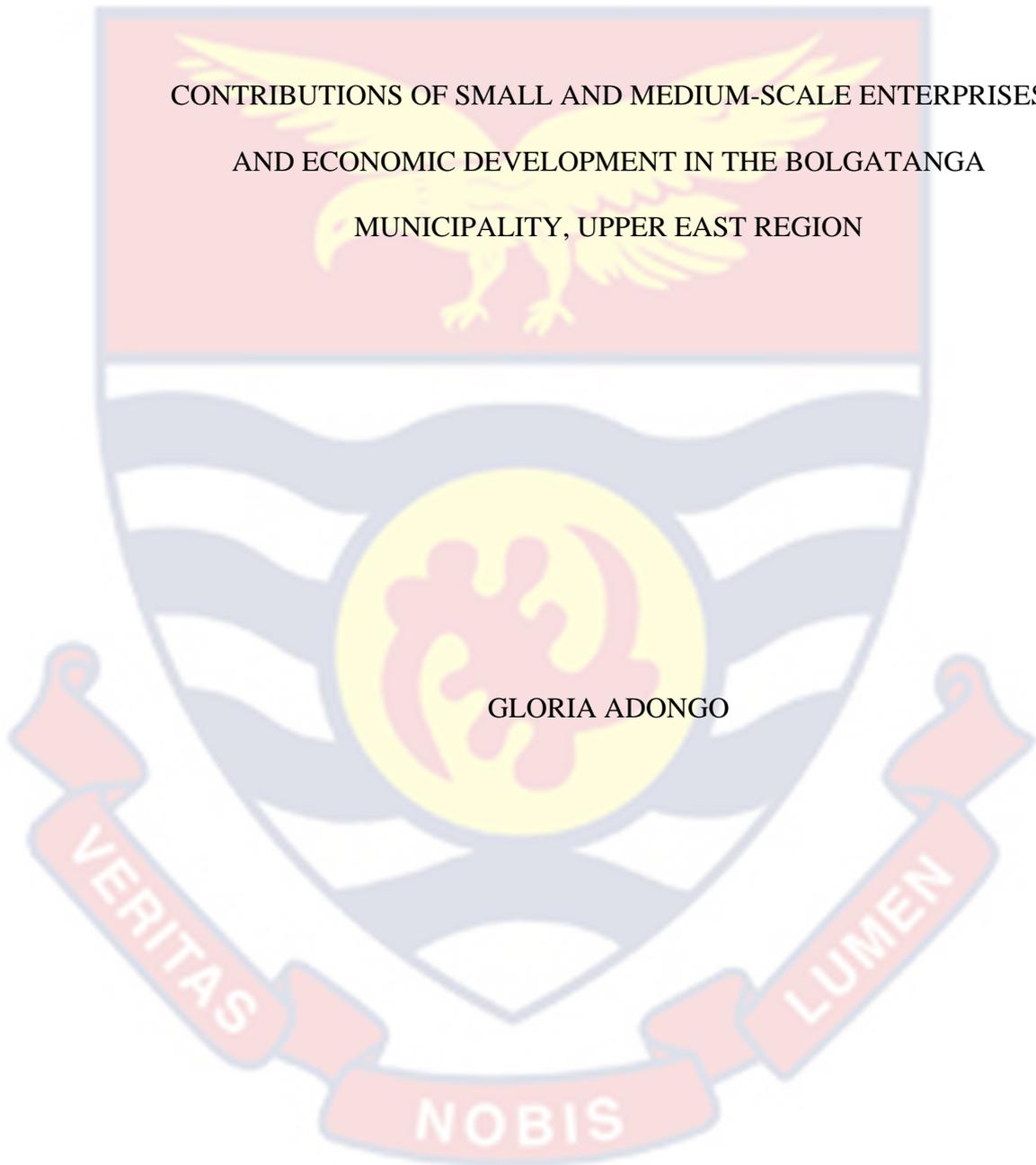


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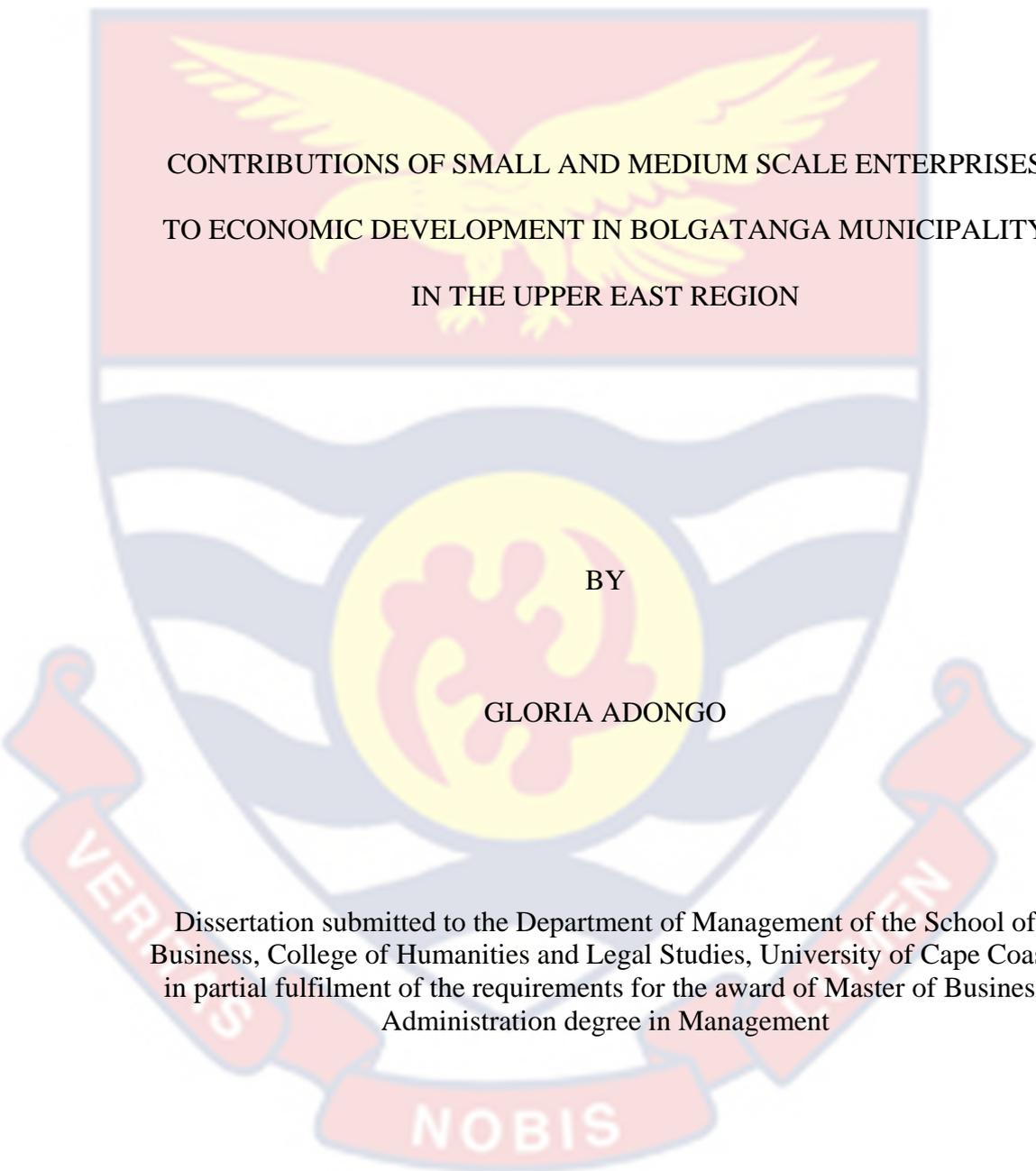
CONTRIBUTIONS OF SMALL AND MEDIUM-SCALE ENTERPRISES
AND ECONOMIC DEVELOPMENT IN THE BOLGATANGA
MUNICIPALITY, UPPER EAST REGION

GLORIA ADONGO



2022

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CONTRIBUTIONS OF SMALL AND MEDIUM SCALE ENTERPRISES
TO ECONOMIC DEVELOPMENT IN BOLGATANGA MUNICIPALITY
IN THE UPPER EAST REGION

