to be generally relatives of the proprietor consequently there is every now and again absence of division among possession and control. From the above discourse both in Ghana and other parts of the world, it very well may be inferred that SMEs has distinctive definitions. Subsequently, an operational definition is critical for the examination.

2.3.2. Contributions of Small and Medium Enterprises.

“SMEs have been recognized as the engines through which the growth objectives of developing countries can be achieved. They are potential sources of employment and income in many developing countries.” (OECD, 1997). As indicated by Kayanula and Quartey (2000), SMEs appear to have positive conditions over their broad scale matches in that they can adjust considerably more satisfactorily to money related conditions, given their altogether capable advances. They can withstand unfriendly budgetary conditions in view of their versatile nature. They likewise improve the adequacy of private markets and make gainful use of uncommon resource, thusly promising long term monetary development. As per Schaper (2002), nations that have made monetary achievements over the last two decades have shown certain that the enhancement of business enterprise has been the essential spine of financial development and achievement. From a financial point of view, in any case, businesses are

providers, yet in addition buyers; this assumes a basic job if they can place themselves in a market with buying power, and their interest for shopper items will inspire the activity of their suppliers, comparatively as their case action is enlivened by the appeal of their clients.

Request as venture plays a twofold activity, both from an intrigue side (as for the suppliers of modern products) and on the supply side (through the potential for new age rising up out of redesigned hardware). Similarly, ask for is fundamental to the salary age capability of SMEs and their ability to restore the interest for both customer and capital products (Berry, Von Blontnitz, Cassun, Kesper, Rajaratnam & Van Seventer, 2002).

SMEs add to a country's national item by either delivering results of huge worth, or through the arrangement of administrations to purchasers and different endeavors. This encompasses the supply of items and, to a lesser degree, administrations to remote clients, thusly adding to by and large sent out merchandise. "In Ghana and South Africa, SMEs address a huge fragment of business. They address about 92% of Ghanaian organizations and contribute about 70% to Ghana's GDP and over 80% business. SMEs also speak to about 91% of the formal business components in South Africa, contributing some place in the scope of 52% and 57% of GDP and giving about 61% of work." (CSS, 1998; Ntsika, 1999; Berry et al., 2002).

Levy and Powell (2005) noted that, SMEs are believed to be adaptable and imaginative associations that can react rapidly to client and market requests (adaptability). In opposition to what occurs in large firms. "Beck and Demirguc-Kunt (2002) described two schools of thought which have developed in the research of SMEs. They are the pro SMEs and anti- SMEs viewpoints. Most benefactor nations and advancement organizations share the perspective of the pro SMEs that is arising from such

enterprising and inventive ventures help advance financial development and help lessen the high poverty level in such developing economies.”

“The Pro- SMEs have contended that SMEs upgrade competition and business enterprise and along these lines have economy wide advantages in proficiency, innovation and profitability development. Hence government support of SMEs can enable nations to receive social benefits. Secondly, SMEs are commonly more fruitful than large firms but are obstructed in their improvement by collapse of financial markets and different foundations for capital and other non-money related helps. In this manner, pending financial and institutional enhancements, coordinated government support of SMEs can help financial development and improvement. The development of SMEs supports work more than the development of substantial firms in light of the fact that SMEs are more work serious. So financing SMEs may help decrease destitution.” In any case, “the anti- SMEs have scrutinized the viability of SMEs in advancing development and decreasing destitution. To start with, they contend that large enterprises may abuse economies of scale and all the more effectively attempt the fixed costs related with research and development, boosting efficiency. They testify further that a few researchers found that independent companies are neither more works concentrated nor better at creating larger firms .Additionally, they question the significant job of independent ventures and rather underscore the significance of the business condition confronting all organizations, of all shapes and sizes. Independent companies make imposing business model. They are of the view that if there are low entries and exit hindrances, very much characterized property rights, successful contract implementation, and access to fund, it will work to advance helpful business condition for all organizations and not just small firms.” Roughly 90% of all the business units comprise of SMEs and about 60% of the national work drive is being consumed by them, hence they add to the gross domestic products of the nation. (Abor & Biekpe, 2006).

According to Ninson (2007), small business enterprise, most importantly the cottage industries which are mostly in the rural areas, have created jobs and this has reduced the rural-urban drift whereby many school drop-out from the rural areas leave to the urban areas with the intentions of getting existing jobs which results in the increase of social vices in the urban areas. The improvement of small businesses has pulled in the course of action of utilities, for instance, power, water, upgraded correspondence and transport similarly as the game plan of other social extravagances that have made the life in common zones progressively engaging. This has accordingly motivated the energetic school leavers to stay in the common domains, to contribute their quantity to the restoration of the economy.

Allotey (2008) examined the remarkable contribution of SMEs to the development of the economy in the form of employment, in Ghana for example the SMEs contribute around 80% of the work, relating 90% of activities enlisted with the Registrar General are SMEs. Oluba (2009) abridged the commitment of SMEs to an economy, particularly developing ones as: Greater usage of raw materials, employment generation, empower country improvement, advancement of enterprise, mobilization of local savings, linkages with bigger industries, arrangement of territorial parity by spreading speculations all the more equally, arrangement of road for independent work and arrangement of chance for training preparing directors and semi-skilled experts.

“Ghana Investment Promotion Center (2010) clarified how SMEs have added to expanding generation, giving out esteemed included exercises in the industrialized part, giving occupations in the services segment and last yet not minimal widening Ghana's export base”. The SME area comprises in abundance of 90% of the economy of the nation (Abor & Quartey, 2010). Bastiat Ghana, a liberal economy think tank, directed an investigation and demonstrates that 92 percent of organizations enlisted in Ghana are MSMEs, the examination uncovers that 85 percent of the SMEs offer work in the manufacturing area and, 75 percent of them add to the GDP.

“In Ghana, according to the Ghana Statistical Service (2012), it is evaluated that SMEs give around 85 percent of manufacturing employment, representing 90 percent of existing organizations in the nation, and contributed 49 percent to the nation's GDP. They also add to business creation, provision of basic products and services, and generation of export and tax revenues for the country.”

“SMEs represent greater than ninety percent of most operations in Ghana, thus SMEs engage a vital fraction of the Ghanaian financial system”. (Acolatse, 2012 cited in Agbenyo 2015). Agbenyo (2015) opined that in Ghana, the private sector is largely made up of the SMEs, where most of the productive poor and jobless Ghanaians are busy and this assistance to better their lives and that of their families. This activity has made SMEs endeavor a quick and better choice in Ghana and this has helped to lessen the rate of joblessness. Again, Agbenyo (2015) observed that small business enterprise in Kumasi cannot be numbered and this is due to the fact that the community has many small business enterprises and they contribute highly to the economic activities in the area and the entire country, and subsequently they give work and day to day bread to numerous individuals in the Ashanti Region.

2.3.3. Small and Medium Enterprises Financing.

“The SMEs habitually gripe that their improvement and intensity are constrained by a nonappearance of access to financing and the mind-boggling expense of credit. Continuous occasions in Latin America and East Asia loan certainty to the conflict that SMEs are practically sure than bigger firms to be denied new credits amid monetary emergency.” (World Bank, 2000).

According to Akingunola (2011), a more prominent extent of SMEs used casual advances than formal advances. An impressive extent utilized overdraft while formal credit is a minimal type of outside capital utilized. Significantly, the investigation uncovered that an incredible number of SMEs in the overview utilized universal sources of account, basically individual reserve funds and held income in

the financing of capital gear. The econometric outcomes further show that high benefit small and medium firms are bound to approach to advances from the formal budgetary foundations and government credit plot. According to Abor (2004), there is a constructive relationship between debt financing and the age of an enterprise. After some time, the enterprises turn out to be increasingly adequate investments to lenders, and hence more of the older enterprises are bound to acquire debt financing than younger enterprises. As for size, the outcomes again show that bigger associations are bound to get debt financing. The outcomes additionally demonstrate a positive connection between level of internationalization and debt financing. The outcomes propose that as an enterprise engages more in global exercises, they utilize more debt however, utilize less of equity financing. The need to give verified source of financing to this area cannot be over focused. SMEs, if fittingly sorted out and advanced can create and start revived improvement of this economy into a center salary status (GPRSII, 2005). “GPRSII also indicated that it has turned out to be basic for the Government of Ghana to set up a plan that will give long term financing to the high hazard investments needs of the SME division. Such help to the business segment is in agreement with the acknowledgment that the private division is the motor of development of the economy and the approach to advance and assist them, is to connect with the private area as an equal partner to enable government to accomplish the nation's formative objectives”.

In Ghana, SMEs financing is essentially close to home funds of proprietors, business benefit, family and companions, there is next to zero overabundances of outside credit, the impact of this is insufficient settled and working capital and as such the slow rate of growth and frequent failures among SMEs. (Agbozo & Yeboah, 2012).

Osei-Assibey, Bokpin and Twerefou (2012) in their discoveries described, new endeavors as being bound to incline toward minimal effort and less hazardous financing, for example, “internal or

bootstrap funds”, subsequently as the venture gets built up or develops, its ability to look for formal financing increases, in this manner it ends up or being in a higher class of formal financing.

Osei-Assibbey (2013) featured three particular natures of financing source as to Small and Medium Enterprise (SMEs), namely “self-finance, debt finance and grant/donation finance”.

