

**UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE**

**ASSESSING THE PARTICIPATION OF SMALL AND MEDIUM ENTERPRISES  
IN PUBLIC PROCUREMENT**

**BY**

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### DECLARATION

I hereby declare that this submission is the result of my own original work towards the MCOM in Procurement and Supply Chain Management Degree, and that, it contains no material previously published by another person or material which has been accepted for the award of any other degree in this University or elsewhere, except where due acknowledgement has been made in the text.

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## **DEDICATION**

I wish to dedicate this work to my wife, Mrs. Bachaka Musah Mariama and my kids, Hamima Baduon and Adilah Baduon for their unconditional love and support throughout my study of this course.



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## ABSTRACT

The study sought to establish how SME's competitiveness, access to capital, information accessibility and Legal requirements pose a challenge to SME's participation in public procurement market in Ghana. The study design was a descriptive and targeted a population of 1,000 SMEs in the Northern Region with 300 SME employees sampled. A total of 18 members of nine (9) procurement committee of the respective institutions were sampled to confirm the findings from the SMEs. Structured questionnaire was used for data collection from the field and analysed using SPSS (Statistical Package for Social Sciences) software version 22. Demographics of the respondents was analysed using frequency tables, percentages and graphs with independent samples t test used to analyse the difference between the variables in responses from the SMEs and the procuring entities. Responses from both SMEs and procuring entities on competitiveness, Information access, and access to capital, had no statistically significant difference hence the results were certified. Legal requirements had the two entities recording different responses all together from the statistical test. It was found out that SME's chances of participating in public tenders is limited by irregular access to tender information, ICT usage, network of SME's, and tender processes. Access to information on government and private funding, inaccessibility to such opportunities and lack of financial support to invest in modern technologies, technicality of laws and policies which govern public procurement. The study recommends that the legal requirements stated for SMEs in the Public Procurement Act 914 needs further review for possible amendments to the Act. Future research should consider conducting similar research in other parts of the country and may also assess the competitiveness of SMEs against large businesses.



## CHAPTER ONE

### INTRODUCTION

#### 1.0 Background to the study

Procurement can be considered one most useful component of every organization's success or failure due to its pivotal role it plays in the setup of an organization. According to Chartered Institutes Procurement and Supply, procurement is the aspect of business management that safeguards identification, management, and access to resources from outside needed by an organization to accomplish its planned objectives. Value for money is critical when it comes to government expenditure and the effort to get value for money is seen in all that is entailed in obtaining goods, services and works with public monies. Critical to government projects and civic services is ensuring that they are delivered successfully with sound financial management which drastically reduces the rate of corruption and encourages the growth of investment and private sector (PPA ACT 663).

An exercise embarked by the Ghana Government around 1996 to improve the process of sourcing goods, works and services using government funds which was a crucial part of Ghana's Public Financial Management Reform Programme (PUFMARP) (PPA ACT 663). Embarking on such exercise was with the aim of enhancing management of finances in the public sector of the country (PPA Act 663). These drastic measures from this reform exercise helped identify weaknesses and shortcomings of organizations inherent in the procurement system of the country. The components identified after the exercise includes;



- The absence of a policy comprehensively for public procurements in country
- The inadequate or most often than not the unavailability of legal regime that comprehensively protect the reliability of the system.
- Other shortcomings include the absence of a centralized unit that has technical expertise, the necessary competence to develop a clear public procurement policy.

This exposed that, there was the need for guidelines and rules that directs the monitoring and capacity building of the practitioners of public procurement. More so, clear roles or duties of procurement organizations or institutions were not defined and as a result, process for independent appeals which has authority to address the grievances that were brought forward by upset bidders and to give appropriate redress was absent. There was no recognized authority for procurement organizations to carryout procurement with monies given them. This weakened the system and therefore needed to be addressed.

Authorities to act on the disposal of public assets is not available and lack of a function made of independent government officials or their appointed agents in charge of auditing procurement to safeguard efficient accountability was a setback in that setup. For the country to dismiss or address the different weaknesses and inadequacies of these organizations in our public procurement process, one favorable or desired thing will be to enact or amend a complete procurement law with standard tender documents supporting. This called for an appropriate institutional and administrative arrangements that would be composed and to have an oversight body supervising procurement in the public sector (PPA Act 663). In 1999, the government of the day, setup and commissioned a Public



Procurement Oversight team to oversee as well as control the design of a wide-ranging procurement reform programme which was further followed with the draft of a public procurement bill in 2002 and the Public Procurement Act, 2003 passed into law in 2003 (Act 663).

The Canadian Industry environs use the abbreviation SME to mean businesses that have less than 500 workers while classifying enterprises having 500 or more workers as large businesses. Rapturing down definition of SME in the Industry Canada, it states that SMEs are small businesses that have employees of less than 100 working for the firm at a particular time if the business happens to be producing goods or one with less than 50 workers incase such firm is into provision of service. Any business with more workers than these ranges but less than five hundred (500) employees is categorized as a medium-sized business.

According to the United states 2012 census bureau data, it is reported that SMEs account for 99% of all firms in the states and 48.4% of total employment, making them hugely important for economic growth, innovation, and diversity. A lot of definitions pertaining to small-scale enterprise in the Ghanaian context exist however the most acceptable and frequently used standard size of workforce employed by the organization to work (Kayanula and Quartey, 2000). Severe misunderstanding often emanates regarding the randomness and limits been used at the time by the countless authorized sources pertaining to this definition.





Businesses with 10 employees and less have being classified to be small scale businesses while those with more than 10 personnel employed are classified as medium scale businesses as stipulated by the Ghana Statistical Service (GSS). Notwithstanding that, incongruously the GSS recognized SMEs as companies with maximum of 9 personnel (Kayanula and Quartey, 2000).

However, the National Board for Small Scale Industries (NBSSI) in International Research Journal of Finance and Economics – Issue (2010) 221, indicates that Ghana uses both fixed asset and number of workers as determiner which implies the worth of fixed assets of the company is also used as a criterion for defining SMEs. In the Ghanaian context, the definition of a small-scale enterprise is a company which has 9 or less workers, and also has machinery and plant (Which excludes vehicles, land, and structures) amounting at most ten (10) million Ghana cedis but the Ghana Enterprise Development Commission (GEDC) also has an upper limit of 10 million Ghana cedis for plants and machineries in respect small scales enterprises.

### **1.1 Statement of the Problem**

In spite of the legal reforms, policy dynamics and procurement act passed by parliament 2003 in the public procurement and amended in 2016, SMEs still find it difficult and a hard-playing ground to participate in the market in bidding and winning contracts within the public procurement sector. Despite their contributions to socio-economic development, SMEs face several challenges which may explain the performance of their procurement and supply chains as well as survival.



A study on SMEs in Nigeria by (Onugu, N.B.A., 2005) found out that less than 5% of the SMEs survive beyond their first year of existence because of the numerous challenges that limit their competitiveness. SMEs face some challenges and constraints which negatively impact their performance and that of their supply chains. These constraints and challenges include limited access to information, limited information about financing options, inadequate and expensive supply of power and telecommunication, limited access to business networks, limited experience, unprofessional practices, information technology accessibility and collaborative constraints (Hatega, 2007).

According to (CDC Ghana, 2012), businesses registered in Ghana that fall within Small and Medium Enterprises are about 92% and they are said to contribute 70% or more, to the GDP of the country (Ghana) hence their substantial impact on income, economic growth and employment levels. Ogechukwu (2011) unveils that SMEs are the major drivers of massive development contributing greatly in diverse ways to uplift the nations and account for larger proportion of employment in the country with notable employment record and as well recognized as a key driver for GDP growth in many countries. In comparison to other developing economies, some research shows that SMEs in India, amount to approximately 30 million operatives which are the source head of quite a lot of innovations in manufacturing and the service sectors and serve as the major connection in the supply chain to corporate entities and public sector enterprises. Also, it indicates that, SMEs contribute approximately 20 percent to GDP, forty-five (45) percent of industrial output, 40 percent of exports, employ 60 million people, create 1.3 million jobs every

year and produce more than 8,000 quality products for the Indian and international markets.

The Registrar General's Department indicates that ninety-two (92) percent of registered businesses are Small and Medium Enterprises though SMEs data in Ghana is rare. Similarly, it shows that, SMEs have been providing near 85% of manufacturing jobs, SMEs contribute around 70 percent to country's GDP, and have a marginal and significant impact on economic growth, income, and employment (NBSSI, 1990). In the view of this study, effective participation in its minimum would have been proportional to the annual GDP contribution by SMEs. Considering that SMEs' contribution to national employment is about 85%, then the most effective participation of SMEs should be not less than 30% of the annual national budget meant for purchase of goods, services and works from the marketplace. This presents a gap for research to establish the reasons behind such a lackluster performance of SMEs in the public procurement market in Ghana.

The survival and growth of SMEs depends largely on their ability to win and manage procurement contracts. The chances of SMEs winning procurement contracts depend largely on the procurement methods that procurement entities use and how well SMEs manage their relationships with them. The process to which SMEs manage their procurement cycles as procurement entities especially in the selection and contracting of third parties, greatly affects their growth.





SMEs hardly win contracts in Ghana due to the financial, legal, and capital criteria or requirements used in sourcing public goods and services in the country. This is clear in Public Procurement Act 663 and in Act 914 that financial standing to SMEs in bidding for contracts. This gap and misunderstanding of the speculated reasons for the financial incapability and other factorial dispensation to bidding by SMEs for contracts in public sector give rise to the reason why the researchers wish to establish failure of SME's in participation in public procurement in the Northern Region.

### **1.2 Objectives of the study**

The primary objective of this research is to assess Small and Medium Enterprises' participation in public procurement in Northern Region. Identifying the bottlenecks to SMEs access to public procurement in Northern Region, the specific objectives that the study hopes to attain are:

1. To examine the competitiveness of SMEs in Ghanaian economy when having access to public contracts.
2. To assess how access to capital affects SMEs participation in public procurement.
3. To ascertain how access to procurement information affects SMEs participation in public procurement.
4. To find out the effect of legal requirements on SMEs participation in procurement process.



### **1.3 Research questions**

Following from the research objectives, the main questions that the study seeks to address is how SMEs in Northern Region of Ghana can participate in public procurement. The specific questions the research seeks to address are:

1. How competitive are SMEs in Ghanaian economy when having access to public contracts?
2. How does access to capital affects SMEs participation in public procurement?
3. How is SMEs' participation in public procurement affected by their access to procurement information?
4. What is the effect of legal requirements on SMEs participation in procurement process?

### **1.4 Scope of the study**

The research scope covers participation of SMEs in public procurement contracts. Therefore, all work with the data was geared towards the aim and objectives of the thesis. Also, the study was conducted in Northern Region on (300) SMEs hence the need to conduct similar trainings in other parts of the country for the findings to be more representative of SMEs access to public procurement contracts in the country as a whole.

### **1.5 Significance of this study**

This research is very significant in socio-economic development of Ghana because SMEs contribute enormously to country's Gross Domestic product. One of the main areas of commonly looked at by researchers talking about SMEs is access to credit. However,

study of the literature on SMEs financing indicates that there is a weighty gap in knowledge of the determinants of access to finance among SMEs in Ghana.

Even though previous studies have also been conducted on the competitiveness of SMEs in Ghana, there are only a few studies on competitiveness of these bodies having access to public contracts. However, these previous studies on SMEs have analyzed the access to procurement information and how it affects SMEs and also how competitive these SMEs are in contract bidding but the researcher wishes to repeat the research using a different sampling method with a different sample area to determine whether or not the work conducted truly reflected the population of interest.

Findings of this study will be very relevant in government policies that intend to remove the difficulties of SMEs when it comes to their access to financing or credit, procurement information and the effect of legal requirements. Understanding how these affect SMEs is significant in during prioritization of efforts by Ghana government and other stakeholders to promote SMEs' participation in public procurement in Ghana. This study will as well be a guide to SMEs on their access to funding sources and procurement information from formal financial institutions and public institutions, respectively. To end with, the study will as well contribute to the existing literatures on SMEs' participation in public procurement.





### **1.6 Limitations of the Study**

So many SMEs in Northern Ghana do not usually have permanent places called their office hence most at times makes it difficult to locate them for research purposes. A number of them are also busy in one way or the other attending to business agenda or trying to bid for contracts to support the company be in business and may not have enough time to respond to questionnaires or take part in the research work. However, the researcher persevered and was able to administer questionnaires for those who are highly mobile at their own convenient time. Also, confidentiality was part of the main challenges faced at the time of data collection on the field because respondents were not comfortable responding to sensitive questions. The researchers followed the due process involving ethical issues and assured the respondents of full compliance to ethical considerations through the study. The study also sought and obtained informed consent from owner managers of SMEs and chief/senior procurement officers of many public procuring units where the study is conducted before data collection. Finally, accessibility of information about SMEs was difficult considering its informal nature and how their business transactions are carried out.

### **1.7 Organization of the research**

The research is in five respective chapters with that of chapter one dealing with the introduction which included background of the research, problem statement, research questions, general and specific objectives, and the significance of the research, Limitations and organization of the work. Chapter two dealt with the literature review where related literature was reviewed on SMEs access to public procurement contracts.

The third chapter discussed the methodology and analytical frameworks of the study. The fourth chapter contained the analysis and findings which was presented in graphs and tables. Finally, conclusions and recommendations were presented in chapter five.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter reviews the literature on procurement function. It particularly reviewed the literature on the importance of the procurement function, the challenges faced by SMEs in adopting and implementing the procurement function and the development of a conceptual framework for the study.

#### 2.2 Definition and Importance of SMEs

SMEs have been variously defined depending on the organization, specific region of the world, institution, number of employees, stated capital and assets (Akorsu & Agyapong, 2012). The World Bank for instance sees an SME as an enterprise that employs about 300 employees and with US\$15 million in assets and US\$15 million annual revenue. An SME according to National Board for Small Scale Industries of Ghana (1998) is an enterprise that employs up to 29 people. The institution has gone ahead to classify SMEs according to number of workforce and assets which suggests micro enterprise employs up to 5 people and with its assets not above \$10,000, small enterprises employ between 6 and 29 workers and with their assets not above \$100,000) and with medium enterprises employing between 30 and 99 employees and with the assets up to \$1,000,000 (Akorsu & Agyapong, 2012)

Ghana, just like other nations has countless definitions for Small and Medium scale Enterprises. The popular determinant is the number of workers (Kayanula & Quartey,





2000). The National Board for Small Scale Industries (NBSSI, 1990) in Ghana explains SMEs using an application of fixed asset and number of employees' criteria. This approach defines a small-scale enterprise as a firm or enterprise with not more than 9 workers and with plant and machinery (This excludes land, buildings, and vehicles) that does not exceed 10 million Ghanaian cedis. NBSSI also classifies an enterprise to be micro enterprise when it has less than five employees.

According to Kayanula and Quartey (2000) businesses that have number of workers below 10 are small-scale businesses but those that have workers numbering 10 and more are medium and large businesses. Paradoxically, Ghana Statistical Service consider businesses that have up to 9 workers to be SMEs. However, Osei et al, (1993) in commenting on definition of small-scale businesses in Ghana, suggested the use of workforce ceiling of 30 workers and had small-scale ventures categorized into three types or levels which says Micro enterprises tend to employ less than 6 people, Very small enterprises tend to employ 6 - 9 persons and Small enterprises employs between 10 and 29 personnel.

The Ghana Enterprise Development Commission (GEDC), on the contrarily, prefers using a 10 million Ghanaian cedis higher range for plant and machinery. It is crucial and imperative to note that, the precautions put in place to hold the procedure for valuing assets becomes problematic. More so, the gradual and continual devaluation and depreciation of the in-land currency compared to major trading currencies makes definitions like that much outdated (Kayanula & Quartey, 2000). Small and Medium



Enterprises have various definitions though the most used decisive factor is the workforce size employed by the business. SMEs in Ghana have few employees who are mostly relatives of the owner of the enterprise hence there is difficulty in separating ownership and control. This study strongly agrees with The National Board for Small Scale Industries (NBSSI, 1990) and adopts their definition for the study.

Overview of SMEs development in Ghana according to Abor & Biekpe (2006) state that intentions to promote SMEs existed way back in the 1970s despite not much was done by then. Some major organizations were established to help SMEs with the leading one being the Office of Business Promotion and Ghana Enterprise Development Commission (GEDC) with its main objective been to assist Ghanaian businessmen to venture into arenas that mainly immigrants were operating. GEDC came out with initiatives for reinforcement small scale business in general, both financially and technically (Kayanula & Quartey, 2000). One other programme that has helped widened support for SMEs by the organizations was the Economic Recovery Programme (ERP) instituted in 1983. Within the Ministry of Industry, Science and Technology; The National Board for Small Scale Industries (NBSSI) was also put together to solve the problems of SMEs.

International Journal of Business and Economics Research (2018) also cited Ghana Statistical Service (GSS) to have defined SME as any enterprise or business entity that employs between 1 to 5 as micro, a firm employing between 6 to 30 as small, a firm employing between 31-100 as medium and a firm employing more than 100 workers as large enterprise.



In view of this, the NBSSI then initiated an Entrepreneurial Development Programme, envisioned to build capacity and support in entrepreneurial skills development. The Ghana Appropriate Technology Industrial Service (GRATIS) was established in 1987 to boost the sector of industry. GRATIS is supervising the work of Intermediate Technology Transfer Units (ITTUs) in Ghana with the aim of advancing small businesses through transfer of appropriate technology to small scale and informal industries at the grass root level. These Units at the regional level are expected to have the engineering capabilities to provide the manufacturing, vehicle repairs and other associated trades or services involving small-scale industries. ITTUs also exist to support the non-engineering businesses (Abor & Biekpe, 2006). A Ministry for Private Sector Development was setup as an effort to focus and develop the SME sector by Ghana government (Abor & Biekpe, 2006).

The most noteworthy institutional weakness facing dynamic SMEs according to Abor and Biekpe (2006) is their inability to access external finance. In the past, brutal financial policies, particularly monopolistic banking system and low interest abated the interest of banks in development of SME market. It was proper for the consequences of these practices to be reversed through combination of institutional reform and financial liberalization (Aryeetey, et al, 1994). SMEs everywhere contributes to decrease in joblessness and growth of national GDP (Millinuex, 1997; Abor & Quartey, 2010). It also serves as a revenue generation stream for government finances ((Sowa et al, 1992; Mensah & Rolland, 2004; Palma & Gabriel , 2005). However, Boachie-Mensah, &

Marfo-Yiadom, (2005) show that 60% of these SMEs collapse within five years of work despite their numbers, and significance.

According to Kenya National Bureau of Statistics (2007), SMEs continue to face important hurdles, with statistics showing 60% of businesses collapse in less than a year of their operation. This has declined the growth of a number of Small and Medium Enterprises. Obanda, (2011) reveals that SMEs are often not included in public procurement contracts due to their size or capacity to deliver and administrative requirements for compulsory bidding processes. Hansen, et al (2012) disclose that lack of financial and business management capacity is on its own a constraint to SME success, but can also preclude access to, and effective usage of, finance. Even the secretariat of NBSSI had difficulty disbursing loans to the associations after their training programmes.

PAMSCAD (Program of Action to Mitigate the Social Cost of Adjustment) was the only loan scheme for NBSSI with a maximum amount of three million (3,000,000) cedis, and which could only even be accessed at the Regional level. Other challenges according to findings of research studies conducted emanate from some sources that includes inadequate government policy to protect local businesses, lack of finance in terms of credit facilities to SMEs, globalization and entry of multinational firm, the insufficient use of technology, low R & D capability levels (Anheier & Seibel, 1987; Gockel & Akoena, 2002; Frempong, 2007). These are some examples of confirmations of challenges associated with SMEs and particularly in Ghana it is not different but of much interest to this research is the accessibility issues of SMEs to public procurement.





### ***2.2.1 Characteristics of SMEs***

SMEs have unique characteristics and usually, these features can be addressed from five main areas like: resources; organization and management structure; customers and marketing; organization processes, and cultural behavior (Verhees, 2005). Each of these features is as explained below:

### ***2.2.2 Organization and Management Structure***

The structure of most SMEs is typically managed and controlled by the owner (Verhees, 2005) manager or when family-owned, make the owner of a family member act as the manager (Verhees, 2005). Again, most SMEs are usually run based on the owner managers' whims and caprices, their values as well as their ambitions. Moreover, the owner-managers are usually responsible for all key decision-making and are usually not willing to delegate to their employees. In effect, most small enterprises are characterized by low empowerment, delegation of authority and decision making is centralized.

### ***2.2.3 Resources***

One major feature of SMEs is their inability to have access to vital resources like financial, human, and capital (Rothwell & Dodgson, 1994). Unfortunately, these inadequacies prevent them from rapidly expanding their operations and taking advantage of business opportunities. Again, their inability to attract access to finance stems from the challenge of information asymmetry and their inability to provide collateral security in cases where banks are willing to provide them loans (Rothwell & Dodgson, 1994)



#### ***2.2.4 Customers and Marketing***

The small-scale nature of SMEs usually limits them in terms of customers that they deal with and most of them specialize in niche marketing where strong competition is limited (O’Gorman, 2001). The niche marketing strategies of SMEs facilitates the development of closer ties and relationships with customers and this makes it possible for SMEs to respond swiftly to changing needs of their customers and this tends to satisfy their clients and make them more loyal (Carson, 1995; Dallago, 2000).

#### ***2.2.5 Organizational Processes***

One advantage of the operations of SMEs is their simple organizational set-ups and structures which tend to cut bureaucratic tendencies and therefore being able to respond swiftly on the ground and take advantage of business opportunities compared to large organizations (Tidd, et al, 2005).

### **2.3 Transparency in Public Procurement**

Transparency play a key role when it comes to effective public procurement system. It concerns the ability of participants and those interested to know and understand the process by which contracts are awarded and managed. Transparency is a core feature of a sound and efficient public procurement system characterised by; regulations and measures exposed to public analysis, clear and standardised tender documents, bidding and tender documents containing comprehensive information, fair chance for every bidder in the process (Wittig, 1999).



It also means applying the same rule for all bidders where the guidelines are publicised as the foundation for procurement decisions preceding their actual use. It can be considered the effective means to identify and correct improper and corrupt, wasteful practices. Core elements to ensuring good governance needed to institute effective government policies is the fight against waste and corruption and improving financial accountability.

All countries in the world appear to have failed in tackling improper, wasteful, and corrupt practices in public procurement. Corruption need to be given special attention due to how it works in treacherous ways and tends to undermine the entire fabric of economic and political life. It is therefore important to establish and sustain a changed/ correct behaviour in all procuring entities. The World Bank defines corruption as the abuse of public office for private gain. The abuse of procurement processes often leads to economic losses for the public where many lose for the benefit of some few persons. It often happens when there is collusion between the purchasing and selling entities where responsible officials on the contracting side demand or are induced to accept gratuities from bidders or contractors to make favourable award decisions (Wittig, 1999).