BY

GLORIA ADONGO

Dissertation submitted to the Department of Management of the School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfilment of the requirements for the award of Master of Business Administration degree in Management

MAY 2022

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature: Date:

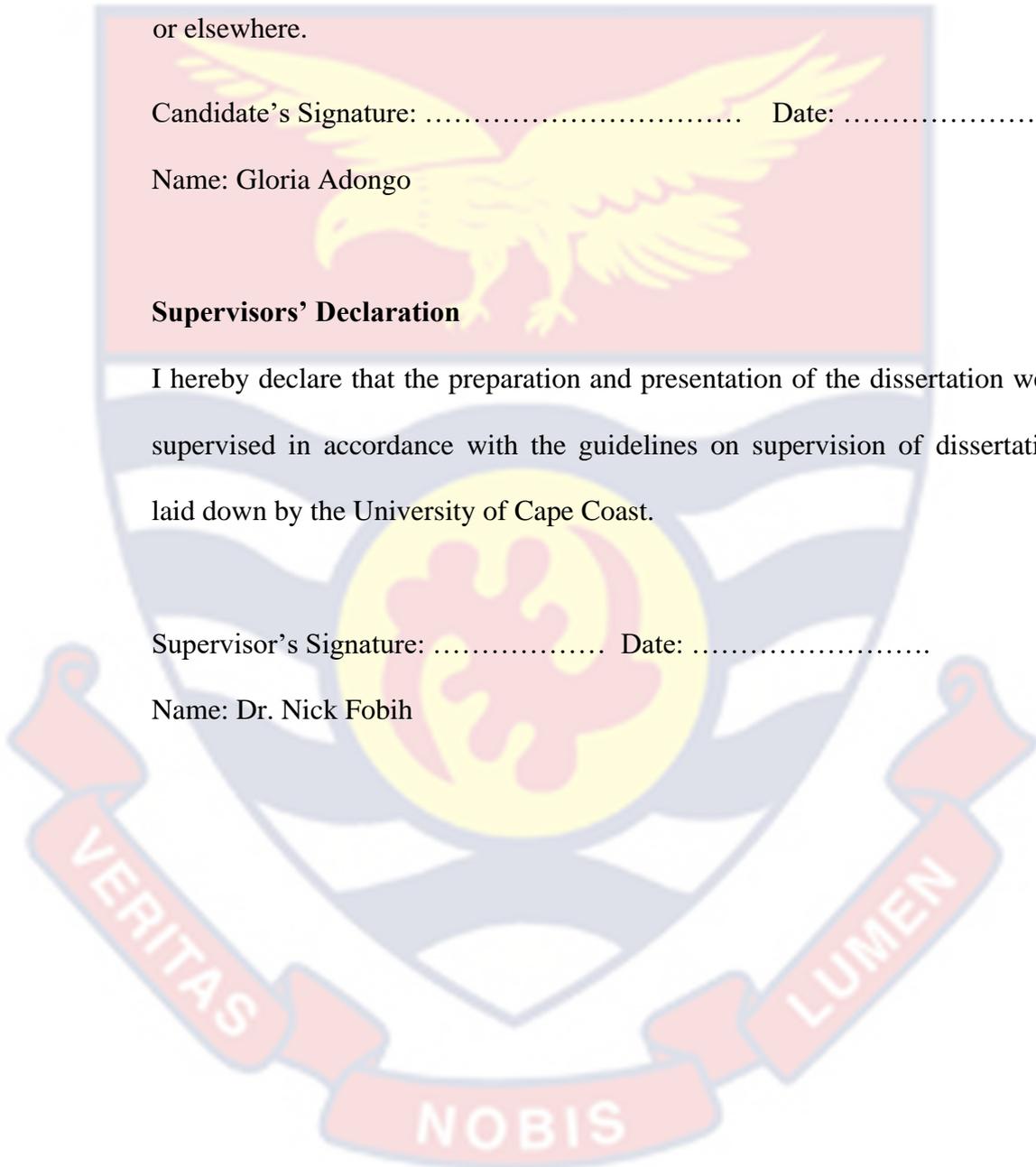
Name: Gloria Adongo

Supervisors' Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature: Date:

Name: Dr. Nick Fobih



ABSTRACT

The study examined the contributions of Small and Medium Scale Enterprises (SMEs) to economic development in the Bolgatanga Municipality in the Upper East Region. Specifically, the study examines the characteristics of SMEs to the economic development in the Bolgatanga Municipality; examine the contributions of SMEs to the economic development in the Bolgatanga Municipality and examine the challenges confronting SMEs to the economic development in the Bolgatanga Municipality. Explanatory design was utilized. Primary data were collected from 152 SMEs owners in the Bolgatanga Municipality. The major finding of the study was that SMEs activities are recognized as a prolific job creator, innovation stimulators, new product developers, poverty alleviators and income redistributors. Hence, it was recommended that SMEs owners in the Bolgatanga Municipality should endeavour to run their business in order to operate at a standard level in order to compete the international companies. In addition, SMEs owners in the Municipality are entreated to formulate and execute strategies such as CSR activities in order to improve stakeholders' welfare, removal of poverty and the provision of employment among others. Finally, SMEs owners in the Bolgatanga Municipality are also entreated to acquire external capital from government in order to improve their business.

KEYWORDS

Enterprises

Medium

Municipality

Small



ACKNOWLEDGEMENTS

I thank my supervisor Dr Nick Fobih for his patience and guidance. I also want thank my family for their support and love shown towards me throughout this study.

I am also thankful to SMEs owners in the Bolgatanga Municipality for contributing immensely to the success of this work.



