

UNIVERSITY FOR DEVELOPMENT STUDIES

**CONTRIBUTION OF SMALL AND MEDIUM ENTERPRISES TO POVERTY
REDUCTION IN THE WA MUNICIPALITY**

KYEI MANU AMPET

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DECLARATION

Candidate's Declaration

I, **KYEI MANU AMPET** hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere. All sources of information cited and assistance received in the preparation of this work have duly been referenced and acknowledged.

Candidate's signature Date

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Supervisor's Declaration

I hereby declare that the preparation and presentation of the thesis was supervised in accordance with the guidelines on supervision of thesis laid down by the University for Development Studies.

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Supervisor's Name:



DEDICATION

This work is dedicated to my family and friends, especially to my darling wife and children. You have in many ways enriched my life. God bless you.



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ABSTRACT

In the developed and developing economies, small businesses are recognized as the main engines for growth and development because of their significant contributions to economic growth and poverty reduction. This made the development of the sector critical to the overall economic and sustainable growth of the Ghanaian economy. Their development is crucial in Ghana's pursuit to improving the economy and achieving the sustainable development goals (SDGs). The present study was conducted in the Wa Municipality to look at the contributions of SMEs to poverty reduction. The study adopted a mixed method approach and 270 SMEs owners were randomly sampled and primary data collected using questionnaire and interview. The data was analysed using charts and tables. The findings revealed that SMEs are a major contributor in income of proprietors and employees. Incomes of respondents had increased significantly and these has led to a significant decrease in the poverty levels of SMEs proprietors and employees. Also their savings had increased. SMEs were also seen as a major source of employment creation. Moreover, the study revealed that SMEs have experienced growth over the years and that respondents had benefited from the growth. However, the study revealed that SMEs are faced with challenges such as financing constraints, input constraints, commodity pricing, market constraints, managerial constraints, and security constraints. These problems, if not looked at, will hinder the development of SMEs in Ghana. Based on these findings the study recommends that funds should be made easily accessible to SMEs by institutions concerned, support services should be provided to SMEs by the various stake holders and that government should pay more attention to the SMEs sector due to its contribution to economic development.



TABLE OF CONTENTS

DECLARATION	i
DEDICATION.....	ii
ACKNOWLEDGEMENTS.....	iii
ABSTACT	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES.....	xiii
LIST OF FIGURES	xv
LIST OF ABBREVIATIONS AND ACRONYMS	xvi
CHAPTER ONE	1
1.0 INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Problem Statement	8
1.3 Research Questions	9
1.3.1 Main Research Question.....	9
1.3.2 Specific Research Questions	9
1.4 Objectives of the Studies.....	10
1.4.1 Main Research Objective.....	10
1.4.2 The Specific Objectives are:.....	10
1.5 Relevance of the Study.....	10





1.6 The Scope of the Study	11
1.7 Organisation of Chapters.....	11
CHAPTER TWO	13
LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK	13
2.0 Introduction	13
2.1 Definitions and Classification of SMEs	13
2.1.1 Definition of SME's in Ghanaian Context	13
2.1.2 Operational Definition of SMEs	15
2.2 The Role and Characteristics of SMEs	16
2.2.1 Role of SMEs.....	16
2.2.2 Characteristics of SMEs in Developing Countries	17
2.3 General Constraints to SME Development	21
2.4 Poverty in Northern Ghana	25
2.4.1 Poverty in the Upper West Region.....	26
2.5 Income Poverty and Operational Definition	27
2.6 The Contribution of SMEs to Poverty Reduction	28
2.7 SMEs and Job Creation	35
2.8 Growth of SMEs and Economic Growth	36
2.9 Conceptual framework	39
2.10 Literature Gap	41



CHAPTER THREE	43
RESEARCH METHODOLOGY AND THE PROFILE OF THE STUDY AREA.....	43
3.0 Introduction	43
3.1 Research Design.....	43
3.2 Target of the Study.....	44
3.3 Data Collection and Analysis.....	45
3.3.1 Sources of data.....	45
3.3.1.1 Primary data.....	45
3.3.1.2 Secondary data.....	45
3.4 Data Collection Instruments.....	46
3.4.1 Interviews	46
3.4.2 Questionnaire Administration.....	46
3.5 Sampling Methods and Technique.....	47
3.5.1 Selection of Study Area.....	44
3.5.2 Probability sampling.....	47
3.5.3 Purposive Sampling.....	47
3.5.4 Sample Size Determination	48
3.5.5 Quota of SMEs to the five Locations	49
3.6 Stages of Data Collection:.....	49
3.7 Data analysis techniques	50



3.8 Profile of Wa Municipal.....	51
3.8.1 Background.....	51
3.8.2 Demographic Characteristics.....	51
3.8.3 Social and Cultural Structure.....	52
3.8.4 Economy	52
3.8.5 The Economically Active Population.....	53
CHAPTER FOUR.....	54
DATA PRESENTATION ANALYSIS AND DISCUSSIONS	54
4.0 Introduction	54
4.1 Characteristics of SME Proprietors.....	54
4.1.1 Socio-demographics	54
4.1.1.1 Age Distribution of respondents.....	54
4.1.1.2 Sex Distribution of Respondents	55
4.1.1.3 Level of Education.....	56
4.1.1.4. Marital status of respondents.....	57
4.1.1.5. Size of households of respondents.....	58
4.2 Types and features of SMEs	59
4.2.1 Years of existence of SMEs.....	59
4.2.2 Kinds of SMEs.....	59
4.2.4 Items or Products produced by the various kinds of SMEs.....	61



4.2.4.1 Items manufactured	61
4.2.4.2 Items traded	61
4.2.4.3 Services.....	61
4.2.4.4 More than one kind of SMEs activities	62
4.2.5 Business type	62
4.2.6 Mode of Managers of SMEs.....	64
4.2.6.1 Rationale for the different kinds of management	65
4.2.6.2 Reasons for management by self	65
4.2.6.3 Reasons for the management by a family member.....	65
4.2.6.4 Reasons for the management by unrelated employee	66
4.2.7. Types of employees of SMEs	66
4.2.8 Business registration.....	67
4.2.8.1 Reasons for the registration of SMEs with a particular department.....	68
4.2.8.2 Why register with the Municipal Assembly?	68
4.2.8.3 Reasons for registering with the Registrar General's Department.....	69
4.3 Contributions made by SMEs	69
4.3.1 Motivation/Aim of business	69
4.3.2 Household Expenditure before starting the business.....	71
4.3.3 Income per month.....	73
4.3.3.1 Monthly income received from the start of the business.....	73



4.3.3.2 Current income per month.....	74
4.3.3.3 Comparing the income earned per month from a year of starting the business to the current income earned per month	75
4.3.3.4 Comparing the poverty status of respondents before the commencement of the business to a year of starting the business and to the current period.....	76
4.3.4 Purchasing power of respondents	77
4.3.5 Uses of income earned by SME proprietors.....	78
4.3.6 Savings.....	79
4.3.6.1 Savings within a year of starting the business.....	79
4.3.6.2 Current savings	81
4.3.6.3 Reasons for savings	81
4.3.7 Employment creation.....	82
4.3.7.1 Current number of employees	83
4.3.7.2 Number of employees at the start of business	84
4.3.7.3 Comparing the number of employees at the start of business to the current number of employees.....	85
4.3.7.4 Are all employees being paid?.....	86
4.3.7.5 Salary Levels of Employees	87
4.3.7.6 Problems associated with employment of labour	88
4.4 Growth of SMEs.....	89



4.4.1 Factors determining SMEs growth	89
4.4.1.1 Sales of goods and services	89
4.4.1.2 Comparing the Sales of goods and services at the commencement of the business to the current period	92
4.4.1.3 Quantity of goods manufactured	93
4.4.1.4 Number of customers of SMEs	96
4.4.1.5 Variety of items manufactured	97
4.4.1.6 Variety of services rendered	98
4.4.1.7 Variety of items traded	99
4.4.5 Reasons for growth of SMEs	100
4.4.6 Reasons for no growth	102
4.4.7 Benefits of growth to SMEs	102
4.4.8 Benefits of growth to people involved in SMEs.....	103
4.5 Improvement in standard of living	103
4.6 Relationship between SME growth and poverty reduction.....	105
4.7 Challenges	105
4.7.1 Challenges Encountered	105
4.7.2 Effects of challenges.....	109
4.8 Support system	109
CHAPTER FIVE	111



SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	111
5.0 Introduction	111
5.1 Summary of Findings	111
5.1.1 Types and Features of SMEs	111
5.1.2 Contributions made by SMEs.....	112
5.1.3 Labour or employees of SMEs	114
5.1.4 Growth of SMEs.....	115
5.1.5 Relationship between SME growth and poverty reduction.....	116
5.1.6 Challenges of SMEs	117
5.1.7 Support system	117
5.2 Conclusion.....	117
5.3 Recommendations	118
5.3.1 Financial accessibility.....	118
5.3.2 Supports and market systems	119
5.3.3 Improvement in security.....	120
5.3.4 Government should pay more attention to the SME sector.....	120
REFERENCES	121
APPENDICES	140

LIST OF TABLES

Table 3.1 Quota of SMEs to the five locations	49
Table 4.1 Age distribution of respondents	54
Table 4.2: Level of education of respondents	56
Table 4.3 Marital status of respondents	57
Table 4.4: Size of households	58
Table 4.5 Years of existence of SMEs.....	59
Table 4.6: Mode of Management of SMEs.....	65
Table 4.7: Registration Department.....	68
Table 4.8: Motivation/Aim of business	69
Table 4.9: Objectives for achieving their motives	71
Table 4.10 Monthly income earned a year after the start of the business.....	73
Table 4.11: Current income earned per month	74
Table 4.12 Uses of income in terms of proportions.....	79
Table 4.13: Daily amount of savings within a year of starting the business	80
Table 4.14: Daily amount of savings at the current period.....	81
Table 4.15: Reasons for savings	82
Table 4.16: Number of employees at the start of the business	84
Table 4.17: Wages received by employees.....	88
Table 4.18: Problems with labour.....	88
Table 4.19: Sales of goods and services a year of commencing the business	90
Table 4.20: Sales of goods and services at the current period of the business	91
Table 4.21: Quantity of goods manufactured	93



Table 4.22: Variety of items manufactured	97
Table 4.23: Variety of services rendered	98
Table 4.24: Variety of items traded	99
Table 4.25: Reasons for growth of SMEs	100
Table 4.27: Effects of challenges	109
Table 4.28 Available support system	110



LIST OF FIGURES

Figure 2.1: Conceptual framework 40

Figure 4.1: Pie chart showing sex distribution of respondents 56

Figure 4.2: A pie chart showing the Kinds of SMEs in the Wa Municipality 60

Figure 4.3: Pie chart showing the types of business organisations in the Wa Municipality
..... 63

Figure 4.4: A bar chart showing the types of employees 67

Figure 4.5 monthly amount of money spend before starting the business 72

Figure 4.6: Current number of employees 83



LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
BAC	Business Advisory Centre
CFED	Corporation for Enterprise Development
EDAIF	Export Trade, Agricultural and Industrial Development Fund
ERP	Economic Recovery Programme
GDP	Gross Domestic Product
GEDC	Ghana Enterprise Development Commission
GEM	Global Entrepreneurship Monitor
GLSS	Ghana Living Standards Survey
GOG	Government of Ghana
GRATIS	Ghana Regional Appropriate Technology Industrial Service
GSS	Ghana Statistical Services
ILO	International Labour Organisation
IMF	International Monetary Fund
LEAP	Livelihood Empowerment Against Poverty
LED	Local Economic Development
LSE	Large Scale Enterprise
MASLOC	Microfinance and Small Loan Centre
MOTI	Ministry of Trade and Industry
MSMEs	Micro, Small and Medium Enterprises
MTDP	Medium Term Development Plan
NBSSI	National Board for Small Scale industries
NDPC	National Development Planning Commission
NGO	Non-governmental organisation
NSPS	National Social Protection Strategy
NYEP	National Youth Employment Programme
OECD	Organisation for Economic co-operation and Development
PHC	Population and Housing Census
SBA	Small Business Administration
SAP	Structural Adjustment Programme



SDG	Sustainable Development Goal
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
SSNIT	Social Security and National Insurance Trust
UDS	University for Development Studies
UK	United Kingdom
UN	United Nations
UN-DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNIDO	United Nation Industrial Development Organization
USA	United States of America
USAID	United States Agency for International Development
VCTF	Venture Capital Trust Fund
WMA	Wa Municipal Assembly
YES	Youth Employment Support



CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises (SMEs) are of great significance to the growth of any nation. The vital role being performed by SMEs in the development of many nations are increasingly being acknowledged (Abor and Quartey, 2010; Amoah and Amoah, 2018). Greater percentage of businesses in the world are small (Ayyagari et al., 2011; Zafari and Mustafa, 2017). Even in advanced countries SMEs employ more workers than larger firms (Edinburgh Group, 2012). And it is not surprising that these advanced economies relishing a thriving and buoyant economy impute majority of their success to a thriving SMEs sector (Frimpong, 2013).

According to the Association of Chartered Certified Accountants' (ACCAs') SMEs form a greater proportion (85% to 99.9%) of the business community globally. They also made up for just under 50% of GDP and 77% of private sector jobs. If all accessible good data from all countries are summed up, SMEs can be shown to make up for 52% of GDP and 67% of employment, which highlights the sector's global importance (ACCA, 2010).

An assessment carried by the World Bank Group on small enterprise ventures confirms the responsibility of the World Bank Group to the advancement of the micro, small and medium enterprise (MSME) sector as a key component in its plan to stimulate economic growth, employment and poverty reduction. During the year 2001, the World Bank Group granted \$2.8 billion in aid to micro, small and medium enterprises. There is an increasing acknowledgement of the responsibility that SMEs performed in strengthening global and regional economies (World Bank, 2001).



In the advanced and developing economies, SMEs are seen as the principal mechanism for growth and development due to their remarkable input to economic growth and wealth. In recent times, due to an increase in unemployment, there has been a rejuvenated attention on the advancement of SMEs not just as a mechanism for growth but more crucially as a solution to employment generation and poverty alleviation.

SMEs account for over 55% of GDP and over 65% of the overall jobs in advanced countries. SMEs and informal businesses, contribute to over 60% of GDP and over 70% of total jobs in underdeveloped nations, whereas they account for over 95% of the overall jobs and about 70% of GDP in middle-income countries. This shows that the correlative significance of SMEs and the informal sector are negatively linked with economic development. In low-income countries, predominantly in the less developed economies, the significance of SMEs to employment and GDP is less than that of the informal sector, where the substantial majority of the poorest of the poor make a subsistence level of living. Thus, the most significant policy preference in developing countries is to ameliorate the policies that separate the informal and the formal sectors, so as to allow the poor to engage in markets and to participate in upgraded business ventures (International Trade Centre, 2016; Zafari and Mustafa, 2017; Amoah and Amoah, 2018).

An integral issue in poverty analysis recognizes unemployment as the key source of poverty amid those of working age (Saunders, 2006). Employment of labour is a key factor and highly related to human development stability of national economies. As indicated by Hessels and Parker (2013) employment is one of the most important factors in poverty alleviation and SMEs play a pivotal part in job creation and income generation.





The capacity of SMEs to enhance growth in newly establish and existing firms and to build a stronger economy in an enterprising and exigent atmosphere is indisputable. The economic growth attained by advanced countries such as Japan, Malaysia, South Korea, Canada, France and many others, is predominantly as a result of SME ventures. The impact of SMEs on Gross Domestic Product (GDP) is very significant in most countries. For example, the impact of SMEs to GDP span from 60 percent in China, 57 percent in Germany, 55.3 percent in Japan and 50 percent in Korea, to 47.3 percent obtained by Malaysia. The growth of SME is evaluated by SME impact to the three key areas of the economy; manufacturing, services and agriculture (Katua, 2014; Kumar, 2017).

Reynolds et al (2002) states that about 460 million adults all over the world are involved in entrepreneurial venture and this in effect has led to the formation of nearly 100 million recently established enterprises.

This reveals that SMEs have been the mainstay of economic growth and industrial development. As a result of their large quantities, magnitude and essence of responsibility, the capacity of SMEs in fostering endogenic sources of growth and enhancing infrastructure for faster economic growth and development has been acknowledged (Savlovschi and Robu, 2011). The worth of SMEs is generally acknowledged all over the world and also SMEs are growingly being accepted as a fecund force of enhancing economic expansion and development for African countries (Egbeh and Oguguo, 2018). As stated by the United Nations Industrial Development Organization (UNIDO), SMEs comprise more than 90% of all private enterprise and also account for more than 50% of jobs and of GDP in almost all African countries (UNIDO,

1999). It is clear that SMEs have the capacity to create the impending generation of entrepreneurs in Africa.

It is important for African countries to place a high consideration on SMEs in rural and urban communities, not just for its contribution on growing indigenous private sector but also for the establishment and preparation of new enterprise (Brau, and Woller, 2004).

SMEs are very significant to most countries all over the world, more precisely those in underdeveloped nations. They performed a major role in increasing productivity and employment; they have the capacity to become bigger enterprise in a foreseeable future (Palma and Gabriel, 2005). Besides, SMEs are fundamental to employment generation because SMEs are more labour-intensive and are able to engage more labour per unit capita than bigger firms therefore creating more jobs in the economy (Kumar, 2017).

This is also apparent in underdeveloped nations such as Ghana as it is understood that the sector is responsible for about 35% of labour (Mensah and Rolland, 2004). In addition, as stated by Sowa et al. (1992) SMEs serve as a subsequent employment for those engaged in it who are in the public sector and it serve as an important supplement for those engaged in it. Apart from providing employment, the SME sector also render investment avenues; expert tuition and skills development and they are the roots of tax revenue to the government. Remarkably, SMEs are a major source for the delivery of infrastructure and other facilities such as roads, water and electricity being what they can offer to rural development, regional growth and improvements of decentralization and migration policies in Ghana (Thomi and Yankson, 1985). SMEs in Ghana are seen by governments as being an integral part in the transformation of business from being a public enterprise to private oriented development strategy (Aryeetey, et al., 1994). Therefore, in Ghana the





SME sector is considered as a key employing agency in the economy. As stated by International Trade Centre (2016); Agyemang (2019), the share of the SME sector to Ghana's Gross Domestic Product (GDP) is about 70% and constitute about 85% of businesses in Ghana. In addition, SMEs innovation and increasing technology can serve as an avenue for expansion into gaining access to the sub region and international markets. SMEs perform a significant task in domestic economies by initiating local growth and novelty to the area in which they reside. SMEs also aid in invigorating economic development through the provision of job opportunities to those who may not be qualified to work in larger firms (International Trade Centre, 2016). There is no common definition of SMEs across the globe but the most frequently applied standard is the number of workers employed by the enterprise (Abor and Quartey, 2010), this number of workers' criteria in defining SMEs is used under this study.

The various contributions by SMEs if realized will eventually lead to the reduction of poverty. Even though poverty is a global problem, it is no doubt that more is prevailing in developing countries than developed countries (Nkum, 1998). Poverty is generally expounded and measured based on consumption or income measurements. Nonetheless, poverty is broadly acknowledged as multi-dimensional. Poverty studies have embrace three main constructed definitional and measurement approaches that is economic well-being, capability, and social exclusion (GSS, 2013). This study will focus on the economic well-being approach to poverty thus income poverty. The poverty situation in Ghana was initially conducted in 1998/99 by the Ghana Living Standards Survey (GLSS) and it was found that half of the 10 regions that is 5 of the regions had 40 percent or more of their population being poor. These regions include the following Eastern, Central,



Upper West, Upper East and Northern Regions with poverty profiles of 44 percent; 48 percent; 84 percent; 88 percent and 69 percent respectively (UNDP, 2007). In comparison the next three recent poverty analysis which was conducted in 2005/06, 2012/13, and 2016/17 shows a decline and rise of poverty incidence among the three Northern regions. That is the northern region shows a decline in poverty incidence of 55.7% to 50.4% from 2005/06 to 2012/13 respectively with a rise of 61.1% in 2016/17 poverty analysis. Also figures from the Upper East indicate a fall in poverty incidence of 72.9% to 44.4% from 2005/06 to 2012/13 respectively with a rise of 54.8% in 2016/17 poverty analysis. The Upper West region also exhibited similar trend with a decline in poverty incidence of 89.1% to 70.7% from 2005/06 to 2012/13 respectively with a marginal rise of 70.9% in 2016/17 poverty analysis (GSS, 2018). Recent poverty analysis by the GSS (2018) shows that the Upper West Region is the poorest among the 10 regions with seven out of every ten people being poor (70.9%). As a result of that one of the major programme of the Wa Municipality as set up by the medium term development plan (MTDP) is to create jobs and reduce poverty thereby raising the standard of living of the people in the municipality (WMA, 2018).

Poverty levels in Ghana also vary among the various economic sectors. Poverty is generally more prevalent in two sectors in Ghana: agriculture and the informal sector, with the agricultural sector being the most affected. Following the agriculture sector is the informal sector. Thus poverty is more prevalent in households whose heads are self-employed in the agriculture sector and those in the private sector especially those in the informal sector (GSS, 2018).

Nkum (1998) also corroborates with the reality that both the incidence and depth of poverty are identified to be higher in Northern Ghana (the rural savannah) and comparatively lower in Southern Ghana, which has the lowest incidence of poverty in Ghana. He went on to deliberate that poverty in the rural north have the tendency to dominate the entire community and thus jeopardize food security usually in the lean season, whilst in the urban areas, it is more of a personal circumstance and associates more to access and to secure job. Poverty reduction strategies are now the top plan for most African countries in their quest to encourage development (Wangwe and Rweyemamu, 2001; World Bank, 2017).

SMEs are crucial for poverty alleviation as the following reasons indicate;

- SMEs are able to recruit poor and low-income employees.
- SMEs are considered as the only means of employment in poor localities and rural areas.
- For many poor people self-employment is the only avenue for gaining income.
- SMEs perform a crucial function in underdeveloped countries where poverty is more prevalent.



SMEs in Ghana and particularly in Wa municipality thus have a crucial part to play in encouraging growth, creating employment and playing a major part in poverty reduction, given their economic value in African countries. More specifically, the growth of SMEs is viewed as speeding the attainment of broader socioeconomic objectives, including poverty reduction (Cook and Nixson, 2000). It is as a result of all these that this research seeks to analyse the contribution of SMEs to poverty alleviation in the Wa Municipality.