With an effective transparent public procurement system, risk will be reduced and thereby attracts more investors and when integrated into improved national budgeting procedures, there will be more realistic market price structure and a better control of public resources and expenditures. The private sector will experience competition when there is a transparent procurement system where private enterprises can evaluate the risk involving such a deal with the government. They will also be able to make sound and

realistic economic investment decisions where government procurement policies are in line with public accountability requirements and good commercial practice.

When there is constructive pressure to change and improve quality, pricing, product performance or to otherwise satisfy customer needs, then the market-based systems work best. The public sector (buyer) and the contractor (seller) are both affected if a competitor arranges to minimise market pressures by relying on personal contacts, bribes or other means to influence the system as the public sector (buyer) will most likely receive a less satisfactory product to satisfy the public need at a higher price than if fairly set by the market place; and, the contractor (seller) loses initiative and energy to make its product or service more competitive (Wittig, 1999).

When there is strong institutional support at the top levels of government for administering and monitoring the public procurement process it becomes an essential factor for promoting integrity and appropriate application of procurement law which leads to amplified efficiency and professional performance in procurement processes (Wittig, 1999).

#### **2.4 General Overview of the SMEs Sector in Ghana**

Mensah (2004) indicates that data on the exact number of SMEs in Ghana does not exist but the Registrar General's department statistics has it that about 90% of registered companies are SMEs which can be attributed to the fact that many of these SMEs fall within the informal sector, with many of them unregistered. The statistics on SMEs are





poor for several reasons: high cost of conducting industrial census, lack of a uniform definition, and because many SMEs do not register and remain outside the formal economy (UNCTAD, 2002). Ackah & Vuvor (2011) associate the SMEs inadequate access to finance with their low participation in the international and local capital markets as compared to larger companies and this exclusion is due to the higher cost of intermediation of smaller projects which can be attributed to the nature of our financial system. SMEs in Ghana also have a feature of producing goods and services for the local market with only a few of them having the capacity to market their products abroad which is largely due to the huge capital requirement for international trade and the low level of education as well as training and awareness of some SMEs owners. A good number of SMEs are labour concentrated and function with little technical know-how and novelty and are mostly family-owned businesses, with little separation of the business finances from that of the owners of the business (Ackah and Vuvor, 2011).

According to Mensah (2004), SMEs in Ghana are usually owned by an individual, who takes all major decisions, who lacks information in the use of new technologies and the credit market and has limited formal education. They also have weak management skills, with extreme working capital volatility and lack of technical know-how (Mensah, 2004). SMEs in Ghana are into various businesses like restaurants and food vendors, provision and retailing shops and supermarkets, clothing and tailoring shops, hair dressing and barbering saloons, furniture making shops and carpentry as well as small scale manufacturers of various items like sachet water, fruit drinks etc. (Kayanula & Quartey, 2000; Ackah & Vuvor, 2011). SMEs located in the rural areas are mostly individual

artisans, family groupings, food vendors, agro processing, textiles and leather, timber and mining, etc. (Kayanula and Quartey, 2000). In the informal and industrial sectors, SMEs are heterogeneous when it comes to entrepreneurial skills, productivity, incomes, development prospects, technological advancement, and capital assets (Seibel, 1996)

## **2.5 Contributions of SMEs to Economic Growth and Development**

A good number of empirical studies on significant contributions made by SMEs to economic growth and development of national economies especially in developing countries. Utilizing firm-level data from 76 countries, Ayyagari et al. (2007) find that on average SMEs account for 55% of employment in manufacturing. SMEs usually comprise about 99 per cent of all enterprises, and account for from 44% to 70% of employment and 50% of manufacturing output. In developing countries, SMEs account for 98% of enterprises, 50% to 80% of industrial employment, and 50% of manufacturing output (UNCTAD, 2005).

According to Seibel (1996), small businesses usually operate in market niches, which are unattractive for large enterprises due to low level of profits. Small firms can strengthen domestic economic cycles and inter-sectoral relations, which is a necessary precondition for successful industrialization strategies. Moreover, in countries with a large proportion of agriculturalists and underdeveloped industrial relations, SMEs can utilize cheap, labour intensive and appropriate technologies (Seibel, 1996). In Ghana, SMEs employ a large part of the labour force and the growth of employment in the SME sector is about



5% higher than in micro and large-scale enterprises and the sector's contribution to GDP was 6% percent in 1998 (Kayanula and Quartey, 2000).

SMEs constitute 92 percent of businesses in the country which contributes to 70% of GDP and 85% of manufacturing employment (Abor and Quartey, 2010). Moreover, demand for goods and services manufactured by large businesses get market through SMEs (Abor and Quartey, 2010). However, a major weakness of these studies is that they fail to offer a clear mechanism through which SMEs contribute to growth. For example, Beck et al. (2003), utilizing cross-country data from the manufacturing sector of 76 countries, find that there is a robust, positive relationship between the relative size of the SME sector and economic growth. However, their cross-country analyses do not support the view that SMEs exert a causal impact on long-run growth and that there is not a significant relationship between SMEs and poverty alleviation and further that SME size is not linked with the growth rate of the incomes of society. This is because small businesses are not necessarily more labour-intensive than large enterprises. Moreover, there is not clear link between growth, poverty reduction and the promotion of small firms. However, in view of these significant contributions made by SMEs, the development of SME sector is important since most large enterprises usually start as small ones; hence, SMEs need to be promoted to become the backbone of the economy (De la Torre, et al, 2008).





## **2.6 Constraints to SMEs Development**

SMEs in Ghana face a lot of constraints due to the non-existence of economies of scale and scope in important factors of their production, the difficulty of taking up large fixed costs, and the higher unit costs of providing services to smaller firms (Schmitz, 1982; Liedholm & Mead, 1987; Liedholm & Chuta, 1990; Parker, et al, 1995). Credit was identified by a World Bank study as the major constraint for about 90% of small enterprises. Underneath are the major constraints recognized:

### ***2.6.1 Input Constraint***

Levy, (1993) indicates that SMEs face a series of constraints in the input market. Availability and cost are the most outstanding as notice by most of the SMEs in the country. Partly due to the poor cash flow of the SMEs, many of them emphasized that there is high cost of obtaining raw materials locally. (Parker et al, 1995).

### ***2.6.2 Managerial Inadequacies***

The require knowledge, skills and attitude to manage business is a key constraint of SMEs as they have limited managerial know-how despite several institutions are providing training and advisory services. Most of them are owner managed with a good percentage of them lacking the managerial competence. The few that have acquired the requisite skills, one will find maintenance, the right attitude to work, law and civil life to be lacking. Many of the SMEs managers themselves have weak educational background (King & McGrath, 2002).



### ***2.6.3 Market Constraints***

Competition from the foreign businesses, impoverished nature of our population and taste for foreign goods have created marketing challenges for many SMEs. The factors above have put serious pressure on SMEs when it comes to quality, efficiency, price and customer satisfaction. (King & McGrath, 2002).

### ***2.6.4 Regulatory and Legal Constraints***

Cost of starting businesses are high in Ghana with SMEs adversely affected the most as cost associated with licensing and registration puts heavy and unnecessary burden on SMEs. These costs do not limit to only licensing and registration but also extends to cost of paying legal claims, adjournments in court proceedings in registering, requirements to commence business, legalities in clearing goods from the ports and the processing of export documents.

### ***2.6.5 capitalizing on technological advancement***

According to Kotler and Keller (2006), technology is key in shaping the lives of people and business in today's world. Most of SMEs have adopted ICT and are realizing the benefits which they are continuing to invest in (Ashrafi & Murtaza., 2008). This advancement in technology has rather created a great challenge to some small enterprises especially those that are unable to learn and utilize the immense benefit of the technological advancement. This concern about the effect of technological change on the work of SMEs existed since mid-1990s because majority of them are not familiar with new technologies and the few who appear to be well positioned, they are most often

unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local environments.

The challenge of networking indigenous SMEs with the foreign investors remains a challenge in the continent (Muteti, 2005). Power supply, internet, mobile network among others seems to divide the rural and the urban. Technological advancement is supposed to bring about economic change even among the rural lot, but it has failed to answer to the plight of the rural entrepreneurs involved in SME operations.

## **2.7 Relevance Of SME Sector**

The contribution of SMEs to socio-economic expansion in our country and the continent at large cannot be overemphasized and it is not surprising SME promotion has importance in policy planning across African countries. One can consider SMEs to be the nursery for the forthcoming generation of African entrepreneurs. United Nations Industrial Development Organization (UNIDO) indicates that 90% of registered companies in Africa are SMEs have been one major worry to many policy makers to fast-track the rate of growth in our economy. SMEs are identified as the propellers of growth where the goal of transforming middle income countries such as Ghana can be realized. SMEs create work and incomes to many urban labour force and are a substantial source of total output (Aryeetey, 2001). As estimated by Daniels (1994), SMEs contribute to employing about 22% of adult population in several developing nations and estimates show they generate 50% of national production and stipulate 60% jobs to Ghanaians (Minister of Finance, Dr. Kwabena Dufour, reported by Business and Financial Times



13-07-2009). The raw materials and financial resources that otherwise would have been neglected or remained dormant are utilized by the small-scale businesses which increase our foreign exchange.

## **2.8 The Significance of SMEs in Developing Countries**

Small contractors are responsible for the creation of over 90% of jobs in developing countries and they also contribute to national income through taxation and other means (Abor & Quartey, 2010). In Ghana for instance small scale contractors and other SMEs generally contribute about 75% of the country's GDP as well being responsible for about 92% of registered businesses in Ghana (Abor & Quartey, 2010). The contribution of small-scale enterprises in the construction sector is also significant. As pointed out by Ofori, (1993), they play a key role through offering employment to all categories of people (From the uneducated to the highly educated, skilled and unskilled personnel). This makes it crucial for these small-scale contractors and SMEs to be developed and encouraged to prosper and continue to offer jobs to millions of Ghanaians.

As pointed out by UNCHS, (1996), SMEs especially those in the construction field play crucial roles in the development of several sectors of economies such as agriculture, manufacturing and this is principally due to their willingness to carry out smaller and easier construction tasks which involves using lots of physical labour. Additionally, Croswell & McCutcheon, (2001) have pointed out that small contractors are also valuable when projects are designed taking their abilities, capacities, and experiences into consideration.



Thwala, & Phaladi, (2009) summarize the usefulness of developing the small contractors in the following section:

- The comparatively low expertise and experience and the resources needed to set up small scale contracting enterprises make it easier for all categories of people to enter and therefore participate in an industry usually reserved for bigger enterprises.
- Small scale contracting enterprises can further spread out the construction sector and actually reduce the dominance of large and often multinational companies“ overtime.
- Having several small-scale contracting enterprises can facilitate the rapid growth and the reallocation of wealth across the entire country.
- Small scale contracting enterprises can further serve as avenues through which thousands of jobs can be created and thereby, reducing the spate of unemployment in developing countries.
- Small scale contracting enterprises have the unique abilities of being able to carry out small projects in different and isolated locations that may not be attractive to larger firms.
- The rather small stated capital of the small-scale contracting enterprises makes them more competitive for certain government projects.





## **2.9 Problems Facing SMEs**

According to Stephanou & Rodriguez (2008) Small and Medium Enterprises all over the world encounter several problems which are triggered by complex and multi-dimensional factors. The problems or constraints faced by SMEs especially those in the developing countries include increasing competition, lack of access to credit for start-up and working capital, sluggish demand, machines, insufficient supply of business inputs such as equipment, raw materials, electricity and fuel and problems concerning business setting (Seibel, 1996). Studies in Ghana show that major constraints to SMEs' expansion include the following: low demand for output, lack of access to finance, technology, labour and management, raw materials, infrastructure, marketing and business environment problems [Aryeetey et al., (1994); Baah-Nuakoh, 2003; Kayanula & Quartey (2010)].

### ***2.9.1 Lack of Access to Credit Facility***

Financing gap suffered by SMEs in developing countries has been well researched and documented by several studies (Stephanou & Rodriguez, 2008). According to the World Bank Enterprise Surveys (2013) access to finance is the number one constraint facing SMEs. Utilizing cross-country firm-level data on SME finance in Sub-Saharan Africa (SSA) and other developing countries, Beck and Cull (2014) find that more than 25% of businesses in Africa rate availability and cost of finance as the most important impediments to their operation and growth. They also observe a lower use of financial services by firms in Africa compared to other regions of the world and this is particularly common among smaller and younger firms. In Ghana, empirical studies by Aryeetey et al. (1994), using a sample of 133 firms, find that access to finance is the most significant

obstacle to firms' future expansion and growth; about 60% viewed finance as their most serious problem. They also find that smaller and older firms emphasize lack of finance more than larger and newer ones.

Similarly, in a study of obstacles to growth and expansion among 200 manufacturing firms, Baah-Nuakoh (2003) finds that, access to capital is the most frequently mentioned problem facing all companies and sectors in Ghana. Specifically, finance was cited as a major limitation by micro firms (55 %), small firms (57%), medium-sized firms (29%) and large firms (32%). On a scale of 1 (not important) to 5 (very important) to measure the extent of severity, lack of access to finance is the most severe constraint (3.80) among all firms, with micro firms (3.71), small firms (4.08), medium-sized firms (3.49) and large firms (3.21). Similarly, Baah-Nuakoh (2003) finds that 45% of agro-metal firms cited finance as the most serious constraint to their productivity. Obstacles relating to finance include lack of credit to finance raw materials and equipment, high interest rate and difficulty in dealing with bank (Baah-Nuakoh, 2003). This confirms that finance is a serious problem, particularly among micro, small and new firms. Finance tends to be a binding constraint for smaller and younger enterprises. Older, larger, and foreign-owned firms report fewer financing obstacles (Beck et al., 2006). This is because older firms have better record, experience, and contacts to get access to credit than younger firms (Baah-Nuakoh, 2003). According to Stephanou and Rodriguez (2008), lending is easier for retail customers and large enterprises.





Kempson et al. (2000) identify five ways by which firms may lack face challenges in terms of financing. Firstly, the cost of the screening process through which the eligibility of the loan applicant is assessed, and the risk involved in case of loan default may be high. Secondly, conditions attached to the credit such as high minimum deposits and administrative charges may make it inappropriate for the needs of some firms. Thirdly, the price or the cost of credit-high interest rate and other fees is a deterrent to many SMEs. Fourthly, priority lending of credit to specific SMEs in certain industries may end up diverting credit towards SMEs who may be less financially constrained. Lastly, self-exclusion may make some firms not to apply for credit because of the perception that they would be denied. SMEs face a lot of constraints but that of finance stands tall. Accessing credit for raw materials and working capital is a big drawback to SMEs. Empirical studies by Aryeetey et al. (1994), using a sample of 133 firms, find that access to finance is the most significant obstacle to firms' future expansion and growth; about 60% viewed finance as their most serious problem. They also find that smaller and older firms emphasize lack of finance more than larger and newer ones.

### ***2.9.2 Lack of Access to Qualified Labour Force***

Lack of adequate skilled and specialized labour also hinders the expansion of SMEs. This problem is exacerbated by the fact that, only few numbers of firms offer formal training to their labour force. Kayanula and Quartey (2000) note that lacking supply of skilled workforce affects opportunities for specialization, increase costs, and decrease flexibility in dealing with operational issues. About 7% of firms indicate that they have problems

finding skilled labour, and 2% had same problems with unskilled labour Aryeetey et al. (1994).

### ***2.9.3 Equipment and Technology***

SMEs do not have proper technologies and information on accessible means of production. This forces many of them to rely on simple equipment. Aryeetey et al. (1994) find that 18% of the sampled firm's old equipment among the major constraints to expansion.

### ***2.9.4 Low Level of Domestic Demand***

Many SMEs also cite low level of demand for their goods and services as a major obstacle to their income. For example, Baah-Nuakoh (2003) finds that low level of domestic demand is the second most serious obstacle facing small and medium sized firms after access to finance. This is due to the low level of income (Baah-Nuakoh, 2003).

### ***2.9.5 Competition from the International Markets***

Most of the goods produced by SMEs have similar products otherwise called substitutes been imported by the international and multinational companies into the country which creates competition amongst SMEs and the international and multinational companies where the SMEs end up being the sufferers due to issues of less international partnership, low quality control and product standardization; inadequate international marketing



experience, impede their expansion into international markets (Kayanula and Quartey, 2000).

#### ***2.9.6 Regulations***

Furthermore, SMEs face problems relating to the legal and regulatory environment. According to the WBES (2013), SMEs cite cumbersome formalities involved in registering and commencing their businesses. The process tends to be very costly for some SMEs, especially in developing countries. Also, unavailability of enough measures to protect property rights also affects SME ability access to foreign technologies (Kayanula and Quartey, 2000). Another regulatory requirement of the business environment is the payment of taxes. Firms complain not only of the rates of taxes but also the administration of tax system in general (WBES, 2013).

#### ***2.9.7 Customs and Trade Regulations***

SMEs face constraints relating to customs and trade regulations, especially manufacturing firms that make use of imported inputs and also export their output on the international market. These include the longer days it takes to clear direct imports and exports through customs (Claire & Sebastian, 2014). Lastly, regulations relating to workforce are an obstacle to SMEs (Claire & Sebastian, 2014).



### ***2.9.8 Corruption***

SMEs also encounter problems with corrupt public officials. For instance, Claire & Sebastian, (2014) reports that firms experience at bribery incidence in dealing with public officials. A number of firms indicate that they were expected to give gifts in securing government contracts and also to tax officials, and in acquiring operating and import license (Claire & Sebastian, 2014).

### ***2.9.9 Infrastructure***

Electricity, water and transportation are also a major problem facing most firms in Ghana. It takes firms a longer time to have electricity and water upon application for connection. Moreover, most firms suffer frequent power outages and insufficient flow of water. In the WBES (2013), firms report losses due to electrical outages whilst other firms identify electricity as well as transportation as major constraints.

### **2.10 Government Financial Support to SMEs**

Interventions in support of SMEs are justified by economic research which has found that enterprises facing credit constraints are less likely to participate in growth-enhancing activities such as investment, marketing, hiring, exporting and importing (Holton et al., 2013). According to UNCTAD (2005), the case for government intervention to assist SMEs is based on the fact that numerous market failures prevent domestic enterprises from building capabilities because they cannot access finance, information, technology and markets. Hence, specific policies, programmes and institutional frameworks are needed to help SMEs overcome these failures.





Government measures to promote SMEs are aimed at making markets work efficiently, while providing incentives for the private sector to assume an active role in SME finance (IFC, 2011). As a result, governments around the world have implemented a number of programmes to enhance SME lending which include subsidized or favourable loans, guarantees, and lines of credit by certain banks, especially public banks, usually for certain economic sectors (Stephanou and Rodriguez, 2008). These supports are in the form of interest rate subsidies offered to SMEs and other credit guarantee systems (De la Torre et al., 2008). In Ghana, a number of sponsorships programme have been funded by past and current governments through the through banking and non-banking institution, with the aim of minimizing financing constraints (Amonoo et al., 2003). These support schemes are given to highly performing firms, with qualified employees and good future prospects (Baah-Nuakoh, 2003).

As noted by Mensah (2004), government has implemented a number of lending schemes to SMEs, either directly from government funds or with funds contracted from donor agencies. Examples of such schemes are: Austrian Import Program (1990), Japanese Non-Project Grants (1987-2000), Canadian Structural Adjustment Fund and Support for Public Expenditure Reforms (SPER). The following schemes were also implemented to support the private sector especially SMEs: Business Assistance Funds (BAF) (1990), Ghana Investment Fund (2002); and the Export Development and Investment Fund (EDIF) (Baah-Nuakoh, 2003). The Fund for Small and Medium Enterprises Development (FUSMED) was also established in 1990 by the International Development Association

of the World Bank to support SMEs in terms of establishment of new firms, rehabilitation and expansion of existing enterprises and leasing of equipment (Baah-Nuakoh, 2003).

Other important non-banking institutions established to promote the development of SMEs are the National Board for Small Scale industries (NBSSI) (1985) and Empresas Technologicas (EMPRETEC) Ghana Foundation (Amonoo et al., 2003). The interest rates charged by these institutions are usually pegged at 20 percent as compared to the average rate charged by private commercial banks (Amonoo et al., 2003). Challenges encountered with the implementation of these schemes were that, the high collateral requirements deter SMEs from applying for them (Baah-Nuakoh, 2003). Moreover, these schemes require complex legal processes to be completed as part of the application procedures. These loan schemes are also centralised in Accra, making it difficult to be accessed by SMEs outside Accra (Baah-Nuakoh, 2003).

## **2.11 Definition and concepts of Procurement**

### ***2.11.1 Definition of Procurement***

Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfil its strategic objectives (Constitution of Ghana, 2003). Procurement explores supply market opportunities and executes resourcing strategies that bring best possible supply results to the organization, customers and stakeholders. It applies the science and art of external resource and supply management through a body of knowledge that is interpreted by capable practitioners and professionals (Constitution of Ghana, 2003).





### ***2.11.2 Methods of procurement***

How goods, works and services are acquired by procuring entities is termed Procurement methods. Acquiring goods, services and works can be done in a competitive or non-competitive method. Many prefers the competitive ones as they promote transparency, economy and efficiency, and limit favoritism (Constitution of Ghana, 2003). The following methods are considered in procurement;

- Open Tendering
- Restricted Tendering
- Request for Proposals (RFP)
- Two Stage Tendering
- Request for Quotations
- Single-Source

#### ***2.11.2.1 Open Tendering***

Open tendering is a form competitive bidding which allows businesses to bid on goods in an open competition (Constitution of Ghana, 2003). Requirements for open tendering calls for the business to:

- Advertise locally
- Put together impartial and comprehensible technical specifications
- Put together objective evaluation procedures or measures
- Be open to all qualified bidders
- Be granted to the least cost provider sans contract negotiations



One may say the open tendering method of procurement leads to effective competition which creates opportunity for goods, services and works to be acquired with value for money. Some experts shy away from this method because of its procedures-based method which creates the feeling that it is not very suitable for complex acquisitions because of its strong focus on the output process instead of strict obedience to standards. There are disadvantages to this kind of procurement method which includes:

- When requirements are complex, this method does not become the best fit for sourcing.
- It is not also good for goods, services or works are required within a very short timeline
- There are sometimes complications when it comes defining the precise requirements by the procuring entity.

#### ***2.11.2.2 Restricted Tendering***

Restricted tendering places a limit on the amount of request for tenders that can be sent by a supplier or service provider. Restricted tendering can also be called *selective tendering* because of its selective approach. The similarity between open tendering and restricted tendering is the element of competitiveness of the procurement method though the competition in the case of restricted tendering is limited to businesses that are invited by the procuring entity. With restricted method, the procuring entity establishes guidelines when selecting the suppliers and service providers that will be on the invitation list. Random selection of bidders will not go down well with the

procurement process hence selecting them in order to find the best-suited and most qualified companies for procurement of such goods, services or works. This method is also used as mechanism to save time and money during the selection process (Constitution of Ghana, 2003).