Agbenyo (2015) cited that finance in small business enterprises is vital as far as giving the essential capital requirements amid its financial planning. Three essential sorts of capital required by a business have been recognized as “fixed capital, Working capital and Growth Capital”. “Fixed Capital was defined as a genuine or physical capital (fixed asset) that is not used in the creation of a product and appeared differently in relation to circulation capital, for example, raw materials, operating costs etc”. “Fixed capital” is that part of the all-inclusive capital that is invested into fixed assets, for example, “land, buildings, vehicles and hardware” that stay in the business for all time, or at any rate, for more than one bookkeeping period. Fixed assets can be acquired by a business, in which case the business claims them, yet in addition rented, employed or leased, if that is less expensive or increasingly helpful, or if owning the fixed assets is unthinkable.

Agbeno (2015) with regards to working capital defined it as money accessible for everyday activities of a firm. Entirely, one acquires money (and not working capital) to probably purchase resources. In bookkeeping terms, “working capital is the net fluid resources registered by subtracting current liabilities from current resources”. Sources of working capital are “overall gain, long term loans (non-current liabilities), sale of capital (non-current) resources, and infusion of assets by the owners (investors).” Measure of accessible working capital is a proportion of a company's capacity to meet its transient commitments. Adequate working capital enables the board to benefit of unforeseen chances, and to meet all requirements for bank advances and ideal exchange credit terms. In the ordinary exchange cycle of a business firm, working capital equivalents working resources.

Lastly, “growth capital is a kind of private equity investment, regularly a minority venture, in moderately developed companies that are searching for cash-flow to grow or rebuild activities, enter new markets or back a noteworthy procurement without a difference in the control for the business”.

“Growth capital” is frequently organized as either “common equity or preferred equity”, however certain investors will utilize different hybrid securities that incorporate an authoritative interest payment notwithstanding an ownership enthusiasm for the organization.

Frequently, organizations that look for growth capital investments are bad contender to acquire extra obligation, either due to the security of the organization's profit or on account of its current obligation levels. Regularly, organizations that look for development capital ventures are bad possibility to get extra debt, either in light of the steadiness of the organization's income or due to its current debt levels.

“Small business finance can be viewed from two main perspectives which are institutional finance and finance as a structured approach. The institutional finance deals with identifying the various sources of finance available to small business while structured approach talks about how decision making deals with allocation of resources”.(Abor, 2016)

“Many MSMES have difficulty accessing finance, and as such they often adopt what is referred to as Layering or Layered financing. This involves piecing together capital from as many sources as they obtain” (Abor, 2016)

2.3.4. Sources of Small and Medium Enterprises Financing

Clark (1994) likewise after his investigations discussed three types of credit that are used among market brokers in Kumasi (Ghana), and they are “advances of goods” which are exchange credit or deferred installment, “advances of capital model” that is angel funds and “cash loans.” The most utilized in her view was the advance of goods with the reason being that it is not very dangerous and apparently reflects an indefinite monetary condition.

Aryeetey (1994) relayed that there were evidence of micro entrepreneurs relying intensely on their past investment funds trailed by the “informal sources of credit from family and friends, cash money lenders, SUSU operators and trade credits as well as gifts particularly at start-up”.

According to Demirguc-Kunt, Beck and Maskimovic, 2005, there are two fundamental wellsprings of outer money for new SMEs, “equity and debt”. Outside value as subsidizing or the stock trade is ordinarily not open for new SMEs, primarily due to for the most part little dimensions of financing needed by the new SMEs. The nonappearance of outer value makes various new SMEs subject to bank credits and overdrafts and providers credit for starting or beginning period financing. As indicated by Adjei (2010) “an evaluative thought in choosing the sources of financing ventures is between equity and debt to ensure the funding structure that suits the business,” he further clarified that the primary distinction among debt and equity are that bankers request premium and capital installments with respect to equity whiles debt or borrowed cash normally secure on business resources of the individual assets of investors or executives.

Adjei (2012) in his research named two main sources of finance for SMEs in Ghana: They are “formal and Informal.” He described formal sources of finance with its purpose to offer help to household business entrepreneurs with these examples: “commercial Banks, investment banks, saving and credit banks, rural banks and assets presented by government with the help of contributor organizations.” With Informal sources of finance it includes the following: “local transaction among friends and relatives, private cash loan lenders, traders, susu collectors, proprietors of capital asserts and credit from NGOs.”

Haselip, Desgain and Mackenzie (2013), in their works distinguished the main sources of external finance being divided into two main types which are equity and debt financing.

Equity source of finance deals with the investor buying a share of company value and debt financing sub divided into three types and that consists of: Formal debt financing which is made up of banks and other financial institution, trade financing which is all about getting credits from suppliers or customers and there is also informal Credit and that refers to getting the credits from family, friends and money lenders.

Daskalakis, Jarvis and Schizas (2013), in their findings concluded that SMEs depend on both equity and debt sources of financing, hence with, equity financing they depend intensely on individual reserves and would not raise new value outside their family, therefore there is hesitance to utilize sources like investment and business angels, and so forth, concerning debt financing, firms take a gander at using long haul obligation financing.

A research conducted by Agbenyo (2015) in the Kumasi Metropolis in the Ashanti Region of Ghana named the following as the sources of finances available to SMEs and they include “ Existing shareholders and directors fund or owner financing, Overdraft financing ,Trade credit , Equity finance, Business angel financing , Venture capital ,Factoring and invoice discounting ,Hire purchase and leasing and Micro Finance Institutions(MFIs)”. Abor (2016) also stated that the forms of finance can be grouped into debt and equity and usually, a single source of finance is not sufficient to meet the full subsidizing needs of the business person, as a result of this the business person may in this way need to raise assets from various sources to signify what he/she needs to meet the enterprise’s financing need.

Abor (2016) continued with the sources of finance available to small scale business being grouped into Equity based, debt based and hybrid instruments. Equity-based can be defined as the amount contributed by the shareholder/owners as capital to finance activities of the firm. Its sources include

“personal savings/financing, family and friends, business angels, venture capital financing, corporate ventures, private placements, public offerings of equity.”

Debt based refers to an investor lending to a firm an amount but at an agreed interest rate. Examples are: “bank finance, credit from microfinance institutions, tax credit, factoring, and assets based lenders bonds/public offer of debt, commercial paper, leasing.”

With hybrid instruments it has both features of equity and debt based and they are: “mezzanine and preferences share.”

2.3.5. Challenges in Accessing Finance.

The huge institutional shortcoming confronting SMEs is their nonattendance of access to outer money. Oppressive monetary courses of action before, especially low premium, and a monopolistic managing an account framework limited the energy of banks in working up this market. (Aryeetey, Baah-Nuakoh, Duggleby, Hettige & Steel, 1994).

As indicated by Cook and Nixon (2000) poor administration and bookkeeping have impeded the capacity of small enterprises to increase fund. This is combined with the way that small businesses are generally controlled by people whose individual way of life may have extensive impacts on the activities and maintainability of such enterprises. As an outcome of the ownership structure, a portion of these organizations are unsteady and may not ensure returns over the long- run.

Associated to size, Falkena, et al. (2001) discussed that SMEs will in general look for fund for moderately small sums. The costs associated with the credit assessment and monitoring of a loan is perceived to be costly to give funds to SMEs, also in most OECD nations, nonetheless, banks see SME account as an alluring line of business and have created powerful observing systems as an outcome.

A report by Abereijo and Fayomi (2005) noticed that scarcity of capital for SMEs particularly their failure to raise outside funding is because of the way they are regarded by creditors and investors as,

“high risk borrowers, their deficient resources, low capitalization, vulnerability to market changes and high death rates.” The presence of information asymmetry emerging from SMEs “absence of accounting records, inadequate financial statements or business plans” makes it hard for banks and speculators to evaluate the reliability of potential SMEs proposal, high managerial/exchange expenses of loaning or contributing limited quantity. They affirmed that the joined impacts of these variables make SMEs financing an unbeneficial business. Another factor that determines SME's capacity to obtain finance access is with regards to it being registered or not. Usually it is hard to isolate small business entrepreneur's funds from that of the business, a factor that systematically unfavorably impacts a SME's capacity to get access to finance (OECD, 2006).

And as it was indicated by the World Bank Enterprise Survey (2007), “80 out of 120 microenterprises sampled were registered. As for the use of credit items; none of the unregistered firms made use of any credit items although 13% loans applications of unregistered firms were rejected while 25% of registered firms did. Registered firms were rejected however, with marginally less recurrence at what is as yet a high rate of 85%. Besides, unregistered microenterprises at 58% were more liable to report finance access as significant impediment.”

OECD (2006) also discussed age of a firm as a major issue with accessing finance when it comes to small and medium enterprise, they relayed that more youthful firms without a reputation face more issues getting credit. These organizations are less straightforward as less data is accessible about them to the banks. These organizations are bound to fall flat furthermore, are in this manner increasingly unsafe. Another study conducted in Nigeria by Okpara and Pamela (2007), “identified factors responsible for small business failures in the country to include corruption, lack of financial support, management experience, infrastructure, training, and lack of book and record keeping. Different

elements detailed low interest for products or services, withdrawing too much cash for personal use and lack of statistical surveying.”

And as the World Bank Enterprise Survey (2007) also indicated, just “47% of firms under age 5 years had credit items contrasted with 55% of firms 6 to 10 years old and 73% for firms older than 10 years. Moreover, credit applications for firms in the center age class are bound to be rejected. More youthful firms are bound to pay higher loan costs to mirror their nearly higher risk profile. There was very little distinction, nonetheless, in the sources of working capital and investment for firms in the diverse age groups.” The issue of access of small and medium enterprises to finance has hampered their commitment to economic growth and development as it has influenced their profitability and ancillary functions. In a research conducted in Nigeria by Campus (2009), “the commonly showed explanations behind the inability of SMEs to meet the expectations of government in accelerating job creation, expanding the production of goods and services, encouraging technology transfer, creating more opportunities for entrepreneurs and, in particular, increasing the local content component of the giant multinational companies in Nigeria is due to the absence of access to credit facilities.”