1.2 Problem Statement

UN-DESA (2015) recognizes that the private sector such as SMEs are key to ending poverty. Private sector development is understood to be very important to the generation of employment, economic growth and development (Kurokawa, Tombo, and Vilde, 2008). The SME sector with regard to economic development is capable of providing growth in employment and is instrumental in reducing poverty in underdeveloped nations.

The private sector is one of the main sectors in the economy of the Wa Municipality employing about 85% of employees. Out of the 85%, the private non-formal sector is the biggest employer in the Municipality, recruiting 80.1% of the labour force with the private formal sector employing 5% (GSS, 2014). The public sector accounts for the second highest employer, constituting 14.1% of the working people. SMEs have a major share among the private sector in the Wa Municipality. As noted by Mensah (2004) 90% of enterprises are micro, small, and medium enterprises. SMEs are largely owned by sole proprietors and partnership and they are categorized into manufacturing, trading and service. According to GSS (2015) the Upper West Region experienced an increase of business establishments from the year 1995-2004 and the year 2005-2014 by over 413% that is from 2318 to 9584.

In spite of all these gains and the role played by SMEs there is high poverty rate in the Upper West Region in general and in the Wa Municipality in particular, characterized by growing unemployment which has been identified by the Wa Municipal Assembly as an obstacle to the development of the Municipality (WMA, 2018). The poverty rate in the Upper West Region is 70.9% with that of Wa Municipality standing at 36% and the



unemployment rate in the Municipality is about 49.86% (GSS, 2018). According to GSS (2018) poverty is more prevalent in the Upper West region than all the regions. Although SMEs have a greater responsibility in poverty reduction they are encountered by numerous challenges such as credit, technology, inputs, managerial, market constraint etc. which prevent it from attaining its fullest potential more especially the reduction of poverty.

This study seeks to examine the types of SMEs in the Wa Municipality, the role they play in poverty alleviation in the Municipality and the challenges that may be hindering their growth, because in spite of the fact that SMEs in Wa have increased in number over the years, (GSS, 2015) with new small business opening every year, many of them remain in the same state for years or fold up after a short period, and poverty is still high among the people.

1.3 Research Questions

1.3.1 Main Research Question

What is the contribution of SMEs to poverty reduction in the Wa Municipality?

1.3.2 Specific Research Questions

- What are the types and features of SMEs in the Wa Municipality?
- How have SMEs contributed to employment creation and income generation in the Wa Municipality?
- What are the effects of SME growth on poverty reduction in the Wa Municipality?
- What are the challenges that SMEs face and how do the challenges affect SMEs in the Wa Municipality?



1.4 Objectives of the Studies

1.4.1 Main Research Objective

The general objective of the study is to analyze the contribution of SMEs to poverty reduction.

1.4.2 The Specific Objectives are:

- To identify the types and features of SMEs in the Wa Municipality.
- To determine the contributions SMEs have made to employment creation and income generation in the Wa Municipality.
- To examine the relationship between SME growth and poverty reduction.
- To examine the various challenges that SMEs face and the effects of the challenges on SMEs in the Wa Municipality.

1.5 Relevance of the Study

Because SMEs constitute the greatest proportion of businesses in Ghana, targeting SMEs in the Wa Municipality is very much justifiable. This research provided extensive information on the types and features of SMEs in the Wa Municipality, the contribution of SMEs to employment generation, income generation and how these have contributed to improvement in standard of living and poverty reduction. The challenges of SMEs in the Wa Municipality and its impact on SMEs operation, and poverty is identified.

The study examined SMEs in the Wa Municipality as a resource base and indicate the prospects and the avenues for employing the resource base aimed at employment creation, income generation and poverty reduction. These would help policy makers to



see the need to support SMEs. It would also help target groups to have solution to some of the challenges facing SMEs.

The research would also contribute to existing knowledge and literature about the contribution of SMEs to poverty alleviation more specifically in the Wa Municipality. As Dittoh (2008) put it, the method of alleviating poverty in the past will be very different from that of today.

1.6 The Scope of the Study

Geographically, the study is undertaken in the Wa Municipality of the Upper West Region. The types of SMEs selected for this study are retailing and manufacturing. The content of the study looked at SMEs that consist of retailing and manufacturing and how it can reduce poverty.

1.7 Organisation of Chapters

This work is arranged into five chapters. Chapter one presents the problem and its context. It states the background, problem statement, research questions, the objectives, relevance of the study and scope of the study.

Chapter two, which is the literature review, covers the conceptual framework and the theoretical bases of SMEs and poverty reduction. It deals with the introduction to SMEs, the development of SMEs, the role and characteristics of SMEs, general constraint to SMEs development, contribution of SMEs to the economy. Also in this chapter all the significant features of the major concepts of poverty and poverty reduction deemed critical for the research is explored. Then the roles of SMEs in poverty reduction are reviewed. Chapter three identifies the research methodology used for the study. This



section shows the procedures and methods used in probing the research problem. It also serves as a guide for the comprehension of how the research was devised and executed.

Chapter four presents the analysis of the data collected from the field by the researcher. It includes both the primary and secondary data.

Chapter five being the final chapter contains summary of findings and recommendations.



CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0 Introduction

This chapter examines the theoretical and empirical work done by writers and researchers on related topics. This review covers the broad concept of SMEs and poverty reduction, the development and contribution of SMEs to national economies, and more specifically poverty reduction. The aim is to demonstrate the significance of SMEs in changing the poverty status of those who are involved in SMEs and the significance of SMEs in the economic development process. Also different approaches and justification for promoting SMEs are discussed.

2.1 Definitions and Classification of SMEs

2.1.1 Definition of SME's in Ghanaian Context

The definition of SMEs has not been universal as noted by Storey (1994) cited in Kayanula and Quartey (2000:5) “there is no single, uniformly acceptable, definition of a small firm”. SMEs have been explained depending on a number of features. Some have defined SMEs depending on the number of employees, others based on the worth of fixed assets and some also apply both the fixed assets and the number of employees (Abor and Quartey, 2010).

Concerning the various forms of definition of SMEs Kayanula and Quartey (2000:8) asserted that “the most commonly used criterion is the number of employees of the enterprise”. In using the number of employees as a basis for defining SMEs, there is generally a misunderstanding concerning the limitations put on the number of employees by the different formal sources. For instance as found in its Industrial Statistics, the



Ghana Statistical Service regards enterprises with the number of workers being fewer than 10 people as Small Scale Enterprises and those firms having more than 10 workers as Medium and Large-Sized Enterprises. Paradoxically, the GSS in its national reports view firms with up to 9 workers as Small and Medium Enterprises (Osei et al., 1993; Kayanula and Quartey, 2000).

In the opinion of the National Board for Small Scale Industries (NBSSI, 1990) SME is defined in Ghana based on two criteria that is by using the fixed asset and number of workers criteria. It defines small-scale enterprise as an enterprise having employees less than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not above 10 million Ghanaian cedis and micro with employee not more than five. Also in incorporating both the fixed assets and the number of workers as a basis in defining SMEs the Venture Capital Trust Fund (VCTF) Act 2004 (Act 680 section 28) explained SMEs as an industry, project, undertaking or economic activity which employs less than 100 persons and whose total asset base, excluding land and building, does not surpass the cedi equivalent of US\$1 million in value.

The Ghana Enterprise Development Commission (GEDC) defined SMEs based on the value of their fixed assets; it applies a 10 million Cedis upper ceiling definition for plant and machinery. However Kayanula and Quartey (2000) identified two difficulties linked with the application of the fixed assets criterion. Firstly they cautioned that the procedure of evaluating fixed assets clearly create a difficulty. Secondly, the persistent decline in the exchange rate usually makes such explanations obsolete. Steel and Webster (1990), Osei et al (1993) identify Small Scale Enterprises in Ghana as firms employing up to 30 employees. Nevertheless Osei et al (1993) go on further to separate Small Scale



Enterprises into 3 categories: micro employing not more than 6 people; very small, those recruiting 6-9 people; and small between 10 and 29 employees.

The Regional Project on Enterprise Development Ghana manufacturing survey paper also contributed to the definition of SMEs. The survey report categorises firms into: micro enterprise, less than 5 employees; small enterprise between 5-29 employees; medium enterprise, between 30-99 employees; large enterprise, constituting 100 and more employees (Abor and Quartey, 2010).

2.1.2 Operational Definition of SMEs

There are differences in the explanations of micro, small and medium enterprises. The most frequently applied standard is the number of workers employed by the enterprise (Abor and Quartey, 2010). SMEs in Ghana normally have few employees who are mainly family members of the proprietor therefore there is usually an absence of detachment between proprietorship and management. From the above deliberations both in Ghana and the related experiences in other part of the world, it can be concluded that SMEs have varied definitions. For this reason, a working definition is necessary for the study. The most frequently applied concept which has been singled out from the varying definitions is the number of employees of the enterprise.

The concept of using the number of employees as a basis for defining SMEs which is been used in this study also agrees with the definition of SMEs acknowledged by the NBSSI. The notion backing this worker based concept is because enterprises can simply be recognised by their number of workers. And it is also due to the fact that the procedure involved in evaluating fixed assets, usually create a problem because the technique of



accounting principle applied by a particular firm will not be the same as the other, and also because continuous depreciation in the exchange rate usually render such definitions outmoded. According to OECD (2004) the employee principle is used due to the ease of collecting data.

Thus the operational definition of SMEs under this study is as follows: Small Enterprises consist of enterprises with not more than 10 employees, and Medium Enterprise as enterprises employing between 10 to 30 employees.

2.2 The Role and Characteristics of SMEs

2.2.1 Role of SMEs

The contributions of SMEs in accelerating economic growth in underdeveloped nations have been of a prime concern to many policy makers (Kayanula and Quartey, 2000). To achieve economic growth in developing countries, SMEs have been identified as the mechanism by which economic growth can be realised. As noted by Fiseha and Oyelana (2015) SMEs have undeniably been the major contenders in local economic ventures, mainly as dominant contributors of employment and consequently, a producer of primary or secondary sources of income for many households. SMEs are crucial to socio-economic change and in relation to their contribution to job creation. It is adjudged that 22% of the adult population in underdeveloped countries are engaged in SME activities (Daniels and Ngwira, 1993; Daniels and Fisseha, 1992; Robson and Gallagher, 1995).

Despite the benefits of SMEs some authors have a skeptical view about the contribution of SMEs. “Some authors stress the advantages of large firms and challenge the assumptions underlying the pro-SME view” (Beck, Demirguc-Kunt, and Levine, 2005:1).





Others have asserted that the employment creation effect of small and medium enterprise is a statistical flaw; it is not able to take into consideration the offsetting factors that make the net effect more modest (Biggs, Grindle and Snodgrass, 1988). The sceptics further argue that an increase in employment of SMEs does not always lead to rise in production (Kayanula and Quartey, 2000). Also, some are of the view that bigger firms supply more steady and hence better quality jobs than small firms with constructive effect on poverty reduction (Rosenzweig, 1988 as cited in Beck, Demirguc-Kunt, and Levine, 2005). In comparison between SMEs and large firms, some research indicates that SMEs do not exceed bigger firms in terms of job creation and being more labour intensive (Little et al., 1987).

In spite of the skeptical perspective highlighted by some authors, Kayanula and Quartey (2000); Kumar (2017) opined that the crucial responsibility undertaken by SMEs cannot be ignored. Small firms are more advantageous than their large-scale counterparts. They have the capacity to adjust more comfortably to market environment due to their broadly skilled technologies. It is now well believed and understood among academicians and policy makers that SMEs are very relevant in playing a part in the general economic accomplishment of countries (Gebremariam et al., 2004).

2.2.2 Characteristics of SMEs in Developing Countries

In terms of entry into external and local capital markets SMEs are seen as having a less direct access due to lofty intermediation costs of smaller projects as compared to large firms. Moreover, SMEs encounter the similar fixed cost as Large Scale Enterprises (LSEs) in conforming with regulations but do not have enough means to trade the goods overseas (Kayanula and Quartey, 2000; Akugri et al., 2015).



Fisher and Reuber (2000) characterize SMEs in developing countries under the following section: labour characteristics, sectors of activity, gender of owner and efficiency. Most of the ownership structures of SMEs in developing countries consist of sole proprietorship and partnership (Adisa et al., 2014). In developing countries most SMEs are established or owned by individuals, as a result of that the working proprietors constitute the biggest employment group. The working proprietors group consists of more than half of the SME labour force in most developing Countries (USAID, 2006; Abor and Quartey, 2010; Mensah, 2004). According to GSS (2016) in the Upper West region of Ghana the most common legal status of business establishments is the sole proprietorship representing 74.9% of all business establishments, followed by partnership representing 8.2%. In the Wa Municipality the sole proprietorship is the most dominant representing 82.2% of all business establishments. SMEs that are managed by their proprietors are usually aided by relatives but are normally unpaid (USAID, 2006; Okello-Obura, et al 2009). They make up about a quarter of the SMEs workforce. The rest of the working staff is shared among hired workers and trainees or apprentices (Abor and Quartey, 2010). Adisa et al. (2014) also share a similar view by stating that management of SMEs are mostly done by the owners or relatives of the business.

SMEs mostly perform the following economic activities: retailing, trading, or manufacturing (Fisher and Reuber, 2000). Akugri et al. (2015) identified that the main activities of SMEs in Ghana are in agriculture, manufacturing, commerce and service. It is often regarded that a greater part of SMEs is classified under the retailing category, but the extent of SME ventures that occurs in the retail sector differs significantly among countries, and among rural and urban areas within countries. Urban areas are more

associated with retailing, whereas the production sector can be located in both rural and urban centres. Nevertheless, the degree of a country's participation in the manufacturing sector is dependent on a number of factors, such as accessibility of raw materials, taste and consumption patterns of domestic consumers, and the extent of development of the export markets (Abor and Quartey, 2010).

SMEs in Ghana may be grouped into urban and rural enterprises. The urban SMEs may be divided into structured and unstructured enterprises. The structured SMEs are normally associated with employees who are remunerated and also with a registered office. In contrast the unstructured group are made up of artisans who carry out their work in open spaces, makeshift wooden structures or at home and recruit few people or in some instances unsalaried workers (Kayanula and Quartey, 2000; Akugri et al., 2015). Kayanula and Quartey, (2000) go on further to state that the unorganised group and rural SMEs depend more on relatives or apprentices. And in terms of composition rural enterprises usually consist of a group of relatives, individual artisans, and women who are into the production of food crops. According to Osei et al (1993), Kayanula and Quartey (2000), the SMEs sector consists of the following major activities: soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical-based products and mechanics.

When it comes to classifying SMEs in terms of gender of owner, females constitute majority of it but these SMEs owned by females are normally operated in homes in contrast to those owned by males (USAID, 2006). Because female owned SMEs are





mostly operated in homes, they are not recognised in Official Statistics this in effect hinders them from securing loans from financial institutions. The female entrepreneurs are of the view that they are not in the position of benefiting from these credit facilities, because the management expenditure related to the scheme is usually greater than the gains (Abor and Quartey, 2010). Verifiable research conducted in Ghana show that SMEs that have female proprietors normally have problems obtaining finance. Female entrepreneurs do not have the required surety to qualify for loans. This is because they are usually engaged in individual businesses which are mainly microenterprises (Aryeetey et al., 1994; Abor and Biekpe, 2006).

Productivity of labour, an example of measure of enterprise efficacy differs significantly both within and across industries. The magnitude of a firm can be linked with some other factors that are closely associated with effectiveness, such as administrative skill (to a larger extent the level of education) and technology and the effects of the environment (Abor and Quartey, 2010). Entrepreneurship education produces self-sufficient enterprising individuals, and the likelihood of self-employed graduates owning a high-technology business (Charney and Libecap, 2000). Indarti and Langenberg (2004) were of the opinion that the education of SMEs proprietors has a positive relationship with business success. Most research conducted in developing countries stipulate that the smallest firms are less effective, and there is some proof that both small and large firms are fairly ineffective in contrast to medium-scale enterprises (Little et al., 1987 as cited in USAID, 2006 and Abor and Quartey, 2010). In terms of innovations some are of the opinion that SMEs are more innovative than large firms (USAID, 2006). The former bring innovation to the market place, but the input of innovation to productivity occurs

slowly, and as such large firms may have abundant resources to arrogate and execute them (Acs et al., 1999 cited in Abor and Quartey, 2010).

Large firms may have abundant resources than small firms but as indicated by Kayanula and Quartey (2000:11) “Small scale enterprises make good use of resources than large scale enterprises”. Also studies conducted in Ghana and many other countries allude to the fact that SMEs have greater productivity in terms of capital than large scale enterprises (Steel, 1977). USAID (2006) opined that the growth of small firm increases employment at a dominant scale than large firm growth because small enterprises are more labor intensive, in accordance with the nature of the market in most developing countries. Many observers are of the view that, when it comes to industries, for a given scale of production, small firms employ more people than large firms. This is because SMEs are able to employ more people with very limited capital. As a result SMEs enjoy greater capital productivity which is prudently better investment (Kayanula and Quartey, 2000). Because of high capital productivity enjoyed by SMEs, it has been contended that advancing the SME sector in less developed countries will bring about more employment avenues, contribute to a more fairly distribution of income and will lead to growth in productivity with better technology (Steel and Webster, 1990).

2.3 General Constraints to SME Development

Notwithstanding the prospective benefits of SMEs to accelerate development and employment generation in less developed countries, a number of limitations influenced their capacity to achieve their outmost capabilities (Nayak, 2016; Adisa et al., 2014; Akugri et al., 2015). Researchers have highlighted a number of constraints associated with the sector. These include: input constraints, finance, labour, market, equipment,



technology, domestic demand, international markets, regulatory, managerial and institutional constraints (Steel and Webster, 1990; Kuntchev et al., 2014; Adisa et al., 2014; Akugri et al., 2015; Nayak, 2016). This review will highlight more on five of these constraints.

SMEs are faced with the challenges of acquiring input for their business. This is as a result of factor accessibility and cost which is the most prevalent problem in SMEs in terms of input constraints (Kayanula and Quartey, 2000; Kumar, 2017). According to Parker et al. (1995) SMEs in Ghana and Malawi stressed the excessive cost of acquiring domestic raw materials, this may result from the poor cash flows. Research conducted by Aryeetey et al. (1994) identified 5% of the sample indicated that input constraints is a problem. Hence inadequate access to inputs was the primary problem in Senegal and Tanzania (Parker et al., 1995).

SMEs financing has been acknowledged as the main challenge to SMEs growth. Inadequate financial resources put enormous burden on SMEs development (Abor and Quartey, 2010). Kumar (2017) posited that lack of credit is the largest problem for small firms; this view is also shared by Osei et al. (1993) and Mensah (2004) who confirm that most surveys conducted by researchers cite credit as the major problem. Irrespective of the role performed by SMEs Cook and Nixson (2000) cited in Abor and Quartey (2000:224) confirmed that “SMEs development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs”. A research conducted by the World Bank discovered that about 90% of SMEs sampled indicated that getting access to finance was an obstacle to new investment (Parker et al., 1995). Moreover in Ghana, 59% of businesses indicate access to finance as a major



problem to their development (Nayak, 2016). SMEs are unable to acquire funds from capital markets that is both in domestic and global markets, this is because of the view that there is a greater risk, informational obstructions, and the greater costs of intermediation for smaller firms. Due to that, SMEs are not able to frequently acquire long-term finance in the form of debt and equity (Kuntchev et al., 2014).

The absence of administrative skills is a huge problem to SME development. It is well acknowledged by policy makers that small enterprise invests less than large companies in training their workforce. Although SMEs normally entice industrious administrators they cannot challenge the bigger firms. The scarcity of managerial ability, which is most prevailing in less developed countries has a major effect on SMEs. Support services are absent or in some cases inadequate in most developing Countries. Also in places where they exist, they are characterized by comparatively high unit cost which hampers SMEs attempt to ameliorate their management (OECD-DBA, 2012; ILO, 2014). A number of institutions have stepped up the provision of training and advisory services offered to SMEs managers but irrespective of this, there is nevertheless a skill notch in the SME sector as a whole (Kayanula and Quartey, 2000). This stems from the fact that training of SMEs workforce is about three times more expensive than for large firms, due to lack of economies of scale, higher opportunity cost and higher costs for administrative compliance (OECD-DBA, 2012). With regard to technology, SMEs are said to have problems in getting access to the proper technology and facts on obtainable technique (Aryeetey et al., 1994, Kumar, 2017).

Lack of demand for products is seen as one of the main problems encountered by SMEs. Research conducted by Steel and Webster (1990) indicates that Lack of demand is the



biggest problem for 17 percent of firms. The research went on further to ascribe reasons for the lack of demand as given by respondents. The reasons are that people do not have adequate money to buy the products. Demand for products of SMEs is key to the sustainability of SMEs.

Another challenge that SMEs face in developing countries is regulatory constraints. According to Parker et al (1995) policy and regulatory restraint have constrictive consequences on the production prospect of SMES. Kayanula and Quartey (2000) posited that even though there have been an extensive structural reforms which have yielded some positive results, potential for enterprise development persist to be looked into at the firm-level. Nayak (2016) acknowledges that registration procedures are complex and expensive. The high start-up cost experience by enterprises, comprising certification and registration necessity can inflict extreme and needless strains on SMEs. Also the enormous cost of resolving legal disputes and excessive obstructions in court affairs negatively impact SMEs activities (Kayanula and Quartey, 2000). According to the World Bank (2006) the time frame for licensing a business in Ghana is 127 days and 16 processes are involved in the registration. Comparatively that of South Africa has a lengthier time frame; that is, it takes 176 days in south Africa to license an enterprise and 18 processes are involved in addressing licensing issues. However due to government agenda and effort to make Ghana business friendly a number of reforms have led to reduction in the number of days it takes to license and register a business as noted by the World Bank (2017) it takes 7 days to license a business and there are 7 processes required in dealing with the licensing. This represents a significant shift compared to the previous one. The lack of antitrust law in most developing countries is an advantage to large



enterprises whilst the inability of safeguarding the property rights restrict SMEs' capacity to attract foreign technologies (Kayanula and Quartey, 2000).