#### **2.11.2.3 Request for Proposals (RFP)**

Request for Proposal as a procurement method is popular and is a term that familiar with businesses across the globe. With RFP, the procurement entity invites consulting services by producing a notice seeking expression of interest in submitting a proposal to be published in the Public. RFP is a method employed when suppliers or service providers are proposing their good or service to a procurement team for review. If you're a supplier, understanding the ins and outs of quality service management is key to winning your bid. Read more about this in service quality management (Constitution of Ghana, 2003).

Procurement entities always look for the best valued, most marketable items to bring into circulation. A client may feel they have all of the qualifications to fit the needs of fulfilling a specific requirement of a procurement team but they have to prove it. The agencies writing the RFP's should submit a two-envelope proposal to the procurement manager. The two-envelope process allows the procurers to review the proposal through and through without knowing the financial component. The financial proposal is sealed in the second envelope and should only be opened after the content of the first-envelope proposal is approved or rejected. This eliminates any persuasion by cost





and allows an objective lens to look through when analysing a good fit. The proposal with the best fit qualifications and best price will be selected. If a lesser qualified (yet still qualified) selection has a lesser price, no contract should be negotiated. The most qualified and appropriate proposal, regardless of price, should be selected. Are you a supplier? Learn how to price your goods based on value in the course Value Centric Selling (Constitution of Ghana, 2003).

#### ***2.11.2.4 Two Stage Tendering***

The procedures used under the two-stage tendering method are two. When the time securing a contract or getting the work done is limited, this method may create further delay thereby causing inconvenience to the procurement entity. If there is enough time, this method becomes more flexible for the procuring entity and the contractor to discuss to reach consensus or mutually agree. The first stage has to do with receiving proposals in two folds; technical and financial. The bidder is mandated to submit a technical proposal that highpoints their solutions to satisfying the requirements as specified by the procuring entity. The significance of the proposed solution to the needs of the procurement entity is key and the highest scored proposal is invited for further discussion in an attempt to reach an agreement. Financial proposal is usually submitted for discussion after the discussion of the technical proposal. (Constitution of Ghana, 2003).

The next stage is similar to the first one above but, instead of the bidder presenting a technical proposal that is complete, a partial proposal is submitted. Though the

methodology and the technical specifications are submitted, they are not submitted in their complete stage which creates room for more customization and discussion. (Constitution of Ghana, 2003).

#### ***2.11.2.5 Request for Quotations***

This method of procurement is the best option for small-valued contracts. Request for quotation is the simplest procurement method accessible to procurement entities where the goods or services will be procured very fast without a lot of paperwork (Constitution of Ghana, 2003). With this method, there is no need for proposals from either party but rather the procurement entity selects a minimum of three suppliers or service providers to let them submit quotes. These quotes are analysed, and a choice is made based compliance to the requirements (Constitution of Ghana, 2003).

#### ***2.11.2.6 Single-Source***

Single source procurement is unique in nature and is the opposite of competitive sourcing. It is only employed under special situations thus when the procuring entity plans to source from a single supplier because of circumstances that necessitate that. Strick approval from management is usually required before this method is used [Public Procurement Act 914 (2016); Constitution of Ghana (2003)]. The circumstances below will usually call for single sourcing:

- When there is an emergency.



- When only the supplier is the only one available and qualified to accomplish the requirements.
- If it is evident that using a certain supplier brings abundantly clear advantages.
- If the product or service is only available, otherwise can only be gotten from that one supplier.
- If the supplier is to continue some work that was started by the supplier and cannot be reproduced or continued by another supplier.

At the end of it, the method a procuring entity opt for should relate to the conditions prevalent; effort and the type of good or service being procured. Every procurement method follows strict legal framework to ensure standards are always met and where there exists quality in the selection process [Public Procurement Act 914 (2016); Constitution of Ghana (2003)].

## **2.12 Procurement history of Ghana**

Public procurement in Ghana has a history that precedes its independence which has resulted in the substantial experience accumulated under all administrations. Prior to independence in 1957, the colonial administration had a public procurement policy where the British Empire treated the public procurement as part of its administrative process. Public Works Department (PWD) was the department responsible for procuring works for the colonial administration. The Crown Agents also handled the procurement of goods for the colonial administration. After gaining independence (1957) to 1967, the government of Ghana switched to procuring goods directly through the other departments

and depended less on Crown Agents for sourcing goods. Government at the time put together the Ghana National Construction Corporation (GNCC) to execute works and lowered the force account aspect of PWD (World Bank report, 2003).

The Government around 1960, launched the Ghana Supply Commission (GSC) which was sourcing goods for every state-owned institution and ended up taking over the functions of Crown Agents. Seventeen (17) years after establishing the Ghana Supply Commission, the Government in 1976 again established Ghana National Procurement Agency (GNPA) which was procuring goods like auto parts, fertilizers, sugar among others in bulk for sale to both private and public sectors. Both GSC and GNPA were using purchasing manuals for their work. The government established the Architectural and Engineering Services Corporation (AESC) in 1975 to handle government consultancies for works related agreements. Apart from SOEs, it was mandatory for all public institutions to resort to GSC, GNPA GNCC and AESC for public contracts. Central, Regional and District Tender Boards were created in 1967 by government as advice-giving institutions for contracts related to works which later in 1996 became authorized to award contracts because GSC at the time became overwhelmed by the demands from its clients and there was rampant inefficiencies which led to delayed delivery (At times delivery of wrong items) and numerous complaints on contract prices. MDAs started to carryout procurement of goods using the rules of FAR but with no institutional arrangements (World Bank report, 2003).





Though not all-inclusive at the time, the procedures for obtaining works were factored into Central, Regional and District Tender Board procedures but by which time there was no guidelines for procurement of consultancy services. In 1996 and 1999, AESC and GSC respectively got transformed to be limited liability businesses where they were no longer on obliged to be providing services to public institutions. The public procurement procedures has insufficiencies which led to procurement procedures been developed and signed based on World Bank guidelines and Bank's standard bidding documents around 2000 under World Bank-financed project in a Procurement Procedures Manual for that project (World Bank report, 2003).

In this country, World Bank carried out the first ever Country Procurement Assessment Report (CPAR) in 1985 followed by another in 1996. The first CPAR came out with recommendations like review of prices and evaluation of ICB contracts, non-applicability of NCB and a review of GSC's and GNPA's procurement practices. Other studies were carried out between the first and the second CPARs targeting peculiar issues of public procurement such as authorization measures and efficiency of GSC and GNPA. There were improper features for Bank financing identified by the 1996 CPAR. It also made recommendations for improvements (World Bank report, 2003).

As part of the 1996 CPAR, it identified some core inefficiencies around the procurement structure such as wobbly permissible scheme, weak capabilities of procurement players, absence of codified procedures and regulations, and uncertain organizational measures for handling procurement and deciding on contract issuance. It therefore suggested there



should be in place an all-inclusive procurement reforms which led to engagement of Gosta Westring in 1997, International Procurement Legal Consultant to support in drafting a procurement code. The Public Procurement Bill that was drafted was put to action by government until another reform started in 1999 which was financed under an IDA credit Public Finance Management Technical Assistance Project which got to the final lap and subsequently had the Public Procurement Bill submitted to Parliament for enactment hence the Act in 2003 (World Bank report, 2003).

### **2.13 Legal framework and reforms of public procurement in Ghana**

The Public Financial Management Reform Program (PUFMARP) started in 1996 with the goal of comprehensively improving the management of public funds in Ghana. Three years after the launch (In 1999), government put together the Public Procurement Oversight Group which was tasked to accomplish the development of a complete public procurement reform programme and hence the Public Procurement Bill been drafted in 2002 and subsequently passed into law on 31st December 2003 as the Public Procurement Act of 2003, Act 663 (Adjei, 2006).

#### ***2.13.1 The objectives and scope of Act 663 in Procurements***

Public Procurement Act of 2003 (Act 663) was put in place to achieve the following objectives: is to ensure judicious and economically efficient utilization of state resource; harmonize public procurement processes in the public service; and safeguard public procurement functions executed in the public sector are clear and non-discriminatory. Public Procurement Act 663 here refer to procurement contracts (Obtaining goods,



works, services and contract administration) that are funded exclusively or partially from government coffers. It also includes the process of disposing of any item that was procured with funds belonging to the government of Ghana irrespective of the source of the government funds. There are instances where the Act 663 will not necessarily be followed; when Finance Minister chooses an alternate procedure in the interest of Ghana or in the case of funding or loan terms stipulating an alternative (Public Procurement Act 663, 2003).

### ***2.13.2 Functions of the Public Procurement Board and Other Bodies***

When it comes to the bodies under the Public Procurement Act, they include the Public Procurement Board, Entity Tender Committees and Tender Review Boards (Public Procurement Act 663, 2003). The Act spells out clearly the guidelines, methods of procurement, appeals by tenderers and disposal of stores. It also specifies offences and appropriate penalties. The procurement thresholds per each level have also been scheduled and it authorizes regulatory issues that should be enforced under the Act. The roles of each institution like the central management agencies; Ministries, Departments and Agencies (MDAs), subverted agencies and governance institutions has clearly been stated. State owned institutions (schools, colleges, public universities and hospitals, the Bank of Ghana and financial institutions that the state owns or holds majority shares or institutions formed by Government for the welfare of citizens) are not left out (Public Procurement Act 663, 2003).



### ***2.13.3 Legal and regulatory framework for public procurement in Ghana***

The basic structure of the legal and regulatory framework of public procurement in Ghana consists of the Public Procurement Act 663 of 2003; Public Procurement regulations, Public Procurement manual; Standard tender documents and Guidelines to assist public procurement practitioners. Procurement regulations are to be issued by the Minister of Finance and the Public Procurement Authority. They contain detailed rules and procedures for all aspects of the procurement system; the operations of the Public Procurement Authority and the procurement entities and the conduct of procurement activities (Public Procurement Act 663, 2007). In the legal framework of Act 663 is the Public Procurement Board which is authorized to come out with rules and to offer supplementary direction on detailed topics necessary to streamline the execution public sector procurement.

The legal framework includes the release of standard tender documents and manual for the conduct of procurement by the Public Procurement Board. (*Republic of Ghana Public Procurement Act, Act 663*). As stipulated by the Act, standard documents should be made available Procurement Board and should be enumerated in the Act 663. The standard tender documents include standard invitation and contract documents which is used for procurement of goods services and works worth any amount. These manuals from Public Procurement Board gives practical direction in steps or procedures for executing procurement functions in accordance with Act 663 and with standard forms to assist in procurement documentation (Public Procurement Board, 2007).



## **2.14 The Procurement Cycle**

The procurement cycle is a series of steps undertaken to obtain goods, works and services. The cycle shows actions necessary at each phase of the procurement process and alongside provide standard for the checking the procedure by procurement monitors and evaluators. The procurement cycle model highlights actions happening within the whole supply chain. The Act did not put emphases on storage and distribution functions of the supply chain but the law's emphasis on the disposal of stores, plant and equipment making it authoritative to add every activity of the supply chain. The procurement activities entail planning, sourcing, contracting, contract management, storing, distribution, disposal and evaluation. (Public Procurement Act 663, 2007)

### ***2.14.1 Procurement planning***

The details and steps that should be taken during procurement process encompass a procurement plan. A good procurement plan identifies key thing to reflect in the invitation to tender and that of the contract: goals and objectives of the procurement; potential service providers; contract duration; procurement approach; payment approach; scope of services required; tender format; tender evaluation; contract monitoring and evaluation; procurement schedule and cost estimate.

Procurement plan may be considered a means of providing information about how vendors will be chosen, the purchase of goods and services, what kind(s) of contract(s) should be used, who should be involved at each phase of the process and how vendors will be managed. It is usually approved before the commencement of the actual

procurement (Public Procurement Act 663, 2007). The Act provides for procurement planning activity under Part 3 section 21 which stipulates as follows:

- Each procurement entity will have to put together a procurement plan to support its approved programme and the plan needs to contain or indicate: the procurement method, projected cost of each package, contract packages, processing steps and time
- The company should within a month to the end of the fiscal year submit to its tender committee a procurement plan for the ensuing year for endorsement.
- The procurement entity shall send to the Tender Review Board, procurement notices for contracts and procurement plans above the threshold stipulated in Schedule 3 for publication in the Public Procurement Bulletin.
- After budget approval and at quarterly intervals after that, each procurement entity shall submit an update of the procurement plan to the tender committee.
- A procurement entity shall not divide a procurement order into parts or lower the value of a procurement order to avoid the application of the procedures for public procurement in this Act. (*Source: Republic of Ghana Public Procurement Act, Act 633*).

Procurement planning is key and every procurement entity is expected to plan its procurement for the ensuing year not later than the end of the 11<sup>th</sup> month of the year in running and the entity tender committee should review and approve and update the plan every quarter (Public Procurement Board, 2007). One other important thing that, procurement opportunities are published on Public Procurement Bulletin and it is not



permissible procurement contracts to be split as this helps in avoiding use of methods stated in the Act. At the starting phase of the procurement cycle, the user specifies the procurement requirements, the strategy to be used is decided including make or buy decisions; Funding decisions are taken; the appropriate rules and methods to use are well-thought-out and then a time table for procurement process arranged.

#### ***2.14.2 Sourcing, contracting and contract management***

After a company has decided on which procurement method to use, sourcing becomes the next stage in procurement cycle. At this stage, the company may pre-qualify potential suppliers then prepare tender documents and issue them. When the tenders are received/responded to, they are evaluated, and the successful tenderer is selected with negotiations done when it is necessary. A contract document is put together using the term and conditions that were agreed upon which is signed by both parties. When the requirement is simple, a purchase order may be used. Where there is a framework contract, contracting may take a form of a blanket request under the existing contract. Management of contract (Establishing letters of credit, expediting delivery, taking measures for delivery and fixing of goods, and authenticating documents followed by payments) is a very necessary as it takes the contract execution to a successful completion by ensuring that both parties perform their contractual obligations. When it comes to contracts related to works, technical supervision is required by an engineer. Contracts for consultancy services will usually require direct participation of the buyer or client organization especially in the case of technical advice, training or feasibility studies (Public Procurement Act 663, 2007).



#### ***2.14.3 Storage, Distribution and Disposal***

When the goods are procured, they have to be stored when they are not being used instantly to avoid any damage or loss from occurring. Operations will come to a halt when what they need to continue operations (goods or raw materials) are not available on time. Some of the goods may need special storage facilities depending on their condition/ nature. Others have very short shelf life hence need to be monitored for timely release for use. Goods/ raw materials in stock get in there with cost hence the need for proper storage, stock levels management. Goods in store will obviously be moved and disseminated to the ultimate location for use based on the necessities of the end-user or customer hence distribution. Depending on the size of the firm, this sometimes requires elaborate in-country supply chains where is made to delivery to multiple regional stores facilities or end-user sites. User have varied demands which have to be responded to, where sometimes goods are transported through tough environments and terrain with very poor infrastructure (The Public Procurement Act, Act 663). After use, discarding becomes the next thing to think about because the goods are no longer serviceable, they become obsolete or surplus stocks. Disposing of goods may require public tender or auction, depends on the condition and type of the goods. They may be sold, destroyed or moved to a different public organization. Recording the value of the goods disposed of is the important and any income that is generated during the disposal should properly accounted for (The Public Procurement Act, Act 663).





#### ***2.14.4 Evaluation of Procurement Function and Auditing***

The procurement process evaluation is vital as it tells how efficient and how effective the sourcing procedures were carried out. When such evaluations are done, they reveal the problems and weaknesses so they can be corrected. Procurement audit is one of such forms of evaluation. The Public Procurement Board, Auditors, Ministry of Finance, stores personnel or donor staff or consultants (where donor financing is involved) are the key payers when it comes to auditing procurement process. The contribution of sanctioned auditing of procurement process when it comes to improvement of performance cannot be underrated. It provides good grounds for implementation of directives and rules sometimes followed with punishing of offenders (Public Procurement Act, 2003). There are various types of audits that are conducted on value for money, compliance with guidelines, measures and fraud (Public Procurement Agency, 2000).

#### **2.15 Procurement Reforms**

Series of procurement reforms were carried out before the Public Procurement Act 663 came to existence in 2003 then amended to Act 914 in 2016. In 1999, a Team of Consultants engaged to put together procurement reforms actually prepared three reports. The first was the inception report followed by two review reports; Volumes I and II. They all went through review and approval by the Public Procurement Oversight Group (PPOG) a committee put together in MFEP to supervise the reforms. The reports from the team led to a development of a Procurement Reforms Proposal (PRP) which contains of two parts: the first one gave the background information describing the situational analysis, summary of Consultants' reports, rationale for reforms and the proposed



reforms and the second is the Annexes 1 and 2 where Annex 1 is the draft Public Procurement Bill and Annex 2 is a proposal for capacity building to support the reformed system. The PRP outlines principles to guide the economy, efficiency and transparency of public procurement policy, measures to encourage private sector to be competitive and the necessity to follow international and regional agreements.

The Public Procurement Law applies to all public sector institutions except those that would be exempted by the law itself. The PRP deals with anti-corruption measures and concludes anti-corruption measures have been included in the draft Public Procurement Bill for the purpose of addressing this insidious cancer. The PRP went through very vigorous reviews and critique by the PPOG, stakeholders, Ghana's Development Partners (which include the World Bank) and finally by a National Workshop of about 100 participants selected from public sector, private sector and from Development Partners.

The views and comments from the National Workshop were synthesized by the PPOG secretariat and used by the Consultants to prepare a final PRP. Cabinet approved the PRP and MFEP submitted the Public Procurement Bill 2003 to Parliament for enactment. It is expected that the Public Procurement Bill will be enacted in the calendar year 2003. The Bill has detailed descriptions of procurement methods, procedures and regulations and thresholds for use of each procurement method and procedure for approval of contracts. It provides for mandatory use of standard bidding documents which will part of the law. The Bill provides for creation of Tender Boards to approve proposed contract awards from Procuring Entities. The Bill made way for establishment of a Public Procurement

Board (PPB) in MFEP which would not be involved in procurement processing but whose functions would be to regulate public procurement, including dispute resolution.

CPAR's mission's Aide Memoire was hired to provide comments on provisions requiring further revisions to improve on the objective of the Bill. The main comments discussed with the attorney General were:

- Chairmanship of the Public Procurement Board; the major recommendation is that that the Chair should be selected from the private sector
- Mechanisms to handle appeals and complaints be shortened to avoid delays
- Chairmanship of the Entity Tender Committees; Ministers should not be Chairs but should provide leadership and oversight
- Margin of preference; this should be specified in the law
- Limit on participation in procurement proceedings on nationality basis; this provision should be omitted as it undermines the principle of transparency and equal opportunity and may be a cause of abuse
- Evaluation and award criteria for goods, works contracts and services contracts should be clearer than in the draft bill.

In April 2003 the Parliamentary Accounts Committee (PAC) invited interested persons to send views and comments on the Bill; MFEP submitted to PAC the mission's comments. The passing of the Public Procurement Bill and its implementation are key to establishing a credible legal framework for public procurement and to making improvements in public procurement practices. The Bill will regulate procurement practice and ensure it is carried





out in a structured manner, instead of a discretionary manner. The Bill places accountability and responsibility for procurement on Heads of Procuring Entities and other public officials to whom Government has placed responsibility for carrying out government programs and use of funds. The Public Procurement Law will harmonize government and Development Partner procedures and reduce cost of transactions and areas of conflict. The law will also enable private sector and civil society participate in oversight on public procurement. The Procurement Reforms Consultants have also prepared the standard bidding documents referred to in the draft bill, structure of the PPB and plans for capacity building.

#### ***2.15.1 General Contracting***

General contracting according to Murdoch and Hughes (2008) is the means through which firms or individuals take responsibility for supplying all the materials, equipment, labor and services essential to creation of a project. Murdoch and Hughes (2008) are of the view that operators in this field are usually in charge of the methods and process required to realize the objects of projects and as per the letter of the contract. Again, in the field of general contracting, because general contractors are not able to handle all tasks, they usually sublet to subcontractors (Gray & Flanagan, 1989).

#### ***2.15.2 Small and Medium Enterprise Contracting***

The SME contractors according to United Nations Centre for Human Settlements (UN5CHS, 1996) is the only firm that is willing and more importantly, able to carry out small, dispersed projects, especially those based in rural areas which are among the key



components of development and which are required to satisfy the fundamental requirements of the people such as housing, health facilities, sanitation and geographical mobility. According to the UNCHS (1996), small scale contractors are usually confronted with several challenges even though their contribution to national development is undisputed.

## **2.16 SMEs in Public Procurement**

### ***2.16.1 Competitiveness of SMEs***

Though there is scanty data on SMEs in Ghana, the Registrar General's Department shows SMEs constitute 92% of businesses in their system. They provide 85% employment on the manufacturing sector and as well contribute about 70% to our national GDP hence facilitates employment, economic transformation and income (Ghana Government eServices Portal, 2011).

According to Gatt (2012), SMEs are capable of promoting domestic-led growth in the industrial sector. They can strengthen the economy to be resilient even in a challenging business environment. The Statistics department of Malaysia indicates SMEs activities led to economic growth in developed nations like Korea, Japan, Taiwan and many others. SMEs contribution to Gross Domestic Product (GDP)/total value-added vary one country to the other; 60% in China, 55.3% in Japan, 57% in Germany, and 50% in Korea, compared to 47.3% in Malaysia (Frimpong, 2013).



When it comes to the manufacturing sector in Nigeria, it is projected that SMEs make up 70% and 91% of formal businesses in South Africa, contributing between 52 and 57 percent to GDP and providing about 61 percent to employment (Frimpong, 2013). SMEs not only contribute significantly to the economy but can also serve as an impetus for economic diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based SMEs can provide an interesting platform for expanding outside of domestic borders, and entering intra-regional and international markets (Frimpong, 2013).

In many African countries SMEs account for about 50% of job creation. In Tanzania for example, it is estimated that more than a third of the GDP originates from the SME sector. International Trade Centre UNCTAD/WTO (ITC) (1999) on competitive advantages of SMEs posits among other advantages mentioned flexibility, innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities and power congestion costs. SMEs play a huge role globally in terms of growing national economies. These categories of businesses account for the highest number of registered companies are core to development. Studies show they make substantial contributions to economic growth and prosperity (Ghana Government e-Services Portal, 2011).

In sum on the competitiveness of SMEs, it's clear from the review that when the environment to operate is very favourable for SMEs to have access to public contract, the contribution to economy are enormous. It's in this direction that this study examines the accessibility issues of the SMEs to public contracts in Ghana.