“Access to credit is vital for the development and improvement of Small and Medium-sized Enterprises (SMEs). However, access to credit is as yet a test to most SMEs, particularly those in developing economies and it is likewise still a key issue both inside the private and public sectors. In Ghana, the Association of Ghana Industries (AGI) expressed that absence of satisfactory access to credit is the main factor smothering the development of private ventures in Ghana (AGI, 2011)”.

Various investigations on entrepreneurial attributes and SMEs access to credit center around variables, for example, the administrative fitness, dimension of training, background, age and sexual orientation of SMEs proprietors.

According to Adjei (2012), “access to finance is real impediment particularly to female business owners, and this is because they lack the savings required for the value installment expected to get a credit and have less or no entrance to arrive or physical structures, which could be used as protection for an advance. It is all the time troublesome for ladies to get access to formal financial schemes. Despite that, female entrepreneurs face the impediment that they all the time just have limited access to training which makes it hard for females to fill in the perplexing forms for requesting for a loan or keeping track for their business records. Numerous banks require business records at least before giving credit. In like manner, female entrepreneurs experience challenges when they have to apply for cash related plans.”

As indicated by Nkuah, Tanyeh and Gaeten (2013) “access to knowledge can be seen as the non-appearance of both expense and non-value impediments in the utilization of monetary administrations. In works, there are many supporting and wary contentions about SMEs access to credit. Loaning to private ventures can be accepted to be dreary and costly for banks and other money related middle people. Such small firms needs appropriate bookkeeping techniques and owners effortlessly blend their business and individual assets, putting forth their budgetary expressions frequently untrustworthy.” A research conducted in the Wa Municipality by Nkuah et al. (2013) showed that “lack of collateral security, failure to prove worthy of credits, deficiency of administrative skills, and absence of a clear reimbursement plan” were some of the causes behind which most business owners in the Wa Municipality could not get to bank credits for their enterprises.

Agbeno (2015) in his research concluded that one of the challenges in accessing finance has to do with the interest charge and collaterals requirements by microfinance institutions, and these to a large extent disturb the operation of the small and medium enterprises.

2.3.6. Entrepreneurs Knowledge about Financing Sources.

A study conducted by Abor and Biekpe (2006) recommended that in the light of the key discoveries, of the research done on the Ghanaian SMEs sector, arrangement activities should include better information about the various financing sources. This could include the financing activities seeking after a more forceful and ceaseless communication campaign to educate SMEs of the different financing plans accessible to the area.

Previous studies have focused on the sources of finance available to SMEs, and the most used ones include, Debt based where is basically banks and microfinance institutions that are used, then equity based which is made up of personal and family and friends. There are some other sources with regard to the debt and equity based financing that can be used by these entrepreneurs. This study investigated the various sources of finance and the awareness of these sources to entrepreneurs.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

In this chapter, the strategies employed or adopted by the researcher in completing the research work are discussed. It likewise examines the distinct methods utilized in collecting data for the study. In particular the research approach, data sources, population, sampling techniques and a description of the study site are expiated.

3.1. Research Approach/ Design

The research approach used was both quantitative and descriptive in nature. The researcher used a case study, Tema Metropolis. The researcher used questionnaires which were given out personally on selected days. The design is quantitative as a result of variables and units of analysis used and it is descriptive because explanations were made to get the significance. Responses were analyzed using the Statistical Package for the Social Sciences (SPSS).

3.2. Population

There are many SMEs scattered all over the country. The population for the study is SMEs in the Greater Accra Region. The target population is made up of small and medium enterprises in the Tema Metropolis district with both registered and unregistered enterprises engaging in manufacturing, services, transport, wholesale and retail to help contribute their knowledge and awareness of the available sources of finance and the challenges associated with them.

3.3. Sample Size and Technique

In this study, respondents were selected using convenience and purposive sampling technique of the non-probability sampling and random sampling technique of the probability sampling techniques. Convenience sampling such that the researcher gave out questionnaires to some respondents just because she came into contact with them, to help in the pilot testing, other respondents were selected based on purposive sampling because she wanted to take into consideration specific characteristics of the business such as number of employees. Lastly random sampling was used because the SMEs in the district have an equal chance of being interviewed.

The sample size is made up of hundred (100) SMEs operating in the Tema Metropolis district in all 100 questionnaires were given out and 94 were retrieved and used for the analysis.

3.4. Data Collection Instruments

The main data collection tool used in this research is the questionnaire. The questions used were both close and open ended, and were basically given to respondents to fill out questionnaires themselves. The closed ended questions included the demographic data comprising, gender of owner, age of business, staff strength, while the open ended were included to get respondents views that can be compared to information that is already known to the researcher. The self-administered questionnaires helped the researcher to cover a sizeable number of respondents across the district and also enable the respondents to complete the questionnaires at their convenience and by so doing getting responses that enabled valid conclusions to be drawn.

3.5. Data Analysis

Data obtained from respondents were edited and coded. Editing was done to address blunders, check for non-reactions, exactness and right answers entered. Coding was done to allow the researcher to

reduce large quantities of information into a form that can be more easily handled by the SPSS program. After editing and coding, data was entered into an "SPSS" database application for analysis. Descriptive statistics was used in the presentation and analysis of empirical results. The results of the study were presented in graphs, tables and figures so that readers can relate to them easily. To analyze data generated from SPSS, the means and standard deviations for all the items in the questionnaire which are the financing options, awareness of sources to entrepreneur, challenges and what influence entrepreneur's choice.

3.6. Profile of the study area

The research was carried out mainly within Tema Metropolitan District of the Greater Accra Region. Tema Metropolis is one of the ten districts in the Greater Accra region and its capital is Tema. It is made up of four districts namely Tema East, Tema West, Tema South and Tema North, the metropolis is grouped into twenty six (26) communities and the most popular and busiest communities include communities 1, 2, 4, 7, 8, 9, 13, 18 (Sakumono), 19 and 20. With regards to this research work, communities within the district used were communities 1, 2, 4, 5, 7, 8, 9, 25 and the industrial areas and these destinations were chosen on the grounds that most organizations inside the Metropolis operate in these areas. The research concentrated on SMEs because most of the enterprises in the nation are SMEs hence the need to take a look at their financing in advancing development.

3.7. Limitations of Data Collection.

A total of 100 questionnaires were distributed and 94 were retrieved from respondents; all effort made by researcher to retrieve the rest did not make any headway hence due to time constraints the researcher had to go ahead with the available data. Another limitation was that respondents wanted to know what they were going to get from the information they were giving out and that brought about a

whole lot of delays in the data collection. Lastly, some respondents were not ready to give out information and the researcher had to explain thoroughly that the information was purely for academics, some declined filling the questionnaire even after the assurance whiles some filled it but had to delay researcher for a while.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF ANALYSIS

4.1. Introduction:

This current section shows the analysis of the data collected from the field work on the topic. It captures the categories of SMEs available in the metropolis and the various sources and awareness of these available sources of finance. In total, one hundred (100) respondents from the various Small and Medium Enterprises willingly accepted to fill out the questionnaires administered to them. In order for respondents to freely express themselves, the questionnaires had the structure of both open-ended and close-ended. Out of the total of 100 questionnaires, 94 were received from respondents which represent a response rate of 94%.

The results from this study were analyzed under the following headings:

- Socio-Demographic characteristics of respondents
- Characteristics of sampled SMEs
- Level of knowledge that owners of SMEs have on the various sources of finance
- Most used source of finance; in terms of equity and debt
- Influences to the choice of financing option
- Challenges encountered in acquiring sources of financing.

4.2. Socio Demographic Characteristics of Respondents

Table 4.1 depicts the socio-demographic characteristics of all respondents in the study. These characteristics are categorized into four sections; gender, age, religion and educational background. The data collected on the composition of the gender of the respondents show that the female sub-groups of less than half (30.9%) of the total respondents whereas the male had a total number of 65

and represented a 69.1% of the respondents. This is an indication that a larger proportion of owners of the SMEs in the Tema Metropolis who answered this questionnaire were males. This could be attributed to the role men play as bread winners in most households in Ghana. This notwithstanding, the percentage of women also shows that women in the Tema Metropolis have also now venturing into operating SMEs to support themselves and their families as a whole.

With respect to the ages of the respondents, most of the respondents were between the ages of 36-50 represented 59.6% of the total number of respondents, which was closely followed by those between 26 and 35 with a total number of 23 and 24.5% representation. The other sub-categories who were in the 18-25 and more than 50 years age brackets were 6.4% and 9.6% respectively. Furthermore, more than half of respondents were found to be Christians with a percentage of 80%.

Finally, the results of this study show that forty-four of the respondents (46.9%) had some form or level of tertiary education, this information helped to identify that most of the entrepreneurs within the metropolis have some form of education and they could fill the questionnaires themselves and could really relate to the questions easily and as such could keep better records and so most of the questions about their business were communicated to the researcher well enough.

Table 4.1: Socio Demographic Characteristics of Respondents

Characteristics	Frequency	Percent
Gender		
Male	65	69.1
Female	29	30.9
Total	94	100
Age		
18-25	6	6.4
26-35	23	24.5
36-50	56	59.6
50+	9	9.6
Total	94	100
Religion		
Christianity	80	85.1
Islamic	5	5.3
Traditionalist	0	0
Others	4	4.3
Missing	5	5.3
Total	94	100
Educational Background		
No formal education	11	11.7
Primary education	2	2.1
Junior High School	10	10.6
Secondary	27	28.7
Tertiary	44	46.9
Total	94	100

Source: Field data (2019)

4.2 Characteristics of sampled SMEs

The characteristics of the SMEs that were sampled are shown in Table 4.2 below. These characteristics are based on the number of years of operation, nature of business, the number of employees, the legal status and the ownership structure.