2.4 Poverty in Northern Ghana

The Northern part of Ghana is generally considered as being less socio-economically developed in relation to the other parts of the county. Northern Ghana has a very steady economic growth in contrast to the rest of the regions (Yaro and Hesselberg, 2010). Alhassan (2015) indicated that when it comes to basic development arena such as food security, higher standard education, availability of health facilities, water and sanitation, income, etc the Northern part of Ghana is constantly ranked the lowest. Because of that, the government of Ghana has come out with several policies and programmes to reduce poverty and to close the gap between the poor and the rich. Some of the examples of the policies and programmes include Economic Recovery Programme (ERP) and Structural Adjustment Programmes (SAPs), Livelihood Empowerment against Poverty (LEAP), National Health Insurance Scheme, Ghana School Feeding Programme, declaration of maternal mortality as a national emergency, National Social Protection Strategy (NSPS), Capitation Grant, and National Youth Employment Programme (NYEP) (Al-hassan, 2015; UNDP and NDPC, 2015).

An outline by the Ghana Statistical Service shows that poverty has declined across regions in the country. Nonetheless, the encounter of Northern Ghana indicates that poverty levels are still high with greater number of the people experiencing low income and food insecurity (Al-hassan, 2015). According to the GSS (2018) the Upper West Region has a poverty rate of 70.9%, the Upper East 54.8% and that of the Northern Region 61.1%. In addition to the low incomes the status of food security in the region has



not ameliorated with the greater number of the people, being seriously food insecure. The world food programme indicates that the regions who were involved in acute food insecurity represent the Upper East Region with a rate of 6.4%, afterward is Northern Region with a rate of 2% and Upper West Region 1.4% (Al-hassan, 2015).

The GSS (2018) indicated that a greater poverty gap ratio was recorded within the three northern regions and in rural areas, meaning intense poverty in these regions. A greater number of the poor who are in these regions are likely to be engulfed deep into poverty. The greatest poverty gap ratio in 2017 was found in the Upper West Region (37.6 percent).

2.4.1 Poverty in the Upper West Region

The incidence of poverty is highest in the Upper West Region (70.9%) amid all the regions in Ghana. The top 3 districts within the Upper West Region leading the poverty headcount are as follows Wa West (92.4%), Wa East (83.8%) and Sissala West (81.2%) with Wa Municipal (35.5%) being the least in the region. The incidence rates for eight out of the 11 districts in the region span from 71.4 to 92.4 percent, and are over the regional average of 69.4 percent (GSS, 2015).

The depth of poverty which is proportional to the incidence of poverty in the Upper West Region is highest in Wa West (59.0%), followed by Wa East (46.1%) and Sissala West (44.8%). It is recorded that Wa Municipal has the least depth of poverty (13.8%) among the districts in the region (GSS, 2015).

When it comes to inequality, there is little difference separating the districts in the region. Inequality spans from 41.5 in Wa East to 47.5 in Lambussie Karni. Both Sissala East and



Sissala West are attributed with the exact level of inequality (43.3) (GSS, 2015). Concerning the actual figures of people who constitute the poor, 74297 persons from the Wa West are considered as poor and this constitute the highest, followed by Jirapa with 62,364 peoples and Wa East 59,577. Daffiama Bussie, district which possesses the minimum population in the region, has the least number of poor persons. Conversely, Wa Municipal has the biggest population of 102,264 in the region but had a comparatively low number of poor persons (36,253) (GSS, 2015).

2.5 Income Poverty and Operational Definition

According to UN (2018) income poverty entails absence of income and productive resources to secure sustainable livelihoods. In Ghana, the assessment of poverty is concentrated on consumption poverty, which identifies the poor as those who cannot afford basic consumption needs, containing food and non-food components. Consumption poverty is basically associated with the population whose standard of living falls below an established consumption basket, illustrated by a poverty line (GSS, 2018).

As Maliki (2011) indicated, the level of poverty can be ascertained mostly on the basis of two approaches; the monetary (material or utilitarian) and non- monetary (non- material or non- utilitarian). And as noted by Dittoh (2008:4) “most of the non-economic viewpoints on poverty such as educational, health, nutritional, social etc. statuses correlate closely with economic wellbeing. The point being emphasized is that poverty, including that of northern Ghana, is overwhelmingly an economic phenomenon”.

This study specifically deals with income poverty and the income approach of measuring poverty was used. Thus for the purpose of this study the poor constitute people who



spend below GH¢ 1760.80 a year that is approximately GH¢150 a month or GH¢5 per day. Those who are extremely poor are those who cannot spend GH¢2.69 on food per day (that is GH¢982.1 per year or GH¢82 per a month) (GSS, 2018).

2.6 The Contribution of SMEs to Poverty Reduction

The history of SME is considered among the most contentious issues in economic development in the world. The function of SMEs in an economy has usually been understated and even misconstrued (Gebremariam et al., 2004). Over the Past decade researchers have highlighted the importance of large scale ventures as the main provider of job in developing countries (Klapper et al., 2002). This was evident in the 19th and 20th centuries when big firms were regarded as the engine of economic and technological advancement (Mamman et al., 2015). “From the beginning of the industrial revolution up to the 1960s large enterprises relying on economies of scale were regarded as the steering force of growth and development” (US Small Business Administration (SBA), 1998 cited in Gebremariam et al., 2004:3). This perspective was embraced by many governments who came after the colonial era in Africa which resulted in the setting up of many publicly-owned firms besides the nationalization of foreign ones. Notwithstanding, SMEs were also recommended at that particular period of the post-colonial era in Africa but with the arrangement to absorb excess labour force, particular priority was placed on improving the agricultural sector and growing the public sector. During the early 1970s there was a swell in interest for small firms as a way of advancing employment creation in advanced countries as well as developing countries. These SMEs institutions were established in an attempt to increase economic growth and lessen poverty (Mamman et al., 2015). SMEs contribute to poverty reduction, social growth and economic



development. Through the establishment of SMEs, economic growth will be realised which will create employment opportunities. The employment opportunities will improve the income of the people which will create demand for goods and services. This income will also enhance the standards of living as well as reduce the poverty levels (Hassan, 2002; Kadiri, 2012; Nishtar, 200; Al-Haddad et al., 2019).

SMEs were seen as providing a vital role in poverty reduction particularly in Africa (Sekyi et al., 2014). It is exciting to observe that in considering the history of development, the contribution of SMEs has been particularly contentious. For instance Pro-SME proponents proposed that SMEs perform a very salient task in the economy of developing countries; that is, SMEs “enhance competition and entrepreneurship” (Beck et al., 2005:1). SMEs are considered as being more productive, labour intensive and creating more employment than large firms (Beck et al., 2005). Moreover many researchers are in support of the pro-SME stance, for example Kayanula and Quartey (2000), Olawale and Garwe (2010) are of the opinion that SMEs recruit at least 22% of the adult population in underdeveloped nations. However, Mamman et al. (2015) is of the opinion that the 22% figure is underestimated. They supported their view with the study conducted by Ntsika (2002), Chuta and Liedholm (1985). The former highlighted that in South Africa, micro firms and SMEs constitute 56% of private sector jobs and 36% of the GDP. The latter also stated that in Sierra Leone, SMEs recruited up to 95% of the country’s work force.

Mamman et al (2015) acknowledged the stronger argument put forward by OECD (2006) concerning the capacity of the informal sector in enhancing economic growth and reduction of poverty: in many underdeveloped nations and transition countries the





informal economy plays a dominant role. It constitutes 42% of value addition in Africa, 41% in Latin America and 35% in the transition economies of Europe and the former Soviet Union, juxtaposed with 13.5% in OECD countries. The informal economy gives jobs and income for those who lose or cannot get work in the formal economy, and it comprises a large number of women, young people and others from underprivileged groups. For instance, it is believed that the informal sector absorbs 84% of women's employment in sub-Saharan Africa. Likewise, in advanced countries such as the UK which possesses a greater number of large scale firms, it was outlined that SMEs are responsible for 99.8 percent of all the UK's business and account for 56 percent of private jobs (Mamman et al., 2015; Zafari and Mustafa, 2017).

Due to their labour intensive essence, SMEs are possibly bound to be successful (Kumar, 2017). Entry into the SME sector is very easy because small business structures are flexible (Amin, 2004) and is also beneficial to those in gainful employment at the home, specifically women in traditional environment (Floyd and McManus, 2005). Likewise, the contention is that SMEs are good in employing domestic resources. As a result, domestic assets that are likely to be squandered will be used by small businesses (Olawale and Garwe, 2000). This is necessary for the uplifting of domestic economies.

According to Abor and Quartey (2010) SMEs support a country's gross domestic product by producing products of high esteem and by the rendering of services to both consumers and/or other enterprises. This includes the delivery of commodities and services to foreign clients, thus leading to general export performance. SMEs form the greater part of businesses in Ghana and South Africa. They constitute about 92% of businesses in Ghana and supply about 70% to Ghana's GDP and over 80% to jobs. SMEs are also made up of

about 91% of the formal business establishment in South Africa, providing between 52% and 57% of GDP and contributing about 61% of jobs (Berry et al., 2002; Zafari and Mustafa, 2017; Agyemang, 2019).

Based on an economic outlook, nevertheless, firms do not only produce, yet they are also users of commodities, and they perform a crucial responsibility in positioning themselves in a market with a high purchasing power. The use of industrial or consumer goods will encourage the business of their providers, inasmuch as their own venture is encouraged by the demands of their customers. Demand in the form of investment performs a double role, that is from a demand-side (with respect to the providers of industrial goods) and on the supply side (base on the capacity for a new production emanating from enhanced equipment). Moreover, demand is crucial to the income-generation capacity of SMEs and their capacity to encourage the demand for both consumer and capital goods (Berry et al., 2002).

There are those who are of the opinion that SMEs are in the position to exchange factors of production and adopt to economic shocks at a rapid rate and at a minimal cost than large firms (Biggs, 2003). As indicated by Olawale and Garwe (2010) SMEs are proponents of innovation and creation of a new firm. There is also a significant proof which is shown over time that small firms are crucial in economic stabilisation, and that a fall in the SME sector will have an adverse ramification on economic development. For instance Ahiawodzi and Adade (2012) argue that SMEs are more labour dependent than their large-scale counterparts in aid of the crucial function that SMEs play in the economy. Indeed Gebremariam et al. (2004) analysed the effect of SMEs on economic growth and poverty reduction in the USA. The verifiable result indicates the connection



linking small business development, economic growth, and poverty reduction. The research in its conclusion emphasized a high correlation between SMEs, economic growth and poverty reduction. The research also indicated that a rise in SMEs employment has a useful effect on economic growth, thus the reduction of poverty.

Moreover SMEs supply livelihood avenues and promote entrepreneurship (International Trade Centre, 2016). Other pro-SME writers, including Todaro and Smith (2006) opined that SMEs working in the informal sector can help produce excess income under unfavourable economic policies such as the difficulty in obtaining loans from financial institutions. In terms of SMEs ability to reduce poverty Gebremariam et al. (2004); Nayak (2016) indicate that by providing employment and encouraging economic growth, small enterprises perform a crucial function in poverty reduction. Also another pro-SME advocate indicates that SMEs have the capacity to enhance worker's skills and potentials (Robins et al., 2000 cited in Mamman et al., 2015). Researchers on SMEs in Africa are of the view that SMEs are a paramount in solving Africa's development problems and that the establishment of new, sustainable SMEs is the key to economic wealth and excluding them can bring about lack of economic growth in the continent (Amoah and Amoah, 2018).

Nonetheless, with all these gains of SMEs to economic development, there are also sizeable number of dissenters who object to the significance of SME to economic development. Thus they oppose the idea that SMEs are paramount to economic development and employment creation (Mamman et al., 2015; Beck et al., 2005). The diverse studies on SMEs have not only shown contrasting proof concerning the responsibilities of small enterprises but it has created an outcome that disproved the





notion that small enterprises are the main drive for the generation of employment and economic growth (Gebremariam et al., 2004). Their stance against small firms is founded on the grounds that large scale firms are in a better position of delivering reliable and standard employment, better wages, and more non-wage profits other than SMEs, leading to a better living standard for those they recruit (Rosenzweig, 1988 cited in Gebremariam et al., 2004). According to Caves (1998) small businesses possess lower survival rates in contrast to large firms and that the growth of the firm decreases with size. Formerly, SMEs were considered to hinder economic growth because they were able to pull away meagre resources from their larger opponents (Audretsch and Thurk., 2000).

Again in deliberating on the significance of SMEs in underdeveloped nations, researchers focus on two crucial suppositions namely classical theories and modern theories (Vijayakumar, 2013). For instance the research conducted by Hoselitz (1959), Staley and Morse (1965), are known as classical theories. In accordance with classical theories, the benefits of SMEs are likely to decrease in the path to development over the time however bigger firms will after some time emerge as supreme in the course of development.

Conversely modern theories as a result of the accomplishment exhibited by European countries do not accept the classical statement concerning the fall in benefit of SMEs over the period of time. similarly, international agencies such as World Bank, IMF, USAID do not agree with the classical opinion that the benefits of SMEs will be decreasing overtime (Tambunan, 2006). Due to this, direct and indirect help has been given to SMEs by international agencies such as the World Bank, IMF and Asian development bank to increase their ability of manufacturing goods and services and creating high quantity and quality goods and also providing fresh employment, leading to

a fall in poverty levels in the underdeveloped nations. The pro-SME stand of international organisations is not an indication that large firms contribute less or that SMEs will be a replacement for large firms (Vijayakumar, 2013).

There is also an assumption that none of the researchers and advocates have been able to adequately determine the correlation linking MSEs, economic growth and poverty reduction. The failure of MSEs showing a link between economic growth and poverty reduction is due to the non-existence of a uniform definition of SMEs, considering the large number of divergent economic, social, and geographic distinctions in the global context. As problematic as it is to collectively define SMEs, the explanation of poverty is just as evasive. Inasmuch as poverty level across countries differ in its evaluation, and employing a particular poverty reduction approach in a given country may not be simply applicable to a different country's situation, it is likewise strenuous to measure the effect of SMEs on poverty reduction (Corporation for Enterprise Development [CFED], 2004).

In deliberating upon the role SMEs played in society, some researchers are of the view that, the principal motive of SMEs is not to continuously become small or informal, but to move from being small to becoming large firms. This means that, the small and informal nature of SMEs is the starting avenue in contributing to poverty reduction. When SMEs are organized, the least that they can do is by paying their taxes, thereby providing funds for the state to provide for social support and job creation. Hence being organized should be the major focus for all SMEs across Africa in order to maintain an enduring impact on poverty reduction. Moreover this is not to disprove the significance of SMEs in the informal sector in terms of employment creation and poverty reduction (Mamman et al., 2015).



2.7 SMEs and Job Creation

It is a well establish fact that SMEs constitute an integral aspect of economic growth, job creation and a stimulus for economic modification of any particular nation because they perform a vital function in the development of a country and thereby reducing poverty (Kumar, 2017; Thornburg, 1993). SMEs are important tool for the realization of national economic goal on job creation and the reduction of poverty at low investment cost along with the growth of entrepreneurial potentials including indigenous technology (Ogbo and Nwachukwu, 2012; Kumar, 2017).

Developing countries have focused on strengthening the MSMEs due to their ability to employ large number of people, promoting economic growth, raising export earnings and income, transforming and enhancing income distribution leading to poverty reduction (Agyapong, 2010; Gebremariam et al, 2004; Abor and Quartey 2010; Amoah and Amaoh, 2018). In most developing nations, a greater portion of firms are classified under micro and small enterprises, these businesses are able to contribute remarkably to employment as a whole and output (Okpukpara, 2009; Abor and Quartey, 2010, Amaoh and Amoah, 2018; Agyemang, 2019). Hisrich, Peter and Shepherd (2008) contended that MSMEs were associated with enhancing economic growth and development; thus, raising per capita income and output and also making it possible to share earnings and prosperity among several societies.

The fact of the matter is that SMEs have the tendency to bring about regional economic growth, enhancement of income parity and poverty reduction (Vijayakumar, 2013) since it involves much labour and it's also involved less capital and skills (Abor and Quartey, 2010). As a result, individuals who are willing to commence small scale enterprises can



simply begin with relatives and less financial assistance. Again SMEs are associated with playing a major part in employment generation and poverty reduction (Amaoh and Amoah, 2018). SMEs are responsible for generating eight out of ten jobs in America (Birch, 1979). Besides, in recently rising economies of south East Asia such as South Korea, Taiwan, Malaysia, and Singapore SMEs have played a significant task in the improvement of economic growth leading to poverty reduction. In Korea, large enterprises accounted for only 0.7 million jobs while SMEs accounted for 2.5 million jobs, constituting 80% of the overall jobs in the secondary sector in 1996 (Vijayakumar, 2013; Katua, 2014).

According to Kumar (2017), Katua (2014) SMEs consist of about 90% of business ventures in most economies and recruit above 80% of the entire labour force in both USA and Japan. SMEs contribute to the development of a nation with regards to employment of labour and increase in GDP. According to Indarti and Langenberg, (2004); Deijl et al (2013) the private sector businesses are made up of 98.8% of SMEs, constitute 31.6% of GDP, and 55% of jobs in the Netherlands. Background of nations including Japan, Netherlands, China, Australia, Germany, French, Canada, USA shows that SMEs are integral part in economic growth and technological innovation (Katua, 2014).

2.8 Growth of SMEs and Economic Growth

SMEs face numerous challenges which includes low productivity, inadequate credit facilities and government assistance and unfairness shown in given financial support. These are the main obstacles to growth and development of SMEs which ultimately prohibit the general growth of the nation (Kumar, 2017). Comparatively, bigger firms are





able to acquire sufficient financial support devoid of any problems from diverse sources rather than SMEs which still struggle in securing enough financial support (Mensah, 2004). These constitute the main obstacles to advancement and development of SMEs. Agyapong (2010) argued that financial assistance and non-monetary business assistance services would cause growth of SMEs. Even though various studies have shown the impact of financial growth, such as increasing aggregate economic growth, economists are not able to deal with conflicting theoretical forecast and continuing policy debate about the cross-firm distributional impact of financial development (Beck et al., 2008). Thus the numerous support including provision of funds, network, technology etc., from diverse sources like friends, financial institutions, government, international institutions etc. are most significant for the development of SMEs through which employments and production could be raised (Vijayakumar, 2013).

Therefore, international institutions comprising the World Bank, International Monetary Fund, USAID and non-governmental agencies are involved in providing funds and technical aid for the development of SMEs in the underdeveloped nations which enhance economic growth and regional development of the country (Mensah, 2004; Snodgrass and Winkler, 2004; Kumar, 2017).

Thus, it is obvious that SMEs require help from supporting institutions. Sarder et al (1997) on the provision of support service for SMEs and entrepreneurship have argued that SMEs required help from supporting institutions for their regular growth. Likewise, Johannisson (1988), Ostgaard and Birley (1996) in the research linked to SMEs stated that many kinds of social networks are mostly required to stimulate the performance of SMEs which is congruous with several researches undertaken up to date relative to

SMEs. The significance of the assistance given by the government, neighbors, families, friends and well-wishers to aid in the easy performance of SMEs when they are challenged with credit issues, has been acknowledged by (Bridge et al., 1998).

Generally, growth of enterprises refers to increase in the following factors: profit, size, sales, productivity and formality (Snodgrass and Winkler, 2004). In actual fact, using the size of an enterprise to measure growth is fading away. Growth of SMEs is assiduously connected with a firm's performance and continual existence in future (Phillips and Kirchhoff, 1989). Furthermore, Brush and Vanderwerf (1992) indicated that growth is the most suitable indicator concerning measuring the achievement of SMEs. Moreover, in order to attain financial objectives of firms, expansion of firms is a major prerequisite (Geus, 1997; Storey, 1994). Storey (1994) argued that expansion and development of SMEs is normally an important prerequisite for SMEs survival. Phillips and Kirchhoff (1989) opined that growing infant enterprises have the chance of flourishing than with infant non-growing enterprises. Therefore, in summing up, the growth of SMEs is acknowledged as a necessary condition for economic development, employment generation and the reduction of poverty through the provision of aid from various organisations (Katua, 2014; Kumar, 2017).

Snodgrass and Winkler (2004) pointed out three major factors that can affect SMEs expansion as demand of goods and services, business environment and private sector supply response. On the basis of the numerous advantages provided by SMEs such as provision of jobs, improving economic growth, consumption of domestic raw materials by SMEs, and improving export earnings (Katua, 2014; Abor and Quartey, 2010; Gebremariam et al., 2004) majority of economists and global agencies have accepted



their various functions in many economic activities. Therefore, it should be acknowledged that SMEs performed a significant task in shaping up the national and economic policy issues across countries and more specifically underdeveloped nations. Government, foreign and local agencies have trust in small firms in reducing poverty among the poorest of poor (World Bank, 200; Kumar, 2017).

2.9 Conceptual framework

A suitable conceptual framework was composed for this study in accordance with extensive literature review. Therefore, researcher takes SMEs growth, challenges, employment/unemployment, income generation and poverty reduction as important variables as against the contributions of SMEs which were analysed in this study.

A conceptual framework was applied to examine the evolving association between SMEs and Poverty and the effect of that relationship on poverty reduction (See Figure 1.1). The conceptual framework explains how the contributions of SMEs is affected by the challenges of SMEs, growth of SMEs, which have an effect on employment and income generation thereby contributing to poverty or poverty reduction.