DEDICATION

To my family and friends



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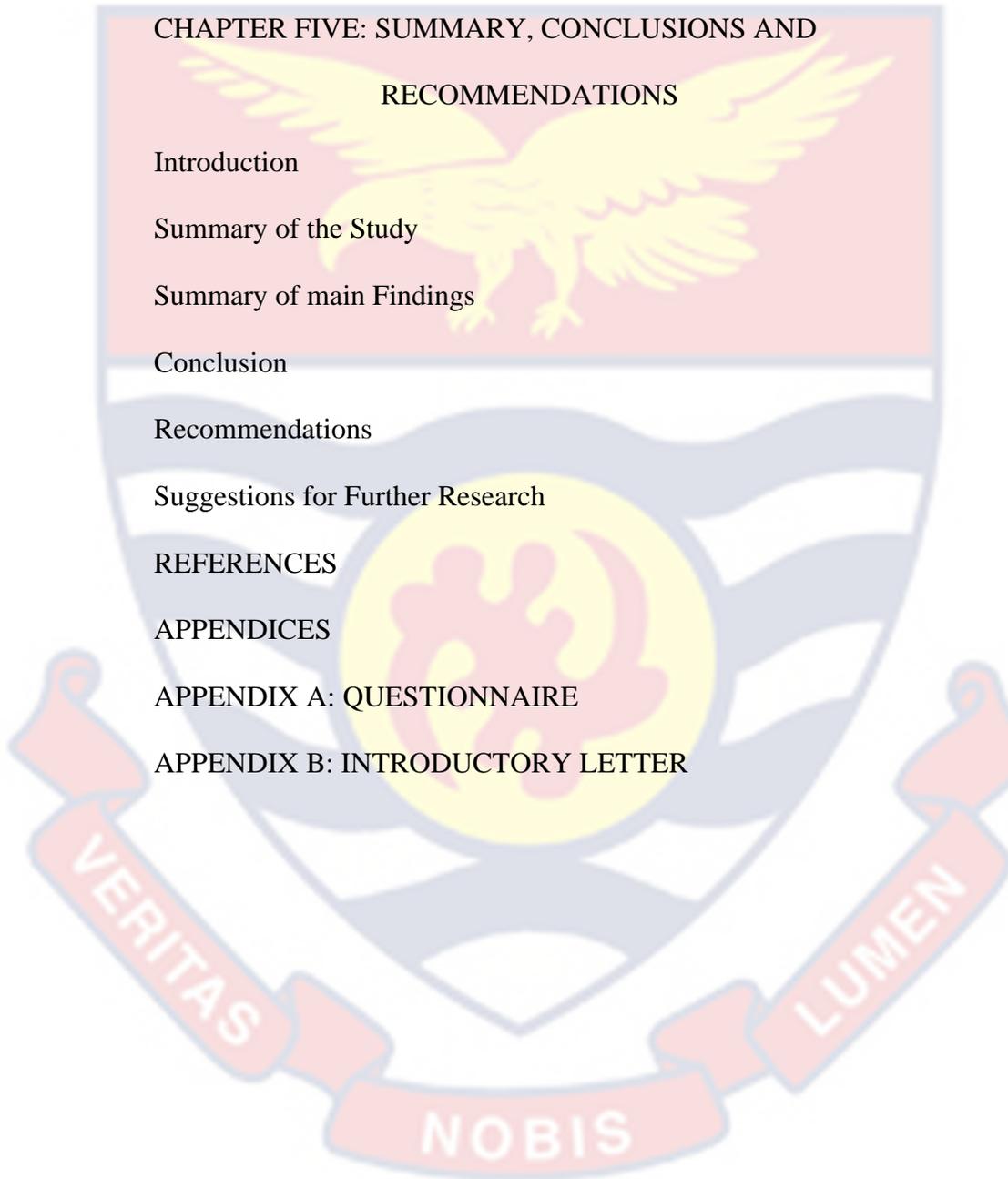
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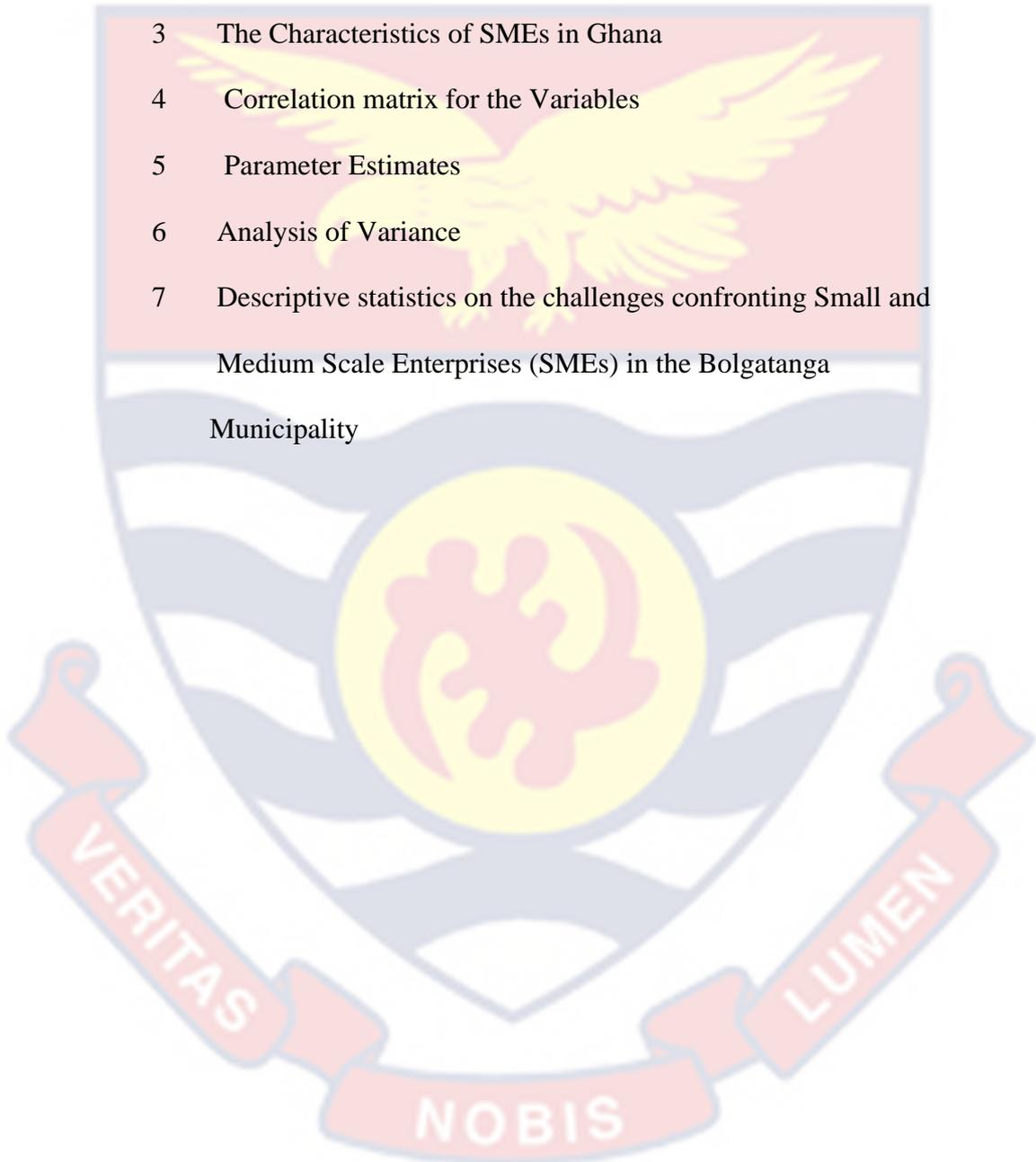
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CHAPTER ONE

INTRODUCTION

The business environment is rapidly changing into increasing standards of dependability, execution and quality. Progress in such a cutthroat business climate requires SMEs to serve as an important conduit to enhance economic development. According to Schaper (2002), SMEs enhance economic development through job creation for individuals who have been laid off. The author further argued that SMEs are linked with rapid economic development. In the context of Ghana, the government has instituted measures to speed up economic development through increased foreign direct investment, policy frameworks to favour SMEs owners among others (Mensah & Rolland, 2004).

Background to the Study

The interest to invest in SMEs actions highlights that it is just the right thing which should be carried out to enhance the development of the Ghanaian economy. Improving the operations of SMEs through their access to capital, technological improvement, removal of regulatory barriers and introduction of better management practices will enable them to enhance the growth of the Ghanaian economy. The concept of SMEs has been explained by the National Board for Small Scale Industries (NBSSI) as businesses with both fixed assets and limited number of employees. SMEs actions have been regarded as an important conduit that contribute to the economic development as they serve as a nursery for organizations (Palma & Gabriel, 2005).

Palma and Gabriel (2005), opined that SMEs are the principle drivers of development. It has been well argued (Chowdhury, 2011; OECD, 2014; Muller, Gagliardi, Caliandro, Bohn & Klitou, 2014), that the contributions of

SMEs in the business environment relates to the actual (GDP) development and work creation. Narteh (2013), and Floyd and McManus (2005), affirmed that the contribution of SMEs in the rising economies enable them to enhance development in the country.

Mensah and Rolland (2004), posit that the contributions of SMEs are evident in Ghana as the industry hires approximately 35% of labour. Villars (2004), also advanced that SMEs contribute nearly 70% to the nation's GDP as well as 92% of organizations in Ghana. Relying on the stakeholder theory perspective (Freeman, 1984), it can be deduced that the SMEs activities are directed at improving their relationship with key individuals in the country. This motive will naturally compel them to enhance economic development through corporate social responsibility (CSR) actions, and other social intervention programmes (Mensah & Rolland, 2004; Palma & Gabriel, 2005).

Some scholars such as Landes (1998), and Koddithuwakku and Rosa (2002), are of the opinion that SMEs expansion is encouraged in emerging economies because of the major roles they play. Accordingly, the government of Ghana have focused more on policy frameworks to favour SMEs owners and entrepreneurship programmes. Milford (2000), posit that massive effort has put on SMEs to address hardship and help solve unemployment problems faced by the nation. Milford (2000) averred that though scholars and policymakers are concern of economic development in general, their concern for SMEs is deeper as compared to larger businesses.

This is because of poor performance and high failure rates associated with SMEs. The concern by the scholars for SMEs is justifiable due to the numerous embracement of SMEs in the literature as the icons of economic

development and development for both developed and developing nations. SMEs are often recognised as a prolific job creator, innovation stimulators, new product developers, poverty alleviators and income redistributors (Abor & Quartey, 2010; Yeboah, 2015). The SME sector, according to Nasir, Al Mamun and Breen (2017), do not only enhance development of various economies but also inspire the flow of economic trade and investment among various nations. The authors further advanced that the level of success attained by SMEs in their respective countries serve as a measure of how befitting a policy of government is cultivating culture of an entrepreneurship in an economy.