The years of operation was taken into consideration if it had an influence on the type of finance to use, if it can get you an easier access to the finance available and also if those who have been in the business for longer number of years have almost all information about the finance sources available. Another thought associated with the years of operation was with regards to the fact that most SMEs could not stay for long and that was due to the fact that they do not get enough finance to cushion them, hence the researcher wanted to examine if SMEs in the metropolis have been in existences for a longer period of time to help in the finance issues that affect SMEs in the metropolis. Out of all the firms that participated in this study, a total number of 33 firms had been in operation for about three to five years, which represents about 35.1% and the largest. 25.5% had been in operation for the past five to ten years and from the data it can be deduced that early years business operation and late years operation are at the farthest end whiles small and medium enterprises between 3-5 and 6-10 are mostly found in the metropolis hence indicating that most SMEs in the metropolis have been in operation for a quiet number of years and that is good for the metropolis, since SMEs helps solve most of our unemployment issues in the country.

On the whole, the nature of business of the SMEs that answered can be grouped into 5 sub-groups and they include; manufacturing (8.5%) of the total respondents, retailing (35.1%), construction (6.4%), wholesale (7.4%), service (40.4%) and others (2.1%).

The firms were also classified on the basis of the number of employees. Firms can be classified as micro, small, medium and large on the basis of the number of employees the SMEs in question had

employed. Firms that had less than ten employees are micro firms, small firms are firms with between ten to forty employees, medium-sized firms have approximately forty-one to hundred employees and finally firms with a total number of one hundred and one to five hundred were classified as large firms. From Table 4.2, approximately 78.7% of the respondents were micro firms, 18.1% were small sized firms, 2.1% were medium-sized firms and finally 1.1% was a large-sized firm. And this serves as a source of employment. A large proportion of the firms were registered (88.3%), business registration helps for easy tracking for tax payment which can also help improve the country. For the legal status, a study by Adjei (2012) revealed that most small and medium enterprises are dominated by sole proprietorship and this study was no different. Sole proprietorship (72.3%) was the largest percentage of the respondents interviewed: most of the entrepreneurs had not considered having a partnership so that at least their funds will be huge enough so they can venture into other bigger options in business. They gave reasons like they cannot trust the other party to have the same foresight as them and in case one of them is not around they do not think the other party will promote their foresight but the other party will always be interested in his foresight, and that discourages them to go into partnership. Last but not the least the ownership structure Ghanaian-owned (94.7%), and that is a good way to go, because the proceeds of these businesses remain in the country and this helps in the economic growth.

Table 4.2: Characteristics of sampled SMEs

Characteristics	Frequency	Percent
Number of Years of Operation		
1-2	22	23.4
3-5	33	35.1
6-10	24	25.5
10+	15	16.0
Total	94	100
Nature of Business		
Manufacturing	8	8.5
Retailing	33	35.1
Construction	6	6.4
Wholesale	7	7.4
Service	38	40.4
Others	2	2.1
Total	94	100
Number of employees		
1-10	74	78.7
11-30	15	16.0
31-40	2	2.1
41-100	2	2.1
101-500	1	1.1
Total	94	100
Registration of Business		
Yes	83	88.3
No	11	11.7
Total	94	100

Characteristics	Frequency	Percent
Limited Liability	8	8.5
Sole Proprietorship	68	72.3
Limited by Guarantee	1	1.1
Partnership	17	18.1
Total	94	100
Ownership Structure		
Ghanaian-owned	89	94.7
Foreign-owned	4	4.3
Mixed ownership	1	1.1
Total	94	100

Source: Field data (2019)

4.3. Sources of Finance and Awareness

According to Abor (2016), the sources of finance available to small scale business can be grouped into Equity based, debt based and hybrid instruments. With these the researcher gave the respondents a wide range of sources documented and since this researcher was to ascertain if small and medium enterprises owners are aware or have knowledge of the various sources available. In order to get a sense of the level of awareness and knowledge the owners of these firms had on the various sources of finance; equity and debt, they were asked to rank their knowledge for each source of finance using a Likert scale with 5 being the highest, 4 relatively higher, 3 being medium, 2 relatively lower and 1 being least. The results for each source of finance presented in the questionnaires are displayed in the following tables;

4.3.1 Respondent Knowledge of Equity Source of Finance**Table 4.3: Level of awareness of the various sources of finance – Family and friends**

Valid	Frequency	Percent
Least	7	7.4
Medium	1	1.1
Relatively higher	2	2.1
Highest	84	89.4
Total	94	100.0

Source: Field data (2019).

Table 4.3 shows a variety of responses that owners of the firms had on how their knowledge and awareness on family and friends as equity source of finance. The value with the highest percentage was 89.4% which shows that respondent are well aware that one avenue to raise money for their firms is by borrowing money from members of their families and friends. Next, 7.4% indicated that they had least knowledge that this could be a source of finance. From Table 4.4, 95.7% of the total number of respondents indicated that they were aware and know that their personal savings is a source of finance; this is followed closely by 2.1% who had a fair idea that is an option.

Table 4.4 Level of awareness of the various sources of finance – Personal savings

Valid	Frequency	Percent
Least	1	1.1
Medium	1	1.1
Relatively higher	2	2.1
Highest	90	95.7
Total	94	100.0

Source: Field data (2019).

Table 4.5 shows that a sizeable number of respondents were not aware and did not know that Business angels were a source of finance for SMEs. This is followed by 29 respondents representing 30.9% who knew and were aware that Business Angels were other alternatives of sources of finances. This is an indication that owners of firms in Tema Metropolis do not know who Business angels are.

Table 4.5 Level of awareness of the various sources of finance – Business Angels

Valid	Frequency	Percent
Least	59	62.8
Relatively lower	1	1.1
Medium	3	3.2
Relatively higher	2	2.1
Highest	29	30.9
Total	94	100.0

Source: Field data (2019).

From Table 4.6, awareness and knowledge on Partners financing option was generally high. 73.4% of the respondents specified that they were aware that they could use partners as a source of finance.

Table 4.6 Level of awareness of the various sources of finance – Partners

Valid	Frequency	Percent
Least	20	21.3
Relatively Lower	1	1.1
Medium	2	2.1
Relatively higher	2	2.1
Highest	69	73.4
Total	94	100.0

Source: Field data (2019).

From table 4.7 below a few respondents 41.5% had knowledge of corporate ventures source of finance in the Tema metropolis, 55.3% had the least knowledge. From the table it can be deduced that corporate venture source of finance is really known among the respondents.

Table 4.7: Level of awareness of the various sources of finance – Corporate Ventures

Valid	Frequency	Percent
Least	52	55.3
Relatively lower	1	1.1
Medium	2	2.1
Highest	39	41.5
Total	94	100.0

Source: Field data (2019).

Most of the Respondents did not have knowledge about private placements. From the table 4.8 it can be concluded that private placements is one of the least source of finance which respondents had information about.

Table 4.8: Level of awareness of the various sources of finance – Private Placements

Valid	Frequency	Percent
Least	75	79.8
Relatively Lower	1	1.1
Medium	3	3.2
Highest	15	16.0
Total	94	100.0

Source: Field data (2019).

Table 4.9 depicts the level of awareness of venture capital as a source of finance, 72.3% had least knowledge about it. And this represents a larger number not being aware of the existence of venture capital.

Table 4.9: Level of awareness of the various sources of finance – Venture Capital

Valid	Frequency	Percent
Least	68	72.3
Relatively lower	2	2.1
Relatively higher	1	1.1
Highest	23	24.5
Total	94	100.0

Source: Field data (2019)

4.3.2. Respondents Knowledge of Debt Source of Finance

From the study conducted out of the 94 respondents 87 respondents had knowledge of commercial banks and this was followed by microfinance, Overdraft is also known amongst the respondents as a source of finance for small and medium enterprises, another source of finance which most respondents had knowledge about was small business lending, where 66 respondents gave account of, which is 40 out of the 94 respondents had knowledge of the equipment suppliers source of finance. Hence respondents had least knowledge about asset based lending, trade credit, sources of finance that leasing, bonds/public offer, commercial paper and factoring.

The table 4.10 below depicts the level of awareness with regards to commercial bank, and from the table it can be concluded that the highest percentage of 92.6% respondents in the Tema Metropolis have a knowledge of this source of finance.

Table 4.10: Level of awareness of the various sources of finance – Commercial bank loans

Valid	Frequency	Percent
Least	6	6.4
Relatively lower	1	1.1
Highest	87	92.6
Total	94	100.0

Source: Field data (2019).

Another source of finance that is highly known by respondents was overdraft, from table 4.11 below respondents of 14.9% did not have knowledge about it whiles 85.1% had knowledge about overdraft, and that represent a higher percentage of respondents knowledge.

Table 4.11: Level of awareness of the various sources of finance – Overdraft

Valid	Frequency	Percent
Least	11	11.7
Relatively Lower	2	2.1
Medium	1	1.1
Highest	80	85.1
Total	94	100.0

Source: Field data (2019).

Microfinance was the second highest known source of finance in the Tema Metropolis, which had 84 respondents representing 89.4%., with 10.6% having no or less knowledge about it, and table 4.12 depicts that.

Table 4.12: Level of awareness of the various sources of finance – Microfinance

Valid	Frequency	Percent
Least	5	5.3
Relatively Lower	2	2.1
Relatively Higher	3	3.2
Highest	84	89.4
Total	94	100.0

Source: Field data (2019).