### ***2.16.2 Access to Information***

Another challenge of SMEs willing to participate in bidding for public contracts is poor access and insufficient adverts of opportunities of public contracts (McManus, 1991). This challenge is especially pronounced in developing countries where SMEs based in rural areas and away from the administrative and capital cities fail to hear of government contracts on time. This means that most SMEs get to know of public contracts very late and this put so much pressure on them during the proposal and 25 bidding processes and this eventually leads to making several fundamental errors that therefore make them fail in their bids. Similarly, undue bureaucracy and red tape make is another challenge of SMEs in their bid to win public contracts. According to MacManus (1991), excessive requirements, documentations and procedures make bidding for government contracts expensive, frustrating and time consuming. This situation is even more difficult for SMEs who typically do not have procurement units, skills and the expertise to handle this situation and therefore failing to win big contracts from governments.

### **2.17 Preferential Treatments Accorded SMEs Using Public Procurement**

Wittig (1999) indicates that many countries are reported to be applying one sort of preference or the other to favor of their own nationals or national goods. What distinguish them is the amount of the preference, whether applied using mandatory procedure or left as an option to the procuring entity or other authority in scheduling individual procurement proceedings, and whether the law or regulations specified particular categories of national bidders. (Perry, 2011) postulates there are evidence that advocate



that SMEs can have an important role to play in public procurement; however, they can face a number of challenges in accessing opportunities. The promotion of SMEs is considered as an essential issue for the countries as it's generally believed to be the backbone of many economies.

Kidalov & Snider, (2011) writes that given the important share of SMEs in the overall economy as well as their potential for job creation and innovation as well as the teleological importance accorded to a level playing field and competition consensus has arisen that SMEs merit special policy attention (Sarter, Sack & Fuchs, 2014). From Cabras, (2011) GWB in Germany is dedicated to the participation of SMEs in public tendering. It stipulates that the interests of SMEs are primarily to be considered and lays out requirements for public tendering. Chen, (2013) suggests that preferential treatment in public procurement can also be considered linkages in procurement.

A study that examined SME procurement linkages in China particularly the drawbacks in the design; where two key deficiencies of the Chinese regime obstructed effective implementation of procurement linkages. To start with, ambiguities in the Chinese regulatory regime created room for large businesses to take benefits that would have been enjoyed by SMEs through the use of absolutely owned subsidiaries and other corporate measures. Also, angry suppliers are met with severe procedural requirements and restricted civil remedies in the effort to enforce procurement linkages, while the government procuring authority has a willful incentive to overlook and even acquiesce in the violations. Barclay, (2013) indicates while commenting on preferential procurement in South Africa that it creates opportunity for government to correct socio-economic

imbalances that happened previously and also ensure proper financial management of public monies by awarding government work to individuals deprived by past practices.

However, in Ghana there is no seemly specific legislation(s) from the public procurement point on SMEs as other examples have shown. Notwithstanding section 60 of the public procurement act 663 looks at margin of preference which understandably in the form of a special concession or preferential treatment given to local Suppliers/ Contractors/ Consultants over their foreign competitors when tendering for the same goods, works and services. This concession is in a percentage terms per the value of the contract. Margins are approved to locally registered companies at the time of evaluation stage which are planned to give preference to local suppliers and contractors but irrespective of the proprietor's nationality. This will apply irrespective a wholly Ghanaian owned firm or a joint venture led by a foreign form. To effectively apply these margins, entities are expected to do so in accordance with stipulated guidelines (Procurement Digest, 2013).

With gaps in literature as whether preferential treatment exist for SMEs in Ghana from public procurement of point of view, this study intends to examine the extent to which preferential treatments are accorded SMEs in Ghana.

#### ***2.17.1 Rational for SMEs Preferential Procurement***

The procurement of goods and services controlled by functions of government under the executive body of the legislature has undergone some major restructuring and amendments. This reforms that have gone through the procurement processes since the



Act 663 was passed into law has seen a lot of amendments which better favors SMEs which has given rise to preferential treatment of this business in public procurement through its tendering processes (Public Procurement Agency, 2000). Some of the reasons why SMEs might receive preferential treatment are as follows;

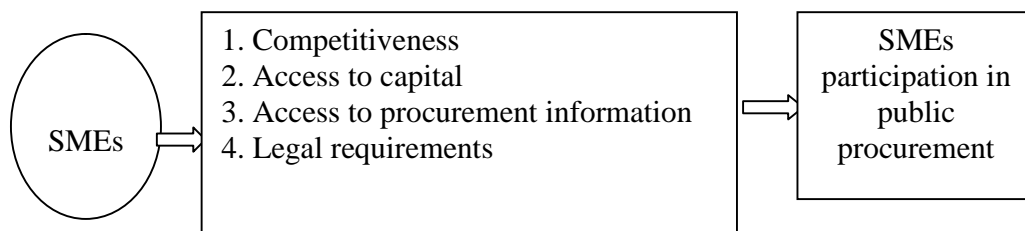
- SMEs prevail in all economies and contributes immensely to economic growth among other benefits hence the need for them to be given preferential support when it comes to public procurement. SMEs are the vast majority of businesses globally. In EU for instant, they account for 99% of businesses but generally receive a comparatively small share of government procurement spending. When they strive, they benefit the country through improved social and economic equity, increased competition, increased innovation, improved value, increased job creation, industry deconcentrating, among others.
- Preferential treatment for SMEs is well deserved because of the unique constraints they face when it comes to participation in the procurement process, particularly in comparison to large businesses. The barriers SMEs face are in the form of regulatory, information, finance and capacity obstacles and these can occur throughout the procurement process.
- The angle of tackling the barriers will be great as women entrepreneurs are most affected by these barriers hence incorporating gender into the preferential procurement policy will improve efficiency of women-owned businesses and/or women led businesses for improved economic growth, with McKenzie, (2017).



## 2.18 Conceptual Framework

This piece highlights on some core conceptual framework of the exploratory material got from literature that are chosen foundation for the study to learn whether there are considerable connections between the autonomous variables and the dependent variable. It concentrates on the determinant variables distinguished, which relate to SMEs participation in public procurement. The factors affecting SMEs participation in public procurement were taken as independent variables while participation in public procurement was taken as dependent variable as shown in the conceptual figure 1.

**Figure 1: Factors affecting SMEs participation in public procurement**



## 2.19 Conclusion

The significant role played by SMEs cannot be overemphasized. Though there are variations in the definition of SMEs, the common criteria used include number of employees, size of assets and sales turnover. Empirical studies show that even though SMEs face numerous challenges such as lack of access to finance, low demand for output, technology, raw materials, labour and management, infrastructure, institutional and regulatory obstacles, the problem of lack of access to finance still remains a binding constraint. Governments have taken steps to meet the financing needs of SMEs over the years.

## CHAPTER THREE

### METHODOLOGY

#### 3.1 Introduction

The research methodology basically explains the processes of collection, management and analysis of data. It includes various categories under which procedures are carried out for the purposes of primary or secondary data. These areas include the study area, research design, sample and sampling technique, sources of data, data collection instruments and method of data analysis and presentation.

#### 3.2 Research Design

The study relied on descriptive survey design. This method is non-experimental and deals with the relation among non-manipulated variables (Sarantakos, 2005). Descriptive surveys allow for the collection of detailed description of existing phenomena with the intent to reveal current practices (Awoke, 2005). It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. According to Locklear (2012), it often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution.

It is the best design in describing the nature of the population guided by the research questions and objectives of the study, the purpose of the study, the extent of existing knowledge, the amount of time and other resources available. Because the human mind cannot extract the full import of a large mass of raw data hence descriptive statistics are very important in reducing the data to manageable form. He indicated that descriptive



study organizes data into patterns that emerge during analysis. Those patterns aid the mind in comprehending a qualitative study and its implications.

### **3.3 Sample Frame**

The target population for the research included all Small and Medium Enterprises in the Northern Region who have in one way or the other being involved in tendering for procurement contracts. Northern Region is the targeted sample frame for this study because it is the largest as well as with a greater number of SMEs with less or minimal research on tenders on procurement over the previous years after the public procurement act was passed in 2003 with its subsequent amendments (GSS, 2012).

### **3.4 Sampling Procedure**

Sampling is the process of selecting a portion of the population to represent the entire population (Lavrakas, 2008). It involves the procedure of selecting a group of people, events, behaviors, or other elements with which to conduct a study. Probability and non-probability sampling techniques were employed for sampling in selecting the SMEs taking the account the inclusion and exclusion criterions of the study.

### **3.5 Sampling Technique**

Northern region was purposively selected simply because most studies concentrated in the southern sector of Ghana thereby leaving a gap. Out of the numerous SMEs in northern region, simple random technique was used in selecting 300 SMEs. The





employees of SMEs as well as employees of the public institutions were the unit of analysis. This was so because the targets were sources of information for the study in order to make it a reality and are actively involved in the day to day operations of the said sector. The sample size was done using Krejcie and Morgan (1970) sample size determination table. The total employees that constituted the unit of analysis for the selected SMEs were 1,000 and the corresponding sample size from the table is 300. Consequently, the actual inclusion of the participants was further determined by simple random sampling within each institution. The required sample for each institution was then determined proportionately from the number of employees in each institution. Also, the researcher employed the use of convenience sampling technique to interview 2 procurement committee members of 9 procuring entities to get their perspective on MSMEs access to public contracts.

### **3.6 Sources of data**

The main source of data for this study was primary data. The primary data was solely gathered from Small and Medium Enterprises with some procuring entities being interviewed to solicit their views on access to public procurement by SMEs. The secondary data was obtained from published and unpublished sources and reports on public procurement and SMEs from the internet, library and institutions such as Public Procurement Authority, Metropolitan, Municipal and District Assemblies, Non-Governmental Organizations, private companies and other procurement entities in Northern Region.



### **3.7 Data Collection Instruments**

Pilot, and Hungler, (1999) define data as information obtained in a course of a study. In this study, data was collected by using structured interview schedules. Interviews were employed in order to capture data relevant to the study's objectives and research questions. Data was the main source of information in this research to help the researcher to achieve the set objectives.

### **3.8 Sample Questionnaires**

The tool used by the researcher in collecting the primary data for this descriptive study is the structured questionnaires. In this study, basically closed-ended questionnaire was designed to seek information to answer the study questions.

### **3.9 Presentation and analysis**

Analysis of the data was done at the SME and institutional levels. Quantitative technique of data processing was adopted. Data collected was translated into electronic version which was used for data processing, since its application enhances the manipulation and easy use of the data for achieving the stated objectives of the study. Data was cleaned before the use of SPSS to analyze the data. Various responses from respondents were coded and resultant tables that were generated facilitated the analysis.

A further analysis was conducted in line with the responses given on the side of SMEs employees compared to that of the procuring entities responses since they all responded to the same set of questions for competitiveness, legal requirement, access to capital as

well as access to procurement information on the part of the SMEs. An independent t-test statistical method was employed to compare the mean responses of each category listed above. A hypothesis will be developed and tested at 95% of confidence interval with a margin of error set at 5%.

### **3.10 Profile of northern region**

As a study area, it was important to provide a brief description of Northern region. This included its location and size, demographic features, climate and vegetation, ethnicity and religion, economic activities, as well as development potentials and constraints.

#### ***3.10.1 Location and Size***

The Northern Region is bordered on the north by the Upper West region and the Upper East region, on the east by the eastern Ghana-Togo international border, on the south by the Black Volta River and the Volta region, and on the north-west by the Upper West region and Burkina Faso, and on the west by the western Ghana-Ivory Coast international border. Northern region is the largest region in total area, and is made up of 26 districts.

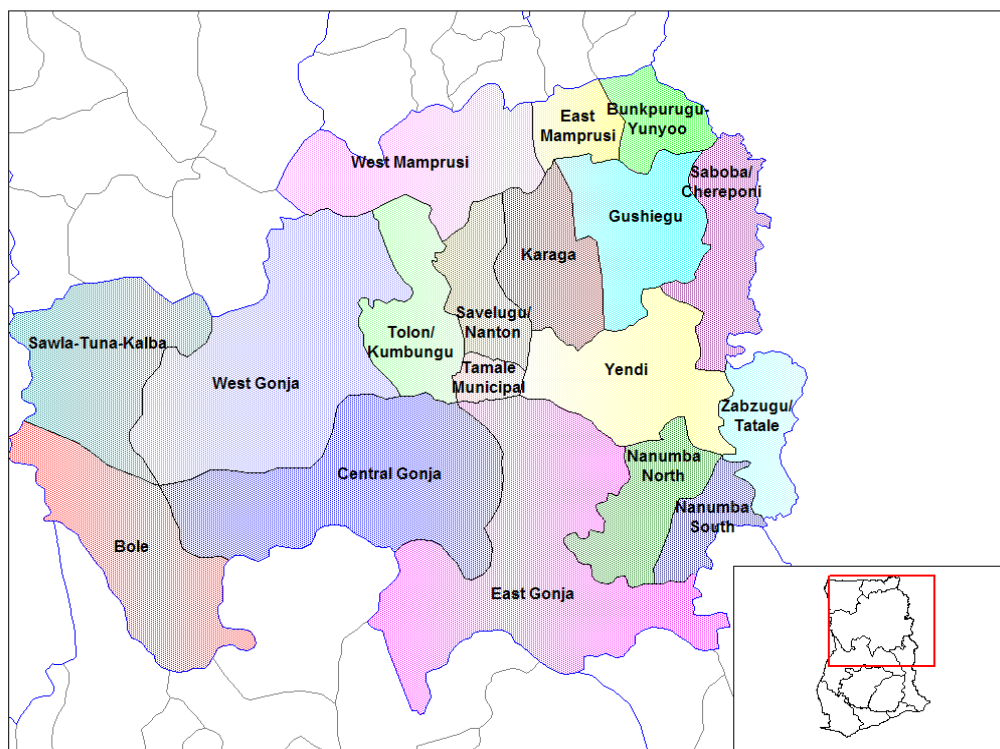
#### ***3.10.2 Development Potentials and Constraints***

The age structure of the population of the region indicates a good proportion being youth with a greater proportion being females (Population and Housing Census, 2010). The number youth in the population suggests it has the most significant human resource potent. This will enhance the region resolve to utilize this important resource to pursue its



economic, social and political objectives. The proportion of the elderly at 4.5 percent is far too low to the national figure of 5.3%, a sign of a comparably short life expectancy (MLGRD, 2006). In this regard pragmatic efforts would have to be made to make primary health care delivery more accessible and affordable to the aged (MLGRD, 2006).

**Figure 2: Map of Study Area:**



The study was carried out in Northern Region of Ghana. The region is bordered on the north by the Upper West region and the Upper East region, on the east by the eastern Ghana-Togo international border, on the south by the Black Volta River and the Volta region, and on the north-west by the Upper West region and Burkina Faso, and on the west by the western Ghana-Ivory Coast international border. Northern region is the largest region in total area, and is made up of 20 districts. It is much drier than southern





areas of Ghana, due to its proximity to the Sahel, and the Sahara. The vegetation consists predominantly of grassland, especially savanna with clusters of drought-resistant trees such as baobabs or acacias. Between January and March is the dry season. The wet season is between about July and December with an average annual rainfall of 750 to 1050 mm (30 to 40 inches). The highest temperatures are reached at the end of the dry season, the lowest in December and January. However, the hot Harmattan wind from the Sahara blows frequently between December and the beginning of February. The temperatures can vary between 14 °C (59 °F) at night and 40 °C (104 °F) during the day. More than 75% of the economically active population is agricultural. The low population density is partly caused by emigration, in addition to geography and climate. The NR has a low population density, and, along with the official language of English, most inhabitants (52%) speak a language of the Oti–Volta subfamily in the Niger–Congo language family, such as Dagbani, Mamprusi or Konkomba. The Dagbon Kingdom, of the Dagomba people, is located in the region. The political administration of the region is through the local government system. Under this administration system, the region is divided into 20 districts. Each District, Municipal or Metropolitan Area, is administered by a Chief Executive, representing the central government but deriving authority from an Assembly headed by a presiding member elected from among the members themselves.

### **3.11 Pretesting of Instruments**

The research instruments were pre-tested to assess its face and content validity. The study instruments were pre-tested at the Sagnerigu District Assembly and some selected SMEs which has similar characteristics and familiarities of the population under study. For the

survey instrument, (interview schedule), the researcher had the opportunity one on one with the Assembly procurement head and 2 other employees of the Assembly to pre-test instrument. A total of 10 SME employees were randomly selected for the pre-test. After the pretesting of the questionnaire, it was noted that certain questions and options provided for the questionnaire were either inadequate or inappropriate. This led to changes in the instruments before the actual field work took place.

### **3.12 Ethical Issues**

Standard ethical concerns in social science research were given prominent attention in the course of the research. Questions in the study were designed to prohibit questions that could harm or threaten the lives of respondents. For a moral and legal reason, informed consent was adhered to. Before the administration of the interview schedule the researcher briefed the employees of the respective organizations (entry protocols were adhered to) as well as individual respondent was subsequently given explicit information about the work. This process began with the issue of introductory letter from the School protocols (University for Development Studies). The purpose of the study and the nature of the interview schedule were made known to them. In the end, respondents were not forced but willingly accepted to participate in the study. Social research provides possibilities of invading the privacy of participant, as such the sensitivity of researchers to privacy, anonymity, and confidentiality is important (Creswell, J. W., 2007). There was no aspect of the research questions which required their names. Their privacy was observed unless situations where respondents could not read and write where further



guidance was given them to personally answer questions. Hence, in the report, issues that could lead or relate to the identification of an individual respondent were not included.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the results of the study, data analysis and discussion. The current study sought to assess SMEs participation in public procurement market in northern Ghana. The specified variables of interest to the study were: competitiveness, information accessibility, access to credit, and legal requirements of the SMEs. These variables were further justified in response by the procuring entities which were selected statistically for the study. Responses were further collated into frequencies and presented in form of tables, charts, and percentages as shown hereafter. Qualitative data was presented in discussions. The chapter basically adopted the use of descriptive and inferential statistics for analysis of the data in order to get tentative findings.

#### 4.2 Response Rate

Response rate is the extent to which the final data set includes all sample members and it is calculated as the number of people with whom interviews are completed, divided by the number of people in the sample, including those who refused to participate and those who were unavailable (Floyd J. F., 2009). A sample of 300 was selected using convenience sampling technique with at least 2 respondents from each SMEs selected using simple random sampling without replacement. A total of 300 questionnaires were





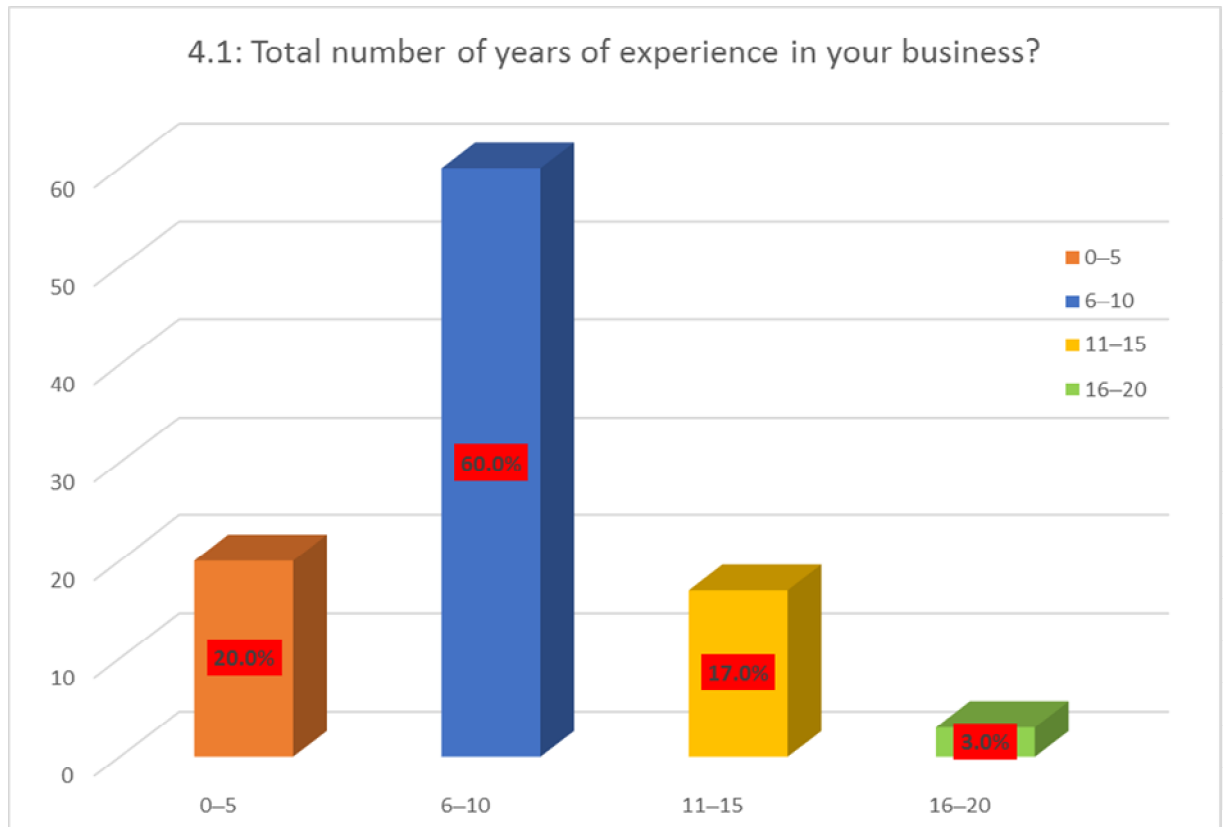
distributed to various employees of SMEs in the study site. Out of the sample covered, 300 respondents were responsive within the stipulated period given for the research, representing a response rate of 100%. This is above the 50% response rate which is considered by Mugenda et al (2010) as adequate in descriptive statistics. The study further targeted 9 members of the procuring entities who belong to the procurement committee in the selected organizations. The study interviewed 9 members of the procurement committee representing 100% response rate of which is considered adequate. This was done in order to get the reaction of government operatives on the issue of participation of SMEs' in the public procurement market. Quantitative data gathered from the interviews were critically analyzed and compared to the responses gotten from the SMEs in line with the variables of interest.

#### **4.3 Demographics of SMEs Respondents**

During the study, the researcher collected useful data from the respondents at the field level which included the demographics of the respondents which agreed to be included in the study. The response rate as calculated was 100%, meaning all of the respondents took time out their busy schedules to respond to the interviews conducted during the data collection period. Also, questions response rate was 100%, this was because the researcher structured the questions very easy and less invasive to the personnel who were interviewed. Below are the responses for the demographic features of the respondents put in tables and charts for easy interpretation.