SMEs also form a larger portion of the commercial landscape and the pillar of various continents across the globe. According to Nasir, Al Mamun and Breen (2017), the commercial landscape of Asian economies is dominated by SMEs and it is the sector that strengthens those economies. For instance, in Pakistan, the SME sector represents approximately 93% of all establishments in the country and the sector employs almost 80% of the non-agricultural labour force (Malik, Khan, Bhutto & Ghouri, 2011). The situation is not different from Malaysia, where it was observed that SMEs account about 97% of businesses and account for 40% to 60% of the country's GDP. Approximately 70% of employment in Malaysia is also attributable to the SMEs sector (Nasir, Al Mamun & Breen, 2017). The revelations from the Asian countries with respect to SMEs' contributions reiterate the significant role performed by SMEs in various countries, as touted in the literature.

In Africa, the SME sector is also embraced as making an important contribution in the economy of various nations (Okpara, 2011). For example,

it was estimated that almost 61% of the country's employment is linked to the sector's contribution (Abor & Quartey, 2010; Motsepe & Fatoki, 2017). In the work of Yeboah (2015), it was revealed that the SME sector in the Sub-Saharan Africa has seen an extensive increase in number. The report of Global Entrepreneurship Monitor (GEM) in 2010 indicated that Ghana has the highest number of small businesses in Africa.

Given the importance attached to the SME sector, it is important that SMEs poor performances or high failure rates are reverted to the normalcy. In the view of Ackwayi, Godsway, George and Bonsu-Owu (2014), it is a major source of foreign exchange, employment and government revenues. The contributions of the hotel industry were linked to the development in the Travel and Tour industry.

Problem Statement

The growth of the economy of Ghana is dependent on SMEs activities. It was estimated that almost 61% of the country's employment is linked to the sector's contribution (Abor & Quartey, 2010; Motsepe & Fatoki, 2017). In the work of Yeboah (2015), it was revealed that the SME sector in the Sub-Saharan Africa has seen an extensive increase in number. The sector for some time now has seen various improvements in the country. For example, in a PwC 2017 report on the SMEs, it was captured that the sector grew 1.2% from 2015 to 2016 and it is expected to grow 1.1%, 2.1% and 2.3% in 2017, 2018 and 2019 respectively. SMEs are indispensable for development and improvement since they energize the establishment of private enterprise, create employment and lessen poverty (Abor & Quartey 2010; Aranoff et al.

2010). It is evident that SMEs constitute approximately 90% of firms nationwide (Abor & Quartey 2010).

Although, numerous investigations have been directed to analyze the contributions of SMEs to economic development (Mensah & Rolland 2004; Palma & Gabriel, 2005; Zoltan Acs 2006), the manageability of SMEs in Ghana are endangered to go stale due to the various dangers they face. The following authors (Mensah & Rolland 2004; Palma & Gabriel, 2005; Zoltan Acs 2006), explained that factors including poverty, inadequate foreign direct investment, lack of policy frameworks which favour small business owners could lead to such challenges.

According to Palma and Gabriel (2005), while there may be many studies (Mensah & Rolland 2004; Agyemang & Ansong, 2016; Agyemang & Ansong, 2017), on SMEs in advanced economies relative to emerging economies. The effect of SMEs is needed economies like Ghana, which is considered as having weak leadership linked to poverty, unemployment, limited access to capital and lack of suitable know-how. Therefore, the advancement of SMEs in Ghana is a matter of concern for researchers (Mensah & Rolland 2004; Ansong, 2017a; Ansong 2017b). Given this argument, the researcher intends to investigate the contributions of SMEs to the economic development in the Bolgatanga Municipality.

Research Objectives

These are to:

1. Examine the characteristics of SMEs to the economic development in the Bolgatanga Municipality.

2. Examine the contributions of SMEs to the economic development in the Bolgatanga Municipality.
3. Examine the challenges confronting SMEs to the economic development in the Bolgatanga Municipality.

Research Questions

1. What are the characteristics of SMEs to the economic development in the Bolgatanga Municipality?
2. What are the contributions of SMEs to the economic development in the Bolgatanga Municipality?
3. What are the challenges confronting SMEs to the economic development in the Bolgatanga Municipality?

Significance of the Study

The study results will contribute to the understanding of existing body of knowledge regarding SMEs that can be referred to in further research. Furthermore, the finding of this study will support SMEs in their business actions, which will in turn, enhance the growth of the nation. Additionally, the study findings would benefit the owners of SMEs to become conscious of their roles as the propelling force towards the growth of the country. Finally, the findings will help the government of Ghana to formulate and execute policies related to SMEs in order to reduce unemployment situation faced by the country.

Delimitation

The accessible population for this study will only include owners of SMEs in the Bolgatanga Municipality. Since the study does not cover the whole region, its scope and population size are limited.

Limitations

This study is scoped around SMEs in the Bolgatanga Municipality and therefore, the findings of the study would be found difficult to be generalized for SMEs in other regions. Also, respondents complained of that the research instrument was too technical to understand.

Organisation of the Study

The investigation included Chapter one. The second section included the reviews of related literature, which makes basic investigations findings about the proposed topic. Section three took a gander at the review plan and strategies utilized. Additionally, section four contained the introduction of results. Section five summed up the primary discoveries, conclusions and suggestions.

Definitions of Key Terms

Small and Medium Enterprises: The concept of SMEs has been explained by the NBSSI as both immovable benefit and the quantity of employees in a particular organization.

Economic Development: The concept of economic development has been explained by Motsepe and Fatoki (2017) as fair social and monetary change of society through standardized social structures and uplifting perspectives of individuals for a quickened and expanded and expanded development.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter is divided into three sections with each section focusing on a particular aspect of literature related to this study. Section one explained the relevant theories used in the study. Section two detailed on the concepts used in this investigation. Section three presents the empirical and conceptual framework on the subject area.

Theoretical Review

The contingency theory and the social exchange theory have been reviewed in this section. Given this, social exchange theory will be used as the main theory in the study and contingency theory will support the main theory.

Contingency Theory

The contingency theory (Fiedler & Atton, 2004), stipulated that there is no best way to organize a firm and its organisational structure. The theory maintains that the system that best fits a given operating contingency is the most suitable system for an organisation (Burns & Stalker, 2005). Hence, there is no ideal organisational design since, each firm encounter its own in-house and outside limitations that affect unparalleled levels of doubts. The organisational culture and perspectives towards risk vary between companies. McMahan (2001), posits that experience on a business' owner contributes to the performance of SMEs.

Furthermore, Westhead, Ucbasaran and Binks (2004), submitted that a well-performing enterprise with more than one shareholder had a better likelihood of surviving than enterprises with no shareholders. It has been

argued that high performers get promoted easily within an organisation and have better opportunities than low performers (Franco & Franco, 2017).

Implication of the Contingency Theory to the Study

Following the contingency theory, it can be well established that business experience with respect to SMEs' owner greatly contributes to their performance. The theory maintains that the system that best fits a given operating contingency is the most suitable system for an organisation. Hence, it is important for the managers of SMEs to enhance their business through their experience especially, during contingencies. Northouse (2007), argued that while the contingency theory has numerous strengths, the theory could not clarify why superiors with certain administration styles are dynamic in certain circumstances.

It has been argued that the theory could not sufficiently establish what ought to be done about a boss mismatch in the work environment (Northouse, 2007). The researcher also advances the theory view that that experience on a business' owner contributes to the performance of SMEs. Furthermore, a well-performing enterprise with more than one shareholder had a better likelihood of surviving than enterprises with no shareholders.

Social Exchange Theory

Mitchell, Cropanzano, and Quisenberry (2012), regard social exchange theory as an exchange phenomenon that treat social life as a series of successive relations regarding parties. Blau (1964), alluded that the quality of these exchanges is influenced by the association between the actors. Cropanzano and Mitchell (2005), discussed the social exchange theory as a

clear cost-benefit of engaging in an association between business, government and societies.

The social exchange theory posits that people take keen interest in activities if they believe such activities will lead to mutual gains (Blau, 1964).