Table 4.13 depicts the level of awareness of trade credit as a source of finance, 71.3% had least knowledge about it, while 25.5% had knowledge about this source of finance this represents a larger number of respondents not being aware of the existence of trade credit.

Table 4.13: Level of awareness of the various sources of finance – Trade credit

Valid	Frequency	Percent
Least	67	71.3
Relatively Lower	1	1.1
Medium	1	1.1
Relatively Higher	1	1.1
Highest	24	25.5
Total	94	100.0

Source: Field data (2019).

Another source of finance which was not popular to respondents was factoring and from the table 4.14 86.2% had least knowledge, hence it can be concluded that respondents in the Tema Metropolis do not have knowledge of factoring as a source of finance.

Table 4.14: Level of awareness of the various sources of finance – Factoring

Valid	Frequency	Percent
Least	81	86.2
Relatively Lower	1	1.1
Relatively Higher	1	1.1
Highest	11	11.7
Total	94	100.0

Source: Field data (2019).

Respondents who were aware of commercial paper as a source of finance was 13.8% while respondents who had least knowledge was 79 representing 84%. From the table 4.15 it can be said that knowledge of commercial paper in the Tema Metropolis was very low among respondents.

Table 4.15: Level of awareness of the various sources of finance – Commercial Paper

Valid	Frequency	Percent
Least	79	84.0
Relatively Lower	1	1.1
Medium	1	1.1
Highest	13	13.8
Total	94	100.0

Source: Field data (2019).

Table 4.16 describes the knowledge of equipment suppliers as a source of finance; among respondents about half which is 42.6% of them were aware of the existence of equipment suppliers.

Table 4.16: Level of awareness of the various sources of finance – Equipment Suppliers

Valid	Frequency	Percent
Least	51	54.3
Medium	1	1.1
Relatively Higher	2	2.1
Highest	40	42.6
Total	94	100.0

Source: Field data (2019).

From table 4.17 below a few respondents 19.1% had knowledge of bonds/public offer source of finance in the Tema metropolis, 77.7% had the least knowledge, from the table it can be deduced that bonds/public offer source of finance is really not known among the respondents.

Table 4.17: Level of awareness of the various sources of finance – Bonds/ Public Offer

Valid	Frequency	Percent
Least	73	77.7
Medium	1	1.1
Relatively Higher	2	2.1
Highest	18	19.1
Total	94	100.0

Source: Field data (2019)

Assets based lending is another source of finance which is not highly known among respondents in the Tema Metropolis. Table 4.18 depicts the various percentages with regards to the least and highest awareness and 69.1% represent the least while 28.7% represent the highest awareness making the awareness less known to respondents.

Table 4.18: Level of awareness of the various sources of finance – Asset Based Lending

Valid	Frequency	Percent
Least	65	69.1
Medium	1	1.1
Relatively Higher	1	1.1
Highest	27	28.7
Total	94	100.0

Source: Field data (2019).

Small business lending was averagely known among respondents with a percentage of 70.2% hence from table 4.19 it can be concluded that respondents in the Tema Metropolis had fair knowledge about small business lending as a source of finance.

Table 4.19: Level of awareness of the various sources of finance – Small Business Lending

Valid	Frequency	Percent
Least	26	27.7
Medium	1	1.1
Relatively Higher	1	1.1
Highest	66	70.2
Total	94	100.0

Source: Field data (2019).

Table 4.20: Level of awareness of the various sources of finance – Leasing

Valid	Frequency	Percent
Least	69	73.4
Relatively Lower	1	1.1
Medium	1	1.1
Highest	23	24.5
Total	94	100.0

Source: Field data (2019).

4.3.3. Respondents Knowledge of Hybrid Instrument

Respondents in the Tema Metropolis did not have knowledge of the hybrid instrument which is the combination of the equity and the debt source of finance, only 4 out of the 94 respondents had knowledge of preference share which is a type of hybrid instrument

Table 4.21: Level of awareness of the various sources of finance – Preference Shares

Valid	Frequency	Percent
Least	90	95.7
Highest	4	4.3
Total	94	100.0

Source: Field data (2019).

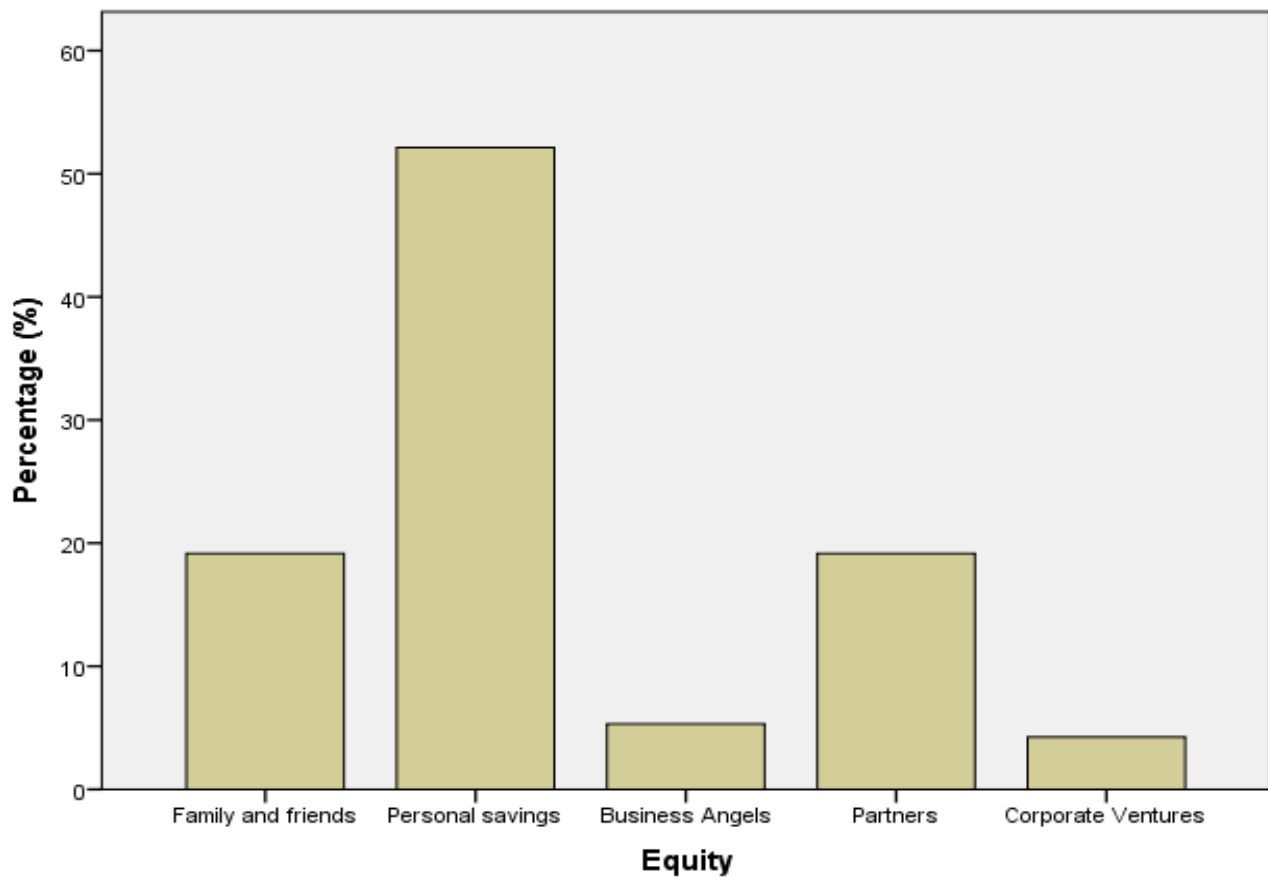
4.4 Most Used Source of Finance

One of the objectives of this study was to determine the main sources of finance being used in the Tema Metropolis, from the data gathered it was seen that some respondents used only equity source of finance as their main source whiles others use both debt and equity sources of finance as their main source of finance.

4.4.1 Equity

From Figure 4.1 below, the most used source of finance under the equity category was personal savings which represented 50.69% of the total number of respondents, followed by partners and family and friends with a representation of 22.3% and 18.7% respectively. Corporate venture and business angels followed. This findings show that most SMEs in the Tema metropolis are financed mostly by personal savings of the owners and their business partners.