**Figure 4.1: Employees years of experience working with SMEs**

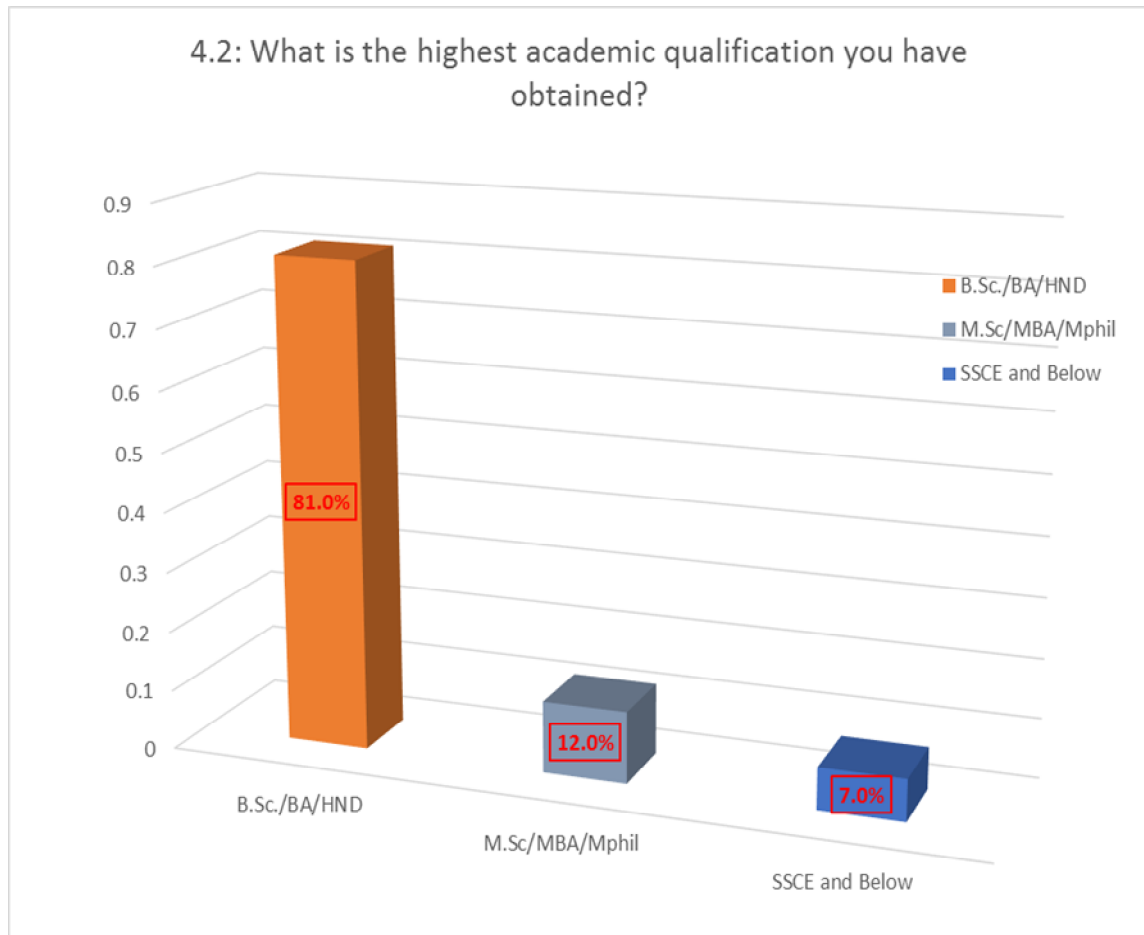


**Source: Field Survey, 2019**

Graph 4.1 shows the total number of years' employees have been working with the SMEs at the time of the study. It was revealed that employees who work for 6 – 10 years in their respective SMEs recorded the highest number with 60.0% while 16 – 20 years recorded the lowest with 3.0%. Those who worked for 0 -5 years and 11 – 15 years were 20.0% and 17.0% respectively. It was generally noticed that majority of the employees spent more than 5 years of their time working with their respective SMEs.



**Figure 4.2: Educational qualification of employees of SMEs**

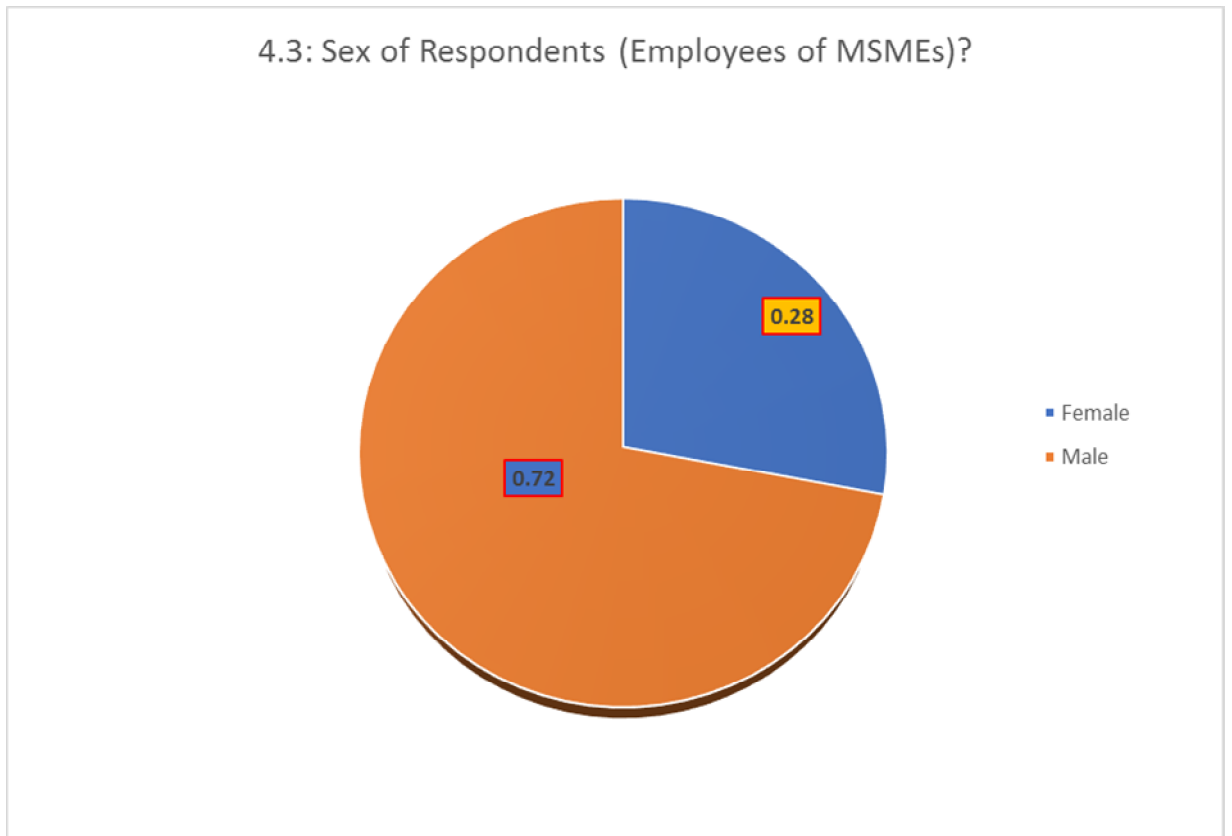


**Source: Field Data, 2019**

Graph 4.2 deals with the educational qualification of the respondents who were interviewed during the research study. It was brought to light that, majority of respondents (81.0%) had acquired a Higher National Diploma (HND) or Bachelors degree in any of the disciplines across the educational curriculum whiles 12.0% of the respondents acquired a master's degree in their respective areas of study. The remaining

7.0% had Senior High school certificate or lower as stipulated by the study responses. This reveals that most working staff of SMEs within the northern region of Ghana have requisite qualification and human resource to handle various positions within their setup.

**Figure 4.3: Sex of Respondents (Employees of SMEs)**



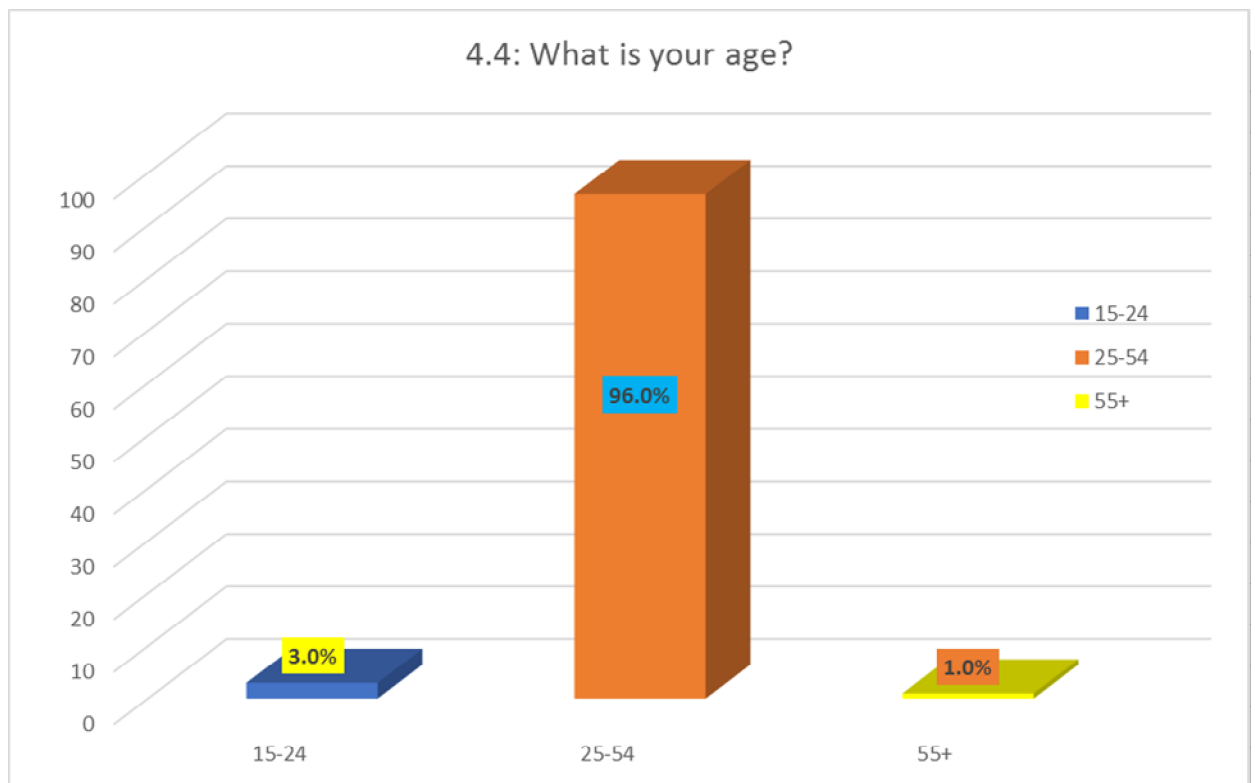
**Source: Field Data, 2019**

Graph 4.3 represents the gender of respondents as responded to the study. It was statistically revealed that 72.0% of the human resources of the SMEs are said to be males whiles 28.0% of the respondents were females. These results show that most males are given the node and opportunity to be employed in these SMEs within the jurisdiction of the study area.





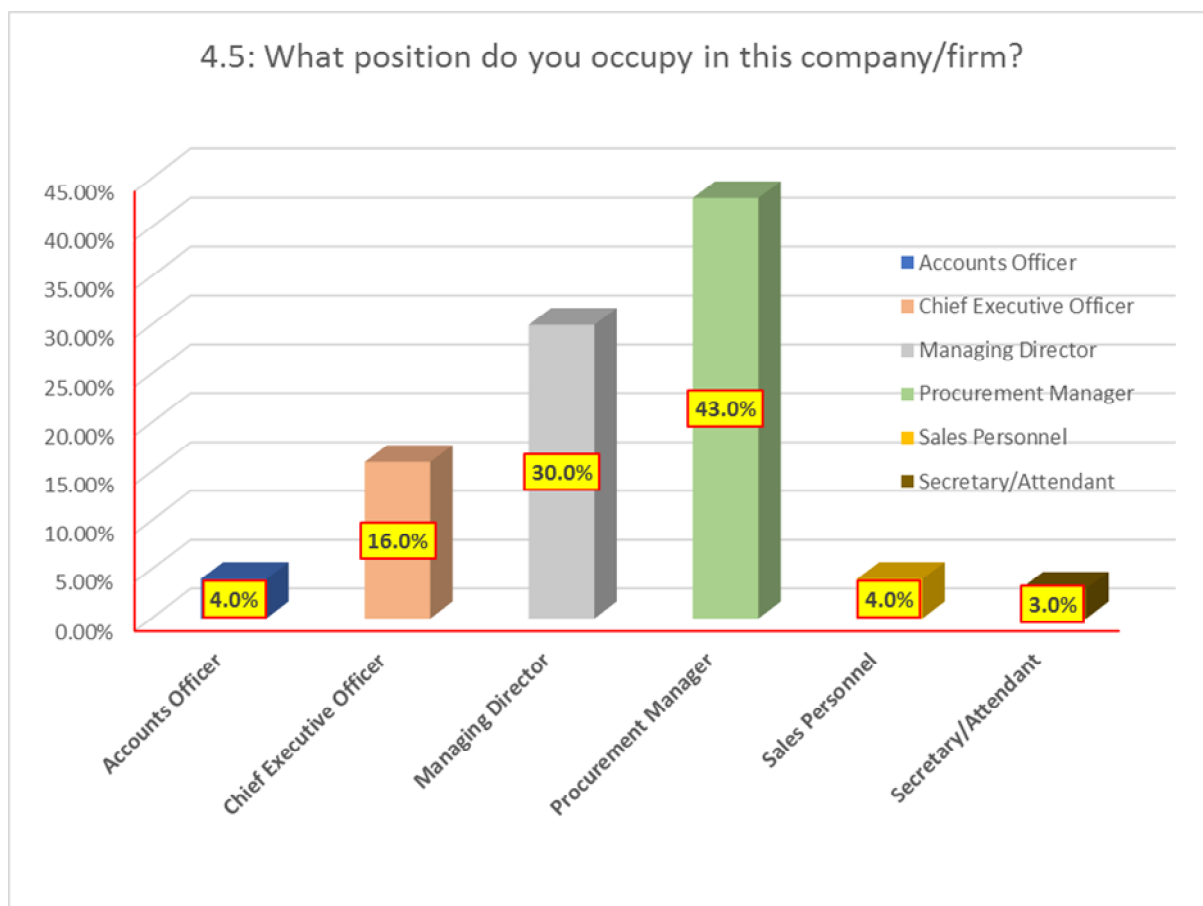
**Figure 4.4: Active work Age group of Employees of SMEs**



**Source: Field Data, 2019**

Graph 4.4 shows the active age categories for employees who work within the SMEs in the study. It was revealed that majority (96.0%) belong to the most vibrant and active working age group which is denoted as from 25 – 54 years. It was also realized that age group 55 and above recorded the least percentage being 1.0% while age group 15 – 24 years recorded 3.0%. This tells us that majority of the working class of the SMEs belong to active workforce.

**Figure 4.5: Respondents working cadre with SMEs**



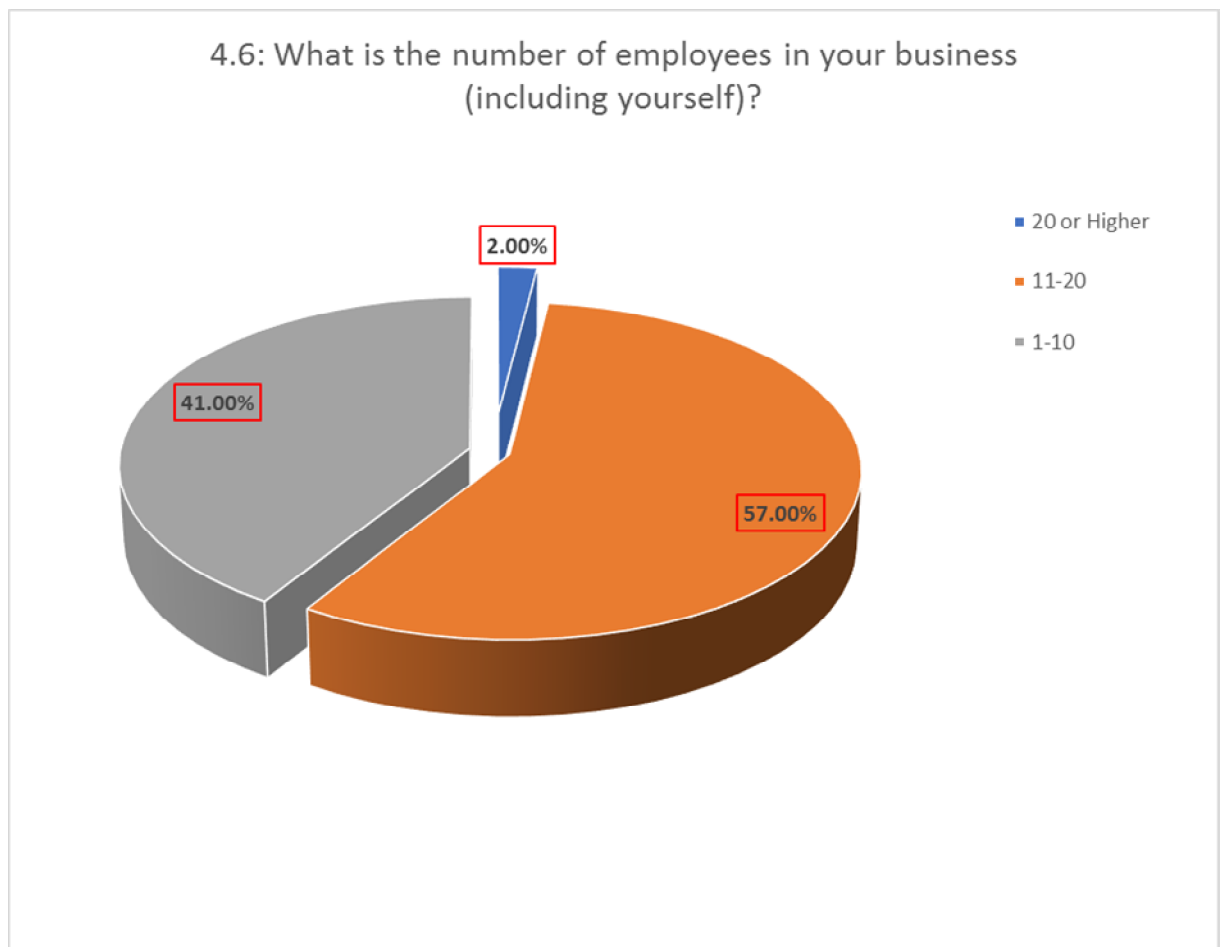
**Source: Field Data, 2019**

Graph 4.5 shows the positions occupied by various staff of SMEs who responded to the research at the time of the study. It was realized that exactly 43.0% of the respondents occupy the position of procurement officers whiles the 57.0% of the respondents occupy different positions. It was also identified that secretaries/Attendants recorded a 3.0%



being the lowest percentage. Managing directors and Chief Executive Officers recorded 30.0% and 16.0% respectively.

**Figure 4.6: Total number of Employees per SMEs as given by respondents**



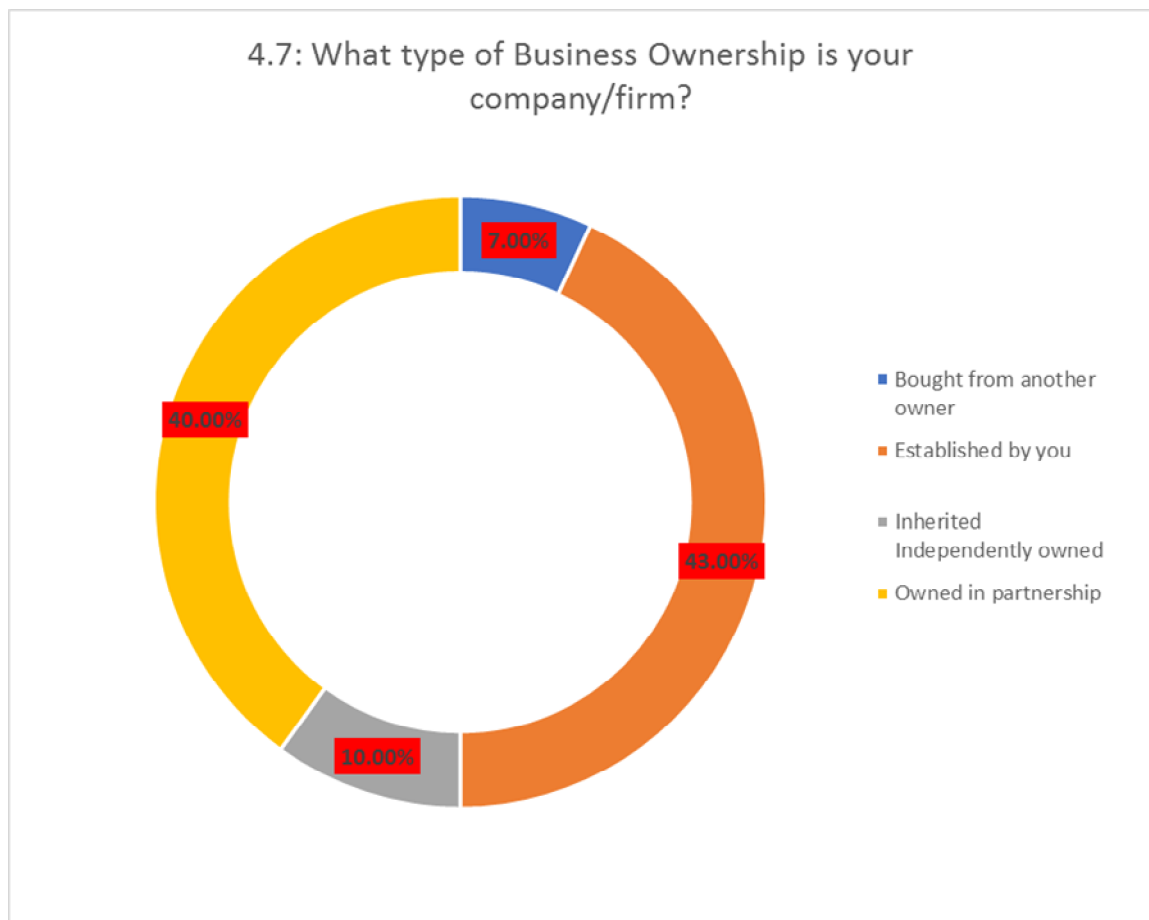
**Source: Field Data, 2019**

Graph 4.6 represents the number of employees each SMEs have in their respective companies. It was revealed that SMEs with employees between 10 to 20 workforces recorded 57.0% while those with at least 20 workforce and above recorded 2.0%. On the



other hand, companies with less than 10 employees recorded a significant percentage of 41.0%. This explains the fact most SMEs have their employees ranging between 1 to 20 people representing a significant number for operations.