It has been argued (Chan & Mak, 2014), that in the organizational relationship, business owners look for benefits related with government actions in order to respond favourably. Thus, business owners are more motivated and tend to be satisfied with their business when the behaviours of their government and society are conducive to building a mutually beneficial and trusting association.

The social exchange theory further established that once businesses are encouraged and satisfied with the actions of their government, their commitment increases which in turn, translate into economic development. Within the context of this theory, the association between businesses and government develops once they perceive that they are more likely to get support from government (Slack, Corlett & Morris, 2015). According to Eisenberger, Lynch, Aselage, and Rohdieck (2004), the social exchange process begins when an organizational supervisor gives a person assurance of a fruitful exchange.

Constructive instigating actions include activities such as providing organizational support (Cropanzano & Rupp, 2008; Riggle, Edmondson, & Hansen, 2009). Undesirable originating actions involve abusive supervision or bullying and incivility (2004; Rayner & Keashly, 2005; Tepper, Carr, Breaux, Geider, Hu, & Hua, 2009; Pearson, Andersson, & Porath, 2005). The social exchange theory attributes a leader's ability to satisfy its stakeholders such as

businesses to exceed their prior expectations (Premkumar & Bhattacharjee, 2008).

Implications of the Social Exchange Theory to the Study

The social exchange theory postulate that there is cost-benefit of engaging in an association between businesses and workers and that people take keen interest in activities if they believe such activities will lead to mutual gains. Businesses such as SMEs are one of the main concerns for countries because, being profit generating entities, their achievement of economic development are vital for government survival (Tepper, Carr, Breaux, Geider, Hu, & Hua, 2009).

Conceptual Review

Small and Medium Scale Enterprises (SMEs)

Muller, Gagliardi, Caliandro, Bohn and Klitou, (2014), contended that SMEs owners define their events to match their orientations towards key stakeholders. The concept of SMEs has been explained by the NBSSI as both immovable benefit and the quantity of employees in a particular organization. Different meanings, however, exist because of other purposes such as policy application and legislation. According to Abdul-Rahamon and Adejare (2014), SMEs applies to the stores such as neighbourhood groceries and restaurants. SMEs are owned and operated independently mostly by private individuals (Rezaei, Goli & Dana, 2014). It may be deduced from the above definitions that a small scale enterprise has one distinguishing feature; that is, it is a business owned and operated privately with the manager actively involved in all significant decisions.

In today's competitive business environment with constant changes in the environmental conditions, the success of SMEs shall be possible by securing and managing its competitive advantage in the marketplace. To attain this feat, Issau (2019), stated that SMEs should direct their affairs strategically and consistently to create higher values for their customers. This simply means that consumers determine the existence of SMEs. SMEs existence basically rest on its comprehension and satisfaction of demands of customers (Boachie-Mensah & Issau, 2015). This suggests that businesses have to focus their attention to the demands and needs of customers in order to guarantee their successes in the marketplace.

Nasir, Al Mamun and Breen (2017), opined that SMEs do not only enhance development of economies but also stimulate the flow of economic trade and investment. The authors further advanced that the level of success attained by SMEs in their respective countries serve as a measure of how befitting a policy of government is cultivating culture of an entrepreneurship in an economy. It has been established that SMEs form a big foundation of various continents across the globe. Some scholars (Suprpto, Wahab & Wibowo, 2009; Muller, Gagliardi, Caliandro, Bohn & Klitou, 2014; Yoshino & Taghizadeh-Hesary, 2015; Boachie-Mensah & Issau, 2015; Yoshino, Taghizadeh-Hesary, Charoensivakorn & Niraula, 2016; Nasir, Al Mamun & Breen, 2017) submitted that the commercial landscape of Asian economies is dominated by SMEs and it is the sector that strengthens those economies.

For instance, in Pakistan, the SME sector represents approximately 93% of all establishments in the country and the sector employs almost 80% of the non-agricultural labour force (Malik, Khan, Bhutto & Ghouri, 2011).

The situation is not different from Malaysia, where it was observed that SMEs account about 97% of businesses and account for 40% to 60% of the country's GDP. Approximately 70% of employment in Malaysia is also attributable to the SMEs sector (Nasir, Al Mamun & Breen, 2017). The revelations from the Asian countries with respect to SMEs' contributions reiterate the major role performed by SMEs in countries, as postulated in the literature.

In Africa, SMEs are embraced as making an important contribution in the economy of various nations (Okpara, 2011). For example, it was estimated that almost 61% of the country's employment is connected to the sector's contribution (Abor & Quartey, 2010; Motsepe & Fatoki, 2017). Yeboah (2015) revealed that the SMEs in the Sub-Saharan Africa have seen an extensive increase in number.

Economic Development

The concept of economic development has been explained by Abor and Quartey (2010) and Motsepe and Fatoki (2017) as fair social and monetary change of society through standardized social structures and uplifting perspectives of individuals for a quickened and expanded and expanded development. Economic development as indicated by Barder (2012) is a record of how individuals, firms, establishments and advancements interrelate in the financial, social and political arrangement of a network. This definition is concern with how the social and monetary climate is helpful and addresses the issues of individuals. The overall reason of economic development is to make a continued expansion in per capita outputs, development of productive employment avenues and more prominent value in the dispersion of the gains of development to everybody.

Economic development basically centers on policies such as expanding business, provision of food, training and taking into account the wellbeing of individuals in the society to improve financial, social and infrastructure provision (Yoshino, Taghizadeh-Hesary, Charoensivakorn & Niraula, 2016; Nasir, Al Mamun & Breen, 2017). It has been advanced that economic development is largely traceable to the kind of business initiatives embarked on by SMEs, especially, during the early stages business (Chowdhury, 2011; Narteh, 2013; OECD, 2014). Narteh (2013), have advanced that reducing poverty, reducing unemployment and balancing income distribution are substantial for economic development and development. Thus, enhancement in stakeholders' welfare, removal of poverty and the provision of employment are considered as an important conduit for economic development (Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Aketch, Basheka & Bagire, 2017).

The report of Global Entrepreneurship Monitor (GEM) in 2010 indicated that Ghana has the highest number of small businesses in Africa. This is not surprising due to the fact that SMEs form the foundation of the Ghanaian economy accounting about 85% of organizations which also leads to 70% of Ghana's GDP (ITC-AGI report, 2014; Ackwayi, Godsway, George & Bonsu-Owu, 2014). This is on the grounds that SMEs contributes greatly to the financial development and improvement in Ghana. For instance, in 2013, the immediate commitment of the SMEs to Ghana's GDP was US\$1.34 billion, addressing 2.8% of GDP. The quantity of work upheld by the industry was 124,000 and SMEs added up to US\$303 million of 2013. As Ghana's economy continues to grow, it surely reflects in the SMEs. These

developments in SMEs activities show significant improvement in the number of SMEs in the country.

The Characteristics of SMEs in Ghana

Anthony, Ahiawodzi and Adade (2012), presented that the SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours. The authors further argued that due to the competitive business environment with constant changes in environmental conditions resulting from globalization, SMEs are seen as the engines for development. According to Abor and Biekpe (2006), choosing SMEs are centred on factors such as firms that are excellent providers of job, get help through their broad exchange, prepare reserves which in any case would have been inactive, have been reported as a seed-bed for business.

The Association of Ghanaian Industries (AGI) (2011), presented that a differentiating characteristics of SMEs from bigger organisations is that the bigger organisations tends to trade in both international and local markets, while SMEs are excluded because of the high intermediation expenses. Furthermore, bigger organisations and the SMEs pay the same amount in fulfilling the regulations of the nation. It has been documented empirically that SMEs in Ghana have higher capital output since they are labour intensive with small amount of capital invested (Kayanula Dalitso & Peter Quartey 2000).

Challenges confronting Small and Medium Scale Enterprises (SMEs)

Although the achievements of the SMEs towards the economic development of Ghana are many, there are various challenges confronting SMEs. Among the challenges faced by SMEs is limited access to finance, complications involved in access to suitable machineries, high start-up costs

for SMEs among others (Ghana news, June-2019; Abbor et al, 2010). The aforementioned challenges have been discussed below;

Finance

SMEs inability to obtain the needed finance for their business operations remained a central challenge for them in the country. This can be attributed to SMEs being unable to get active given their opinion that there are high risks and informational obstacles. Given this, Abor and Biekpe (2006), indicated that SMEs may not be able to access long-term finance in the form of debt and equity.