Figure 4.1: A bar chart showing the most used source of financing option (Equity)

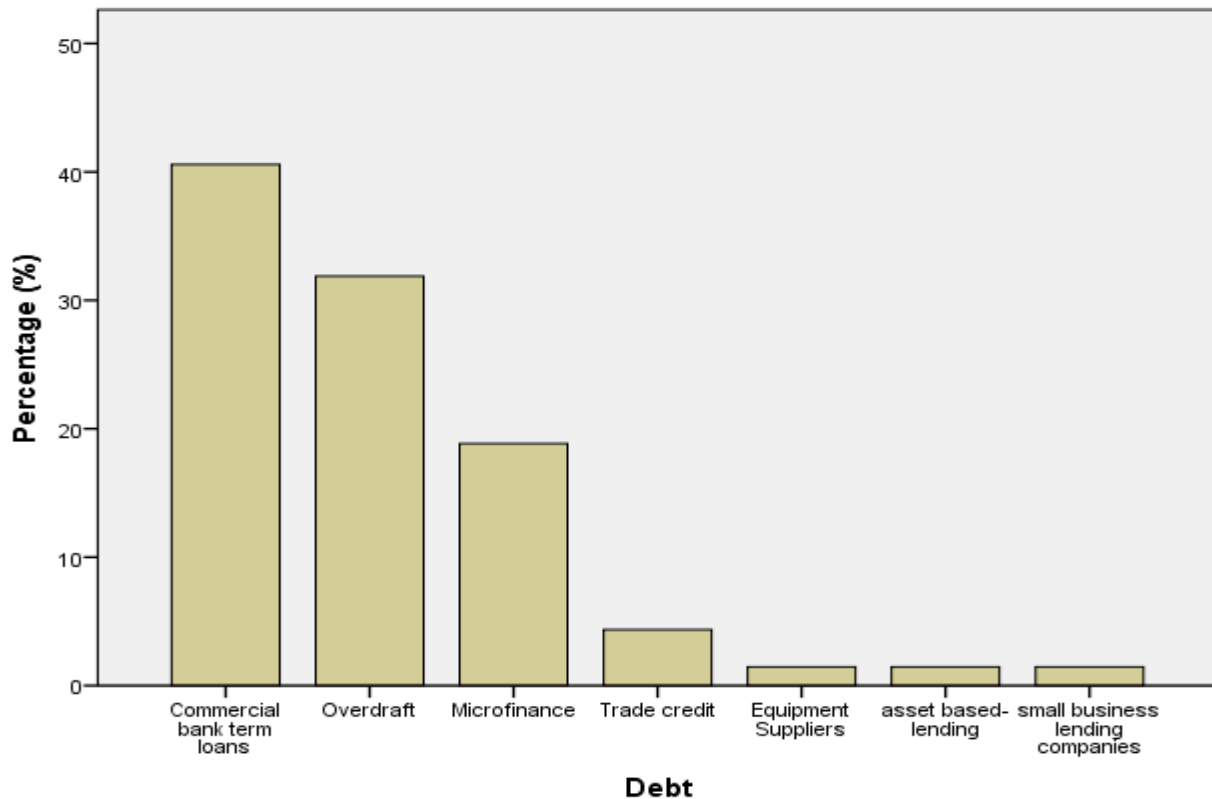


Source: Field data (2019)

4.4.2 Debt

In terms of debt as a source of finance, commercial bank term loans top the chart in this session. This means that most SMEs owners in considering debt financing mostly opt to use (in an ascending order) commercial bank term loans (29.8%), overdraft (23.4%), microfinance (13.8%), trade credit (3.2%), equipment suppliers (1.1%), asset-based lending (1.1%) and small business lending companies (1.1%). The findings show that commercial banks, overdraft and microfinance is being used most when it comes to debt finance, but with the hybrid instrument none is used as the main source of finance from the data collected.

Figure 4.2: A bar chart showing the most used source of financing option (Debt)

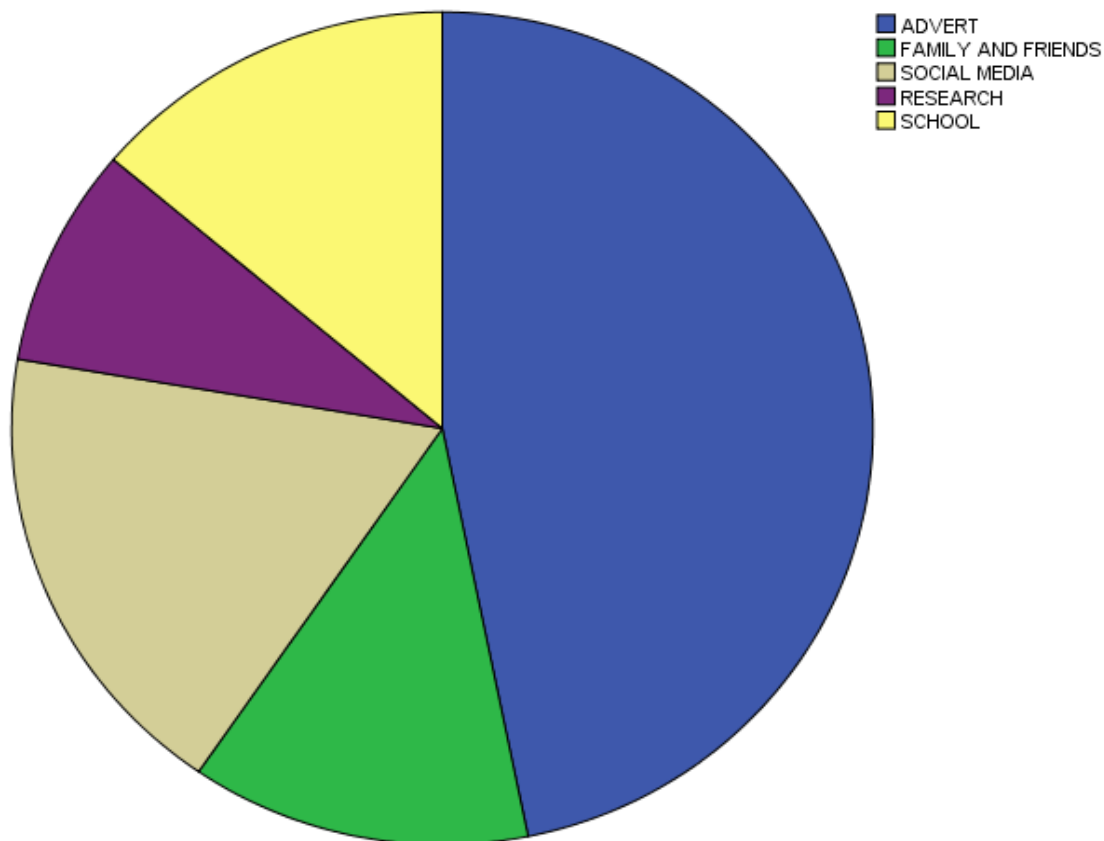


Source: Field data (2019).

4.5 Source of knowledge for the choice of financing option

From the data gathered from the field how they got to know about the source of finance was of great concern to the researcher, hence out of the 94 respondents 44 of them representing 46.81% relayed that they got to know about these sources through the various forms of advert, followed by 17 respondents who got to know about the sources through social media, 12 out of the 94 representing 12.77 got to know about the sources of finance through family and friends and then school, lastly 9 out of the 94 respondents was by their own research.

Figure 4.3: A pie chart showing how respondents got to know about the sources of finance

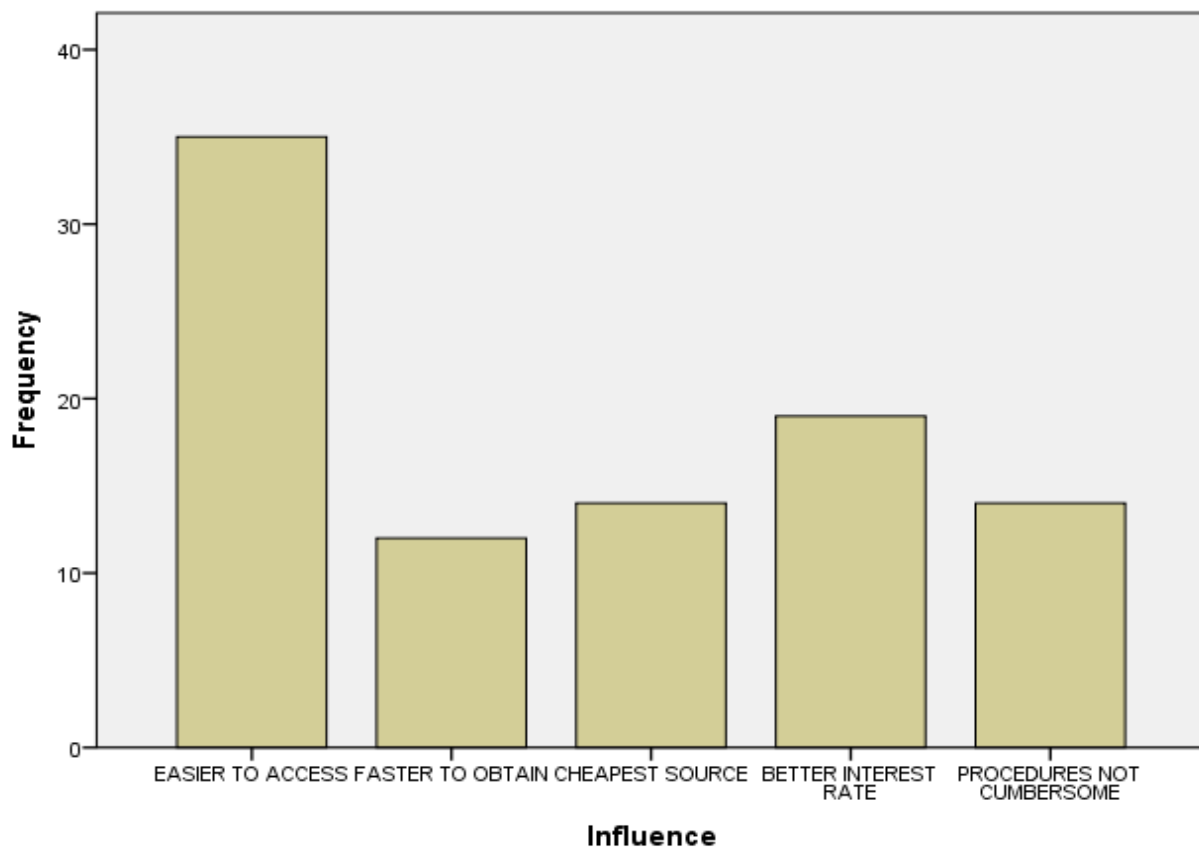


Source: Field data (2019).