**Figure 4.7: Percentage Ownership of SMEs given by respondent**



**Source: Field Data, 2019**

Graph 4.7 shows the type of ownership of business in your SME. It was revealed that 43.0% of the SMEs are owned by entrepreneurs who started the SME on their own while as low as 7.0% of the SMEs were bought from the entrepreneur. It was also realized that

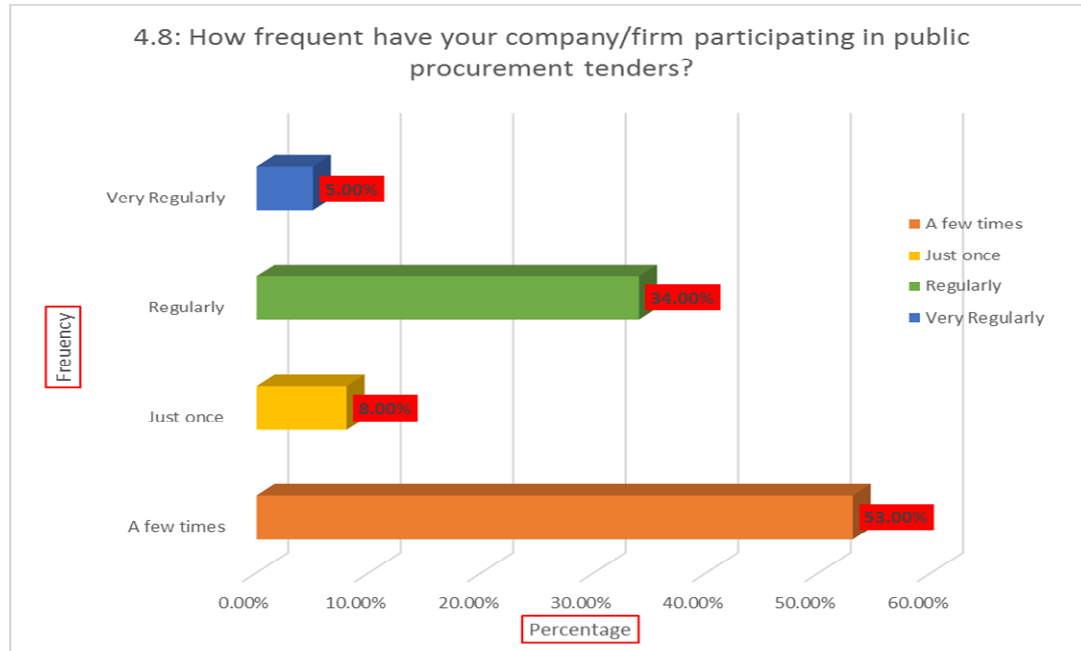


Inherited independent owned SMEs and Owned in partnership recorded significant percentages of 10.0% and 40.0% respectively. This denotes that majority of SMEs within the Tamale metropolis are owned by entrepreneurs as well as in partnership with another person.

#### 4.4 Frequency of SMEs participating in Public Procurement

The researcher seeks to find out how frequent the SMEs do participate as well as their success rates in participating in bids for public procurements. The researcher also identified access to sources of publication of public tenders as a barrier to SMEs participation as uncovered by (MacManu, 1991). The researcher found out various response as stipulated in the figure and table below.

**Figure 4.8: Frequency of your company/firm participating in public tenders**



Source: Field Data, 2019



Graph 4.8 shows the frequency of SMEs participating in public procurement tenders as resourced by the respondents. It was ascertained that 53.0% of the SMEs that participate in public tenders does so a few times yearly while 5.0% of the SMEs that participate also does so very regularly in these public tenders across the region and beyond. It was also realized that SMEs that participated only once and regularly scored an 8.0% and 34.0% respectively. This picture depicted by the graph above gives rise to the fact an appreciable number of SMEs do participate in public procurement tenders advertised by organizations owned by government.

**Table 4.1: SMEs participation in public procurement and Success Rate**

<b>Participated in public procurement</b>	<b>Percentage (%)</b>	<b>Success Rate</b>	<b>Percentage (%)</b>
Participated in public procurement	<b>37.0</b>	Participated in public procurement and won	<b>24.0</b>
Never participated in public procurement	<b>63.0</b>	Participated in public procurement and fail	<b>76.0</b>

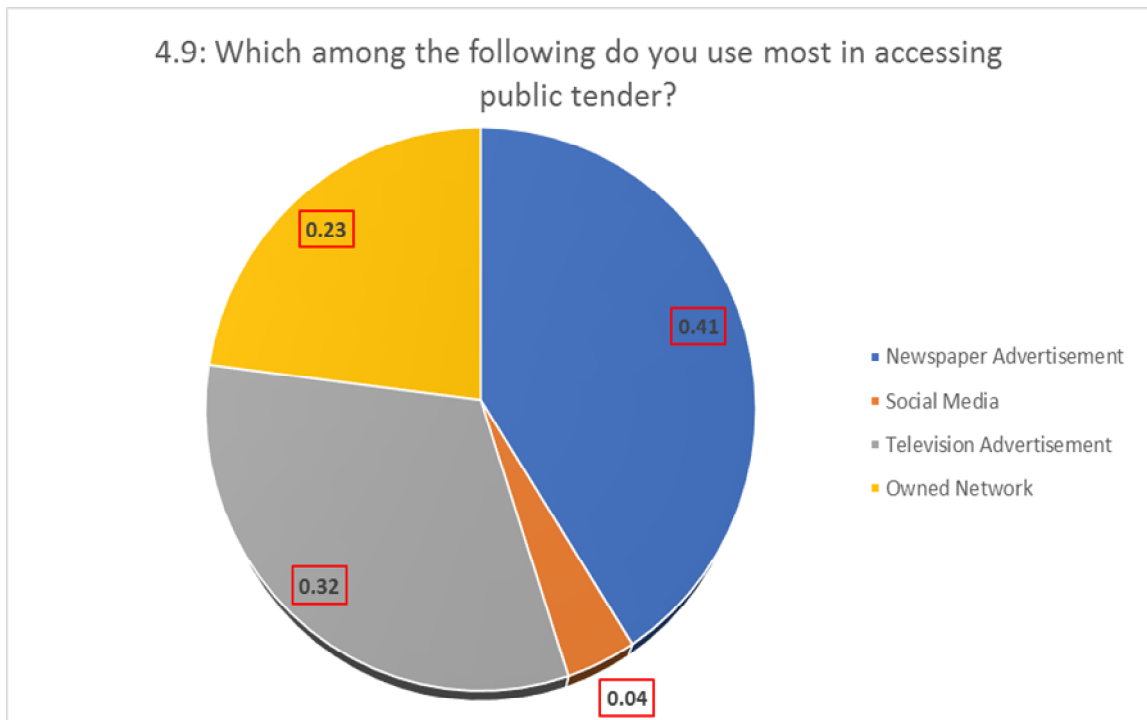
**Source: Field Data, 2019**

The table above reveals the participation of SMEs and their success rates as tabulated. It was realized that for participation in public procurements, 37.0% of the total respondents said their firms participate in public procurement tenders while 63.0% of the respondent said their SMEs had never participated in public procurement. On the other hand, for



those that had ever participated in public procurement, it was revealed that 24.0% of them have ever won public contracts while 76.0% have never been successful in winning any public procurements in their area.

**Figure 4.9: Accessibility sources for applying for public tenders**



**Source: Field Data, 2019**

Access to information by SMEs is known to be a major barrier to SMEs participation in public procurement tenders. The graph above shows clearly the channel through which SMEs get information regarding advertising of public procurement tenders. It was unveiled that 41.0% of the SMEs do access their information through newspaper adverts while 4.0% do access their information through social media. Also, it was noted that television advertisement (32.0%) and owner's network (23.0%) that is network of



procuring entities and PPA website were channels that SMEs accessed their information for public procurement tenders.

#### **4.5 SMEs Competitiveness in Public Procurement**

With regards to competitiveness of SMEs in participating in public procurement tenders as pinpointed by researchers as one of the challenges of SMEs participating and winning of public procurement. The researcher investigated and found the following as shown in the tables below.

##### ***4.5.1 Perspective of the SMEs being Competitive in public tenders***





**Table 4.2: Shows the competitiveness of SMEs in public procurement tenders**

<b>Competitiveness of MSMEs</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percent</b>	<b>Mean (<math>\bar{x}</math>)</b>
<b>C1.</b> SMEs afford flexibility in operations and adaptability to changes with a greater possibility to gain from unexpected changes and accidental discoveries	1: Strongly Agree	72	<b>24</b>	1.84
	2: Agree	204	<b>68</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	0	<b>0</b>	
<b>C2.</b> SMEs with access to public contracts can serve as an impetus for economic diversification through the development of new and unsaturated sectors of the economy	1: Strongly Agree	66	<b>22</b>	1.88
	2: Agree	204	<b>68</b>	
	3: Disagree	30	<b>10</b>	
	4: Strongly disagree	0	<b>0</b>	
<b>C3.</b> SMEs with access to public contracts can have advantages such as innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities	1: Strongly Agree	111	<b>37</b>	1.71
	2: Agree	165	<b>55</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	0	<b>0</b>	
<b>C4.</b> SMEs when strengthened through public contracts can act as the main engines for growth and development	1: Strongly Agree	87	<b>29</b>	1.84
	2: Agree	177	<b>59</b>	
	3: Disagree	33	<b>11</b>	
	4: Strongly disagree	3	<b>1</b>	
<b>C5.</b> SMEs with access to public contracts will have the potency and the buoyancy to operate in a challenging environment	1: Strongly Agree	84	<b>28</b>	1.81
	2: Agree	189	<b>63</b>	
	3: Disagree	27	<b>9</b>	
	4: Strongly disagree	0	<b>0</b>	
<b>C6.</b> SMEs with access to public contracts will have the strength and the resilience to operate in a competitive environment.	1: Strongly Agree	111	<b>37</b>	1.74
	2: Agree	159	<b>53</b>	
	3: Disagree	27	<b>9</b>	
	4: Strongly disagree	3	<b>1</b>	
<b>C7.</b> Innovative and technology-based SMEs with access to public contracts can provide a platform for expanding beyond the domestic borders, and entering intra-regional and international markets.	1: Strongly Agree	129	<b>43</b>	1.62
	2: Agree	159	<b>53</b>	
	3: Disagree	9	<b>3</b>	
	4: Strongly disagree	3	<b>1</b>	
<b>C8.</b> SMEs with access to public contracts become productive drivers of economic growth and development for the Ghanaian economy	1: Strongly Agree	54	<b>18</b>	1.86
	2: Agree	237	<b>79</b>	
	3: Disagree	6	<b>2</b>	
	4: Strongly disagree	3	<b>1</b>	

**Source: Field Data, 2019**



Table 4.2 touching on the competitiveness of SMEs in public procurement tenders, it was revealed that the means of the various responses stood between 1.00 to 2.00. Majority of the response laid between strongly agree and agree to the statements made. It came to light that majority of the respondents (92%) agreed to the fact that when SMEs are given access to public contracts it will serve as an impetus for economic diversification through the development of new and unsaturated sectors of the economy as well as serving as a main engine for growth and development. The researcher also realized that from the Likert scale, most of the respondents (96.0%) agreed to the fact that SMEs with innovative and technology can provide a platform for expanding beyond the domestic borders and entering intra-regional and international markets. It was realized that respondents agreed massively to the fact SMEs with access to public contracts will be strengthen and resilient to operate in a competitive environment.

Most importantly, SMEs when given access to public contracts can have advantages such as innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities which was vehemently agreed (92.0%) on by the respondents. This gives us a clue that, when SMEs within the northern region are given the needed support and opportunities, they will be very competitive and buyout in public procurement contracts.

#### 4.5.2 Perspective of the Organization offering the contracts on competitiveness

**Table 4.3: Shows competitiveness of SMEs participation in public procurement tenders (Procuring Organization's perspective)**

Competitiveness of SMEs	Categories	Frequency	Percentage	Mean (x)
B1: Do you think, SMEs are competitive enough in tendering for procurement contracts in your institution?	1: Strongly Agree	10	<b>55.6</b>	1.44
	2: Agree	8	<b>44.4</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	0	<b>0</b>	
B2: Do you think SMEs with access to public contracts can serve as an impetus for economic diversification through the development of new and unsaturated sectors of the economy	1: Strongly Agree	8	<b>44.4</b>	1.67
	2: Agree	8	<b>44.4</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	0	<b>0</b>	
B3: Do you think SMEs with access to public contracts can have advantages such as innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities	1: Strongly Agree	8	<b>44.4</b>	1.56
	2: Agree	10	<b>55.6</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	0	<b>0</b>	
B4: Do you think SMEs when strengthened through public contracts can act as the main engines for growth and development	1: Strongly Agree	8	<b>44.4</b>	1.67
	2: Agree	8	<b>44.4</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	0	<b>0</b>	
B5: Do you think SMEs with access to public contracts will have the potency and the buoyancy to operate in a challenging environment	1: Strongly Agree	8	<b>44.4</b>	1.67
	2: Agree	8	<b>44.4</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	0	<b>0</b>	
B6: Do you think SMEs with access to public contracts will have the strength and the resilience to operate in a competitive environment	1: Strongly Agree	2	<b>11.1</b>	2
	2: Agree	14	<b>77.8</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	0	<b>0</b>	
B7: Do you think Innovative and technology-based SMEs with access to public contracts can provide a platform for expanding beyond the domestic borders, and entering intra-regional and international markets	1: Strongly Agree	10	<b>55.6</b>	1.56
	2: Agree	6	<b>33.3</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	0	<b>0</b>	
B8: Do you think SMEs with access to public contracts become productive drivers of economic growth and development for the Ghanaian economy	1: Strongly Agree	6	<b>33.3</b>	1.67
	2: Agree	12	<b>66.7</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	0	<b>0</b>	
B9: Do you think SMEs having access to public contracts can promote domestic-led growth in new and existing industries	1: Strongly Agree	6	<b>33.3</b>	1.67
	2: Agree	12	<b>66.7</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	0	<b>0</b>	

Source: Field Data, 2019





The procurement entities were also interviewed by the researcher to confirm what was said by the respondents working with the SMEs across the catchment area of the study. It was realized from the analysis that; confirmations were made by the respondents of the procuring entities to the fact that competitiveness of SMEs participation in public contracts was limited following access. Majority of the respondents agreed to statements made by the interviewer on competitiveness of SMEs across catchment area. For access to public contracts that could lead to promoting domestic-led growth, productive drivers of economic growth and development, provide a platform for expanding beyond domestic borders, strengthen and being resilient, potency and buoyancy to operate in challenging environment, and can have advantages such as innovations, lower cost, spatial benefits, and decentralized the opportunities given all recorded a percentage above 90.0% which represented the respondents agreement to above statements made.

Notwithstanding that, the respondents also voted massively (100%) for the fact that SMEs are competitive enough in tendering for procurement contracts in northern Ghana. This response rates on the Likert scale for competitiveness of SMEs reveals that both respondents are in support of the fact SMEs are competitive enough and must be given the chance or opportunity to participate fully in all government contracts. The response rate also envisages that much emphasis should be placed on SMEs participation in public contracts.

#### **4.6 Legal Requirements on SMEs in Public Procurement Act 664**

The legal framework of the 1992 constitution of the republic of Ghana was carefully constructed to benefit the citizenry and other bodies operating under it. The Act has also

made appropriate provision for public procurement under Act 663 amended in 2016 to Act 914. The Act provides specifics to SMEs requirements to be met before being able to participate in any kind of public bids. The table below shows the legal requirements on these SMEs participation in public procurement as responded to by the SMEs and procuring government entities.



#### 4.6.1 Perspective of SMEs understanding of the Act 664 and Act 914

**Table 4.4: Shows the Legal requirements on SMEs participation in public procurement tenders**

<i>Legal requirements on SMEs participation in procurement process</i>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
D1. SMEs do not have any exemption from bid security with reference to public procurement act	1: Strongly Agree	81	27	1.76
	2: Agree	213	71	
	3: Disagree	3	1	
	4: Strongly disagree	3	1	
D2. SMEs are not given special assistance in submitting bids/tenders and meeting procurement regulations	1: Strongly Agree	78	26	1.78
	2: Agree	213	71	
	3: Disagree	6	2	
	4: Strongly disagree	3	1	
D3. Procurement officers/entities are not required to give small business concerns an equitable opportunity to compete for contracts	1: Strongly Agree	117	39	1.72
	2: Agree	150	50	
	3: Disagree	33	11	
	4: Strongly disagree	0	0	
D4. SMEs also do not have any exemption from performance security with reference to public procurement act	1: Strongly Agree	120	40	1.67
	2: Agree	162	54	
	3: Disagree	15	5	
	4: Strongly disagree	3	1	
D5. Most States in terms of public procurement applying some sort of preference in favour of their own nationals	1: Strongly Agree	90	30	1.76
	2: Agree	195	65	
	3: Disagree	12	4	
	4: Strongly disagree	3	1	
D6. There is no specific laws or articles relating to SMEs from the public procurement act	1: Strongly Agree	90	30	1.83
	2: Agree	177	59	
	3: Disagree	27	9	
	4: Strongly disagree	6	2	
D7. There is no small business set-aside program provided for SMEs in public procurements act	1: Strongly Agree	102	34	1.76
	2: Agree	168	56	
	3: Disagree	30	10	
	4: Strongly disagree	0	0	
D8. Small businesses are not kept informed of opportunities for contracts and subcontracts as backed by the public procurement act	1: Strongly Agree	105	35	1.73
	2: Agree	75	25	
	3: Disagree	105	35	
	4: Strongly disagree	15	5	
D9. Small business has not been singled out by the margins of preference for special treatment as stated in the public procurement act	1: Strongly Agree	123	41	1.73
	2: Agree	135	45	
	3: Disagree	42	14	
	4: Strongly disagree	0	0	
D10. Margins of preference are designed to give preference to local suppliers and contractors (irrespective of the nationality of the proprietor) competing with foreign suppliers and contractors	1: Strongly Agree	105	35	1.77
	2: Agree	162	54	
	3: Disagree	30	10	
	4: Strongly disagree	3	1	

Source: Field Data, 2019





The table above shows the Legal aspect of SMEs participation in public procurement tender's procedures. Looking at the Act 663 amended to Act 914 of public procurement, the researcher wishes to find appropriately how these laws are followed by the procuring firms in awarding public procurement in the northern region. It was revealed that 98.0% of respondents said SMEs do not have any exemption from bid security with reference to public procurement Act 664 while 2.0% disagreed.

It was also noticed that majority (97.0%) of the respondents agreed that SMEs are not given special assistance in submitting bids/tenders and meeting procurement regulations during tender processes. It was also noted that only 3.0% of the respondents disagreed with the fact that SMEs are not given any special assistance in the process of tenders.

More to that, 87.0% of the respondents also agreed to that procurement entities are not required to give small business concerns but rather give an equitable opportunity to compete for contracts while 11.0% disagreed with the statement made.

The researcher also wished to find out the knowledge level of respondents on the public procurement Act 663 amended to Act 914 on whether there are no specific laws or articles relating to SMEs from the public procurement act, it was unveiled that 89.0% of respondents agreed that there are no specific laws while 11.0% disagreed with the statement.

According to the respondents 90.0% agreed to the statement There is no small business set-aside program provided for SMEs in public procurements act while 10.0% disagreed with the said statement.

The researcher wishes to find out whether SMEs are not kept informed of opportunities for contracts and subcontracts as backed by the public procurement Act 663. It was

revealed that 35.0% of the respondents strongly agreed and 35.0% also disagreed to the statement. It was also seen that 25.0% agreed to the statement while 5.0% strongly disagreed with the statement.

With the statement small business has not been singled out by the margins of preference for special treatment as stated in the public procurement act. The respondents (86.0%) agreed to the statement made while 14.0% of the respondents disagreed with the statement.

Lastly, the researcher wanted to find out the margins of preference designed to give preference to local suppliers and contractors (irrespective of the nationality of the proprietor) competing with foreign suppliers and contractors. It was revealed that 89.0% of respondents agreed to the statement while 11.0% of the respondents disagreed.



#### 4.6.2 Perspectives of Organization understanding of the Act 664 and Act 914 on SMEs

**Table 4.5: Shows the Legal requirement on SMEs participation in public procurement tenders (Procuring Organization perspective)**

<b>Legal requirements on SMEs participation on procurement process</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
C1: SMEs do not have any exemption from bid security with reference to public procurement act	1: Strongly Agree	2	11.1	2.22
	2: Agree	12	66.7	
	3: Disagree	2	11.1	
	4: Strongly disagree	2	11.1	
C2: SMEs are not given special assistance in submitting bids/tenders and meeting procurement regulations	1: Strongly Agree	8	44.4	1.56
	2: Agree	10	55.6	
	3: Disagree	0	0	
	4: Strongly disagree	0	0	
C3: Procurement officers/entities are not required to give small business concerns an equitable opportunity to compete for contracts	1: Strongly Agree	8	44.4	2.11
	2: Agree	4	22.2	
	3: Disagree	2	11.1	
	4: Strongly disagree	4	22.2	
C4: SMEs also do not have any exemption from performance security with reference to public procurement act	1: Strongly Agree	6	33.3	1.78
	2: Agree	10	55.6	
	3: Disagree	2	11.1	
	4: Strongly disagree	0	0	
C5: Most States in terms of public procurement applying some sort of preference in favour of their own nationals	1: Strongly Agree	8	44.4	1.56
	2: Agree	10	55.6	
	3: Disagree	0	0	
	4: Strongly disagree	0	0	
C6: There is no specific laws or articles relating to SMEs from the public procurement act	1: Strongly Agree	4	22.2	2.22
	2: Agree	8	44.4	
	3: Disagree	4	22.2	
	4: Strongly disagree	2	11.1	
C7: There is no small business set-aside program provided for SMEs in public procurements act	1: Strongly Agree	0	0	2.44
	2: Agree	12	66.7	
	3: Disagree	4	22.2	
	4: Strongly disagree	2	11.1	
C8: Small businesses are not kept informed of opportunities for contracts and subcontracts as backed by the public procurement act	1: Strongly Agree	4	22.2	2.11
	2: Agree	10	55.6	
	3: Disagree	4	22.2	
	4: Strongly disagree	0	0	
C9: Small business has not been singled out by the margins of preference for special treatment as stated in the public procurement act	1: Strongly Agree	4	22.2	2
	2: Agree	10	55.6	
	3: Disagree	4	22.2	
	4: Strongly disagree	0	0	
C10: Margins of preference are designed to give preference to local suppliers and contractors (irrespective of the nationality of the proprietor) competing with foreign suppliers and contractors	1: Strongly Agree	2	11.1	2
	2: Agree	14	77.8	
	3: Disagree	2	11.1	
	4: Strongly disagree	0	0	

Source: Field Data, 2019





SMEs were also assessed based on their legal requirements demanded to follow in participation in public procurement during open tenders. The table above shows the responses that was gathered and analyzed. It was noticed that SMEs exemption from bid security with reference to public procurement was disagreed by 77.8% of the respondents while 22.2% said SMEs do get exemption from bid security with reference to public procurements. Notwithstanding that, for exemption from performance security, it was realized that 88.9% said SMEs do not have any exemption from performance security with reference to public procurement while 11.1% disagreed. It was also revealed that 100% of respondents said SMEs are not given special assistance in submitting bids/tenders and meeting procurement regulations during tenders. More so, majority of the respondents (66.6%) also alluded to the fact procurement entities are not required to give small business concerns and equitable opportunity to compete for contracts while 33.3% of the respondents disagreed totally with the claim. The researcher wished to find out whether there is any law in the public procurement Act 663 and Act 914 under the constitution and it was revealed that 66.6% of the respondents agreed to the fact that there is no specific law with reference to SMEs while 33.3% disagreed saying there is a specific law with reference to SMEs.