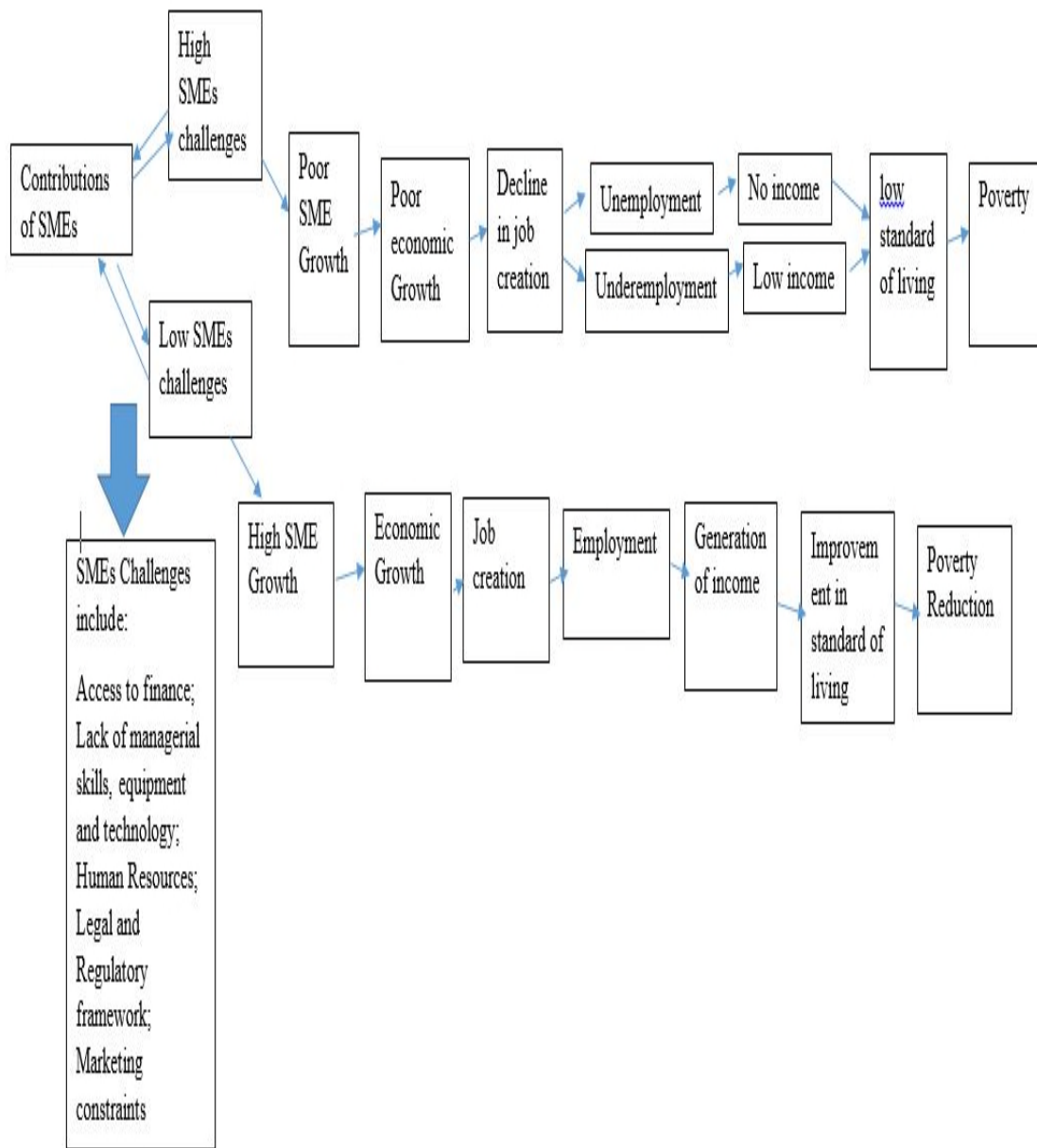


Figure 2.1: Conceptual framework

Source: Author, based on extensive literature review

2.10 Literature Gap

There have been several studies about SMEs in the global front and also in Ghana. Some have dealt with SMEs challenges, the impact of SMEs to economic development, and the contribution of SMEs etc. Some studies in the Wa Municipality have dealt with the accessibility and the role of microfinance in the SMEs sector (Ahenkorah, 2010); financing small and medium enterprises (SMEs) in Ghana, challenges and determinants in accessing bank credit (Nkuah, et al., 2013); participation in the credit market by small scale enterprises in Ghana: Evidence from Wa Municipality (Sekyi et al., 2014) others also dealt with the effects of interest rate on micro, small and medium enterprises financing decision in Wa Municipality (Bawuah et al., 2014) etc. There are two opposing views concerning the contribution of SMEs that is the pro-SME (those who agreed that SMEs perform a vital function in socio-economic development) and the anti-SME (those who do not accept that SMEs perform a vital function in socio-economic development) (Agyapong, 2010). The pro-SMEs agree to the significance of SMEs to economic development and poverty reduction whilst the anti-SMEs indicate that SMEs do not play a significant part in economic development and poverty reduction (Agyapong, 2010; Mamman et al., 2015, Beck et al., 2005). With all these significant benefits as being argued by the pro-SMEs poverty still continues to be the major problem in the Upper West region. The various literature reviewed show the evolving nature of SMEs and poverty reduction in the global level and the national level more specifically in the Wa Municipality. Moreover, Considering the literature reviewed, it is obvious that little has been done on the contribution of SMEs to poverty alleviation in the Wa Municipality.



Therefore this study seeks to examine the contribution of SMEs to poverty alleviation in the Wa Municipality.



CHAPTER THREE

RESEARCH METHODOLOGY AND THE PROFILE OF THE STUDY AREA

3.0 Introduction

This chapter outline the procedures and methods employed in data collection. The chapter indicates the research outlook taken for the study, the sample frame and how sample size was arrived at, sampling technique; tools employed for data collection, data analysis as well as data sources and profile of the study area.

3.1 Research Design

For any research the choice of a suitable research design is crucial in yielding valid findings (Kumar, 2011). Based on the research problem a descriptive survey design is considered most apt and was used in the study in order to attain the objectives of the study. Descriptive survey was used because the researcher intended to depict a precise description of persons, events and situations in order to acquire details which can be examined and models drawn out and juxtapositions made. As a result, questionnaire surveys and interviews were employed as methods of data collection for this study.

A mixed research approach method that is both: quantitative and qualitative method was employed. This was used to allow the researcher to employ both quantitative and qualitative data collection techniques and data analysis procedures.

Quantitative approach often gives attention on quantitative and measurable indicators, without focusing on social and psychological matters that inclined to be qualitative in nature. Under the quantitative approach of this research, data was gathered using structured interviews, and questionnaires mainly quantifiable data, to ascertain the magnitude of variation, using statistical techniques for the analysis. The idea behind



quantitative research is to elucidate the basis of change of social facts through objective measurements and quantitative analysis (Hunt, 2002).

Under the qualitative approach of this research, data were gathered using in-depth interviews and participant observation to collect data, which mostly links with people's judgment, opinions, predilection, concerns and perceptions about an issue (Hoepfl, 2009). The sampling technique used under the qualitative approach was purposive sampling. For instance, purposive sampling technique was used to identify the various institutions which were useful for the purpose of the study and an in-depth interview were used to collect data from those institutions which include NBSSI, the Municipal Assembly and Business Advisory Center that deal with SMEs. Also the questionnaire shows a mixture of both quantitative and qualitative approaches.

3.2 Target of the Study

The target group for this research is SMEs in the Wa municipality. More specifically Five locations were selected from the Wa Municipality namely Bamahu, Central market area, Hospital area, Kambale, and Manhu with SMEs population of about 835. Also included are the Municipal Assembly, NBSSI, and Business Advisory Center.

3.3 Selection of Study Area

The Wa Municipality was selected for this study for the following reasons. The Upper West Region is considered as one of the poorest regions in the country. In recent times the upsurge in SMEs especially retailing due to the establishment of UDS and other factors in the Wa municipality have been incredible. SMEs thrive with the availability of markets and the establishment of UDS has contributed to the availability of market and



an upsurge in SMEs. It is anticipated that the rise in the number of SMEs will have an impact on poverty status in the Wa municipality.

3.4 Data Collection and Analysis

The researcher called on the sample units of SMEs and collated the data from the respondents. Both primary and secondary data were utilised in the study. Secondary data was compiled mostly from NBSSI, Business Advisory Centre (BAC), Wa Municipal Assembly and other relevant documents. Primary data were collected from the proprietors of SMEs in Wa Municipality.

3.4.1 Sources of data

Two major sources of data were used, that is primary data and secondary data.

3.4.1.1 Primary data

Primary data was generated directly from the field using both qualitative and quantitative techniques of data collection. The primary data were compiled from the use of questionnaires and interviews. These questionnaires and interviews were primarily employed to collect data from those involved in the SMEs sector. Primary data were collated from SMEs, District Assemblies, NBSSI, and Business Advisory Center to analyse the contribution of SMEs to poverty reduction.

3.4.1.2 Secondary data

The secondary data for the study was procured from the Wa Municipal Assembly (WMA), NGOs, SMEs promotion institutions such as NBSSI. The Secondary data contains already prepared information that is easily accessible to be used. For instance, data on SMEs in Wa Municipality were provided by the NBSSI. The selection of the data is impacted by the fact that it widens the span of generalization, allows for



comparison. It gives avenue for replication and triangulation. Secondary data is easy and inexpensive to gather; meanwhile it gives a comprehensive information about the individual units under examination (Blurtit, 2009).

3.5 Data Collection Instruments

There are many instruments for collecting data. Howbeit, for this study, questionnaire and interviews were the primary instruments used.

3.5.1 Interviews

The interview technique was employed to seek information from key informants and other individuals on specific issues concerning the SMEs sector. This was carried out through the use of interview guides and checklist. Among those interviewed were NBSSI, Business Advisory Center, Wa Municipal Assembly. The use of the interview technique was to ensure in-depth explanation of issues relevant to the needed information.

3.5.2 Questionnaire Administration

This approach employed well-structured questions in the form of a questionnaire. It includes issuing questionnaires to sampled SMEs in the study area. The questionnaire utilizes both closed and opened ended questions (Sarantakos, 2005). The approach was to collect or generate both quantitative and qualitative data from SMEs operators. The closed ended questions generated quantitative and factual information, such as respondent's background such as biographical data like sex, age, etc. and the type of SMEs were determined using closed ended questions. The open ended questions produced mainly qualitative and opinion related information. These were included to get respondents view about the, contributions of SMEs to improving the standard of living, challenges that prevent SMEs from realizing their function as poverty reduction agencies.



3.6 Sampling Methods and Technique

Two major sampling techniques employed in various research studies were used for the study. These are probability and non-probability sampling.

3.6.1 Probability sampling

Probability sampling allows each unit in the universe the same prospect of involvement in the sample (Kumar, 2011). Under this approach, the study used the simple random sampling technique. This technique was employed to sample the number of SMEs within the selected location in the Wa Municipality, from where respondents were then selected for interview and for administering of the questionnaire. Probability sampling was selected due to the fact that it guarantees the law of statistical regularity which indicate that if on an average the sample taken is selected at random, the sample will have an identical make-up and attributes as the universe (Yin, 1993). Under this technique the various SMEs within the chosen location were identified. The identified SMEs were listed each on a sheet of paper. The papers were then folded, put in a bowl and was mixed or shaken thoroughly. Then a paper was randomly selected from the bowl without looking into it until the sample size for each location was obtained. This process was replicated in all the five chosen locations of the study area. From each of the SME selected the owner or the proprietor became the respondents and in most cases these proprietors were the managers of the SMEs.

3.6.2 Purposive Sampling

This is a non-probability sampling technique and as the name suggests, it was used purposefully. People with specialized knowledge were deliberately picked and



interviewed for better insight into the activities of SMEs. The technique was used in selecting the five locations which was used for the study. In all five locations were selected (and it includes Bamahu, Central Market area, Hospital area, Kambale, Manhu) out of about 13 main locations that fall under the Wa Municipality and these locations include Chorkor, Danko, Bamahu, Manhu, Hospital area, Kambale, Dukpon, Dinaso, Central Market area, Kperisi, Chansa, Yibile and Loho. These locations were chosen due to the prevalence of SMEs activities and high economic activities that take place in the area which is based on the information provided by the NBSSI. This technique was also used to select the appropriate institutions that deal with the SMEs Sector such as NBSSI, the District Assembly, Business Advisory Centre, Registrar General's Department, and Non-governmental Organisations.

3.6.3 Sample Size Determination

The sample size (n) is calculated using Yamane's (1970) formula which is stated below.

The equation is given as $n = \frac{N}{1+N(e)^2}$

Where n = sample size, N = total population (i.e. total number of SMEs in five locations of the Wa Municipality) and e = margin of error. N = 835, e = 0.05 margin of error with a 95% confidence level.

$$n = \frac{835}{1+835(0.05)^2} = 270.44 = 270$$

Thus, the sample size from the sample frame is 270.

Quota of SMEs from each of the five locations was determined by:

$\frac{\text{population of SMEs in each location}}{\text{Sample frame}} \times \text{Sample Size}$. This equation was used to create table

3.1



3.6.4 Quota of SMEs to the five Locations

Table 3.1 Quota of SMEs to the five locations

Location	Population of SMEs	Number Sampled
Bamahu	88	25
Cental Market Area	425	119
Hospital Area	155	44
Kambale	202	57
Manhu	90	25
Total	960	270

3.7 Stages of Data Collection:

This study was carried out in three main stages: the reconnaissance survey, main survey, and in-depth survey/ analysis stage. The study started with a reconnaissance survey. The motive of the reconnaissance survey was to make the researcher familiar with the location of the SMEs in the study area. It also helped with the identification of the areas or the suburb that was specifically used in the study and also to identify them for the simple random sampling. Also another aim of the reconnaissance survey was to identify the location of the institutions that this study dealt with and also to visit the heads of the various institutions to initiate a relationship with them as well as making reservation for the interview. Generally, reconnaissance survey under this study involved familiarization, establishing linkages as well as rapport and also building relationship with respondents, institutions and all stakeholders. Reconnaissance survey also gave the researcher the opportunity to source for secondary information.



This was then followed by the main survey which entailed the actual collection of data. The questionnaire was self-administered by the researcher so as to interpret some technicalities which may be linked with the conclusion of the questions. To guarantee a huge recovery rate, the researcher was in attendance before a questionnaire was concluded by the entrepreneur or the head of institution. Nonetheless, for illiterate respondents, questions were explained to them and the answers written. Research assistants were used to assist in the administering of the questionnaires after they were trained on how to administer the questionnaires.

Finally, the in-depth study/ analysis stage deepened the understanding of specific issues that came up in the previous two stages. At this stage, supplementary information was collected and follow-up visits made to institutions and entrepreneurs to improve upon the existing data. Then the field surveys collected and the secondary sources collated were systematically analyzed and presented. This helped to deepen the understanding of the relationships between the various variables in the study. Some of the qualitative data compiled were coded and processed in the Statistical Package for Social Science (SPSS) and others categorized, analyzed and presented.

3.8 Data analysis techniques

This study used electronic method of coding data. The qualitative data was screened and coded into thematic areas for analysis. Data analysis was done with close reference to the objectives and the conceptual framework underlying the study.

Data collected from the field were organized and entered into the Statistical Package for the Social Science (SPSS) software. These data were processed into tables, charts and percentages for interpretation. The use of tables, charts and percentages was employed to



illustrate the data for interpretation and analysis. They give easy summaries about the sample and the measures.

3.9 Profile of Wa Municipal

3.9.1 Background

The Wa Municipal Assembly is among the eleven District/Municipal Assemblies that constitute the Upper West Region (UWR) of Ghana. The Municipality is administratively bounded with Nadowli District to the North, Wa East District to the East and South and the Wa West District to the West and South. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32' to 10°20'W (GSS, 2013).

Wa is also the regional capital of the Upper West Region. It has a land size of about 579.86 square (kilo) meters, which is about 6.4% of the region. The Assembly is the top most political and administrative body responsible for facilitating and implementation of national policies (GSS, 2013; GSS, 2014; WMA, 2018).

3.9.2 Demographic Characteristics

The population of the region according to the 2010 Population and Housing Census (PHC) is 702,110, with 48.6 percent (341,182) males and 51.4 percent (360,928) females. The population below 15 years of age constitute 41.7 percent of the overall population, whereas those aged between 15 and 64 constitute 52.3 percent. The rest (6.0%) are persons 65 years and older. The percentage of the urban population was 16.3 percent in 2010. The regional population density was 38.0 persons per square kilometre, a rise from 31.2 persons per sq. km. in 2000 (GSS, 2013).



As stated by the 2010 Population and Housing Census (PHC) WA Municipality has a population size of 107,214 or 15.3 percent of the total population of the region (GSS, 2013).

3.9.3 Social and Cultural Structure

The 2010 Population and Housing Census indicated that 80.4 percent of the people in the Wa Municipality are a member of the Mole-Dagbani groups which is made up of the Waalas who are the natives, Dagaabas and the Sissalas. There is a sizeable number of inter-marriages among the Waalas, Dagaabas and the Sissalas, resulting in the elimination of language obstructions mainly between the Waalas and the Dagaabas. Trading activities among these groups in the Municipality has contributed to the tranquility been enjoyed in the Municipality. Other ethnic groups identify in the Municipality consist of the Frafra, Akan, Ewe, Ga, Dagomba, Grushi, Gonja, and Moshies, and this people are also involved in secular work and commercial ventures (GSS, 2013; GSS, 2014).

3.9.4 Economy

In preceding years, the nature of the economy of the Municipal Assembly was controlled by the agriculture sector. But, things are now different, since 2010 when the Population and Housing Census was carried out, and the service sector is now dominant recruiting about 51.3 percent of the labour force, next is agriculture with 30.2 percent and the industry sector with 18.4 percent (GSS,2013). Other important sectors that can be found in the economy are transport, tourism, communication and energy. In the agricultural sector, majority of the farmers are into peasant farming and the principal staple crops cultivated include millet, sorghum, maize, rice, cowpea, and groundnut planted on



subsistence basis. Soya beans, groundnuts, bambara beans are farmed as cash crops (GSS, 2013). Some of the economic trees found in the Municipality are shea, dawadawa, mango, baobab and teak among others.

According to the GSS (2016) there are about 5370 business establishments in the Wa Municipality, out of this 4409 are micro-sized establishment, representing 82% of all establishment. Small enterprises constitute about 904 establishment representing about 17% of business establishments in the Wa Municipality. With Medium enterprise consisting of 43 establishment representing 0.8% and large enterprise constitute 14 establishment representing 0.26%. In relation to SMEs as stated by GSS (2016) small enterprise in Wa Municipal represent 95% of SMEs and medium enterprise consist of about 5% of SMEs.

3.9.5 The Economically Active Population

According to the 2010 population and housing census, the population aged 15 years and older is 69,747 is (65.1) percent of the overall population of 107,214. Out of that 54.8 percent of the total population 15 years and older are economically active. The economically not active group is 45.2 percent. The percentage of males who are economically active is 53.7 percent and the female proportion is 55.9 percent (GSS, 2013; WMA, 2018).



CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND DISCUSSIONS

4.0 Introduction

The findings and outcomes of the study on the contribution of SMEs to poverty reduction in the Wa Municipality are summarized and discussed in this chapter.

The data was examined and explicated based on the study objectives and the research questions.

The presentation covers aspects on the socio-demographic characteristics of respondents; types and characteristics of SMEs; contributions of SMEs to the creation of employment, income generation, savings and poverty reduction; relationship between SME growth and poverty reduction; challenges of SMEs, and SMEs support system.

4.1 Characteristics of SME Proprietors

4.1.1 Socio-demographics

4.1.1.1 Age Distribution of respondents

The age distribution of respondents is indicated in table 4.1:

Table 4.1 Age distribution of respondents

Age range	Frequency	Percent
20-25	15	5.6
26-30	36	13.3
31-35	55	20.4
36-40	63	23.3
41-45	54	20.0
46-50	28	10.4
Above 50	19	7.0
Total	270	100.0

Source: Field Survey, October 2018



The data from the study indicated that the greater number of the SME proprietors were between the ages of 36 and 40, 31 and 35 and 41 and 45 years old. These age groups formed 23.3%, 20.4%, 20% of the SME proprietors respectively. These three groups constitute 63.7% of the total population with the rest of the four groups constituting 36.3%. This implies that the SME proprietors in the Municipality are made up of the youthful and energetic age group. The study also revealed that over 93% of SME proprietors falls, within the working population. In conclusion, paying a close attention to the cumulative percentages in the table above, shows that a greater number of SME operators fall within the ages of 20-50, making as high as 93.0% and the remaining aged 50 and above comprising only 7%. This consequently indicates that the SME sectors in the municipality are made up of the active population who are the youth; this implies that the SMEs sector benefits from the vigor, the hard working attitude and the desire to be successful which are associated with youthful population. This will impact positively on the development of the sector. Therefore, the growth of the sector is expected to improve the living standard of the youth in the municipality. Leading to reduction in social vices such as armed robbery and prostitution that are youth associated problems which hinder development. Therefore, any government support package such as training and finance for the youth in the SME sector could enhance its contribution with regards to the economic development of the country.

4.1.1.2 Sex Distribution of Respondents

The data from the study indicated that majority of SME proprietors are male. It reveals that 58.9% of SMEs proprietors are male. With females constituting 41.1% as indicated in figure 4.1.

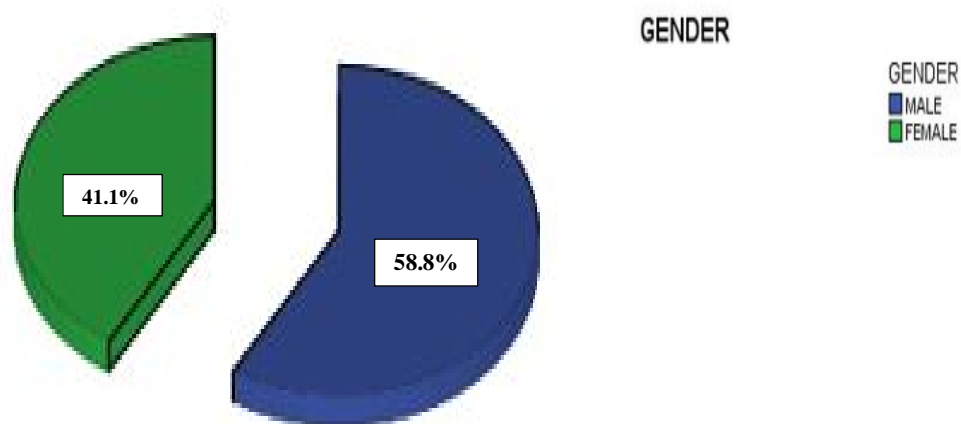


Figure 4.1: Pie chart showing sex distribution of respondents

The differences in sex distribution confirmed the assertion made by the GSS (2015) that men are dominant in non-households establishment (i.e. SMEs that are registered with the Wa Municipal Assembly and or with the Registrar General's Department) although women are more involved in petty trading and hawking. This differences show that women are at a disadvantage when it comes to ownership of SMEs. This can contribute to an increase in poverty among women.