4.6 Influences of the choice of finance option by SMEs

The respondents were using their main source of finance because they had easy access to it, and 12 out of 94 respondents representing 13% were using their main source of finance because funds were faster to obtain in using that source of finance. Other reasons that influence respondents choice of finance was that it was the cheapest source and that represented 15% , another reason was because the interest rate charged on the loan was better than others, and 19 respondents representing 20% were in favour of that. Last but not the least 15% of the respondents were using their main source of finance because procedures in acquiring it were not cumbersome.

Figure 4.4: A bar chart showing respondent’s influence



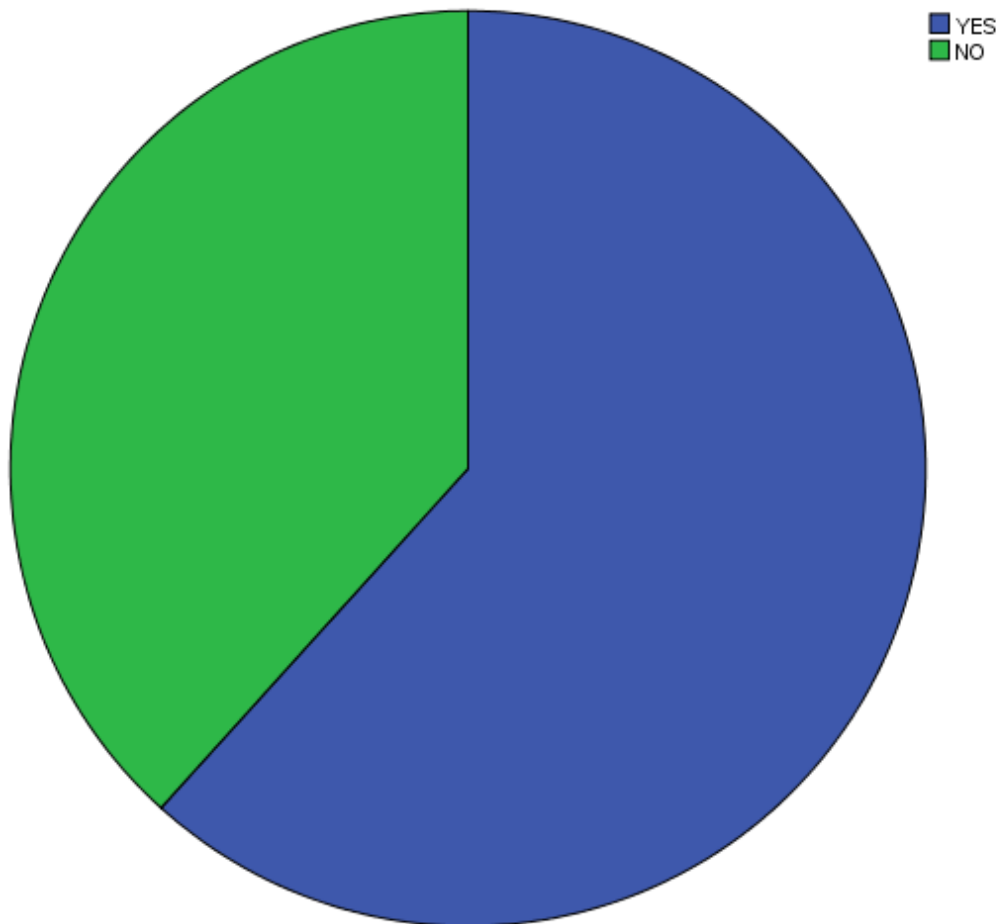
Source: Field data (2019).

4.7 Challenges faced by owners of SMEs in acquiring finance.

From the data collected, 58 respondents representing 62% had challenges in accessing the source of finance while 36% did not have any challenges in accessing their source of finance.

Below is the representation:

Figure 4.5: A pie chart showing the challenges in accessing sources of finance



Source: Field data (2019).

Respondents outlined a number of challenges that they go through and they are as follows:

- Higher Interest rate.
- Longer time in getting funds
- Collateral Needed.
- Business partners sometimes disagree on the amount each partner is to contribute in growing the business.
- They have established groups of people who meet to contribute towards it, hence one will have to be part of the group to get access to the funds.
- Personal funds might not be enough.
- Difficulty in meeting requirements.
- Limited Source of funds given, it might be lower than the amount required.
- Sometimes the payment plans given are stringent and that brings about difficulties in payment.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0. Introduction

This chapter presents the summary of the key findings and conclusions drawn in the course of the research. It also present the recommendations based on the findings.

5.1. Summary of key findings

Access to finance is important to small and medium enterprises hence the research set out to find out whether entrepreneurs have the knowledge about the available sources of finance. Most of the respondents were made up of males as compared to the females, while most of the entrepreneurs were between the ages of 36-50, 23 of the respondents being in the youth age range of 26-35 entrepreneurs.

All respondents had formal education with the highest form of educational background being tertiary.

Characteristics of sampled SMEs: Number of the years for operation for sampled SMEs was between 1 and 10+ but larger part of the respondents had been in operation from 3-5 years, and respondents are into manufacturing, retailing, construction, wholesale and services. Sampled SMEs had majority of their employees being between 1 and 10 employees, almost all the business were Ghanaian owned which is 89 out of the 94 total respondents, Majority of the business had been registered with their legal status being sole proprietorship followed by partnership.

Sampled SMEs had knowledge about available debt and equity sources of finance, but 4 out of the 94 respondents had knowledge about the hybrid instrument.

The most used equity sources of finance was limited to personal savings which after the analysis has the highest mean of 4.91, family and friends 4.66 and partners 4.05 while that of the debt source of

finance were made up of commercial banks with a mean of 4.71, microfinance 4.69 and overdraft 4.45 among others.

Respondent's choice of finance was influenced by factors such as easier access, it being the cheapest source and having a better interest rate.

Most of the respondents which is 62% had challenges in accessing their source of finance and some of the challenges include, some of the banks had higher interest rate, it takes a longer time in getting the required funds, there was a lot of difficulty in meeting the requirement among others, while those who did not have challenges were due to the fact that they were basically using their personal savings as a source of finance.

5.2. Conclusion

On the whole the study conducted in the Tema Metropolis on the awareness of small and medium enterprising financing sources had the following conclusions:

Business number of years in existence was between 3 and 5 years, and entrepreneurs in the Tema Metropolis engage in services and retailing as their nature of business, with the number of employees, larger apart were from 1-10. Better part of the business was registered, and most of the entrepreneurs are into sole proprietorship and others Partnership and finally with the characteristics of the SMEs almost all of them were Ghanaian owned.

The study also revealed that respondents were aware of the various debt and equity sources of finance, but did not have any knowledge about the hybrid instrument as a source of finance, and even though they were aware of the various sources of finance they were only interested in using a hand full of them, and this include personal savings, commercial banks, microfinance, family and friends, overdraft and partners.

Apart from the fact that respondents were using just a little fraction of the available sources of finance, respondents had a lot of challenges in accessing them, even with regards to their personal savings which is their most used source of finance, entrepreneurs relayed that sometimes it becomes hard when their personal funds are not enough, and cannot get to use the other source of finance because of the high interest rate, collateral and the longer periods in getting the required funds.

From the study small and medium enterprise is the primary motivation for development in the Tema Metropolis and also serves as a source of employment for the youth; hence there should be an effort to help them in the financing aspect of their business.

5.3. Recommendation

Based on the findings the researcher makes the following recommendation to improve entrepreneur's knowledge of the available sources of finance:

- i. From the study even though entrepreneurs had knowledge about almost all sources of finance, they had much knowledge about most used source of finance. In view of the key findings, NGOs and training organizations can be encourage to provide more education on the available sources of finance, and this could include constant advertising communication campaign to inform SMEs of the different schemes available to them.
- ii. Secondly, there should be mechanisms set up to assist easy access to finance by small and medium enterprises. Qualification criteria ought to be made progressively attainable to empower more SMEs to meet requirements because knowing the available sources of finance and being able to access it will go far to improve the economy.

REFERENCES

- Abereiyo, I. O., & Fayomi, A. O. (2005). Innovative approach to SME financing in Nigeria: A review Of small and medium industries equity investment scheme (SMIEIS). *Journal of Social Sciences, 11*(3), 219-227.
- Abor, J. Y. (2016). *Entrepreneurial finance for MSMEs: A managerial approach for developing Markets*. Springer.
- Abor, J., & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research journal of finance and economics, 39*(6), 215-228.
- Abor, J., & Adjasi, C. K. (2007). Corporate governance and the small and medium enterprises sector: Theory and implications. *Corporate Governance: The international journal of business in Society, 7*(2), 111-122.
- Abor, J., & Biekpe, N. (2006). SMEs' access to debt finance: A comparison of male-owned and Female-owned businesses in Ghana. *The International Journal of Entrepreneurship and Innovation, 7*(2), 105-112.
- Abor, J., & Biekpe, N. (2006). Small business financing initiatives in Ghana. *Problems and Perspectives in Management, 4*(3), 69-77.
- Abor, J. (2004). Internationalisation and financing options of Ghanaian SMEs. *Professional Accountant, 4*(1), 60-72.
- Acs, Z., Morck, R., & Yeung, B. (1999). Productivity growth and firm size distribution. Z. J. Acs, B. Carlsson, and C. Karlsson (eds.), *Entrepreneurship, Small and Medium-Sized Enterprises and the Macroeconomy*, 367-396.
- Adjei, J. K. (2010). *Microfinance and poverty reduction: The experience of Ghana*. Bold Communications Limited.