Margin of preference are designed to give special attention to SMEs irrespective of the national of the proprietor competing with foreign suppliers and contractor was one of the questions asked. The researcher realized that majority (88.9%) of the respondents agreed while 11.1% of the respondents said they disagree with the position of the majority.

Lastly, 66.6% of the respondents said there is no set aside program provided for SMEs in public procurement Act 663 and Act 914. This was heavily criticized and disagreed by

33.3% of respondents who participated in the study saying there is a set aside program provided for SMEs in the Act 663 and Act 914 respectively. The position of respondents of the procuring entities have been identified to be different from that of the SMEs respondents. This was evident in the further analysis conducted using the independent samples test method to compare means of the various groups in question.

#### **4.7 Access to Capital by SMEs**

Capital remains one of the most important components in meeting the requirements to win public procurement as well as to execute according to the schedules and time frame of the contract. SMEs in the past have faced a lot of challenges with access to capital even having won the procurement bid, and these has been the one of the challenges that retards the growth of SMEs (Baah—Nuakoh, 2003). The tables below expatiate the levels to which respondents agree or disagree with the statements made in line with access to capital by SMEs.



#### 4.7.1 Perspective of SMEs Access to Capital

**Table 4.6: Shows the Access to capital by SMEs on tender publications for procurement**

<i>Access to capital on Tender publications for procurement</i>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
E1. Does cost of capital of a contract affect participation of your SMEs in public procurement	1: Strongly Agree	90	<b>30</b>	1.78
	2: Agree	186	<b>62</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	0	<b>0</b>	
E2. Does collateral availability affect your SMEs in access to funds to enable your participation in public procurement	1: Strongly Agree	48	<b>16</b>	1.98
	2: Agree	228	<b>76</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	0	<b>0</b>	
E3. Does access to financial medium (financial facilitation) affect participation of your SMEs in public procurement	1: Strongly Agree	111	<b>37</b>	1.91
	2: Agree	171	<b>57</b>	
	3: Disagree	15	<b>5</b>	
	4: Strongly disagree	3	<b>1</b>	
E4. Does access to government source of funding affect your SME participation in public procurement	1: Strongly Agree	126	<b>42</b>	1.66
	2: Agree	141	<b>47</b>	
	3: Disagree	33	<b>11</b>	
	4: Strongly disagree	0	<b>0</b>	
E5. Does any barrier exist in your SME accessing government sources of funds in public procurement?	1: Strongly Agree	102	<b>34</b>	1.65
	2: Agree	162	<b>54</b>	
	3: Disagree	36	<b>12</b>	
	4: Strongly disagree	0	<b>0</b>	
E6. Does access to other sources of funding affect your SMEs in participating in public procurement	1: Strongly Agree	90	<b>30</b>	1.78
	2: Agree	186	<b>62</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	0	<b>0</b>	

**Source: Field Data, 2019**





Capital requirements remains a big challenge when it comes to SMEs participation in public procurement as researchers have identified in the past. The researcher wishes to also find out within the northern region whether capital plays a significant role in SMEs participation in public procurement. It was shown from the table above that 92.0% of the respondents said cost of capital of contracts affects SMEs participation in public procurement while 8% disagreed with that position. Respondents were also asked availability of collateral affects SMEs participation in public procurement, majority (92.0%) of the respondents agreed to the fact while 8% believed it does not affect SMEs participation in public procurement.

Access to finance remains a challenge to SMEs in other research studies, when respondents were asked of their SMEs access to finance or capital from the banks and other loans and investments companies, it was revealed that 94% said access to financial mediums is one of the major challenges faced by SMEs while 6% of the respondents said financial medium is not a challenge for their SMEs. Access to government sources of funds were also noted to be one of the financial challenges faced by SMEs. This was seconded by 89% of the respondents while 11% disagreed with the majority of the respondents that government sources of funding were not a challenge to their SMEs.

#### 4.7.2 Perspective of Organizations with regards to SMEs Access to Capital

**Table 4.7: Shows the Access to capital by SMEs on tender publications for procurement (Procuring Organization's perspective)**

<i>Access to capital on Tender publications for procurement</i>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
E1: Do you think cost of capital of a contract affect participation of your SMEs in public procurement	1: Strongly Agree	6	<b>33.3</b>	1.89
	2: Agree	10	<b>55.6</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	2	<b>11.1</b>	
E2: Do you think collateral availability affect your SMEs in access to funds to enable their participation in public procurement	1: Strongly Agree	6	<b>33.3</b>	1.89
	2: Agree	8	<b>44.4</b>	
	3: Disagree	4	<b>22.2</b>	
	4: Strongly disagree	0	<b>0</b>	
E3: Do you think access to financial medium (financial facilitation) affect participation of SMEs in public procurement	1: Strongly Agree	2	<b>11.1</b>	2.22
	2: Agree	10	<b>55.6</b>	
	3: Disagree	6	<b>33.3</b>	
	4: Strongly disagree	0	<b>0</b>	
E4: Do you think access to government source of funding affect SMEs participation in public procurement	1: Strongly Agree	4	<b>22.2</b>	2
	2: Agree	12	<b>66.7</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	2	<b>11.1</b>	
E5: Do you think any barrier exist in SMEs accessing government sources of funds in public procurement	1: Strongly Agree	4	<b>22.2</b>	1.78
	2: Agree	14	<b>77.8</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	0	<b>0</b>	
E6: Do you think access to other sources of funding affect your SMEs in participating in public procurement	1: Strongly Agree	6	<b>33.3</b>	1.78
	2: Agree	10	<b>55.6</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	0	<b>0</b>	

**Source: Field Data, 2019**





The procuring entities were also asked of the financial challenges faced by SMEs in participating in public procurement within their facility. This was justified by the response gathered from the field with interesting outcomes after the analysis. It was noticed that cost of capital of contracts and availability of collateral for participation in public procurement were seconded by responded by margins of 88.9 and 77.7 percent respectively. This goes to cement the position of the SMEs responses on access to capital. Notwithstanding that, access to financial mediums such as banks, Savings and loans companies, investment companies and government sources of funding were seconded by respondents (60% and above) as a major challenge faced by SMEs in participation in public procurements. This was again the position of majority of respondents from the SMEs who responded to the study.

Lastly, the researcher further analyzed the responses from SMEs and procuring entities using the independent samples t test to determine whether there exists a statistically significant difference in the means of the responses given. It was revealed that there is no statistically significant difference between the responses.

#### **4.8 Access to Information by SMEs**

Information access is one key component to every SMEs to participating in public procurements. Without the required information to these public procurements to be able to assess the documentation requirements, the SMEs cannot participate in these bids. These is one of the reasons why the researcher wishes to investigate whether access to information is one the challenges causing low participation of SMEs in public procurement.

#### 4.8.1 Perspective of SMEs Access to Information on Public Procurement

**Table 4.8:** Shows the Access to information by SMEs on tender publications for procurement

<i>Access to information on Tender publications for procurement</i>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
F1. Does availability of information on public tenders affect participation of your SME in public procurement	1: Strongly Agree	63	<b>21</b>	1.86
	2: Agree	216	<b>72</b>	
	3: Disagree	21	<b>7</b>	
	4: Strongly disagree	0	<b>0</b>	
F2. Does ICT usage affect participation of your SME in public procurement	1: Strongly Agree	36	<b>12</b>	1.96
	2: Agree	240	<b>80</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	0	<b>0</b>	
F3. Does tendering process of public tenders affect participation of your SME in public procurement	1: Strongly Agree	102	<b>34</b>	1.76
	2: Agree	171	<b>57</b>	
	3: Disagree	24	<b>8</b>	
	4: Strongly disagree	3	<b>1</b>	
F4. Does networking with the procurement department affect participation of your M.S.E in public procurement	1: Strongly Agree	87	<b>29</b>	1.84
	2: Agree	180	<b>60</b>	
	3: Disagree	27	<b>9</b>	
	4: Strongly disagree	6	<b>2</b>	

**Source: Field Data, 2019**



The table above shows the access to information on tender publication for procurement been advertised by the procuring entities. It was noticed that when it comes to availability of information on public tenders, 21% of respondents strongly agree that inadequate or lack of information affects SMEs negative in participating in public procurement whiles 72% of the response agreed with the fact that SMEs inadequate or lack of information impacts them negatively. A total of 7 percent of the respondents disagreed with the fact that lack of information or inadequate information impacts the participation of this SMEs. The researcher also tried to find out the usage of ICT which impacts the SMEs participation in public procurement, it was revealed that 80% of the responses strongly agree to the statement made whiles 12% also backed the claim that ICT plays a major role when it comes to information dissemination. 8 percent of the respondents said they disagree with the fact that ICT affects SMEs participation in public procurement. The process involved in tendering for contracts was also reviewed by the researcher. It was noticed that a total of 91 percent of respondents agree with the fact that the processes to be followed before completing one bid are enormous and demanding hence delays or even stops some SMEs from participating in such bids.

Lastly, the flow of information cannot be reviewed without considering the networking of these SMEs with these procuring entities. The more you know people with these procuring firms as an SME, the more you are likely to also be informed verbally on such tenders. They were asked whether networking plays a major role in participating in bids, it was realized that 29% and 60% of respondents strongly agree and agree respectively whiles 9% and 2% disagree and strongly disagree.

#### 4.8.2 Perspective of Organizations on SMEs Access to Information on Public Procurement

**Table 4.9:** Shows the Access to information by SMEs on tender publications for procurement (Procuring Organization's perspective)

<i>Access to information on Tender publications for procurement</i>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
F1: Do you think SMEs and other competing companies are given equal rights to information on public procurement in your institution	1: Strongly Agree	2	<b>11.1</b>	2.11
	2: Agree	12	<b>66.7</b>	
	3: Disagree	4	<b>22.2</b>	
	4: Strongly disagree	0	<b>0</b>	
F2: Do you think availability of information on public tenders affect participation of your SME in public procurement	1: Strongly Agree	6	<b>33.3</b>	2.48
	2: Agree	6	<b>33.3</b>	
	3: Disagree	4	<b>22.2</b>	
	4: Strongly disagree	2	<b>11.1</b>	
F3: Do you think the usage of ICT affects participation of SMEs in public procurement	1: Strongly Agree	10	<b>55.6</b>	1.67
	2: Agree	6	<b>33.3</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	2	<b>11.1</b>	
F4: Do you think tendering process of public tenders affect participation of SMEs in public procurement	1: Strongly Agree	8	<b>44.4</b>	1.78
	2: Agree	8	<b>44.4</b>	
	3: Disagree	0	<b>0</b>	
	4: Strongly disagree	2	<b>11.1</b>	
F5: Do you think networking with the procurement department of your institution affect participation of SMEs in public procurement?	1: Strongly Agree	4	<b>22.2</b>	2.11
	2: Agree	10	<b>55.6</b>	
	3: Disagree	2	<b>11.1</b>	
	4: Strongly disagree	2	<b>11.1</b>	

**Source: Field Data, 2019**



Information dissemination is one most important component of every organization which enhances development. The table above shows the level at which respondents believe that SMEs being deprived of information to tenders can hamper their participation in public procurement. It was revealed that majority of the respondents (76.8%) of these procuring entities believe that all companies are given equal level grounds when it comes to information to compete or participate in public procurements while 22.2% of respondents do not believe that ideology. Another vital component of information is availability of the information for SMEs to access. It was realized that 66.6% of respondents agree while 33.3% of the respondents do not think that information is readily available on any public tender. Notwithstanding that, ICT usage in publication of public tenders impacts the participation of public tenders during request for tenders' process. It was noticed that 88.8% of the respondents said they do agree with the fact that ICT usage impacts SMEs negatively while 11.1 of the respondents do not believe so. Networking of SMEs with employees of these procuring entities could be an added advantage to information flow on public tenders. It was revealed that 77.8 percent of respondents agree to that while 22.2 percent disagreed.

Lastly, employees of the procuring entities were asked if tendering processes involved in applying for a tender is tedious and cumbersome. It was unveiled that 76.8% agreed that the process is tedious and cumbersome while 22.1 disagree with the statement. Majority of these responses given by the respondents of the procuring entities goes to confirm the position of SMEs on access to information.

#### 4.9 SMEs Winning and Executing Public Procurements

The researcher also wished to find out the actual proportion of SMEs who win bids and execute them to specification of the procuring entities. This was solicited from the procuring entities who give out contracts to SMEs and other organizations.

**Table 4.10: Shows the proportion of SMEs who win and execute public procurement**

<i>Proportion of SMEs who win and execute Public Procurements</i>	<b>0-25</b>	<b>26-50</b>	<b>51-75</b>	<b>75+</b>	<b>Mean(x)</b>
G1: Approximately what proportion of your annual contracts are tendered for by SMEs in your organization?	77.8	22.2	0.0	0.0	1.56
G2: Approximately what proportion out of this SMEs who tender for public procurement win and execute these contracts?	11.1	77.8	11.1	0.0	2.00
G3: Approximately what proportion of these SMEs execute these contracts according to the specifics of the contract given?	11.1	44.4	22.2	22.2	2.00
G4: Approximately what proportion of these SMEs are not able to access credits to execute these contracts won?	11.1	44.4	44.4	0.00	2.00
G5: Approximately what proportion of these SMEs are able to meet the time lines of the contract given?	22.2	55.6	11.1	11.1	1.44

**Source: Field Data, 2019**

The table above shows the proportion of SMEs who win and execute public procurements in line with the specifications of the organizations. It was realized that 77.8% of the respondents said only between 0 to 26 percent of SMEs approximately





participate annually in public procurements in their respective organizations while 22.2% of the respondents said within 26 to 50 percent.

It was also brought to light that 77.8% represent 26 to 50 percent of the proportion who agreed to the fact SMEs do win public tenders for procurements and execute them as required by the procuring firms. It was also unveiled that the 11.1% of the respondents told the researcher that only a 0 to 25 percent of the proportion do win and execute the contracts as required by the procuring entities within the stipulated period. Some respondents (11.1%) also believed that 51-75 percent of SMEs win and execute these public procurement contracts.

Also, the researcher wanted to know whether these SMEs who win and execute these contracts, do it according to specifications. It was gathered that 11.1% of the respondents said within 1 to 25 percent do execute the contracts according to specifications while 44.4% of the respondents said between 25 to 50 percent do it according to specifications. Other respondents also vouched for 50 percent and above which was represented by 44.4% of the total respondents.

The researcher also tried to find out the rate at which SMEs default in the execution of these contracts due to lack of credit facility. It was realized that a 44.4% of the total respondents said a proportion of 51 to 75 percent of the SMEs do not have access to finances and or credit to facilitate the execution of these contracts won while only 11.1% of the respondents believed that only within 0 to 25 percent have their won contracts not being executed because of credit facility.

Lastly, timelines have been a major concern in the awarding and execution of contracts. The researcher wishes to find out how many SMEs when given the opportunity to

execute contracts do it within the time lines given by the procuring entity. It was noted that 55.6% of the respondents said 26 to 50 percent of the SMEs do not meet the time lines given to them per the contract duration while other respondents (22.2%) said approximately between 0 to 26 percent of the contracts do not meet time lines of the contracts awarded. Some respondents (11.1%) also vouched for the fact 50 to 75 percent of SMEs do not meet timelines given by the procuring company. Above 75 percent of SMEs not meeting timelines recorded 11.1%.

This in turn alludes to the fact that SMEs are not given the opportunity to win and execute contracts because of the significant percentages recorded for failure to meet the said criteria for execution of the contracts.



**Table 4.11: Shows the SMEs being disqualified from participation in public procurement tenders**

<i>SMEs being disqualified from participating and winning procurement contracts</i>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean (x)</b>
H1: Does your organization disqualify SMEs from participating in public procurement due to access to credit facility	1: Strongly Agree	8	44.4	1.56
	2: Agree	10	55.6	
	3: Disagree	0	0	
	4: Strongly disagree	0	0	
H2: Does your organization disqualify SMEs from participating in public procurement due to the total capital base of the SMEs	1: Strongly Agree	6	33.3	2.00
	2: Agree	8	44.4	
	3: Disagree	2	11.1	
	4: Strongly disagree	2	11.1	
H3: Does your organization disqualify SMEs from participating in public procurement due to the capital involved in contract	1: Strongly Agree	4	22.2	2.00
	2: Agree	12	66.7	
	3: Disagree	2	11.1	
	4: Strongly disagree	0	0	
H4: Does your organization disqualify SMEs from winning public procurement due to access to credit facility	1: Strongly Agree	12	66.7	1.44
	2: Agree	4	22.2	
	3: Disagree	2	11.1	
	4: Strongly disagree	0	0	
H5: Does your organization disqualify SMEs from winning public procurement due to the total capital base of the SMEs	1: Strongly Agree	2	11.1	2.33
	2: Agree	10	55.6	
	3: Disagree	4	22.2	
	4: Strongly disagree	2	11.1	
H6: Does your organization disqualify SMEs from winning public procurement due to the capital involved in contract	1: Strongly Agree	2	11.1	2.11
	2: Agree	12	66.7	
	3: Disagree	4	22.2	
	4: Strongly disagree	0	0	
H7: Does your organization disqualify SMEs from winning public procurement due to the Labour expertise of the SMEs	1: Strongly Agree	4	22.2	2.85
	2: Agree	8	44.4	
	3: Disagree	6	33.3	
	4: Strongly disagree	0	0	

**Source: Field Data, 2019**





Table 4.11 show the extent to which SMEs are disqualified during tender processes in tendering for public procurement contracts. Majority of the respondents with mean mark of 1.56 responded to the fact that, most SMEs are disqualified based on access to credit facility (100.0%) to service the contracts given. This is so because most government contracts are awarded without any form of initial disbursements of funds to start the contracts but are paid after the completion of the contract. This as a result contributes to the fact of these enterprises being disqualified and not offered the opportunity to execute public procurement contracts.

Largely, respondents agreed (77.7%) to the fact that most SMEs are being disqualified as a result of their capital base which most do not conform to the minimum capital base of the contract to sourced out. This in other words makes it difficult for SMEs to participate effectively in winning public procurement bids, which most often than not discourages the SMEs from participating in public procurement contracts. It was overwhelmingly agreed by respondents with a mean mark of 2.00 with regards to the fact that SMEs are disqualified due to the capital involvement of the contracts being meted out for suitable firms to apply. This was one of the counted reasons why SMEs are usually not given the opportunity to participate or win public procurement contracts.

Lastly, the respondents were asked if SMEs are disqualified on the basis of lack and/or inadequate labour expertise in managing and executing public procurement contracts. This was agreed (66.6%) upon by respondents to some extend but disagreed (33.3%) by some respondents.

This means that some SMEs have the requisite expertise in the fields of tender most often than not but are mostly disqualified by these organizations bases on other strong and important reasons rather than the labour expertise/force.

#### 4.10 Further Analysis

A further analysis was conducted statistically to determine whether there exists a statistical difference between the information provided by the respondents of Small and Medium Enterprise employees and that of employees of the procuring organizations on SMEs participation in public procurements using competitiveness, access to information, legal requirements and access to capital and its challenges as key determinants. The researcher used the independent samples t statistical test method to determine whether there is a difference between the means of the independent and dependent variables identified by the researcher. The researcher set the hypothesis as follows;

**H<sub>0</sub>:** There is no statistically significant difference between the means of the responses given by the SMEs and that of the procuring entities on competitiveness, access to information, legal requirements and access to capital.

**H<sub>1</sub>:** There is a statistically significant difference between the means of the responses given by the SMEs and that of the procuring entities on competitiveness, access to information, legal requirements and access to capital.

The table below illustrates the Levene's test for equality of variance as well the t-test for equality of means. The researcher chose a significance level of 0.05 with 95 percent confidence interval for each of the test conducted for difference in means with regards to competitiveness, legal requirements, access to capital and information access.



**Table 4.12: Shows the Independent Samples Test for equality of means and variances**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Information Access	Equal variances assumed	4.712	.067	1.055	7	<b>.326</b>	.17500	.16582	-.21709	.56709
	Equal variances not assumed			1.178	4.649	.295	.17500	.14853	-.21564	.56564
Access Capital	Equal variances assumed	.182	.678	1.542	10	<b>.154</b>	.13333	.08646	-.05931	.32598
	Equal variances not assumed			1.542	9.526	.156	.13333	.08646	-.06062	.32729
Legal Requirement	Equal variances assumed	11.810	.003	2.699	18	<b>.015</b>	.24900	.09227	.05514	.44286
	Equal variances not assumed			2.699	9.386	.024	.24900	.09227	.04156	.45644
Competitiveness	Equal variances assumed	.463	.507	-1.35	15	<b>.198</b>	-.10861	.08067	-.28056	.06334
	Equal variances not assumed			-1.41	11.044	.187	-.10861	.07723	-.27852	.06130

Source: Field Data, 2019



The above table 4.20 shows the t test statistics for difference in means for the two independent samples from the employees of SMEs perspective and that of the procuring entities. The researcher wished to statistically determine whether there exists a difference in the means of the various determinants of the study. It was revealed that for access to information as responded by both entities, there is no statistically significant difference between the means since the t test for equality of means recorded a test statistic of 0.326. This means we fail to reject  $H_0$  which states that there is no difference between the two means.

More so, it was realized that a test statistic of  $p = 0.154$  for assumed equal variances compared to a significance level of  $p \leq 0.05$ . This tells us that we fail to reject the null hypothesis which states that there is no statistically significant difference between the means with regards to access to capital. This further buttress the fact that the SMEs employee's perception and procuring entities employees statistically agree to all questions asked during the study.

Notwithstanding that, the researcher further enquired with regards to whether there is a mean difference in response to legal requirements for SMEs participation in public procurement. It was revealed that a p value of 0.015 was recorded compared to the significance value of 0.05. We therefore reject the null hypothesis and accept the alternative hypothesis which states that there is a statistically significant difference between the means of the SMEs employee's responses and that of the procuring entities.