4.1.1.3 Level of Education

Table 4.2: Level of education of respondents

Level of Education	Frequency	Percent
Primary	12	4.4
JSS/Middle	69	25.5
Secondary	122	45.2
Tertiary	67	24.9
Total	270	100.0

Source: Field Survey, October 2018

From the table above, the most dominant level of education of respondents is Secondary school level representing 45.2%, followed by JSS/Middle school leavers which is 25.5%, tertiary level constituting 24.9% and primary level 4.4%. Secondary and Tertiary education constitute 70.1% of respondent's level of education indicating a fairly high level of education among respondents. This shows that there is low illiteracy rate among the operators of SMEs in the municipality. The relatively low illiteracy rate or fairly high level of education implies better management and a more successful SMEs as compared to low level of education by SMEs operators. This positive implication is supported by Indarti and Langenberg (2004) in the literature review, they argued that education of the entrepreneurs has a significant relationship with business success.

4.1.1.4. Marital status of respondents

Various studies such as McLanahan and Sandefur (1994), Waite and Gallagher (2000) and Ribar (2004) have highlighted the varying importance of marriage which includes enhancements in individual's economic well-being, mental and physical health, as well as the welfare of their children. Table 4.3 indicates the marital status of the respondents.

Table 4.3 Marital status of respondents

Marital Status	Frequency	Percent
Married	208	77.0
Single	62	23.0
Total	270	100.0

Source: Field Survey, October 2018

From the table, 208 respondents were found as married couples representing 77.0% whilst it was revealed that 62 of the respondents were not married constituting 23.2%.

With a greater proportion of respondents (77%) being married implies that they will be able to improve the standard of living of their households through their incomes received from the business. And their spouses and children can help in the management of the SMEs, this is backed by Okello-Obura et al (2009); and USAID (2006) who indicated that SMEs that are managed by their proprietors are usually aided by relatives but are normally unpaid.

4.1.1.5. Size of households of respondents

Table 4.4 indicates the size of households of respondents.

Table 4.4: Size of households

Size of Households	Frequency	Percent
1-5	118	43.7
6-10	140	51.9
10-15	12	4.4
Total	270	100.0

Source: Field Survey, October 2018

The study showed that majority of the respondents have a household size between 6-10 people followed by between 1-5 people. That is 51.9% of the respondents have a household between 6-10 and 43.7% of SMEs proprietors have a household between 1-5 and 4.4% of respondents have a household above 10 people. The relatively high household size means majority of respondents have a greater responsibility in catering for their households this may affect the growth of SMEs; as most of respondent's income will be used to provide for the household. This can be an obstacle to ploughing back profit and the growth of SMEs.



4.2 Types and features of SMEs

The analysis of the types and features of SMEs were built on the operational definition of SMEs under this study which regards enterprises that employ fewer than 10 people as Small Scale Enterprises and from 10 to 30 as Medium enterprises.

4.2.1 Years of existence of SMEs

When it comes to the years of existence of SMEs the study revealed that 44.8% have been in existence between 6 and 10 years, 40% of SMEs have been working for up to 5 years and 15.2% have been in existence over 10 years. Within the past 10 years 84.4% of SMEs were established this implies a high rate of SMEs formation which may be due to the following: an increase in population which leads to an increase in demand of goods and services, a surge in entrepreneurial abilities of the people in the Municipality. Table 4.5 shows the years of existence of SMEs.

Table 4.5 Years of existence of SMEs

Number of Years	Frequency	Percent
1-5	108	40
6-10	121	44.8
Above 10	41	15.2
Total	270	100

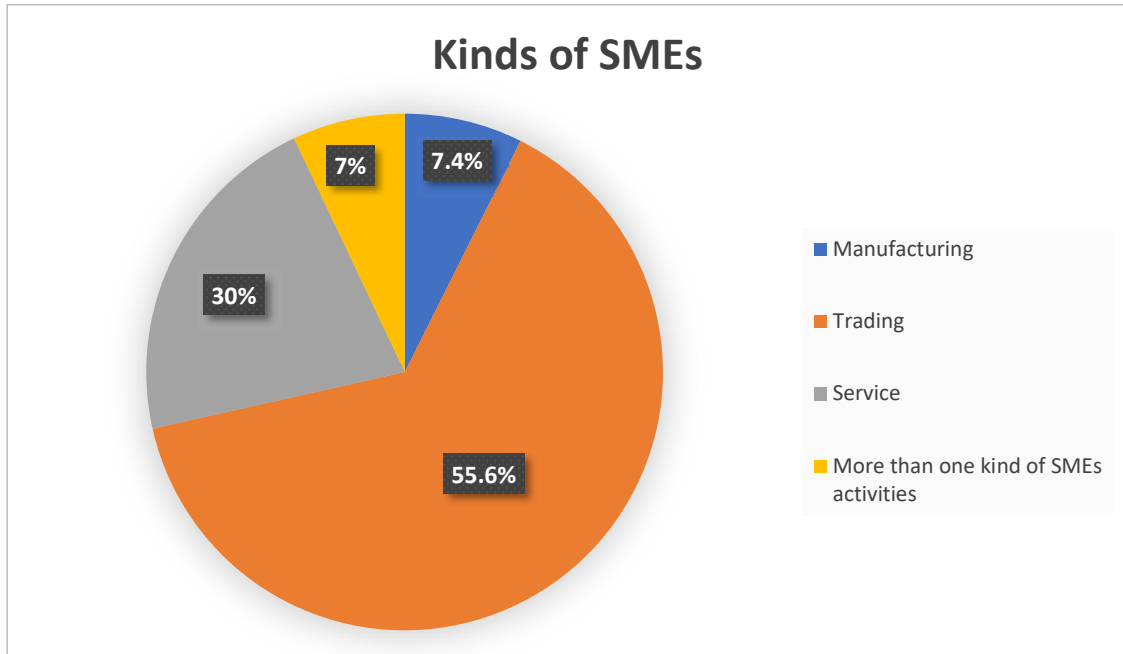
Source: Field Survey, 2018

4.2.2 Kinds of SMEs

SMEs were grouped under the following kinds: manufacturing, trading, services and those who perform more than one kind of activity. It was found that greater proportion of SMEs fall within the trading sector, next is the service sector, and then the manufacturing



sector and lastly those who perform more than one kind of SMEs activities. Figure 4.2 indicates the kinds of SMEs in the Wa Municipality.



Source: Field Survey, 2018

Figure 4.2: A pie chart showing the Kinds of SMEs in the Wa Municipality

From figure 4.2 150 respondents representing 55.6% of SMEs belong to the trading sector, 58 respondents representing 30.0% falls within the service sector, with 20 of the respondents representing 7.4% belonging to the manufacturing sector and 19 respondents representing 7.0% belonging to those who perform more than one kind of SMEs activities. From the table greater part of SMEs is classified under trading and service sector, this agrees with the work of Abor and Quartey (2010) who concluded that a greater part of SMEs is classified under trading and service sectors.



4.2.4 Items or Products produced by the various kinds of SMEs

4.2.4.1 Items manufactured

The following items were identified as the main product produced by the manufacturing SMEs in the Wa Municipality; they include: sachet water production, textiles and smock production, local beverages, shoes, sandals and bags production, furniture production, welding, ceramics and craft production, and herbal drugs production. The study revealed that the most dominant items produced by the manufacturing SMEs are the textiles and smocks. The production of smocks is very dominant to the extent that it is visible in every area or suburb of the Wa Municipality.

4.2.4.2 Items traded

The various items that are traded by SMEs in the Wa Municipality include: provisions such as canned beverages, canned foods, baby foods, bakery products; cosmetics; baby-care products; books and stationaries; textiles and clothing; laundry products; construction goods and hardware; pharmaceutical products; cooking utensils; motor and vehicle products; foot wear, belts and bags products; electrical products; and petroleum products. Among the trading SMEs the most dominant of all the items traded are the items traded by the provision stores.

4.2.4.3 Services

Services are also an important kind of activity undertaken by SMEs. The following are some of the services identified by the study: information and communication technology services, motor and vehicle repairs, barbering and saloon services, computer and phone repair services, transportation services, electrical and wiring services, catering and hospitality services, fashion design, and laundry services.



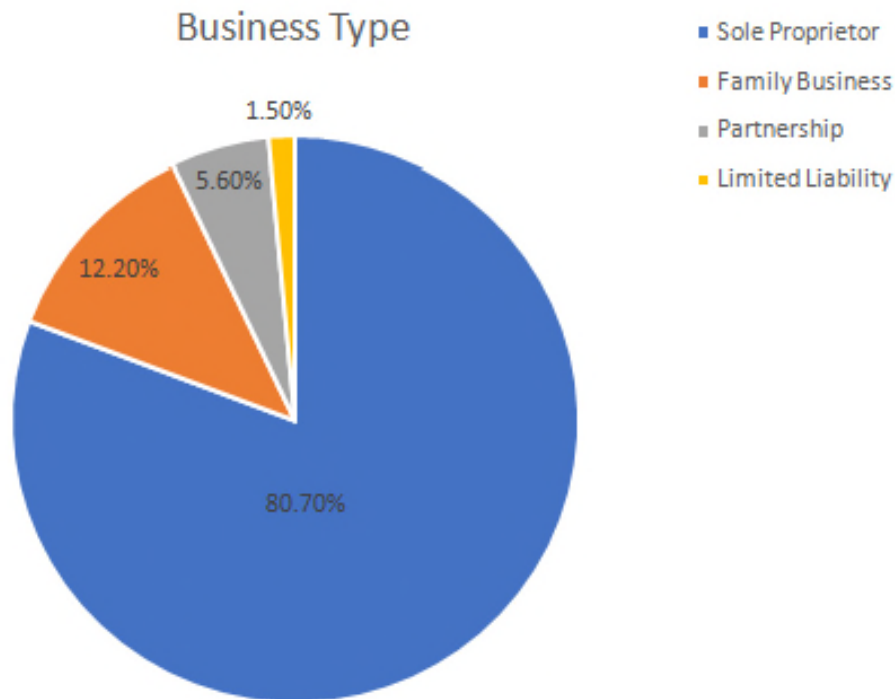
4.2.4.4 More than one kind of SMEs activities

Some of the SMEs performed more than one kind of SMEs activities. Some performed activities such as manufacturing and services, others provided trading and services. For example, carpentry operators provided both manufacturing (such as furniture production) and services (such as general repairs or renovation work and roofing of buildings etc.); some electrical operators were also identified as providing both trading activities such as the selling of electrical appliances and services such as wiring of houses, fixing of electrical appliances, repairing of electrical appliances; some saloon operators are also engaged in both trading activities such as selling of shampoo, wigs, hair conditionals, hair setting lotion, hair pomade etc. and services such as braiding of hair, fixing of hair, bridal make-up, retouching, manicure and pedicure etc.; some of those involved in repair works such as mechanics are also engaged in trading activities such as selling of spare parts of the products that they repair; some petroleum operators are also engaged in trading activities such as selling of petroleum products, engine oil. Some also have supper market attached to it and services such as servicing of vehicles, vulcanising etc.; and some of the pharmaceutical SMEs were also identified with trading activities such as selling of drugs and services such as counselling patients in health promotion, disease prevention and proper uses of medicines, dispensing services etc.

4.2.5 Business type

It was also found that majority of SMEs operate under sole proprietorship. Family owned business is the next type of business organization that is common in the Municipality, and this is followed by partnerships which is also followed by a limited liability company as shown in figure 4.3.





Source: Field Survey, October 2018

Figure 4.3: Pie chart showing the types of business organisations in the Wa Municipality

The study showed that 80.7% of respondents operate the sole proprietorship type of businesses with family owned business constituting 12.2%. This is also followed by partnerships type of businesses with 5.6% and lastly by limited liability company with 1.5%. This agrees with Adisa et al. (2014); Abor and Quartey (2010); Mensah (2004) who stated that most of the ownership structures of SMEs in developing countries consist of sole proprietorship and according to GSS (2016) 82.2% of all business establishments in the Wa Municipality operate under sole proprietorship.

The greater part of SMEs in the Wa Municipality being sole proprietorship type of business, implies an easy formation of a small business in the Municipality, with control and decision making being made by the SMEs proprietors. Conversely SMEs can easily

collapse and the owners are liable to debts and obligations of the business. It is also difficult to raise huge capital for the business.

The research identified why the sole proprietorship type of businesses is dominant in the Wa Municipality and the following reasons were given by respondents who operate the sole proprietorship type of businesses: establishing and operating the sole proprietorship type of businesses is easy and flexible, wanting to take decisions by themselves; they want to have control of the business; required less capital to operate; they are accountable to only themselves; they do not share their profits with anyone; they want liberty and peace of mind to do their business.

4.2.6 Mode of Management of SMEs

It was found that 75.5% of SMEs are managed by their owners. This also agrees with research conducted by Mensah (2004), Abhor and Quartey (2010), USAID (2006) on SMEs in developing countries; which indicate that the working proprietor groups constitute about more than half of SMEs in under developed countries. It was also found that 15.2% of the SMEs are managed by family members, and 9.3% of it is managed by employees who are not relations of the proprietors. Considering that 90.7% of SMEs are managed by their owners and their family members, agrees with the assertion made by Adisa et al that management of SMEs are mostly done by the owners or relatives. With 75.5% of SMEs being managed by their owners confirm that majority of SMEs operate under sole proprietorship and that majority of this sole proprietors (75.5%) are working proprietors. This show that majority of SMEs proprietors are self-employed. Table 4.6 shows the mode of management of SMEs in the Municipality. Managing the business by self, gives the respondent opportunity to pay a particular attention to the business, this



would yield a positive results to the business, in terms of increased sales, productivity and growth of the SMEs among others.

Table 4.6: Mode of Management of SMEs

Managers	Frequency	Percent
Self	204	75.5
Family member	41	15.2
Unrelated employee	25	9.3
Total	270	100.0

Source: Field Survey, October 2018

4.2.6.1 Rationale for the different kinds of management

It was revealed that the rationale behind the varying kinds of management are interconnected and that respondents have more than one reason for the choice of management:

4.2.6.2 Reasons for management by self

The following reasons were adduced by those who managed the SMEs by themselves and these include: the SMEs being their only occupation, inability to pay for the services of other managers, low level of trust for other managers, slow growth and low sales of SMEs, and difficulty in finding persons with the required technical know-how or skills.

4.2.6.3 Reasons for the management by a family member

Respondents whose SMEs are managed by family members gave the following reasons for choosing their family members to manage their SMEs and these include: having another occupation such as being employed in a public or private sector or having more than one SME; flexibility in paying family members or not paying them (that is they are



able to pay them any amount they want to pay without any difficult or not pay them at all); having trust and confidence in the family member (that is respondents believe that their family members will be able to take better care of the business than any other person); the family member having the required skills; and having supported the family member financially (i.e. financing their family member's education, and providing for their basic needs) they want to reap some benefits from what they have done for the family member.

4.2.6.4 Reasons for the management by unrelated employee

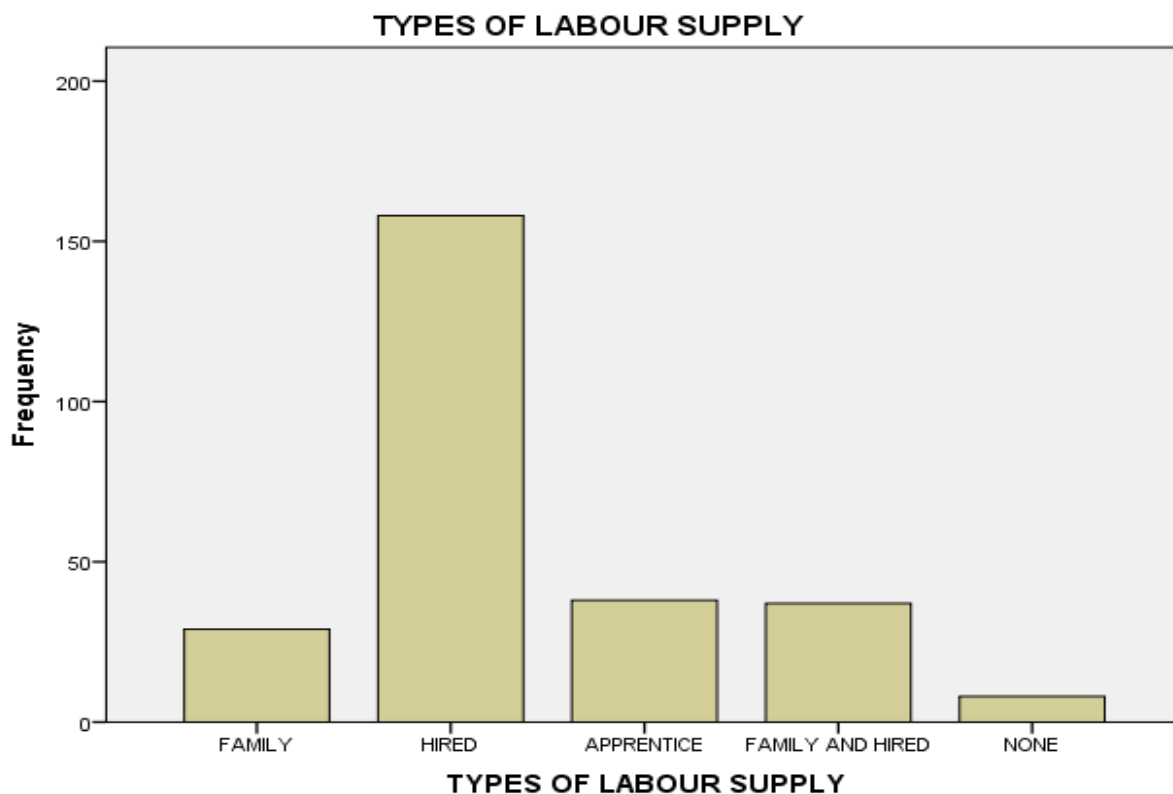
The following reasons were stated by respondents whose SMEs are managed by someone else and they include: having another occupation; the nature of the SME (i.e. whether small or medium enterprise) it was found that majority of SMEs that are managed by unrelated employees are medium enterprises; level of education and managerial skills (i.e. some indicated that they do not have the required education and managerial skills to manage their business); ability to pay employees due to increased growth and sales.

4.2.7. Types of employees of SMEs

The types of employees of SMEs were identified. It revealed that 158 respondents representing 58.5% said their employees consists of hired employees, 38 of the respondents representing 14.1% said their employees consists of apprentice, 37 respondents representing 13.7% indicated that their employees are made up of family and hired employees, 29 respondents representing 10.7% are family members this agrees with Adisa et al. (2014), Abor and Quartey (2010), Okello-Obura et al (2009) who identified the working staff of SMEs as hired workers, apprentices and family members. Moreover



8 respondents representing 2.3% of SMEs do not have employees. Figure 4.4 indicates the types of employees.



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Figure 4.4: A bar chart showing the types of employees

4.2.8 Business registration

All the SMEs that were sampled for this study have registered either with the Registrar General's Department or the Municipal Assembly or both.

It was found that 76.7% of SMEs are registered with the Wa Municipal Assembly, 15.6% of SMEs are registered with the Registrar General's Department and 7.8% are registered with both the Registrar General's Department and the Municipal Assembly as indicated below.

Table 4.7: Registration Department

Registration Department	Frequency	Percent
Wa Municipal Assembly	207	76.7
Registrar General's Dept.	42	15.6
Both WMA and RG	21	7.8
Total	270	100.0

Source: Field Survey, October 2018

4.2.8.1 Reasons for the registration of SMEs with a particular department

The study also looked into the reasons for the registration of SMEs with a particular department.

4.2.8.2 Why register with the Municipal Assembly?

It was found that the SMEs that are registered with the Municipal Assembly are mostly small enterprises. Some of the reasons given by the proprietors are: the nature of the SME; (that is, because they operate on a small scale they see it as not important to register with the Registrar General's Department), lack of proper documentation (that is, they do not possess the necessary documents to enable them register), it is simple, easy and less expensive to register with the Municipal Assembly as compared to the expensive and cumbersome nature of registering with the register general's department. The inexpensive and easy nature of registering with the Municipal Assembly as compared to the register general's department is acknowledged by Nayak (2016) that registration procedures are complex and expensive. Also some respondent said that they were not aware of the Registrar General's Department.



4.2.8.3 *Reasons for registering with the Registrar General's Department*

Majority of SMEs that are registered with the Registrar General's Department are medium enterprises. The reasons given are as follows: the nature of their SMEs that is because they operate on a medium scale, it was important for them to register with the Registrar General's Department. They possess the required documentation, aware of the existence of the Registrar General's Department and the need to register.

4.3 Contributions made by SMEs

4.3.1 *Motivation/Aim of business*

To determine the contributions made by SMEs, the research looked at what motivated respondents to establish the business. The following motivations and what it meant to respondents were identified: provision of basic needs (that is the provision of food, clothing and shelter); provide for financial needs (that is the ability to bear the financial expenses of the households); no other sources of income (respondents said because they do not have any other means for getting income); educational and health needs (ability to pay for the education and health expenses of households). This is indicated in table 4.8.

Table 4.8: Motivation/Aim of business

Motivation/Aim of Businesses	Frequency	Percent
Basic needs and other motivations	175	64.8
Basic needs provision	20	7.4
Financial needs	42	15.6
No other source of income	18	6.7
Educational and health needs	15	5.5
Total	270	100.0

Source: Field Survey, October 2018



Sixty-five percent of respondents viewed the provision of basic needs and other motivation or aim of starting the business as the main aim of establishing SMEs. However, 15.6% of respondents indicated that their motivation of establishing the SME was to provide for their financial needs; 7.4% of respondents see the provision of basic needs as the only factor in establishing SMEs. Also 6.7% said it was because they do not have any other source of income and 5.5% said it was because they want to provide for their educational and health needs only.

Again when asked if they are achieving their motive for the establishment of the SMEs all the respondents said they are achieving it. The respondents were unanimous about the reasons for their claim that they are achieving their motives for the establishment of the business. They indicated that their ability to supply for their basic needs, financial needs, receiving of income, being able to save and providing for their ward's education and their health needs were some of the objectives that showed that they are achieving their motives for the establishment of the business. It was found that respondents have experienced at least three objectives for the achievements of their motives for the establishment of the SMEs. The three objectives which are predominant include: provision of basic needs, receiving of income and being able to save. Table 4.9 reflects the respondents' objectives for their satisfaction.