Equipment and Technology

Appropriate equipment and technology acquisition have been stated as one of the challenges faced by SMEs in their operation which eventually prevent them from being innovative and competitive. According to Zoltan Acs (2006), various countries such as Ghana find it difficult to connect their SMEs with overseas stakeholders through technology making it difficult for them to grow their business. This development adversely affects the economic development of the country.

Domestic Demand

Abbor et al. (2010), argued that the commercial policies detailing the operations of SMEs have decreased the country's role in productive action. This can be attributed to limited access to public contracts and subcontracts, ascending from burdensome request processes that hinder SMEs. Furthermore, unproductive delivery networks dominated by bigger firms present vital restrictions to market access for SMEs (AGI, 2011).

Legal

Another important challenge faced by SMEs includes a high start-up costs associated with the acquisition of licensing and registration documents. Further, Court proceedings regarding SMEs operations and actions involve high capital (Kayanula Dalitso & Peter Quartey, 2000).

Lack of Entrepreneurial and Business Management Skills

It has been found that SMEs lack managerial know-how in running their business. Despite the fact that SMEs employ goal driven leaders, they find it difficult to match with big organizations. Given this, it has been very difficult for SMEs to impact positively on the economic development of the nation. Other scholars argued that SMEs managers have no or little educational qualifications hence cannot manage their business as needed (Giovanna Ceglie & Marco Dini, 1999; Kin & McGrath, 1999).

Empirical Review

The stakeholder theory (Freeman, 1984) made us understand that since firms such as SMEs deal with stakeholders, they should respond to their needs and wellbeing through their initiatives so they can stay in business. Building on the stakeholder theory, it is argued that economic development is largely traceable to the kind of business initiatives embarked on by SMEs, especially, during the early stages business (Chowdhury, 2011; Narteh, 2013; OECD, 2014). Narteh (2013), have advanced that reducing poverty, reducing unemployment and balancing income distribution are substantial for economic development and development. Thus, enhancement in stakeholders' welfare, removal of poverty and the provision of employment are considered as an

important conduit for economic development (Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Aketch, Basheka & Bagire, 2017).

Some scholars in the SMEs domain (Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Aketch, Basheka & Bagire, 2017), averred that the concern for SMEs is deeper. This is because of poor performance and high failure rates associated with SMEs. The concern by the scholars for SMEs is justifiable due to the various embracement of SMEs as the icons of economic development. It has been documented that SMEs are often recognised as a prolific job creator, innovation stimulators, new product developers, poverty alleviators and income redistributors (Abor & Quartey, 2010; Yeboah, 2015).

Schaper (2002), argued that SMEs enhance economic development through job creation for individuals who have been laid off. The author further noted that SMEs are linked with rapid economic development. In the context of Ghana, the government have put in place measures to speed up economic development through increased foreign direct investment, policy frameworks to favour SMEs owners among others (Mensah & Rolland, 2004). Nasir, Al Mamun and Breen (2017), affirmed that SMEs do not only enhance development of various economies but inspire the flow of economic trade and investment among various nations. The authors advanced that the level of success attained by SMEs in their respective countries serve as a measure of how befitting a policy of government is cultivating entrepreneurship in an economy.

It could be argued that SMEs form a larger portion of the commercial landscape and the pillar of various continents across the globe, and contribute immensely towards many countries' gross domestic product. According to

Nasir, Al Mamun and Breen (2017), the commercial landscape of Asian economies is dominated by SMEs and it is the sector that strengthens those economies. The SME sector represents approximately 93% of all establishments in the country and the sector employs almost 80% of the non-agricultural labour force (Malik, Khan, Bhutto & Ghouri, 2011). The situation is not different from Malaysia, where it was observed that SMEs account about 97% of businesses and account for 40% to 60% of the country's GDP. Approximately 70% of employment in Malaysia is also attributable to the SMEs sector (Nasir, Al Mamun & Breen, 2017). The revelations from the Asian countries with respect to SMEs' contributions reiterate the major role performed by SMEs in various countries, as touted in the literature.

In Africa, the SMEs are embraced as making an important contribution in the economy of various nations (Okpara, 2011). For example, it was estimated that almost 61% of the country's employment is linked to the sector's contribution (Abor & Quartey, 2010; Motsepe & Fatoki, 2017). Yeboah (2015) advanced that the SME sector in the Sub-Saharan Africa has seen an extensive increase in number. The report of Global Entrepreneurship Monitor (GEM) in 2010 indicated that Ghana has the highest number of small businesses in Africa. This is not surprising due to the fact that SMEs form the foundation of the Ghanaian economy accounting about 85% of organizations which also leads to 70% of Ghana's GDP (ITC-AGI report, 2014; Ackwayi, Godsway, George & Bonsu-Owu, 2014).

In related studies, SMEs are considered as imperative for development since they support private enterprise and help solve unemployment problems (Abor & Quartey 2010; Aranoff et al. 2010). It is evident that SMEs helps in

advancement of the nation which constitutes approximately 90% of firms nationwide (Abor & Quartey 2010). Likewise, Mensah and Rolland (2004) set that the commitments of SMEs are apparent in Ghana as it is projected that the industry employs about 35% of labour. Villars (2004) also advanced that SMEs contribute nearly 70% to the nation's GDP as well as 92% of firms in Ghana.

Relying on the stakeholder theory (Freeman et al., 2010), it can be deduced that the SMEs activities are directed at improving their relationship with key individuals in the country. This motive compels SMEs to enhance economic development (Mensah & Rolland, 2004; Palma & Gabriel, 2005). Some scholars (Landes, 1998; Koddithuwakku & Rosa, 2002) are of the opinion that SMEs expansion is encouraged because of its key roles in the development of the country.

Lessons learnt from the Review

It can be established that because SMEs deal with stakeholders, they should respond to their needs and wellbeing through their initiatives so they can stay in business. It is also argued that economic development is largely traceable to the kind of business initiatives embarked on by SMEs, especially, during the early stages business. The review detailed out that poverty reduction, unemployment reduction and balancing income distribution are substantial for economic development. Thus, enhancement in stakeholders' welfare, removal of poverty and the provision of employment are considered as an important conduit for economic.

Conceptual Framework

The framework connects Small and Medium Scale Enterprises (SMEs) characteristics, its contributions and the challenges confronting them towards Economic development.