- Adjei, S.S.(2012) *Micro, Small and Medium Scale Enterprise in Ghana. Challenges and Prospects. A Case study of Sekondi Takoradi.*
- Agbeno, D.(2015) *Challenges Facing Small & Medium Enterprise in Accessing Credit. A Case Study Of Kumasi Metropolis.*
- Agbozo, E., & Yeboah, E. O. (2012). Exploring the financial gap for small and medium-sized Enterprises (SMEs) in Ghana: a case study of Ghana.
- A.G.I News letter (2011) Cause of Credit in Ghana, *AGI Business Barometer* (March, 2011) P 3
- Akingunola, R. O. (2011). Small and medium scale enterprises and economic growth in Nigeria: An Assessment of financing options. *Pakistan Journal of Business and Economic Review*, 2(1).
- Allotey, D. (2008). Commercializing a microfinance institution to maximize profit:(A study of the Sinapi Aba Microfinance Institution-Ghana).
- Aryeetey, E. (1994). *Financial integration and development in Sub-Saharan Africa: A study of Informal finance in Ghana.* Overseas Development Institute.
- Aryeetey, E., Baah-Nuakoh, A., Duggleby, T., Hettige, H., & Steel, W. F. (1994). *Supply and demand For finance of small enterprises in Ghana.* The World Bank.
- Bates J (1971) *The Financing of Small Business, London, Sweet and Maxwell*
- Bastiat Ghana to Facilitate SMEs growth.* (2014). Retrieved 14th October, 2014, from www.ghananewsagency.org.
- Maksimovic, V., Beck, T., & Demirgüç-Kunt, A. (2002). Financial and Legal Constraints to Firm Growth: Does Size Matter?.
- Beck, T., & Maksimovic, V. (2002). *Financial and legal constraints to firm growth: Does size. Matter?* The World Bank

- Berry, A., von Blottnitz, M., Cassim, R., Kesper, A., Rajaratnam, B., & van Seventer, D. E. (2002). The economics of SMMES in South Africa. *Trade and Industrial Policy Strategies*, 1(1), 1-110.
- Bolton, J. E. (1971). Report of the Committee of Inquiry on Small Firms, Cmnd. 4811.
- Campus, C. B. D. Access to credit and growth of small and medium hospitality enterprises in Nigeria.
- Chimucheka, T., & Rungani, E. C. (2011). The impact of inaccessibility to bank finance and lack of Financial management knowledge to small, medium and micro enterprises in Buffalo City Municipality, South Africa. *African Journal of Business Management*, 5(14), 5509-5517.
- Chittenden, F., Hall, G., & Hutchinson, P. (1996). Small firm growth, access to capital markets and Financial structure: Review of issues and an empirical investigation. *Small business economics*, 8(1), 59-67.
- Christopoulos, D. K., & Tsionas, E. G. (2004). Financial development and economic growth: evidence From panel unit root and cointegration tests. *Journal of development Economics*, 73(1), 55-74.
- Clark, G. (1994), *Onions Are My Husband, Survival and Accumulation by West African Market Women*, University of Chicago Press, Chicago, IL (Google Scholar).
- Cook, P., & Nixon, F. (2000). *Finance and small and medium-sized enterprise development*. Manchester: Institute for Development Policy and Management, University of Manchester.
- Elaian, K. (1996). Employment Implications of Small-scale Industries in Developing Countries: Evidence from Jordan. *Science Technology and Development-London-*, 14, 80-101.
- Fatai, A. (2011). Small and medium scale enterprises in Nigeria: the Problems and prospects. Retrieved January 15 from www.thecje.com/journal/index.php/economicsjournal/article/.../8.

- Falkena, H., Abedian, I., Von Blottnitz, M., Coovadia, C., Davel, G., Madungandaba, J., & Rees, S. (2001). SMEs Access to Finance in South Africa—A Supply-Side Regulatory Review by the Task Group of the Policy Board for Financial Services and Regulation.
- Fischer, E., & Reuber, R. (2000). *Industrial clusters and SME promotion in developing countries* (No. 3). Commonwealth Secretariat.
- Ghana. Statistical Service. (2007). *Pattern and trends of poverty in Ghana, 1991-2006*. Ghana Statistical Service.
- GPRS, II. (2005). Growth and Poverty Reduction Strategy (2006–2009). *Republic of Ghana, Accra*.
- Haselip, J., Desgain, D., & Mackenzie, G. (2015). Non-financial constraints to scaling-up small and Medium-sized energy enterprises: findings from field research in Ghana, Senegal, Tanzania And Zambia. *Energy Research & Social Science*, 5, 78-89.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and Ownership structure. *Journal of financial economics*, 3(4), 305-360.
- Kayanula D. and Quartey, P. (2000). The policy environment for promoting small and medium-sized Enterprises in Ghana and Malawi. *University of Manchester*.
- Levy, M., & Powell, P. (2004). *Strategies for Growth in SMEs: The Role of Information and Information Sytems*. Elsevier.
- Myers, S. C. (1984). The capital structure puzzle. *The journal of finance*, 39(3), 574-592.
- NBSSI (1990), *Supporting Micro & Small Scale Enterprises. A handbook on Enterprise Development Part 1*. NBSSI, Print Solutions, Accra
- Ninson, K. (2007). *The Informal Sector in Ghana's Political Economy*. Ghana: Freedom Press

- Nkuah, J. K., Tanyeh, J. P., & Gaeten, K. (2013). Financing small and medium enterprises (SMEs) in Ghana: challenges and determinants in accessing bank credit. *International Journal of Research in Social Sciences*, 2(3), 12-25.
- Daskalakis, N., Jarvis, R., & Schizas, E. (2013). Financing practices and preferences for micro and Small firms. *Journal of Small Business and Enterprise Development*, 20(1), 80-101.
- Ntsika, 1999. "State of Small Business in South Africa", SARB Quarterly Bulletins; and Stats SA. Releases, South Africa
- OECD, P. B. (2006). Financing SMEs and entrepreneurs. *OECD Observer, Paris*.
- OECD, 1997. Globalisation and Small and Medium Enterprises, Synthesis Report, Organisation for Economic.Cooperation and Development
- Okpara, E., & Pamela, R. (2008). The new American workplace: Transforming work systems in the United States.
- Okraaku, F. D., & Croffie, A. (1997). Entrepreneurship and Small Business: Policies and Programmes In Ghana. *Fadahunsi, Glu and TunjiDaoduedts., Small and Medium Enterprises Development: Policies, Programmes and Prospects. West African Management Development Institutes Network (WAMDEVN)*, 61-81.
- Oluba, M. (2009). Sanusi tsunami: wages of financial recklessness. *The Spectator*, 21-27.
- Osei-Assibey, E. (2013). Source of finance and small enterprise's productivity growth in Ghana. *African Journal of Economic and Management Studies*, 4(3), 372-386.
- Osei-Assibey, E., Bokpin, G. A., & Twerefou, D. K. (2012). Microenterprise financing preference: Testing POH within the context of Ghana's rural financial market. *Journal of Economic Studies*, 39(1), 84-105.

- Osei, B., Baah-Nuakoh, A., Tutu, K., & Sowa, N. K. (1993). Impact of structural adjustment on small-Scale enterprises in Ghana. *Small Enterprises and Changing Policies: Structural Adjustment, Financial Policy and Assistance Programmes in Africa*.
- Quaye I. and Sarbah A., (2014) Assessing Alternative Sources Financing for Small and Medium Scale Enterprise in Ghana. Case Study of Savings and Loans Companies(S&Ls) in the Greater Accra Region of Ghana. *International Journal of Advancements in Research & Technology*, 3(7), 123-136.
- Schaper, M. (2002). The essence of ecopreneurship. *Greener management international*, 26-30.
- Steel, W. F. (1977). *Small-scale employment and production in developing countries: Evidence from Ghana*. Praeger Publishers.
- Steel, W. F. and L. M. Webster, (1991). *Small Enterprises in Ghana: Responses to Adjustment Industry*, the World Bank Industry and Energy Department, Washington DC.
- Weston J and Brigham E (1981) *Managerial Finance*, Hinsdale, Dryden Press.
- World Bank. (2000). *World development report 2000-2001: attacking poverty*. World Bank Group.
- World Bank. 2007. *Access to Finance. Measurement, Impact and Policies*. Policy Research Report, forthcoming

10. Legal Status of your business: 1. Limited Liability Company () 2. Sole Proprietorship ()
 3. Limited by Guarantee () 4. Partnership ()

11. What is the ownership structure? 1. Ghanaian owned () 2. foreign owned ()
 3. Mixed ownership ()

12. What specific products do you deal in?

.....

Part C- Sources of Finance and Awareness

13. On the scale of 1-5 with 5 being the highest.

SOURCE OF FINANCE	Knowledge of the sources of finance	Sources of Finance Used	Most Used Finance source
Equity			
Family & Friends			
Personal Savings			
Business Angels			
Partners			
Corporate Ventures'			
Private Placement			
Venture Capital Companies			
Others			
Debt			
Commercial Banks term loans			
overdraft			
Microfinance			

Trade Credit			
Factoring			
Commercial Paper			
Equipment Suppliers			
Bonds/public offer of debt			
Asset based- Lending			
Small business lending companies			
Leasing			
Others			
Hybrid Instrument			
Preference Share			
Others			

14. How did you get to know about the sources of finance?

- 1. Advert ()
- 2. Family and Friends ()
- 3. Social Media ()
- 4. Others (), please specify

15. What is the available information or knowledge you have about the sources of finance?

Mention the particular source and the information you have about it.

.....

16. What influenced your choice of the particular source of finance being used?

- 1. Easier to access ()
- 2. Faster to obtain ()
- 3. Cheapest source ()
- 4. Better Interest rate ()
- 5. Procedures for obtaining not cumbersome ()
- others () please specify

17. Are there challenges in accessing these sources of finance? Yes () No ()

18. Mention some of the challenges

.....