Table 4.9: Objectives for achieving their motives

	Frequency	Percent
Three objectives (provision of basic needs, receiving of income, being able to save)	85	31.5
Four objectives (provision of basic needs, receiving of income, being able to save and financial independence/providing wards education and or health needs)	99	36.7
All the objectives	86	31.8
Total	270	100.0

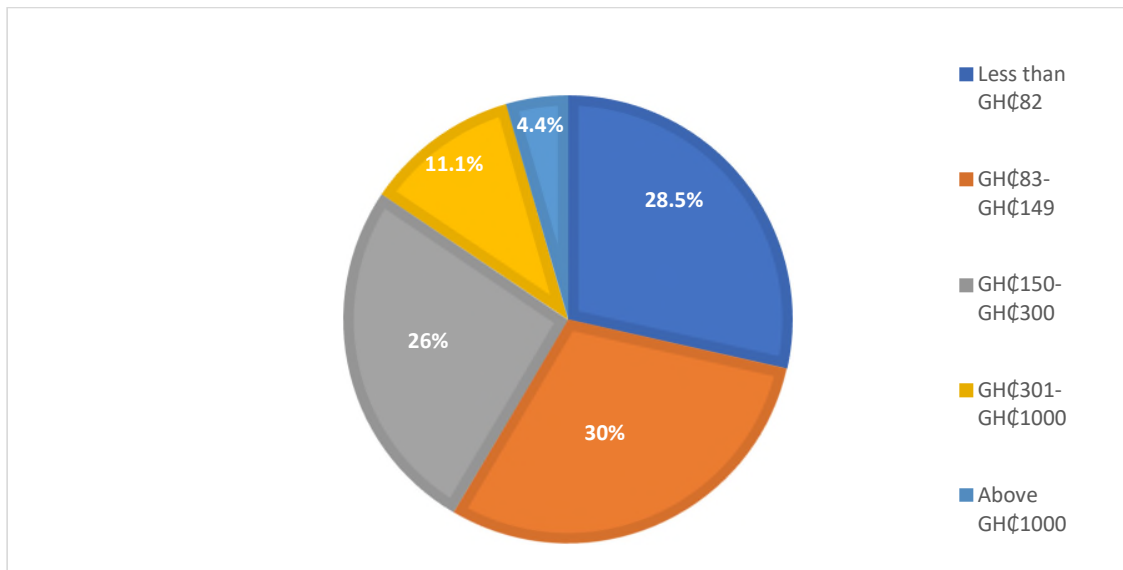
Source: Field Survey, October 2018

Almost 37% of respondents said they had achieved four of the objectives (i.e. provision of basic needs, receiving of income, being able to save and financial independence/providing wards education and or health needs) required for achieving their objectives for the establishment of the SMEs, 31.8% of respondents said that they had achieved all the objectives (that is provision of basic needs, receiving of income, being able to save and financial independence/providing wards education and health needs) required for achieving their objectives for the establishment of the SMEs, then 31.5% of respondents indicated that they had achieved three of the objectives (i.e. provision of basic needs, receiving of income and being able to save) required for achieving their motives for the establishment of the SMEs.

4.3.2 Household Expenditure before starting the business

To determine the significant of income earned by SME operators it was important to find out about the amount of money spent before starting the business.





Source: Field Survey, October 2018

Figure 4.5 monthly amount of money spend before starting the business

It was found that 30.0% of SMEs operators spent between GH¢83- GH¢149 before starting the business, 28.5% of SMEs proprietors spent less than GH¢82 before the start of the business, 26.0% of SMEs proprietors spend between GH¢150- GH¢300 before the start of the business, 11.1% of SMEs proprietors spend GH¢301- GH¢1000 before the start of the business and 4.4% of SMEs operators spend above GH¢1000 before the start of the business.

Based on this, by using the national poverty line it can be said that 58.5% of the SMEs operators lived below the poverty line. Thus 58.5% of SMEs proprietors were defined as poor before the start of the business. Also out of the 58.5% of SMEs operators being poor 28.5% of them were extremely poor. That is, they spend less than GH¢82 in a month (GH¢982.1 per year).

4.3.3 Income per month

The research delved into the income being received by SME proprietors. This is because income is seen as a major component of poverty. When people's income levels are high, it means they are able to provide for themselves and their families thereby reducing poverty. To determine increase in income it was important to compare the income levels of respondents from the commencement of the business and the current period. This will also help to determine whether the SME is growing.

4.3.3.1 Monthly income received a year of starting the business

Concerning the income earned from the commencement of the enterprise, the income earned by SME proprietors or respondents one year after starting the business or within a year of commencing the business was used. Table 4.10 shows the respondents income per month a year or within a year after the start of the business.

Table 4.10 Monthly income earned a year after the start of the business

Income Levels	Frequency	Percentage
Below GHC82	29	10.7
GHC83- GHC149	48	17.8
GHC150- GHC300	23	8.5
GHC301- GHC500	53	19.6
GHC501- GHC1000	72	26.7
GHC1001- GHC2000	40	14.8
Above 2000	5	2
Total	270	100

Source: Field Survey, October 2018

It was found that 26.7% of SME proprietors earned an income between GHC501 to GHC1000 per month one year after the start of the business, 19.6% earned between the range of GHC301 to GHC500 one year after the start of the business, 17.8% earned between the range of GHC83 to GHC149 one year after the start of the business and



14.8% of SME operators earned between GHC1001 to GHC2000 one year after the start of the business, 10.7% of SME operators earned below GHC82 one year after the start of the business, 8.5% of SME operators earned between GHC150 to GHC300 one year after the start of the business. Only 2% of respondents earned above GHC2000 Ghana one year after the start of the business.

Using the poverty line of GHC150 a month, it can be said that 28.5% of SMEs operators are poor a year after the start of the business. That is 10.7% are extremely poor and 17.8% are below the upper poverty line of GHC150.

4.3.3.2 Current income per month

The study delved into the current income per month of SME Proprietors and it is shown in table 4.11.

Table 4.11: Current income earned per month

Income Levels	Frequency	Percentage
Below GHC82	0	0
GHC83- GHC149	6	2.2
GHC150- GHC319	25	9.3
GHC320- GHC500	51	18.9
GHC501- GHC1000	97	35.9
GHC1001- GHC2000	76	28.1
Above 2000	15	5.6
Total	270	100

Source: Field Survey, October 2018

The study found that 34.1% of SME proprietors earn an income between GHC501 to GHC1000 per month, 28.1% earn between the range of GHC1001 to GHC2000, 18.9% of SMEs operators earn between GHC320 to GHC500, 9.3% of SMEs operators earn



between GHC150 to GHC319, 5.6% of respondents earn above GHC2000 and 2.2% of SMEs operators earn between GHC83 to GHC149. None of the SMEs operators earn below GHC82 currently. The study revealed that 69.6% of SMEs proprietors earn above GHC500. This shows a relatively high income being received by SME proprietors. This also shows that the majority of SME proprietors earn an income which is greater than the national minimum wage which is GHS 10.65 per day which translate into GHS 319.50 a month.

Using the poverty line of GHC150 a month, it can be said that at the current period of the business 2.2% of SMEs operators are poor. None of the SMEs operators suffer extreme poverty.

4.3.3.3 Comparing the income earned per month from a year of starting the business to the current income earned per month

When the incomes earned per month at the start of the business were compared to the current incomes earned it was found that at the start of the business 28.5% of respondents earned incomes below GHC150 as compared to 2.2% of respondents who currently earned income at that level. The difference of 26.3% is a significant increase in the amount of income earned. Thus a significant decrease in the level of poverty among SMEs operators.

Again when the incomes earned per month at the start of the business were compared to the current incomes earned it was found that at the start of the business 56.6% of respondents earned income up to GHC500 as compared to 30.4% of respondents who currently earned income at that level. The difference of 26.2% showed that those respondents had experienced increase in income. Again 26.7% of respondents indicated



that at the start of the business they earned income between GHC501 to GHC1000 as compared to 35.9% of respondents who currently earned income at that level. This shows that some of the respondents who experienced an increase in their income levels from the lowest level have moved to this level and to the other higher levels. Thus the difference of 9.2% also shows a rise in income levels from the commencement of the business to the present time. Also 14.8% of respondents received income between GHC1001 to GHC2000, as compared to the 28.1% of respondents who currently received income at that level. The difference of 13.3% shows a rise in income levels from the commencement of the business to the current period of about 89%. Again at the start of the business only 2% of SME Proprietors spent income of above GHC2000 but currently 5.6% of respondents received income at that level. The difference of 3.6% shows an increase of 180% at that level. This shows clearly that incomes earned by respondents have increased over the years. This assertion corresponds with Hasan (2002), Kadiri (2012), Nishtar (2000) and Al-Haddad et al. (2019) who are of the opinion that SMEs are important source of income generation which leads to improvement in standard of living.



The data show that between the monthly income earned a year of starting the business to the monthly income earned currently there is an increase in income. This shows a significant increase in levels of income by SMEs within the Wa Municipality as the years go by.

4.3.3.4 Comparing the poverty status of respondents before the commencement of the business to a year of starting the business and to the current period

It was found that before the start of the business 58.5% of respondents that is about 158 respondents were poor based on the poverty line. That is these respondents spent less



than GHC150 a month (GHC1760.80 a year). Out of the 58.5% poor, 28.5% of the respondents were extremely poor that is they could not afford to spend GHC3 a day on food or cannot consume the minimum daily requirement of 2900 calories per adult equal to daily food requirement, even if they were to use all their spending on food. Comparatively a year after starting the business shows a significant percentage reduction in the level of poverty, that is poverty level a year after starting the business was 28.5% a difference of about 30%. This indicate a 105.5% decrease in the level of poverty among respondents from before the start of the business to a year after starting the business. Again, at the current period of the business the poverty level stood at 2.2% a significant percentage decrease in the poverty level from before the start of the business to a year after starting the business and to the current period. That is poverty decrease from 28.5% from a year of starting the business to 2.2% at the current period of the business. The difference of 26.3% shows a significant percentage decrease of poverty from a year of starting the business to the current period. Generally poverty decrease from 58.5% to 28.5 and to 2.2% before the start of the business to a year after starting the business to the current period respectively. This results shows that SMEs are a major contributor of poverty reduction as highlighted by various researchers such as (Mamman et al., 2015; Sekyi et al., 2014; Al-Haddad et al., 2019 etc.).

4.3.4 Purchasing power of respondents

The purchasing power of respondents were also looked at to determine whether there has been an increase in disposable income (that is whether the respondent's purchasing power have increase) of respondents. 94.8% of respondents were of the opinion that their purchasing power had increased from the start of the business to the current period. These



respondents were of the view that they are capable of purchasing more goods and services at this current period as compared to the start of the business. For example some respondents indicated that at the initial stages of businesses it was even difficult to put a three square meals on the table for their families, paying for utilities such as electricity bills and water bills were a problem, getting accommodation was also a problem due to their low incomes, and providing for other basic needs proved to be difficult due to the low income earned. However there has been a significant improvement at this current period because they are able to provide for at least their basic needs in a much better way than the initial stages. 5.2% of respondents said that although they have experienced marginal increase in their income, their disposable income has remained the same. It was found that those who have not experienced increase in disposable income have existed between 1 to 3 years. Those respondents said that their purchasing power have relatively remained the same from the start of the business to the current period. For example, some respondents said that the various items such as food, clothing, utilities, and accommodation etc. that they are able to purchase at the present moment are the same items that they were able to purchase at the commencement of the enterprise. None of the respondents specified a decrease in purchasing power.

4.3.5 Uses of income earned by SME proprietors

The study identified the areas that respondents use their incomes on and these include: basic needs (i.e. food, shelter, and clothing), educational needs, medical care, social obligations, savings and investments. The result showed that all the respondents spent their income on at least four of the areas identified. It was found that 54.4% of respondents spent the greater proportion of their income on basic needs such as food,

shelter and clothing; 34.8% spent the greater proportion of income on educational needs such as paying of school fees and buying of educational related materials; 5.2% spent the greater part of their income on medical care, 3% of respondents said they spent greater proportion of their income on social obligations and 2% of respondents indicated that they spent greater proportion of their income on savings and investments. This is shown in table 4.12.

Table 4.12 Uses of income in terms of proportions

	Frequency	Percent
Basic needs	147	54.4
Educational needs	94	34.8
Medical care	14	5.2
Social obligations	8	3
Savings and Investments	7	2.6
Total	270	100

Source: Field Survey, October 2018

4.3.6 Savings

Savings are very important in every economy. People's ability to save is vital to the growth of their business. This expansion has a useful effect on the business and the lives of the people involved. As classical economics puts it, savings is equal to investment. The research revealed the amount of money saved within a year of starting the business and current amount of savings.

4.3.6.1 Savings within a year of starting the business

Table 4.13 shows the amount of money saved by SME operators on a daily basis within a year of commencing the business.



Table 4.13: Daily amount of savings within a year of starting the business

Amount	Frequency	Percent
GHC3- GHC4	27	10
GHC5- GHC50	141	52.2
GHC51- GHC100	30	11.1
GHC101- GHC150	10	3.7
Above GHC200	8	3
Not able to save	54	20
Total	270	100

Source: Field Survey, October 2018

It was found that on a daily basis 52.2% of SME proprietors are able to save between GHC 5 to GHC 50, 11.1% of SME operators saved between GHC 51 to GHC 100, 10% of SME operators saved between GHC3 to GHC4, 3.7% of respondents are able to save between GHC 101 to GHC 150, and 3% are able to save above GHC 200. 20% of SMEs operators are not able to save.

The study relates the income earned and poverty status of respondents within a year of starting the business to the savings capabilities of respondents within a year of commencing the business. The following deductions were made: 20% of respondents who do not save at all, fall within those who earned low incomes (i.e. 28.5% of respondents) and are classified as poor based on the national poverty line. And the remaining 8.5% of the poor are able to save between GHC1- GHC4. This implies that some of the poor were able to save although they receive low incomes. The result conveyed that most of the respondents understand the importance of savings to their business and themselves.



4.3.6.2 Current savings

The research revealed that all SME operators save part of their profits at the current period due to improvement of income. Thus table 4.14 shows the amount of money saved by SME operators on a daily basis at the current period.

Table 4.14: Daily amount of savings at the current period

Amount	Frequency	Percent
GHC3- GHC4	13	4.8
GHC5- GHC50	177	65.6
GHC51- GHC100	57	21.1
GHC101- GHC150	12	4.4
Above GHC200	11	4.1
Total	270	100

Source: Field Survey October 2018

It was found that on a daily basis 65.6% of SME proprietors are able to save between GHC5 to GHC50, 21.1% of SME operators saved between GHC51 to GHC100, 4.8% of respondents are able to save between GHC 3 to GHC4, 4.4% of respondents are able to save between GHC101 to GHC150, and 4.1% are able to save above GHC200. The result showed that the respondents understand the importance of savings to their business and themselves. And the improvement in savings will help solve one of the main challenges of SMEs that is inadequate or lack of credit. Thus the savings can be used to acquire credit to invest in the business.

4.3.6.3 Reasons for savings

The respondents mentioned the following as reasons for saving part of their incomes: for reinvestment into the business, financial independence that is ability to provide for



financial needs, to take immediate advantages when opportunities arise, easy access to credit, and for emergency purposes.

34% of respondents said that the most important reason for savings is for reinvestment, 30% of respondents save to get access to credit, 20.2% of respondents indicated that the most important reason for saving is to take immediate advantage when opportunities arise, 10.7% of respondents save to be financially independent, and 5.1% of respondents consider emergency situations as the most important reason for savings. Thus table 4.15 indicates the reasons for savings.

Table 4.15: Reasons for savings

Reasons	Frequency	Percent
Reinvestment	92	34
Easy access to credit	81	30
Take immediate advantage of opportunities	54	20.2
Financial independence	29	10.7
Emergency purpose	14	5.1
Total	270	100.0

Source: Field Survey October 2018

4.3.7 Employment creation

Employment is very important to the survival of all economies. It is one of the basic responsibilities of all governments, and the private sector is seen as the main root of employment creation. This study therefore tried to ascertain the employment creation abilities of SMEs in the Wa Municipality from the start of the business to the current period.



4.3.7.1 Current number of employees

Figure 4.6 shows the current number of people employed by respondents in the Wa Municipality.

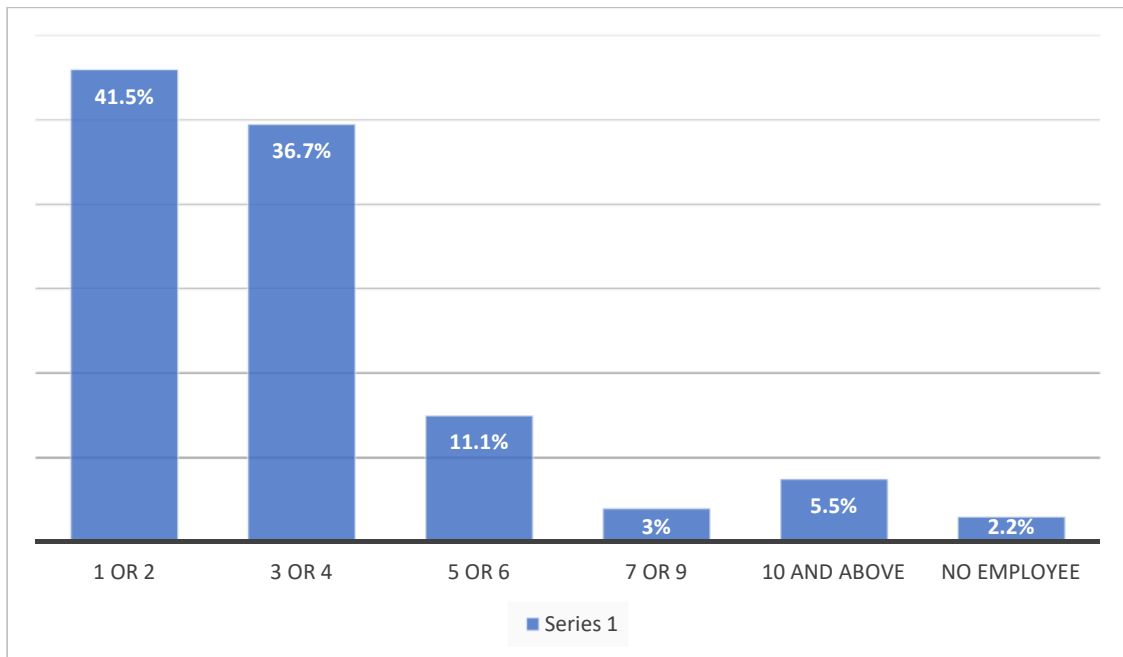


Figure 4.6: Current number of employees

Source: Field Survey October 2018

Out of 270 respondents 264 of them representing 97.8% indicated that they have been able to employ one or more people and 6 of the respondents representing 2.2% have not been able to employ any other person in their business. In terms of those who are able to employ 41.5% of respondents said they are able to employ between 1 or 2 people, 36.7% of SME proprietors are able to employ between 3 or 4, 11.1% are able to employ between 5 or 6, 5.5% are able to employ above 10 people and 3% are able to employ between 7 to 9 people. This confirmed the fact that SMEs are the main avenue for employment creation as was supported by the literature reviewed which state that these businesses are



able to contribute remarkably to employment as a whole and output (Okpukpara, 2009; Abor and Quartey 2010).

4.3.7.2 Number of employees at the start of business

The initial employment capabilities of SMEs at the start of the business were looked at. This also helped to determine the employment capabilities of SMEs at the start of the business and the current period. Table 4.16 indicates the number of employees of SMEs at the start of the business.

Table 4.16: Number of employees at the start of the business

Number of Employees	Frequency	Percent
1 or 2	101	37.4
3 or 4	10	3.7
5 to 9	5	1.9
10 and above	3	1.1
No employee	151	55.9
Total	270	100

Source: Field Survey October 2018

The table shows that at the start of the business 37.4% of SMEs employed 1 or 2 number of employees, 3.7% employed between 3 or 4, 1.9% employed between 5 to 9 employees and 1.1% of SMEs employed 10 and above number of employees. Also 55.9% of SMEs did not make any employment at the start of the business. The higher percentage of 55.9% of SMEs not employing labour at the start of the business implies that majority of SMEs in the Wa Municipality are not able to employ at the start of the business.



4.3.7.3 Comparing the number of employees at the start of business to the current number of employees

It was found that 44.1% of SMEs had employed at least one person and 55.9% of SMEs did not have employees at the start of the business. This when compared to the 97.8% of SMEs employing at least one person and only 2.2% of SMEs not able to employ currently, revealed that SMEs have been able to create employment as the number of years of existence increased. This also revealed that 53.7% out of 55.9% of SMEs have been able to create employment although at the start of the business they didn't have any employee. This implies that SMEs in the Wa Municipality are one of the important sector to job creation which leads to income generation. The employment generation capabilities of SMEs which has being revealed by the studies is a catalyst to the improvement of the standard of living of the people; as opined by Al-Haddad et al. (2019) SMEs create employment which boost income of people involved. This income will also enhance the standard of living as well as reduce poverty. Therefore there is the need for the development of the SME sector to help solve the problem of unemployment in the Municipality.

Grounded on the operational definition of SMEs the data gathered by the study showed that currently 94.5% of SMEs are small enterprises, that is they employ below 10 employees and 5.5% of SMEs in Wa Municipality are medium enterprises meaning they employ from 10 people and above. The 94.5% small enterprise and 5.5% medium enterprise relatively agrees with GSS (2016) which states that 95% of businesses are small and 5% are medium. Comparatively at the commencement of the business based on the operational definition of SMEs the data gathered by the study showed that at the



commencement of the enterprise 43% of them were small enterprise and 1.1% of the business is considered as medium the remaining 55.9% were considered as micro-enterprise. This shows that over the years some SMEs have moved from being a micro enterprise to being small scale enterprise and to being a medium enterprise. This means that SMEs have improved upon their employment generation capacity as the years go by.

4.3.7.4 *Are all employees being paid?*

It emerged that all hired employees are paid by proprietors of SMEs. It was found that 60% of employees constituting family members are paid and 40% of them are not paid. Also 56% of employees who are apprentice are paid and 44% of them are not paid. This revelation show that most employees of SMEs receive income that is about 225 respondents representing 83.3% of respondents paid their employees and that 39 representing 14.4% of respondents do not pay their employees. The unpaid employees are made up of some apprentice and some family members; this assertion agrees with the work of Okello-Obura (2009) and USAID (2006) who state that SMEs that are managed by their proprietors are usually aided by relatives but are normally unpaid. The income received can provide for the basic need of employees thereby improving upon their standard of living. In identifying whether employees of SMEs are paid or not, helps to shed more light on the contribution of SMEs to employment creation and the generation of income to those associated with SMEs. This shows that SMEs are a major source of employment and income generation.