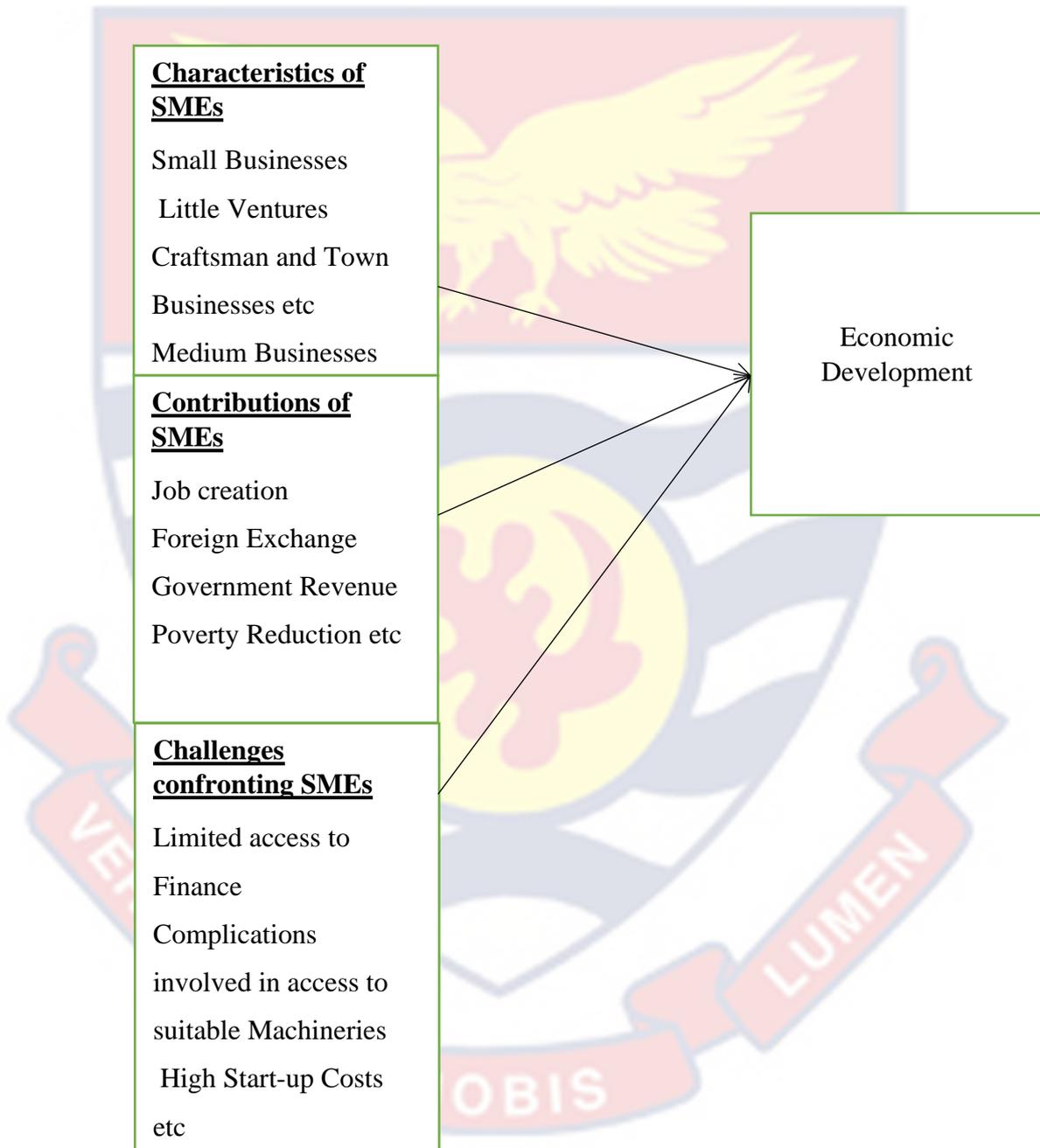


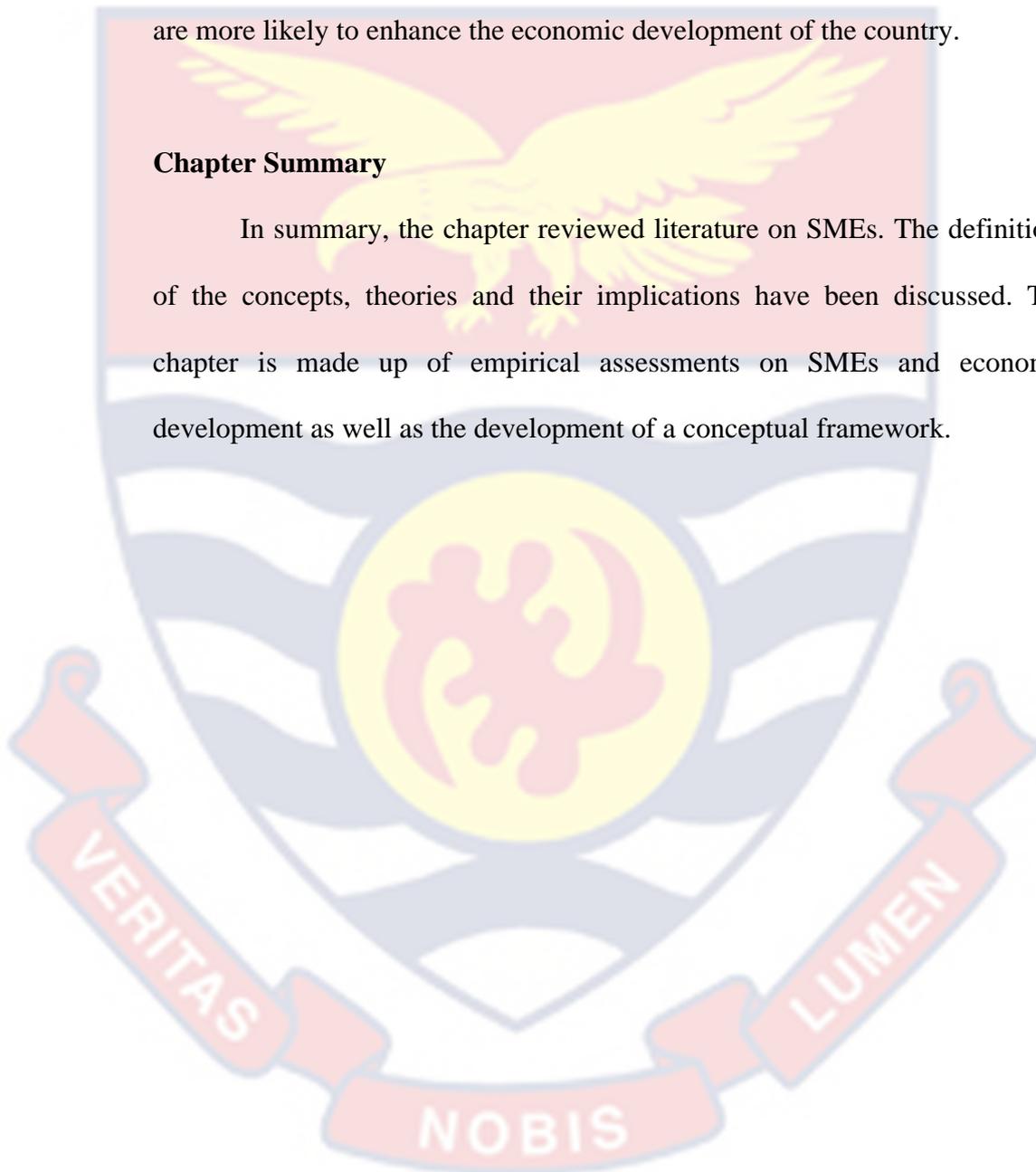
Figure 1: Linking Small and Medium Scale Enterprises (SMEs) characteristics, its contributions and the challenges confronting them towards Economic development.

Source: Authors Construct, (2021)

This framework (figure1) explains SMEs characteristics, its contributions and the challenges confronting them towards and economic development. The framework explains that SMEs affects economic development positively. It is reasoned that SMEs that run their business well are more likely to enhance the economic development of the country.

Chapter Summary

In summary, the chapter reviewed literature on SMEs. The definitions of the concepts, theories and their implications have been discussed. The chapter is made up of empirical assessments on SMEs and economic development as well as the development of a conceptual framework.



CHAPTER THREE

RESEARCH METHODS

Introduction

The approach used for this research by the researcher is presented in this section. It outlines the techniques and tools used to achieve the research goals. It provides information on the research method. This study section is crucial to guarantee that the study findings are valid, reliable and generalized.

Research Design

To achieve the research aims, the study used the explanatory design as it leads to the discovery of association between different variables (Sekaran & Bougie, 2016). The explanatory design would help the researcher to describe, as well as explain the objectives of this research (Barifaijo, Basheka & Oonyu, 2010; Sekaran & Bougie, 2016). The research design was also found appropriate as it would aid to carry out a holistic, comprehensive and in-depth examination into the research objectives and is used by other scholars in such field as (Saunders & Lewis, 2016; Gbodo, 2020). Also, this study is quantitative in nature, the quantitative method would help the study use only statistical data obtained from the respondents to explain the relationship between the variables (Golafshani, 2003; Tashakkori & Teddlie, 2010; Lincoln, Lynham & Guba, 2011; Ofori & Dampson, 2011).

Study Area

The study area includes Small and Medium Scale Enterprises (SMEs) in the Bolgatanga Municipality. The choice of SMEs in the Bolgatanga Municipality is because the researcher is familiar with the respondents hence, would aid in data gathering.

Population

The population for this study consists of all 250 SMEs licensed to operate in the Bolgatanga Municipality.