Lastly, the researcher also desired to find out the statistical difference between the responses of the procuring entities and that of the SMEs employees. it came to light that, there was no statistically significant difference between the responses of the both the

SMEs and procuring entities since the test statistics ( $p=0.198$ ) proved not significant. Due to a p value of 0.198, we fail to reject the null hypothesis meaning that the mean responses for SMEs and procuring entities are the same.

In conclusion, the test statistics for access to capital, access to information, and competitiveness of SMEs proved not significant meaning that the responses of the SMEs and that of the procuring entities do not differ while only legal requirement recorded a statistically significant value giving rise to the fact that the responses for the two entities differ.



## CHAPTER FIVE

### FIINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The chapter basically looks at the finding that is the discussion per the outcome of the analysis carried out in chapter four. Also, the chapter makes room for possible recommendations based on the outcome of the findings of the research work and lastly makes conclusion to the subject of interest. The recommendations made will be directed to key stakeholders in procurement works goods and services at the MMDAs, Universities and hospitals especially across the northern sector and the country as a whole.

#### 5.1 Discussion/Findings

Notwithstanding the fact that SMEs in Ghana contribute significant to the Gross Domestic Product (GDP), they also provide jobs to reduce the unemployment rate in the country (Mullineux, 1997; Abor & Quartey, 2010). The research recorded quite some interesting findings during the stage of analysis and further analysis. With regards to competitiveness of SMEs, the researcher chose the International Trades Centre (ITC) approach to assessing the competitiveness of SMEs. The researcher looked at capacity of the SMEs to compete as well as capacity to change. It was revealed that for competitiveness of SMEs in public procurement when having access have their mean range falling within 1.60 to 1.90 for respondents of SMES while respondents of procuring entities also have their mean range within 1.40 to 2.00. This generally points to the fact that both parties involved in responding to competitiveness of SMEs in public procurement agreed. It was seen that there is no significant difference in responses of





both parties. The mean marks recorded tells us that some responded strongly agreed while others also agreed that SMEs are competitive when having access to public procurement in line with operations and adaptability to changes, can serve as an impetus for economic development, can have advantages such as innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities, act as the main engines for growth and development, and will have strength and the resilience to operate in a competitive environment. Respondents were optimistic that when SMEs are given access to public procurement, they will be competitive as stipulated by International Trade Centre UNCTAD/WTO (ITC) (1999) and Carson, 1995 and Dallago, (2000).

The researcher also assessed the effect of lack of access to capital by SMEs in tendering for public procurements. Some finding was made as per the outcome of the analysis that both parties that is the SMEs respondents and respondents from procuring entities agreed largely but had some level of disagreement on SMEs access to capital which was not statistically significant when further examined. The mean range was seen to be 1.60 to 2.00 for SMEs respondents while procuring entities recorded a mean range of 1.7 to 2.3. This tells us that there is a certain level of disagreement between respondents of SMEs and procuring entities but not significantly seen.

A critical assessment of access to capital as a major driver for SMEs participation in public procurement was done. From the perspective of SMEs respondents, all the respondents agreed that capital deficiency plays a major role in SMEs inability to participate in public procurement. This position was largely backed by respondents from the procuring entities and also evident by literature as Rothwell, & Dodgson, 1994 and Abor, & Biekpe, 2006 alluded to the fact that one major feature of SMEs is their inability



to have access to vital resources such as human, capital and finance. The researcher concluded that access to capital remains a challenge on the side of SMEs and affects them negatively since further analysis of determine that there is no difference between the mean responses of the both the respondents of SMEs and procuring entities.

From the objectives of the study, the researcher also wished to find out whether access to information by SMEs do affect their participation in procurement tenders when opened. The researcher identified four (4) thematic areas to access during the study. These areas are availability of information to SMEs on public tenders, whether ICT usage serves as a barrier to SMEs participation, and tendering process involved in the participation. Majority of the respondents (90% and above) agreed to the fact that all these four areas identified by the researcher remain a major challenge to their participation in public procurement and need capacity as well as confidence on the side of the procuring entities to be able to participate effectively. The researcher in trying to confirm and ascertain the position of the SMEs decided to interview the procuring entities. The researcher seeks some vital responses from respondents of the procuring entities on SMEs access to information and it was revealed that majority said SMEs and other competing companies are given equal rights to information on public procurement whiles 22.2% of the respondents disagreed. Also, it was revealed that for availability of information to SMEs affects their participation was agreed upon by 66.6% of the respondents whiles 33.3% of the respondents disagreed with the fact. This tells us that majority of the respondents from the procuring entities agree with the position of the SMEs on difficulty in access to information affecting them in participation in procurement tenders. More so, it was also realized that for usage of ICT affecting participation of SMEs in public procurement, it



was largely (88.8%) agreed upon by the respondents while 11.1% disagreed with that position. Notwithstanding that, the position of the SMEs have been confirmed largely by the respondents from the procuring entities. In conclusion, the SMEs access to information is lacking or sometimes inadequate on public procurement tenders which is evident by Perry, 2011 who postulates that there is evidence to advocate that SMEs can have an important role to play in public procurement; however, they can face a number of challenges in accessing information and opportunities. This might also be as a result of request for quota methods of sourcing or the single sourcing method used most often than not in advertising tenders.

Lastly, the researcher also realized that legal requirements on the part of the SMEs is one of the barriers identified in works of other researchers. It was revealed that there exists a statistically significant difference in the mean responses of the SMEs and the procuring entities. This actually was in line with exemptions from bid security, special assistance to SMEs, equitable opportunities to compete for contracts as well as having preference in favor of local own businesses with some level of disagreement between them. The findings showed by Hayford, S., (2012) on SMEs challenges included availability of financial facility from banks, regulatory and legal constraints, managerial incompetence, input constraints, market constraints, and inability to capitalize on the advancement in technology were among others. This study as carried by Hayford, (2012) was based on SME's population in the Greater Accra region has reflected in this study, making it a part of the basis for the position of the study. This tells us that a further study is needed to augment the SMEs position of claiming to have bad regulatory experience with these procuring entities.

## 5.2 Conclusion

This research study was aimed at assessing SMEs participation in public procurements in the northern region of Ghana particularly in line with their competitiveness, access to information, legal requirements and access to capital. Looking at the importance of SMEs to competitiveness, information, employment among others, very little studies on the SMEs accessibility to capital and public procurement contract have been conducted from developing country's perspective of which Ghana is not left out. The significance of SMEs in participation and winning public procurement was necessary due to the fact most of these SMEs rely heavily on these contracts for their survival. From the analysis and discussions conducted, it came to light that SMEs are disadvantaged with regards to them being competitive, having access to capital as well as information flow from the perspective of the procuring agencies. Also, it was revealed that legal requirements sometimes contribute massively to SMEs not given the opportunity to participate or even win contracts for execution. This study in contributing to the debate on the accessibility issues of SMEs to public contract, based on the major findings the researchers can conclude that on the competitiveness of SMEs in Ghanaian economy with access to public contract, SMEs have the ability to be flexible in their operations and their adaptability to changes either accidental or unexpected and this confirmed Ong, Ismail and Goh (2010) study on competitiveness of SMEs. It can be concluded that SMEs serve as a force for economic diversification. The study can also conclude that SMEs can act as the main engines for growth and development. SMEs have the advantages in the form of innovation, employment, spatial benefits and the potential for decentralized supply opportunities which in a way can act as the main engines for growth and development.





On the section of preferential treatments accorded SMEs in Ghana based the Public Procurement Act 663, the study has concluded that procurement entities are not required to give SMEs concerns an equitable opportunity to compete for contracts and it does not provide any specific laws or articles relating to SMEs. This finding oppose to Commonwealth procurement procedures (2015) that government is to ensure that it provides full, fair and reasonable opportunities to businesses to bid for contracts where it requires government entities to apply procurement practices that do not unfairly discriminate against small and medium size enterprises (SMEs) and provide appropriate opportunities for them to compete. The margins of preference found in the Public Procurement Act 663 is designed to give preference to local suppliers and contractors (irrespective of the nationality of the proprietor) competing with foreign suppliers and contractors not specifically for SMEs in Ghana. It was clear that there is no small business set-aside program provided for SMEs in the Public Procurement Act 663 and its does not have any exemption from bid and performance security. In conclusion the study shows that per the Public Procurement Act 663, there are no preferential treatment for SMEs in Ghana and therefore making SMEs access to public contract very difficult to compete with the big and multinational companies. The use of public procurement to stimulate competitiveness and strengthen the SMEs is the primary focus of this study where the State can use public procurement to promote this action. The theoretical significance for this study is to create the awareness of the competitiveness nature of SMEs in Ghana when there is a deliberate attempt to make public contract easily accessible to the SMEs. Though the findings could be applied in many cases, the study is limited by its few participants from one particular region (Northern Region) and thus

make it is difficult to generalize the findings. The researchers nevertheless believed that the findings and its recommendations can be targeted to improve on the SMEs participation to public procurement contracts in Ghana.

### 5.3 Recommendation

Following the outcome of the findings identified and conclusions, some specific recommendations are coined out for the benefit of stakeholders and parties involved in management and decision making for SMEs:

- The current Public Procurement Act 663 with its reforms does not still take into consideration the SMEs accessibility to public contracts. The researchers therefore recommend that the procurement policy and the Act 663 amended in 2016 (Act 914) should be reformed to reflect preferential treatment for all the SMEs in Ghana to enhance their competitiveness and access to information in the economy. The State can encourage increase participation by SMEs in public procurement markets by establishing preferences for SMEs since the Act 663 amended to Act 914 gives room for that. The low participation of SMEs sometimes is associated to the presence of sole sourcing and request for quotations in the Act 663 which sometimes helps officers to ignore SMEs during open tenders.
- Using preferences has been a keystone of socioeconomic procurement policies in most advance countries. The use of SME preference needs to be intent with the strategy to make sure that they do not become an instrument to sponsor inefficient and/or corrupt SMEs. The public organizations should be fair in providing public



procurement opportunities and allow SMEs to have some special chances in winning these opportunities and not always rely on the lowest price mantra in awarding contracts.

- The legal enclave of the discussion and findings brings to light that SMEs do not have requisite knowledge or are sometimes ignorant to the contents of the Act 663 which empowers them to participate in any tender made available for consideration. The researcher therefore encourages SMEs to get copies of the Act as well as organize capacity building training for employees of the various SMEs across the region.
- The researchers also recommend that more efforts should be made to remove legal and regulatory framework which are seen to be bureaucratic, costly, and with a lot of burdensome procedures, this in a way will assist in enhancing SMEs accessibility to public procurement contracts or opportunities.
- Last but not the least, the researcher recommends a further study into the factors challenging the SMEs access to public contracts.
- Lastly, future researchers should further study into comparison of competitiveness of SMEs and Large Businesses



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**Appendix 1: Questionnaire for SMEs Respondents**  
**UNIVERSITY FOR DEVELOPMENT STUDIES**

**RESEARCH QUESTIONNAIRE**

**Dear Sir/Madam,**

I am Aliu Sabamma Baduon Fio, a student of UDS reading Master of Commerce in Procurement And Supply Chain Management. As part of the degree requirement, am expected to conduct a research on the topic “*ASSESSMENT OF SME’S PARTICIPATION IN PUBLIC PROCUREMENT IN NORTHERN REGION OF GHANA*”. Your kind co-operation is sought for the completion of this questionnaire. Your willingness to complete the questionnaire will be much appreciated. All information provided will be treated as strictly confidential and will be used for the purposes of the research study only. Thank you for your co-operation

**Background Information of Respondent/Company (Tick the appropriate box)**

**A. Respondent Information**

1. Position in company/firm

- a. Chief Executive Officer ☐      b. Managing Director ☐  
c. Procurement Manager ☐      d. Others ☐

*Specify:*.....

2. Age in years: [    ]

3. Sex of respondent:      a. Male ☐      b. Female ☐

4. Total numbers of years in your business.

- a. 0 – 5 ☐      b. 6 – 10 ☐      c. 11 – 15 ☐      d. 16-20 ☐      e. 21+ ☐

5. Academic qualifications

- a. SSCE and below ☐      b. B.Sc./BA/HND ☐  
c. M.Sc./MBA/MPhil ☐      d. PhD/DBA ☐

**B. Company Information**

6. What is the number of employees in your business (including yourself)?

- a. Below 5 ☐      b. 6 to 10 ☐      c. 1 to 15 ☐  
d. 16 to 20 ☐      e. 20 or higher ☐

7. Type of Business Ownership



- a. Established by you [ ] b. Bought from another Owner [ ]  
 c. Inherited Independently owned [ ] d. Owned in Partnership [ ]  
 e. Other(s) [ ] *Specify*:.....  
 9. How frequent have your organization participated in public procurement tenders  
 a. Just once [ ] b. A few times [ ] c. Regularly [ ]  
 d. Very regularly [ ] e. Others [ ], *Specify*:.....  
 10. The type of business registration of your enterprise?  
 a. Sole Proprietorship [ ] b. Partnership [ ] c. Limited Company [ ]  
 d. Unlimited Company [ ] e. Others [ ], *Specify*:.....

### **C. Competitiveness of SME's**

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (*Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree*)

<b><i>Competitiveness of SME's</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
SMEs afford flexibility in operations and adaptability to changes with a greater possibility to gain from unexpected changes and accidental discoveries				
SMEs with access to public contracts can serve as an impetus for economic diversification through the development of new and unsaturated sectors of the economy				
SMEs with access to public contracts can have advantages such as innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities				
SMEs when strengthened through public contracts can act as the main engines for growth and development				





SMEs with access to public contracts will have the potency and the buoyancy to operate in a challenging environment				
SMEs with access to public contracts will have the strength and the resilience to operate in a competitive environment.				
Innovative and technology-based SMEs with access to public contracts can provide a platform for expanding beyond the domestic borders, and entering intra-regional and international markets. SMEs having access to public contracts can promote domestic-led growth in new and existing industries				
SMEs with access to public contracts become productive drivers of economic growth and development for the Ghanaian economy				

#### **D. Legal Requirement of on SMEs**

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (**Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree**)

<b><i>Legal requirements on SMEs participation on procurement process</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
SMEs do not have any exemption from bid security with reference to public procurement act				
SMEs are not given special assistance in submitting bids/tenders and meeting procurement regulations				
Procurement officers/entities are not required to give small business concerns an equitable opportunity to compete for contracts				
SMEs also do not have any exemption from performance security with reference to public procurement act				



Most States in terms of public procurement applying some sort of preference in favour of their own nationals				
There is no specific laws or articles relating to SMEs from the public procurement act				
There is no small business set-aside program provided for SMEs in public procurements act				
Small businesses are not kept informed of opportunities for contracts and subcontracts as backed by the public procurement act				
Small business has not been singled out by the margins of preference for special treatment as stated in the public procurement act				
Margins of preference are designed to give preference to local suppliers and contractors (irrespective of the nationality of the proprietor) competing with foreign suppliers and contractors				

#### **E. Access to Credit - SMEs**

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (*Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree*)

<b><i>SME's access to credit facility</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Does cost of capital of a contract affect participation of your M.S.E in public procurement				
Does collateral availability affect your M.S.E in access to funds to enable your participation in public procurement				
Does access to financial medium (financial facilitation) affect participation of your M.S.E in public procurement				
Does access to government source of funding affect your SME participation in public procurement				
Does any barrier exist in your SME accessing government sources of funds in public procurement				

Does access to other sources of funding affect your M.S.E in participating in public procurement				
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**F. Access to information on Tender publications for procurement**

10. Which among the following do you use most in accessing public tender? (*tick all that apply*)

- a. Newspaper Advertisement [ ]    b. Social Media [ ]    c. Own Network [ ]  
d. Television Advertisement [ ]    e. Personal Referrals [ ]    e. Others [ ]  
Specify.....

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (*Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree*)

<b><i>Access to information on Tender publications for procurement</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Does availability of information on public tenders affect participation of your SME in public procurement				
Does ICT usage affect participation of your SME in public procurement				
Does tendering process public tenders affect participation of your SME in public procurement				
Does networking with the procurement department affect participation of your M.S.E in public procurement?				

**Thank you for your cooperation and participation!!!!!!**



**Appendix 2: Organizations Respondents**  
**UNIVERSITY FOR DEVELOPMENT STUDIES**  
**RESEARCH QUESTIONNAIRE**

**Dear Sir/Madam,**

I am Aliu Sabamma Baduon Fio, a student of UDS reading Master of Commerce in Procurement and Supply Chain Management. As part of the degree requirement, am expected to conduct a research on the topic “ASSESSMENT OF SME’S PARTICIPATION IN PUBLIC PROCUREMENT IN NORTHERN REGION OF GHANA”. Your kind co-operation is sought for the completion of this questionnaire. Your willingness to complete the questionnaire will be much appreciated. All information provided will be treated as strictly confidential and will be used for the purposes of the research study only. Thank you for your co-operation.

*Please answer by ticking/discussing the questions asked below*

**A. Personal Information**

1. Sex of respondent.                      a. Male [ ]              b. Female [ ]
2. Age of respondent?                      [ \_ \_ ] yrs
3. Level of education of respondent?
  - a. Primary education [ ]    b. Junior Secondary/middle education [ ]
  - c. Senior Secondary education [ ]              d. Tertiary education [ ]    e. Others [ ] (specify).....
4. Please state your department or unit .....
5. How long have you been with your department/unit?
  - a. Less than 5 years [ ]    b. 5 -10years [ ]              c. More than 10 years [ ]



**B. Perception on Competitiveness of SME's**

Please answer the questions below on the Likert Scale and choose the response that best suit your decision. (Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree)

<b><i>Competitiveness of SME's</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Do you think, SMEs are competitive enough in tendering for procurement contracts in your institution?				
Do you think SMEs with access to public contracts can serve as an impetus for economic diversification through the development of new and unsaturated sectors of the economy				
Do you think SMEs with access to public contracts can have advantages such as innovation, lower costs, spatial benefits and the potential for decentralized supply opportunities				
Do you think SMEs when strengthened through public contracts can act as the main engines for growth and development				
Do you think SMEs with access to public contracts will have the potency and the buoyancy to operate in a challenging environment				
Do you think SMEs with access to public contracts will have the strength and the resilience to operate in a competitive environment				
Do you think Innovative and technology-based SMEs with access to public contracts can provide a platform for expanding beyond the domestic borders, and entering intra-regional and international markets				
Do you think SMEs with access to public contracts become productive drivers of economic growth and development for the Ghanaian economy				
Do you think SMEs having access to public contracts can promote domestic-led growth in new and existing industries				



**C. Legal Requirement of on SMEs**

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree)

<b><i>Legal requirements on SMEs participation on procurement process</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
SMEs do not have any exemption from bid security with reference to public procurement act				
SMEs are not given special assistance in submitting bids/tenders and meeting procurement regulations				
Procurement officers/entities are not required to give small business concerns an equitable opportunity to compete for contracts				
SMEs also do not have any exemption from performance security with reference to public procurement act				
Most States in terms of public procurement applying some sort of preference in favour of their own nationals				
There is no specific laws or articles relating to SMEs from the public procurement act				
There is no small business set-aside program provided for SMEs in public procurements act				
Small businesses are not kept informed of opportunities for contracts and subcontracts as backed by the public procurement act				
Small business has not been singled out by the margins of preference for special treatment as stated in the public procurement act				
Margins of preference are designed to give preference to local suppliers and contractors (irrespective of the nationality of the proprietor) competing with foreign suppliers and contractors				



**E. Access to Credit - SMEs**

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree)

<b><i>SME's access to credit facility</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Do you think cost of capital of a contract affect participation of your SMEs in public procurement				
Do you think collateral availability affect your SMEs in access to funds to enable their participation in public procurement				
Do you think access to financial medium (financial facilitation) affect participation of SMEs in public procurement				
Do you think access to government source of funding affect SMEs participation in public procurement				
Do you think any barrier exist in SMEs accessing government sources of funds in public procurement				
Do you think access to other sources of funding affect your SMEs in participating in public procurement				

**F. Access to information on Tender publications for procurement**

10. Which among the following do you use most in advertising public procurement tender? (tick all that apply)

- a. Newspaper Advertisement [ ]      b. Social Media [ ]      c. Own Network [ ]  
d. Television Advertisement [ ]      e. Referrals [ ]      e. Others [ ]

Specify.....

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree)

<b><i>Access to information on Tender publications for procurement</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Do you think SMEs and other competing companies are given equal rights to information on public procurement in your institution				
Do you think availability of information on public tenders affect				





participation of your SME in public procurement				
Do you think the usage of ICT affects participation of SMEs in public procurement				
Do you think tendering process of public tenders affect participation of SMEs in public procurement				
Do you think networking with the procurement department of your institution affect participation of SMEs in public procurement?				

**G. Proportion of SMEs who win and execute Public Procurements**

Please answer the following questions below on the proportionate Likert Scale and choose the response that best suit your decision. (*Where the figures mean ranges of proportion in percentages for the various categories*)

<b><i>Proportion of SMEs who win and execute Public Procurements</i></b>	0-25	26-50	51-75	>75
Approximately what proportion of your annual contracts are tendered for by SMEs in your organization?				
Approximately what proportion out of this SMEs who tender for public procurement win and execute these contracts?				
Approximately what proportion of these SMEs execute these contracts according to the specifics of the contract given?				
Approximately what proportion of these SMEs are not able to access credits to execute these contracts won?				
Approximately what proportion of these SMEs are able to meet the time lines of the contract given?				

**H. SMEs being disqualified from participating and winning procurement contracts**

11. What are some of the reasons accounting for the disqualification of SMEs in participating or winning of public procurements?

- a. Access to Credit [ ]      b. Legal requirements [ ]      c. Labour expertise  
d. Others [ ], *Specify:* .....

Please answer the following questions below on the Likert Scale and choose the response that best suit your decision. (Where 1 = Strongly agree; 2 = Agree; 3 = Disagree; 4 = Strongly disagree)

<i>SMEs being disqualified from participating and winning procurement contracts</i>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Does your organization disqualify SMEs from participating in public procurement due to access to credit facility				
Does your organization disqualify SMEs from participating in public procurement due to access to credit facility				
Does your organization disqualify SMEs from participating in public procurement due to the total capital base of the SMEs				
Does your organization disqualify SMEs from participating in public procurement due to the capital involved in contract				
Does your organization disqualify SMEs from winning public procurement due to access to credit facility				
Does your organization disqualify SMEs from winning public procurement due to access to credit facility				
Does your organization disqualify SMEs from winning public procurement due to the total capital base of the SMEs				
Does your organization disqualify SMEs from winning public procurement due to the capital involved in contract				
Does your organization disqualify SMEs from winning public procurement due to the Labour expertise of the SMEs				

12. Did the SMEs winning contracts of procurement able to manage the contracts well when given the opportunity?

- a. Yes [ ]                      b. No [ ]

**Thank you for your cooperation and participation!!!!!!**