The study found that those employees who are not paid are due to the following reasons: for those who are relatives of SME proprietors their needs are being taken care of by the SME Proprietors. They are provided with food, shelter, clothing, and accommodation.



Also their educational and health needs are provided. Also for those who served as apprentices the SME proprietors indicated that they do not pay them salaries because the apprentices are learning or acquiring skills from them.

4.3.7.5 Salary Levels of Employees

The research sought to determine the wages earned by SME employees. It was found that 38.1% of respondents paid their employees between GHC320 to GHC500 a month, 15.9% of respondents paid their employees between GHC150 to GHC250 a month, 14.1% of respondents paid their employees between GHC251 to GHC319 a month 13.0% of respondents paid their employees less than GHC150 a month, and 8.9% of respondents paid their employees above GHC500. However 10.0% of SME respondents do not pay their employees. Those people who did not receive wages are some of the family members of SMEs proprietors and some apprentices. For the reason of them not receiving wages see section 4.3.7.4.

It was also found that 13% of respondents paid their employees below the poverty line of GHC150 per month and 77.0% paid them above the poverty line. This also shows that SMEs have performed a crucial responsibility in the poverty reduction among employees.

The study also revealed that 47% of SMEs proprietors paid their employees proportional or greater than the national minimum wage, which is GHC10.65 per day and GHC319.5 a month. The salary level of employees shows the extent to which poverty levels are been reduced and the benefits of SMEs to people associated with it operations.



Table 4.17: Wages received by employees

Wages (Ghana cedis)	Frequency	Percent
Below 150	35	13.0
150-250	43	15.9
251-319	38	14.1
320-500	103	38.1
Above 500	24	8.9
Do not received wages	27	10.0
Total	270	100.0

Source: Field Survey October 2018

4.3.7.6 Problems associated with employment of labour

Problems that SME proprietors encounter with the employment of labour were identified by the study. It was found that 11.5% of SMEs proprietors have problems with finding employees and 88.5% of SMEs do not have problems with finding labour.

Table 4.18: Problems with labour

Problems with labour	Frequency	Percent
Yes	31	88.5
No	239	11.5
Total	270	100.0

The research looked into the cause of the problems associated with employment of labour. The study revealed that problems with employment of labour are due to lack of skills or difficulty in finding those skills. SMEs whose activities required special skills or knowledge such as those in information and communication technology (such as those who operates information and communication centres), pharmaceutical and drug stores,



artisans such as masons, carpenters, tailors, hairdressers, mechanics are those that had problems of labour. The following skills were identified as being difficult to find or lacking: information and communication technology skills, trained people with knowledge on drug dispensing, artisanal skills such as masonry skills, carpentry skills, tailoring skills, hairdressing skills, etc.

4.4 Growth of SMEs

4.4.1 Factors determining SMEs growth

The growth of SMEs is very paramount to the development and survival of SMEs and if they are to achieve the motive of reducing poverty. The study showed that 97.8% of SMEs have experienced growth in one way or the other and 2.2% had not experienced growth. The research identified various factors determining SMEs growth. The factors are: sales of goods and services; quantity of goods manufactured; customer patronage and variety of items manufactured, or services rendered, or traded. For proper analysis on factors determining SMEs growth, it was important to identify the sales of goods and services, the quantity of the various goods manufactured, customer patronage and the variety of items manufactured or services rendered or traded by SMEs proprietors.

4.4.1.1 Sales of goods and services

Respondents indicated that the amount of goods and services sold is a major factor in determining growth. It was found that most respondents had experienced a rise in sales of goods and services over the years.



Table 4.19: Sales of goods and services a year of commencing the business

Amount of goods/services sold daily (GHC)	Frequency	Percent
100 and below	47	17.4
101-300	70	26
301-500	59	21.9
501-700	50	18.5
701-1000	20	7.4
1001-1500	13	4.8
1501-2000	9	3.3
2001-3000	2	0.7
3001-5000	0	0
Above 5000	0	0
Total	270	100.0

Table 4.19 shows that a year of starting the business, 26% of respondents recorded a daily sale of GHC100 to GHC300, 21.9% of respondents made a daily sale GHC301 to GHC500, 18.5% of respondents recorded a daily sale of GHC501 to GHC700, 17.4% of respondents also recorded a daily sale of GHC100 and below, 7.4% of respondents made a daily sale of GHC701 to GHC1000, 4.8% of respondents recorded a daily sale of GHC1001 to GHC1500, 3.3% of respondents recorded a daily sale of GHC1501 to GHC2000 and 0.7% of respondent made a daily sale of GHC2001 to GHC3000.



Table 4.20: Sales of goods and services at the current period of the business

Amount of goods/services sold daily (GHC)	Frequency	Percent
100 and below	6	2.1
101-300	25	9.3
301-500	46	17
501-700	62	23
701-1000	55	20.4
1001-1500	45	16.7
1501-2000	17	6.3
2001-3000	8	3
3001-5000	3	1.1
Above 5000	3	1.1
Total	270	100.0

Table 4.20 shows that a year of starting the business, 20.4% of respondents recorded a daily sale of GHC701 to GHC1000, 17% of respondents recorded a daily sale of GHC301 to GHC500, 16.7% of respondents made a daily sale GHC1001 to GHC1500, 9.3% of respondents also recorded a daily sale of GHC101 to GHC300, 6.3% of respondents made a daily sale of GHC1501 to GHC2000, 4.8% of respondents recorded a daily sale of GHC1001 to GHC1500, 3% of respondents recorded a daily sale of GHC2001 to GHC3000, 2.1% of respondents made a daily sale of GHC100 and below 1.1% of respondent made a daily sale of GHC3001 to GHC5000, and 1.1% of respondents recorded a daily sale of above GHC5001.



4.4.1.2 Comparing the Sales of goods and services at the commencement of the business to the current period

From the start of the business 65.3% of respondents recorded a daily sale of GHC500 and below as compared to 26.4% of respondents currently recording a daily sale of GHC500 and below. This shows that the respondents who are now receiving GHC500 and below has decrease to 26.4% an indication that the difference of 36.9% has recorded an increase in sales above the GHC500 being receive previously. It could be seen that at the start the start of the business 17.4% of respondents were recording a daily sale of GHC100 and below but currently only 1.1% of respondent are receiving that. This shows a significant decrease in the number of respondents who are receiving GHC100 and below and a positive indication that about 16.3% of respondents receiving GHC100 and below have experienced an increase in sales.

Again 34.7% of respondents received a daily sale of above 500 from the start of the business as compared to 71.6% of respondents receiving a daily sale of above 500. This significant improvement shows an increase in sales of the business from the start of the business to the current period. The significant increase in sales usually leads to a rise in profit. This shows that SMEs are experiencing growth and this agrees with Snodgrass and Winkler (2004) who indicated that, growth of enterprises refers to increase in the following factors: profit, size, sales, productivity and formality.



4.4.1.3 Quantity of goods manufactured

Table 4.21: Quantity of goods manufactured

Items Manufactured	Quantity of goods manufactured a year of starting the business (daily)	Quantity of goods manufactured currently (daily)	Percentage increase/decrease of Quantity of goods manufactured a year of starting the business to the current period	Frequency	Percent
Sachet water production	10-45 bags	25-100 (bags)	150 & 122.2	3	15
Textiles and Smock production	1-10 (smocks/textiles)	4-20 (smocks/textiles)	300 & 100	8	40
Beverages	70 bottles	150 bottles	114	1	5
Leather work	5-8 units	8-16 units	60 & 100	2	10
Furniture production	3-9 units	8-14 units	166.7 & 55.6	2	10
Welding, ceramics and craft production	3-10 units	6-15 units	100 & 50	3	15
Herbal drugs production	20 bottles	80 bottles	300	1	5
Total				20	100

Source: Field Survey October 2018

A year of starting the business sachet water producers were able to produce between 10 to 45 bags of sachet water as compared to 25 to 100 bags being produced currently. The minimum bags produced increase from 10 to 25 a year after starting the business to the current period with a difference of 15 bags representing a percentage increase of 150%; the maximum bags produced increase from 45 to 100 a year after starting the business to the current period with a difference of 55 bags representing a percentage increase of 122.2%. When it comes to the textiles and smocks production, 1 to 10 smocks/textiles were able to be produced a year of starting the business as compared to 4 to 20





smocks/textiles being produced currently. The minimum number of smocks/textiles produced increase from 1 to 4 with a difference of 3 representing a percentage increase of 300% and the maximum number of smocks/textiles produced increase from 10 to 20 with a difference of 10 representing a percentage increase of 100%. Also the production of beverages saw an increase in production from 70 to 150 bottles a year of starting the business to the current period. The difference of 80 representing a percentage increase of 114% from a year of starting the business to the current period. When it comes to the production of leather works, 5 to 8 units of items were able to be produced a year of starting the business as compared to 8 to 16 units of items being produced currently. The minimum number of items produced increase from 5 to 8 with a difference of 3 representing a percentage increase of 60% and the maximum number of items produced increase from 8 to 16 with a difference of 8 representing a 100% increase in items produced. Furniture also saw an increase of production from 3 to 9 units of items a year of starting the business to 8 to 14 units of items at the current period. The minimum number of items produced increase from 3 to 8 with a difference of 5 representing a percentage increase of 166.7% and the maximum number of items produced increase from 9 to 14 with a difference of 5 representing a 55.6% increase in items produced. Again a year of starting the business welding, ceramics, craft produces were able to produce between 3 to 10 units as compared to 6 to 15 being produced currently. The minimum unit produced increase from 3 to 6 a year after starting the business to the current period with a difference of 3 units representing a percentage increase of 100%; the maximum units produced increase from 10 to 15 a year after starting the business to the current period with a difference of 5 units representing a percentage increase of 50%.

Also the production of herbal drugs saw an increase in production from 20 to 80 bottles a year of starting the business to the current period. The difference of 60 representing a percentage increase of 300% from a year of starting the business to the current period.

The result from table 4.21 shows a significant increase in the production of goods in the municipality. With a percentage increase ranging from 60% to 300% of goods produce, this is a positive indication that SMEs in the manufacturing sector are growing. This implies an increase in sales which can lead to increase in profit. The expansion in production can also lead to the creation of employment and it has the tendency to improve upon the standard of living of the people involved in SMEs activities. As pointed out by Kirchhof (1989) this improvement in performance by SMEs is strongly connected to growth.

The research delves into whether the increase in quantity of goods manufactured relates to increase in productivity. The study identified that the increase in quantity of goods manufactured leads to increase in productivity. For example an SME under sachet water production indicated that at the start of the business the number of employees were 2 and they produced 30 bags meaning that each employee was able to produce 15 bags. But at the current period 4 employees are employed and they are able to produce 90 bags of sachet water meaning that each worker produces about 22.2 bags an improvement in the number of bags produced by a worker, thus an increase in productivity. This is also the case of beverage production. The firm indicated that at the start of the business they were able to produce 70 bottles of beverages with two employees indicating that each employee produces 35 bottles but currently they are able to produce 150 bottles with 5 employees meaning each worker is currently producing 50 bottles of beverages an



improvement in the number of bottles produced by each worker. Under furniture production the number of employee at the start of production was 1 and he was able to produce about 3 units of furniture daily but at the current period the number of employees are 3 and they are able to produce 15 units of furniture meaning each worker is producing 5 units of furniture an improvement in the number of furniture produce, thus an increase in productivity. These results are replicated in all the areas of manufacturing. A strong indication that SMEs are experiencing growth. This will also contribute to economic development as indicated by Katua (2014) the growth of SMEs is acknowledged as a necessary condition for economic development.

4.4.1.4 Number of customers of SMEs

Customers are very important to the survival of businesses because without customer patronage businesses will not grow. The study found that many respondents have experienced increase in the number of customers patronising their goods and services. Few of the respondents indicated otherwise. For example some respondents who render services indicated that the number of customers to whom services had been rendered had increased significantly over the years. For some their customers have more than doubled over the years. For instance, a motor mechanic said that at the initial stage of the business he was providing services to about 5 persons a day but now he is providing services to about 20 persons a day. Again a respondent who operates a communication centre said that he had experienced a rise in the number of customers who patronise his services from 10 to about 50 persons a day. Those who are involved in manufacturing and trading also indicated an increase in the number of customers.



4.4.1.5 Variety of items manufactured

Table 4.22: Variety of items manufactured

Variety of items Manufactured at the start of the business	Frequency	Percent	Variety of items manufactured at the current period	Frequency	Percent
1-3	13	65	1-3	3	15
4-6	7	35	4-6	12	60
7-9	0	0	7-9	5	25
Total	20	100		20	100.0

Source: Field Survey October 2018

The study revealed that at the start of the business 65% of respondents produces between 1 to 3 different kind of items and 15% of respondent currently produces between 1 to 3 different items. The reduction in the number of respondents producing between 1 to 3 different item is an indication that they have moved beyond the production of 1 to 3 different items to higher levels. This is reflected in the subsequent levels which shows that at the start of the business 35% of respondents produces between 4 to 6 different kind of items and 60% of respondents currently produces between 4 to 6 different kind of items an indication that SMEs are adding different items to their line of production. Again at the start of the business no SMEs were producing between 7 to 9 different kind of items but currently 25% of manufacturing SMEs are producing between 7 to 9 variety of items. This is an indication of the expansion going on in these SMEs which has a positive effect on employment, sales, profits and income generation.

4.4.1.6 Variety of services rendered

Table 4.23: Variety of services rendered

Variety of services rendered at the start of the business	Frequency	Percent	Variety of services rendered at the current period	Frequency	Percent
1-3	43	74.1	1-3	15	25.9
4-6	15	25.9	4-6	30	51.7
7-9	0	0	7-9	13	22.4
10 and above	0	0	10 and above		
Total	58	100		58	100.0

Source: Field Survey October 2018

Table 4.23 showed that at the start of the business 74.1% of respondents rendered between 1 to 3 different kind of services and currently only 25.9% of respondents are doing that, the current decline of the different kind of services rendered means that the difference of 48.2% are now rendering services beyond 1 to 3 different kind of services. Also at the start of the business 25.9% of respondents were rendering service between 4 to 6 different kind of items as compared to 51.7% of respondents who are currently rendering services at that level. The increase of about 25.8% shows that there is an increase in the variety of services rendered. Also at the start of the business none of the SMEs were rendering services between 7 to 9 different kind of services but currently 22.4 respondents are doing that. An indication that SMEs have experienced an increased in the different kind of services being rendered. An increased in the different kind of services being rendered contributes to increase in sales, profit and income generation.



4.4.1.7 Variety of items traded

Table 4.24: Variety of items traded

Variety of items traded at the start of the business	Frequency	Percent	Variety of items traded at the current period	Frequency	Percent
1-10	47	27.2	1-10	22	12.7
11-20	49	28.3	11-20	31	17.9
21-30	37	21.4	21-30	45	26
31-40	40	23.1	31-40	50	28.9
41-50	0	0	41-50	15	8.7
Above 50	0	0	Above 50	10	5.8
Total	173	100	Total	173	100.0

Source: Field Survey October 2018

The research identified that at the start of the business 27.2% of respondents traded between 1 to 10 different kinds of items as against 12.7% of respondents currently trading on the same variety of goods. The decrease in the number of respondents trading between 1 to 10 variety of items is an indication that SMEs have increased the variety of items traded. In comparing the first two levels of the variety of items traded the research identified that 55.5% of respondents were trading between 1 to 20 items at the start of the business as compared to 30.6% of respondents trading at the same level. The reduction of those respondents that is 24.9% of the respondents at that level is an indication that those respondents are now trading on more variety of items as compared to previous levels. Also in comparing the last two levels the research found out that none of the SMEs were trading on a variety of goods between 41 to 50 and above 50 at the start of the business as compared to 14.5% of respondents trading between 41 to 50 and above 50 variety of goods. This also clearly indicates that SMEs involved in trading have experienced an increase in variety of items traded from the start of the business to the current period.



This implies that SMEs have grown in terms of the variety of items being traded. This is associated with increase in sales, profits, and income generation.

4.4.5 Reasons for growth of SMEs

The study also delved into what accounted for the growth of SMEs as shown in table 4.25

Table 4.25: Reasons for growth of SMEs

Reasons for growth	Frequency	Percent
Supply of variety of goods/service	73	28
Reinvestment	23	8.8
Customer care	34	13
Increased demand	36	13.8
Location	13	5
Quality of products or services	42	16.1
Support System	40	15.3
Total	261	100.0

Source: Field Survey, October 2018

The respondents ranked the various reasons in order of how much they have contributed to SMEs growth. From the table 28% of respondents said their growth was as a result of producing or selling variety of goods or service, this view was mostly shared by those who are engaged in trading; 16.1% agreed that their growth was due to the quality of product or service being sold or produced, and this view was mostly supported by those involved in manufacturing and services; then 15.3% said it was because of the support system received from family, financial institutions, governmental and non-governmental organisations, again 13.8% said it was because of the increase in demand of the goods and 13% indicated that it was as a result of good customer care, 8.8% of respondents were of the view that their growth was as a result of reinvestment made in the business and 5% of respondents said their growth was as a result of the location of the business.



They also agreed to the fact that it was not solely only one reason that accounted for the growth of their SMEs; and that multiplicity of factors such as selling of variety of goods, quality of product, increased demand, support system etc. as have been enumerated above were associated with the growth of the SMEs.

It is not surprising that majority of respondents said that supplying diversity of goods is the main reason for growth because for any identical businesses which produces, supplies, or rendered a variety of goods/services, usually has more customers and also makes more sales than the other similar businesses that supply a small variety of goods all things being equal. Also the second most important reason showed how customers attached quality to the things they purchased. Support system was also acknowledged as very key to SMEs growth, this is because support received from family members, institutions and organisations goes a long way in the development of SMEs this is in line with the works of Vijayakumar (2013), Kumar (2017) who state that the numerous support including provision of funds, network, technology etc., from diverse sources like friends, financial institutions, government, international institutions etc. are most significant for the development of SMEs through which employments and production could be raised.. The importance of demand or market for goods and services to SMEs is also highlighted by respondents. This shows that demand for goods and services is very vital to the survival of SMEs. Again the importance of customer care to business is emphasised with respondents indicating its relevance to the reason for SMEs growth. With the competition that various SMEs face it is always important to concentrate on good customer care in order to retain and add more customers to the business to ensure its survival and growth. Reinvestment is also very necessary and important to SMEs if they



are to grow and achieve their full potential. Location of SMEs was also seen as a contributory factor to the growth of SMEs. A good location of SMEs can promote increase in sales.

4.4.6 Reasons for no growth

Respondents who were of the opinion that they have experienced no growth gave the following reasons for their SMEs not experiencing growth: reduction in sales as a result of low patronage which has led to a decrease in demand for goods and services that they are engaged in, location: because they are located far from the central business district and also because where they are located are less populated as compared to other areas, excessive competition: respondents indicated that because there are so many similar businesses that had sprang up, which has resulted in very high competition contributing to no growth, inability to reinvest: because of low income which emanate from a decrease in sales they are not able to reinvest part of their profits into the business which has resulted in no growth.

4.4.7 Benefits of growth to SMEs

It was found that SMEs that had experienced growth had all benefited from the growth. The study also identified areas of benefits by the SMEs; that is, what showed that SMEs had benefited from the growth. Some of the areas include increased sales and profits, ability to employ, ability to save and opening of new branches of SMEs to the existing ones. It showed that SMEs that had benefited from growth, had all benefited in the areas of increased sales and profits and ability to save but not all have benefited from the ability to employ and opening of new branches of SMEs. It also revealed that 97.8% of SMEs had benefited from growth in terms of employment. The 2.2% of SMEs that had



not benefited from growth in employment is because they had not employed labour. 10% of respondents said that they have opened new branches of their enterprise because of increased growth.

4.4.8 Benefits of growth to people involved in SMEs

The study showed that the principal benefits of growth to people engaged in SMEs such as SME proprietors and their households and employees of SMEs are increase in income and salaries, increase in savings, financial independence. This is because the growth of SMEs contributes to a rise in sales and profits; this increases in sales and profits lead to increase in income and savings and this also results in financial independence of respondents. This means that respondents are able to provide for their basic needs, educational needs, health needs etc.

4.5 Improvement in standard of living

The study entreated the opinions of respondents on what they considered as improvement in standard of living and the following were responses given:

- I. The ability to supply their basic needs (i.e. being able to cater for their nutritional needs, having a decent accommodation, being able to afford clothing expenses).
- II. Being in the capacity to supply their educational and health requirements of households. That is being in the position to pay for their children's school fees and their own school fees in case they are still in school. For instance a respondent said that 'seeing his children in a school bus of a private school is indicative of improvement in standard of living because he could not afford that previously'. Respondents said that improvement in their health needs meant;



being able to pay for hospital bills for households, ability to purchase drugs from a pharmacy shop or drug store.

- III. Being able to save.
- IV. Being able to fulfil other social responsibilities such as donating money and other items to people who are in need, being able to attend funerals and making contributions to affected persons, being able to contribute in money terms to their churches and mosques and being able to attend marriage ceremonies.
- V. Being able to pay for utilities such as water and electricity.
- VI. Earning of income which can cater for their daily expenses.

Therefore for the purpose of this study improvement in standard of living is defined as being able to provide for the basic requirements of life such as earning of income, providing for basic needs, providing for educational and health needs, fulfilling social obligations, being able to save etc.

When asked if they were experiencing improvement in standard of living 97% of respondents responded in affirmative and 3% said they are not experiencing improvement in standard of living. Respondents who were experiencing improvement in standard of living were of the view that they are achieving their motives for the establishment of the SMEs. Respondents attributed SME growth as the major contributory factor to the improvement in the standard of living. The study found that earning of income and basic needs provision were common to all the respondents when it comes to improvement in standard of living. This is because incomes earned by SME proprietors and other employees are used to supply their basic requirements (such as food, clothing and shelter) and other responsibilities. Seventy-one percent of respondents indicated that they have



experienced enhancement in the standard of living when it comes to providing for the educational and health needs of their households, fulfilling their social needs and paying for utilities.

For poverty to be reduced people should be in the position of supplying their basic requirements, health needs, educational needs and also to cater for the needs of their households; and these cannot be realised without income. Improvement in standard of living translates into poverty reduction, therefore with 97% of respondents experiencing improvement in standard of living, poverty is also being reduced.

4.6 Relationship between SME growth and poverty reduction

Depending on the analysis on growth of SMEs, improvement in standard of living and poverty reduction, there is a clear correlation between SME growth and poverty reduction. As seen in section 4.4.7 SME growth results in increase in sales and profits, ability to save and increase in employment. The rise in the profit of respondents will bring about a rise in income. The increase in income will also lead to advancement in standard of living and hence poverty reduction.

4.7 Challenges

4.7.1 Challenges Encountered

SMEs are faced with myriad of problems and these tend to affect their performance and growth. It was therefore important to look into the challenges that SMEs in the Wa Municipality encounter. The following challenges were identified by SMEs proprietors: financial constraints, input constraints, commodity pricing, market constraints, managerial constraints, and security constraints. Financial or credit constraints were seen by respondents as the major challenge facing them. Respondents said obtaining credit





from the traditional financial institutions was very difficult. The reason been that they do not have collateral. However this problem was not peculiar to respondents who are engaged in other occupations such as formal work. For them they were able to get loans from banks with their salaries as guarantees for repayment. Respondents were of the opinion that SMEs cannot operate without money capital. Most of them alluded to the fact that it was very arduous to raise the money needed to operate the SMEs by themselves. One way for raising money is through the formal financial institutions but with lack of collateral they always find it onerous to acquire loans. Because of the difficulties in getting credit they, turn to ‘susu’ operators and family and friends for financial support. With the ‘susu’ operators and family and friends providing financial assistance, they are not able to raise the required amount for their businesses. Some respondents were of the opinion that financial constraints underpinned most of the challenges for example the challenges such as input, managerial and security challenges are underpinned by financial constraints. They said that if they were financially sound they would not have problems with such constraints; in the sense that if they have the money they could purchase any input they want, hire someone with the managerial know how to manage their business or even receive managerial training to manage the business, and also with money they could beef up the security of their business.

Under input constraints respondents indicated that they found it difficult acquiring certain machines, equipment, tools and other input for their SMEs. This problem was more common to operators such as mechanics, those involved in communication centres, and other artisans such as tailors, hairdressers, carpenters etc. They said that the main cause

of this constraint is inadequate financial capabilities or inadequate money capital to purchase the input, and unavailability of the input or scarcity of the input.

Commodity pricing was also seen by some respondents as a challenge. They said that fixing appropriate and fair prices for their goods and services were a problem. This sometimes leads to confrontation with customers and also low patronage of the goods and services.

Another problem that was identified by respondents is market constraints. Here respondents indicated that they do not have the market for their goods and services, that is the demand for goods and services is low. Some said their location has been a contributory factor to the low demand they experienced, and some cited excessive competition by other firms as a factor to low demand. Some respondents indicated that market constraint is seasonal; that is, they normally experienced low demand when schools particular UDS, Wa polytechnic are on vacation. This had to do with the large population that these schools have. This constraint was much severe in areas that are close to the schools such as Bamahu. For example, a respondent said that his sales drop to half when UDS is on vacation.

Managerial know how was also found to be a challenge. Some respondents specified that they do not possess the managerial capacity to run the business. Even keeping of records for the business was a problem. They also do not have the means to employ competent personal to manage the business. This has brought about the slow growth of the business.

Finally some respondents raised issues on security; that is thieves breaking in to their shops. This particular constraint was peculiar to those who are engaged in trading



activities especially provision stores. This had caused some respondents to lose thousands of Ghana cedis. The table below indicates the challenges experienced by SMEs in the Wa Municipality.

Table 4.26: Challenges of SMEs

Challenges	Frequency	Percent
Financial (credit) constraints	139	51.5
Input constraints	27	10.0
Commodity pricing	22	8.1
Market (demand) constraints	67	24.8
Lack of managerial know how	6	2.2
Security (theft) constraints	9	3.3
Total	270	100.0

Source: Field Survey, October 2018

Out of the various challenges identified 51.5% of respondents stated that the main challenge is lack of credit or finance, this is similar to what the various studies such as Abor and Quartey, (2010), Steel and Webster (1990), Osei et al. (1992), Mensah (2004), Parker et al. (1995), Kumar (2017) have observed, that financial challenge or credit is the main constraint facing SMEs. 24.8% of respondents said that market or demand constraint is the main challenge facing them this is relatively in line with Steel and Webster (1990) who identified that 17% of SMEs encountered demand constraint; 10% of respondents opined that input constraint was their main problem; 8.1% also said that their main constraint is about how to price the commodities or services they provide; 3.3% alluded that security constraint was their major problem and 2.2% of respondents said that lack of managerial know how was their major problem.



4.7.2 Effects of challenges

The study also looked into the effects of the challenges on SMEs. It classified the effects into two main categories that is decreased sales and profits and slow growth and expansion. Generally all the respondents accepted that the challenges have an effect on SMEs and the various effects were interconnected this agrees with Nayak (2016), Kumar (2017) who indicated that SMEs challenges affect the growth and sales of SMEs. This is shown in table 4.27.

Table 4.27: Effects of challenges

Effects of Challenges	Frequency	Percent
Decreased sales and profits	130	48.1
Slow growth and expansion	140	51.9
Total	270	100.0

Source: Field Survey, October 2018

Fifty-one percent of respondents indicated that the challenges have impacted on the growth and expansion of the business and 48.1% of respondents said that the challenges have caused decreased in sales and profits. These challenges resulting in the decreased in sales and profits and slow growth and expansion can erode all the contributions of SMEs therefore leading to the collapse of the business and a decrease in standard of living of the people which leads to poverty.

4.8 Support system

The study also looked into the various support systems available to SMEs. It was found that 69.6% of SMEs proprietors have received support such as financial and material support from family and friends, 7.4% have received financial support from organisations



that deals with SMEs and 5.6% have received managerial support from institutions such as NGO's including In Service Training Centre, Centre for the Development of People and government agencies including NBSSI, Business Advisory Centre. And 17.4% of respondents have received no support. With 13% of SMEs proprietors receiving financial and managerial support from organisations and institutions that deal with SMEs, this alludes to the assertion made by ILO (2014) that support services are inadequate in most developing countries. The inadequate financial and managerial support from organisations and institutions affects the growth and expansion of SMEs. This is indicated in table 4.28.

Table 4.28 Available support system

Support System	Frequency	Percent
Financial/ Material assistance from relatives	188	69.6
Financial support from organisations	20	7.4
Managerial support from organisations	15	5.6
None	47	17.4
Total	270	100.0

Source: Field Survey, October 2018



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The goal of the study was to examine the contributions of SMEs to poverty reduction in the Wa Municipality. This section explores the summary of the findings, implications, conclusions and recommendations outlined from the findings.

5.1 Summary of Findings

The significant matters found and their specific implications following a comprehensive analysis involve: types and features of SMEs in the Wa Municipality, contributions made by SMEs, labour or employees of SMEs, growth of SMEs, poverty reduction, relationship between growth of SMEs and poverty reduction, challenges of SMEs, and support system.

5.1.1 Types and Features of SMEs

The kind of SMEs identified in the Wa Municipality were trading, services and manufacturing, with trading being the most dominant among them. The following types of business organisations were identified in the Wa Municipality: sole proprietorships, partnerships, family owned business and limited liability companies. The research identified that sole proprietorship type of businesses makes up the greater part of the business organisations: that is, 80.7 percent of businesses fall under sole proprietorship in the Wa Municipality. With the sole proprietorship type of business dominating also implies that majority of SMEs are small enterprises. Under the characteristics of SMEs, the research endeavoured to determine those who were responsible for the management of SMEs. The categories of managers identified in the SMEs include proprietors who





manage the business by themselves, SMEs that are managed by family members and SMEs that are managed by unrelated employees. The study showed that greater number of SMEs are managed by their owners (that is the working proprietor groups). This assertion confirmed the fact that the sole proprietorship type of businesses is very predominant in the Municipality. The various reasons for that type of management were also identified. The study showed that the type of labour supplied to SMEs are the hired labour, apprentices and family labour. Among these types of labour the most common among the SMEs is the hired labour, followed by the apprentice type and lastly by the family labour. Concerning the registration of SMEs, the study indicated that SMEs are registered with the Wa Municipal Assembly, the registrar general's department or both and their reasons for their registration with a particular department were identified. It was found that majority of SMEs are registered with the Wa Municipal Assembly. The study revealed the years of existence of SMEs and it was found that majority of SMEs that is 67.4% have existed between 6 years and above and the rest below 6 years.

Based on the operational definition of SMEs the study identified that 94.5% of SMEs are small enterprises, that is they employ below 10 employees and 5.5% of SMEs in Wa Municipality are medium enterprises meaning they employ from 10 people and above.

5.1.2 Contributions made by SMEs

One of the prominent aspects of this study is about the contributions made by SMEs to the life of the people in the Wa Municipality. In analysing the contributions made by SMEs the research delved into the aim of starting the business. This was to help in finding out whether those aims are being achieved. The findings that came from the respondents out of the study indicated that the main aim of starting the business includes

provision of basic needs, no other sources of income, financial needs, provision of educational and health needs. All the 270 respondents agreed that they are in the process of achieving their motives for the establishment of the business. They assign their achievements of their motives for starting their business to the following reasons such as the ability to supply for their basic needs, meeting their financial needs, earning of income and being able to save.

The study showed that 58.5% of SMEs operators earned income below GHC 150 before the commencement of the business and that a year after starting the business saw 28.5% of SMEs operators earning below GHC 150 a significant rise in income received.

The study revealed that SMEs operators earn incomes ranging from GHC83 to more than GHC2000 a month. 63.1% respondent received income of GHC500 and above a year of starting the business as compared to 88.5% of respondents currently receiving income of GHC500 and above. Thus the study found that income received per month had increase from the commencement of the business to the present period. This income received by SMEs proprietors is very important to the survival of the respondents and their households and thus to the reduction of poverty. These incomes received by SMEs proprietors are used for providing basic needs, reinvestment into the business, and meeting the needs of other necessities.

By using the national poverty line in comparing the poverty status of respondents before the commencement of the business to a year of starting the business and to the current period, the study revealed that poverty levels of respondents had reduced from 58.5% before the start of the business to 28.5% a year after starting the business to 2.2% currently.



The study found that 94.8% of respondents had experienced an increase in purchasing power and 5.2% of respondents indicated that their purchasing power had remained the same. None of the respondents indicated a decrease in purchasing power.

It was observed that 20% of SMEs do not save a year after starting the business and currently all SMEs are involved in savings but there were differences in the amount saved. The amount saved ranges from GH¢ 3 to above GH¢ 200 on a daily basis. On a daily basis majority of the respondents that is 65.6% saved between GH¢5 and GH¢50 per day at the current period. The main reasons for savings were determined and it was found that majority of SMEs proprietors in the Wa Municipality saved for reinvestment into the business.

The study showed a significant improvement in employment creation from the commencement of the enterprise up to the present date. The study showed that at the commencement of the business only 44.1% of SMEs were able to employ as compared to 97.8% of SMEs who have been able to employ currently. This shows a significant improvement in the employment capabilities of SMEs. This also means that 55.9% of SMEs at the start of the business were not able to employ as compared to the 2.2% of SMEs who are not able to employ currently.

5.1.3 Labour or employees of SMEs

The study also determined whether all the types of labour were being paid and it was found that all hired employees are paid by respondents and some of the employees in the apprentice type of labour and family type were not being paid.



All most half of respondents paid their employees' salaries above GHC319 that is about 47.0% of labour received salaries above GHC319. This also means almost half of the labour employed received salaries proportional or greater than the national minimum wage, which currently stands at GHC10.65 per day and GHC319.50 a month. About 10.0% of respondents indicated non applicability in terms of cost of labour; this is because some SMEs do not employ labour and few of them also have labour but do not pay them salaries. Some of the labour employed who do not received salaries are normally relatives or family members of SMEs proprietors and some apprentice.

5.1.4 Growth of SMEs

The research identified the various factors determining growth of SMEs that is what shows that they are growing. The factors identified include sales of goods and services, quantity of goods manufactured, customer patronage and variety of items manufactured, or variety of services rendered, or variety of items traded. The study found that sales of goods and services have increased from the commencement of the business to the current period. The study indicated that generally SMEs in manufacturing had experienced an increase in quantity of goods a year of starting the business to the current period with each category having a different percentage increase in quantity; with a percentage increase ranging from 60% to 300%. The study identified that the increase in quantity of goods manufactured leads to increase in productivity. The research revealed that respondents have experienced an increase in the number of customers patronizing their goods or services. The study showed that most SMEs have experience an increased in variety of goods manufactured, or services rendered or items traded.



The study also looked into the main reasons for growth or what accounted for the growth of SMEs. The following reasons were identified: supply of variety of goods, customer care, support system, reinvestment, location, increased demand for goods and services and quality of product or service.

Also the reasons for no growth were sought for. Respondents who indicated no growth gave their reasons and these include reduction in sales as a result of low patronage, location, excessive competition, and inability to reinvest.

SMEs who have experienced growth have benefited from the growth. The areas of benefits identified include increased sales and profits, ability to save, and ability to employ. Most of the SMEs have experienced all the benefits associated with growth. That is growth has contributed to the increase in sales and profits, ability to save and the ability to employ. Thus growth has a positive influence on SMEs and on respondents.

The majority of respondents have seen improvement in their living standards as a result of operating the SME. It was obvious from the research that SMEs being operated by the respondents have led to the provision of basic needs, financial independence, earning of income, ability to save among others. This indicates that the operations of SMEs bring about advancement in the standard of living.

5.1.5 Relationship between SME growth and poverty reduction

The study showed that SME growth has contributed to an increase in income, resulting in the ability to provide for basic requirements such as food, shelter, clothing, education and health. These have led to improvement in standard of living and hence poverty reduction.



5.1.6 Challenges of SMEs

The following challenges were identified by SMEs proprietors: financial constraints, input constraints, commodity pricing constraints, market constraints, managerial constraints, and security constraints. Each constraint was critically assessed. Among these, financial constraints were seen as a major problem. The study found that the challenges faced by SMEs led to a decrease in sales and profits and slow growth and expansion, which if not checked leads to the collapse of the business and consequently a fall in standard of living and thus poverty.

5.1.7 Support system

SMEs had received support from family and friends, organisations that deals with SMEs and some had received no support. The support system includes financial, material, managerial and advisory services. However few SMEs that is 7.4% of SMEs received support from organisations. This is not encouraging and does not augur well for SMEs.

5.2 Conclusion

The contribution of SMEs to poverty reduction in the Wa Municipality cannot be over emphasised. SMEs play a significant role in the lives of those involved and their entire households. In terms of ownership and management of SMEs sole proprietorship type of ownership is dominant in the Wa Municipality and the working proprietor groups or management by self constitute the majority of SMEs management. The poverty levels of SMEs proprietors declined from 58.5% before the start of the business to 28.5% a year after starting the business to 2.2% at the current period. SMEs have been instrumental to the provision of income and savings, basic needs, health and educational needs and employment creation thus reducing poverty. The sustainability of these contributions is



dependent on the growth of SMEs. The study showed that growth of SMEs is paramount to the sector and its development. Supplying of variety of goods, quality of product or service and market for goods and services was seen as a key factor to the growth of SMEs.

However challenges encountered by SMEs threaten to erode the gains made by SMEs. These include financial constraints, input constraints, marketing constraints, pricing constraints, and security constraints. Also inadequate support system from governmental organisations and non-governmental organisations also threatens the development of SMEs which contributes to the poor performance of SMEs.

Nonetheless one of the major contribution made by SMEs is earning of income which leads to the affordability of some basic needs of life such as; education, shelter, health, good nutrition, clothing, potable drinking water, among others. These and others have improved the standard of living of most SMEs operators and employees, which has led to poverty reduction.



5.3 Recommendations

5.3.1 Financial accessibility

The research revealed that the most important constraint faced by SMEs is financing which need attention from policy makers. Areas such as the risk faced by lending institutions; high cost of borrowing and high and unstable interest rates are a major challenge in financing SMEs. The following recommendations will help mitigate the problem: the government, the central bank and the financial institutions should ensure that funds are available to SMEs operators, ensuring that processes and procedures involved in acquiring loans are made favourable. Also ensuring reductions in collateral

requirements, putting regulatory measures to control the financial markets which can bring stability and even reduction to the interest rate.

5.3.2 *Supports and market systems*

Poor support systems serve as an obstacle to SMEs growth, development and their sustainability in Ghana. It was found that SMEs in the Wa Municipality do not received adequate support systems such as skills training, record keeping among others from related organisations and also weak market structures in the country, therefore the following recommendations can help solve the problem:

- Stake holders such as the central government, Municipal Assembly, NBSSI, NGOs etc. should provide enough support systems such as transfer of suitable technology; entrepreneurial training and skills development; continues orientation and on the job training; workshops and refresher courses for SME entrepreneurs to enhance the management of the business activities and records keeping, among others. This will enable the entrepreneurs to develop their talents, improve on their management skills and services and will facilitate the production of high quality goods and services to reach both domestic and global market standards and they will be able to grow and compete with the bigger firms.
- The central and local governments should ensure appropriate restructuring of the market structures through the efforts of creating an enabling environment, which will ensure value addition of local products for exports. The local market system should also be made stronger to promote high sales of goods and services which will increase profit margins of entrepreneurs and in the long run, will increase income.



5.3.3 Improvement in security

Stores of SMEs should be provided with enough security to prevent theft which is also hindering the growth of SMEs and making people lose their properties. The Municipal Assembly should collaborate with SMEs proprietors to provide for the best security for the stores operated by SMEs.

5.3.4 Government should pay more attention to the SME sector

Looking at the contribution of SMEs to the development of the country especially in the areas of income generation and employment creation among others. The Government through the Ministry of Trade and Industry should strengthen SME support institutions such as NBSSI and NGOs working in the area of enterprise development. The NBSSI should be endowed to support the BACs at the district level to contribute effectively to make the SMEs perform better and also for the growth of new ones.



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APPENDICES

APPENDIX 1

UNIVERSITY FOR DEVELOPMENT STUDIES

FACULTY OF INTEGRATED DEVELOPMENT STUDIES

DEPARTMENT OF AFRICAN AND GENERAL STUDIES

INDIVIDUAL QUESTIONNAIRE ON THE CONTRIBUTION OF SMES TO POVERTY

REDUCTION IN THE WA MUNICIPALITY

SECTION A

BACKGROUND OF RESPONDENT

Age

Gender: Male [] Female []

Marital status: Married [] Single [] Divorced []

Educational status: Primary [] JSS/Middle [] Vocational/Technical [] Secondary []

Tertiary [] University []

Religion: Christian [] Muslim [] Traditionalist [] Other [] Specify:

Major Occupation

Location of Business.....

What is the total number of persons in your household?



SECTION B

Types and features of SMEs

1. How long have your business be in existence?

2. What kind of SME do you operate?

Manufacturing Trading Services Other Specify:

.....

List the various goods produced by your SMEs

3. What type of Business Organisation do you operate?

Sole Trader Partnership cooperative limited liability company Family owned

4. Who is the manager of the business?

Yourself Family member someone else

5. Why this type of management?

6. What are the types of employees in the business if any?

Hired Apprentice Family Family & Hired

Details of Ownership

7. Is this type of business activity your exclusive occupation? Yes No

8. If no, what other activities are you engaged in?

9. Have You Registered Your Business? Yes No

10. If yes, with which department Wa Municipal Assembly Registrar General Department NGO's others Specify

11. Why did you register with that particular department?



Contributions made by SMEs

12. What motivated you to start this type of business?

Family tradition [] School fee for children [] Provide basic needs (food, clothing, shelter) [] Economic Independence [] No other alternative of earning income []

Any other reason? Please specify

13. Are you achieving or have you achieved the motive(s) of starting the business Yes

[] No []

14. If yes, what are the reasons

.....
.....

If no what are the reasons

.....
.....

How much do you spend monthly before starting the business?

15. How much do you earn as income from the start of the business in a?

a. Week

b. Monthly

16. Currently how much do you earn as income in a?

a. Week

b. Monthly

17. What did you use your income on?



18. How many goods and services were you able to purchase a year after starting the business?

19. How many goods and services are you able to purchase currently?

20. Are you able to save a year after starting the business? Yes [] No []

21. If yes, how much?

.....
.....

If no, why?

.....
.....

Are you able to save currently? Yes [] No []

22. If yes, how much?

.....
.....
.....

23. If no, why?

24. What are the uses of your savings?

Sources of Labour Supply

25. How many workers do you have? []

26. How many workers did you have at the start of the business?



27. How much is the cost of labour per day? Own GH¢..... Per day
Hired GH¢..... Per day Apprentice GH¢..... per day
Family GH¢..... Per day
28. Do you pay the type of labour employed?
29. Do you have any problem of labour supply for your business? Yes [] No []
30. If yes, what are the problems?

.....

Growth of SMEs

31. For how long is your SME been in existence?
.....
.....
32. What is your daily sales at the start of the business?
33. Currently what is your daily sales?
34. What are the quantities of goods manufactured at the start of the business?
35. How many items did you produce at the start of the business?
36. What are the quantities of goods manufactured currently?
37. How many items do you produce currently in a day?
38. Have you experienced an increase in your customer base?
39. What are the varieties of items produced, traded or services rendered at the start if
the business?
40. What are the varieties of items produced, traded or services rendered at the
current period?
41. What do you think accounted for the growth or expansion of the SME?



.....
.....
.....
.....

42. Have You benefited from the SME' s growth Yes [] No []

43. If yes in what ways have you benefited

.....
.....
.....
.....

44. If no what are the reasons for that?

.....
.....
.....
.....

45. Is your SME experiencing no growth or expansion? []

46. What is the reason for that?

.....
.....
.....
.....

47. Since you started the SME activities had there been improvement in your standard of living? Yes [] No []



48. If yes, which areas in your life had experienced the improvement in the standard of living

.....
.....
.....
.....

49. If no provide reasons

.....
.....
.....
.....

Poverty Reduction

50. What are the factors that account for poverty reduction?

.....
.....
.....



Challenges of SMEs

51. What are some of the challenges that you encounter in your business?

.....
.....
.....

.....

52. In what ways are you affected by the challenges?

.....

Support for SMEs

53. What social support is available to enable you to improve your business?

Sn/ no.	Particular support	Tick Appropriate
1	Government interventions	
2	Easy access to credit	
3	Financial support from relatives/friends	
4	Material support from relatives/friends	
5	Both financial and non financial support from relatives/ friends	
6	Access to training opportunities	
7	Technological transfer	
8	Access to market information	
9	Managerial support	
10	Business contacts	
11	Non	