Sample Size and Sampling Procedures

A sample is basically a subset of the population. Sampling is the means of selecting samples from the population for the purpose of studying the sample and its characteristics to become the basis for using the results of the sample to generalize the population from which the sample was taken from (Sekaran, 2000). The available population of the study consists of 250 SMEs in the Bolgatanga Municipality. Based on Krejcie and Morgan (1970), and to ensure a 5% margin error, 152 SMEs will be randomly selected from the 250 employees. A simple random sampling was used. simple random technique was employed for this particular study since in Ghana data gathering is challenging as maximum individuals do not answer and return questionnaires (Gyensare, Anku-Tsedde, Sanda & Okpoti, 2016).

Source of Data

In view of the reason for this review, an essential data source was utilized to gather data. This is on the grounds that it recommends novel thoughts for the review (Easterby-Smith et al., 2008). Saunders and Lewis (2012), presented that essential data are gathered from the obscure source. Saunders and Lewis (2012), contended that scholars need to gather essential data that are pertinent, precise, current and impartial to a review. Essential data can be gathered through perceptions, meetings and survey.

Data Collection Instrument

This study used questionnaire as a data collection instrument. This because, it saves respondents time and it can also be completed without the presences of the researcher (Touliatos & Compton, 1988). Similarly, most respondents feel using questionnaire strategy enable them to answer without fear (Touliatos & Compton, 1988). The questionnaire is a composite survey comprised of demographic items and variables including contributions of SMEs towards economic development. Questionnaires relating to the contributions of SMEs were adapted from (Abor & Quartey 2010; Aranoff et al. 2010).

Validity and Reliability of the Instrument

Validity is the accuracy or precision with which a phenomenon is described (Ogah, 2013). Common sources of invalidity according to Joubert and Ehrlich (2007), are selection, information and confounding bias. To reduce selection bias, a multistage sampling method was used to select separately the sample of the various categories in order to achieve a good representation. The sample therefore included the owners of SMEs in the Bolgatanga Municipality. To reduce information bias, I adapted survey instruments with comparable population and study design with high validity levels.

The researcher carefully selected data collection methods and analysis in other to reduce confounding bias to considerable level. Cronbach Alpha (α) test (1964) was used to measure internal consistency. Joubert and Ehrlich (2007), define reliability as having the same results even if the measures were taken multiple times. Reliability was achieved by using relatively large sample

size. The instrument considered was derived from tested and standardized instruments to minimize random measurement error.

Data Collection Procedure

The data collection for this research started with seeking the approval from the SMEs owners in the Bolgatanga Municipality. Having done that, the researcher received from Management Department, UCC. Respondents were also given the full confirmation that the review is for scholarly purposes and that their acceptance would be treated with most extreme privacy.

Data Processing and Analysis

The logical course of the information gathered for this study was introduced in unmistakable measurements. In evaluating the research questions structured, Pearson correlation and regression analysis strategy was utilized. In addition, the Pearson correlation and regression analysis was utilized for taking a look at the unwavering quality and legitimacy of the underlying model to build up its wellness. It has been contended that the utilization of Pearson correlation and regression analysis keep researchers from bias estimate of coefficients and individual element loadings.

Ethical Considerations

Awases (2006) advanced that ethics is mostly associated with morality of right and wrong in the society. Hence, Rubin and Babie (2016) posit that it is important that individuals engaged in research to be aware of issues relating to ethical issues. The researcher took the greatest care to inform participants of the purpose of the investigation.

Chapter Summary

This chapter discussed the approach used for this research by the researcher. It outlines the techniques and tools used to achieve the research goals. It also provides information on methods for this investigation.



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter of the study presents the data that was gathered for this research. In addition to the presentation, the chapter is dedicated towards performing preliminary tests on the data after which it was used to conduct the analysis. The findings of the analysis are also presented in addition to the discussions with respect to past literature.

Reliability of the Instrument

Following Cronbach Alpha (1964), reliability of the instrument was examined. An overall Cronbach Alpha (α) = .854 was realized. Bryman and Bell (2011) recommend Alpha $\geq .7$ to demonstrate adequate reliability.

Table 1: Cronbach Alpha values for the variables

Variable	Alpha value
Characteristics of SMEs	.854
Contributions of SMEs	.786
Challenges confronting SMEs	.683

Demographic Characteristics of Respondents

As introduced in table 2, 64.5% of respondents denote males and 35.5% represent females hence, can be confirmed that males are more than females in this study. The result shows that the ages between 32-41 years documented the highest responses while ages above 52 years documented the lowest response. In general, respondents had one form of education. Also, the question on the nature of organization shows that most of the respondents engage in Providing services (47.4%) whilst 23.0% represents those who

Vehicle maintenance whereas 11.2% were those who responsible for Selling spare parts and others representing 18.4%. It can be confirmed from the table that single ownership represent 52.6% and then Partnership represented 29.6% whereas 17.8% represent companies.

The question on the age of enterprise shows that most enterprise have been in the existence between 1-5 years (59.2%) whilst the remaining 22.4% are between 5-10 years whereas 11.8% are Less than 1 year, 5.9 representing 10-20 years and .7 representing More than 20 years. The findings relating to the number of staff showed that most of the companies have staff between 5-15 (44.7%), 29.6% of the respondents have staff Less than 5 whilst 17.8% have staff between 15-25. 6.6% have staff between 25-60 whereas 1.3% represented staff between 50-100 (see Table 2).

Table 2: Demographic Characteristics of Respondents

Variable	Frequency	Percentage
Sex		
Male	98	64.5
Female	54	35.5
Age (Years)		
21 – 31	40	26.3
32 – 41	79	52.0
42 – 51	28	18.4
Above 52	5	3.3
Educational Level		
JHS	28	18.4
SHS/O Level/A Level	62	40.8
Diploma	39	25.7
First Degree	17	11.2
Master's	5	3.3
PhD	1	.7
Nature of Organization		
Vehicle maintenance	35	23.0
Providing services	72	47.4
Selling spare parts	17	11.2
Others	22	18.4

Table 2 Continued

Ownership of Organization

Single ownership	80	52.6
Partnership	45	29.6
Company	27	17.8

Age of Enterprise

Less than 1 year	18	11.8
1-5 years	90	59.2
5-10 years	34	22.4
10-20 years	9	5.9
More than 20 years	1	.7

Number of Staff

Less than 5	45	29.6
5-15	68	44.7
15-25	27	17.8
25-50	10	6.6
50-100	2	1.3

Source: Field Work (2021)

Evaluating Research Questions

Research Question1: What are the characteristics of Small and Medium Scale Enterprises (SMEs) in the Bolgatanga Municipality?

From table 3 below 31.8% and 11.3% agreed and strongly agreed respectively, that SMEs in Ghana is basically made up of small businesses, little ventures, craftsman and town businesses and medium endeavours, 31.8% and 9.3% respectively disagreed and strongly disagreed to that assertion, 15.2% were however neutral. Further, 43.7% agreed and 34.5% disagreed that SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours and were 21.9% were neutral. Whereas 48.1% of the respondents admitted that SMEs in Ghana is made up small businesses, little ventures, craftsman and town businesses and medium

endeavours, 43.7% dismissed that claim and the remaining 19% were equivocal.

Almost the same proportion of respondents who admitted (44.3%) also dismissed (40.4%) that SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours, although, 15.2% were neutral. Considering the discoveries on the characteristics of SMEs in Ghana, it is clear that the respondents were split on their evaluation of the characteristics of SMEs in Ghana.

The study result connect with the work of Anthony, Ahiawodzi and Adade (2012), that the SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours. The authors further argued that due to the competitive business environment with constant changes in environmental conditions resulting from globalization, SMEs are seen as the engines for development. The Association of Ghanaian Industries (AGI) (2011), also presented that a differentiating characteristics of SMEs from bigger organisations is that the bigger organisations tends to trade in both international and local markets, while SMEs are excluded because of the high intermediation expenses. Furthermore, bigger organisations and the SMEs pay the same amount in fulfilling the regulations of the nation. It has been documented empirically that SMEs in Ghana have higher capital output since they are labour intensive with small amount of capital invested (Kayanula Dalitso & Peter Quartey 2000).

Table 3: The Characteristics of SMEs in Ghana

STATEMENT	I	II	III	IV
Minimum	1	1	1	1
Maximum	5	5	5	5
Mode	4	4	4	4
Mean	3.05	3.09	3.08	3.01
Std. Deviation	1.213	1.157	1.197	1.189
Strongly Disagree	14 (9.3%)	14 (9.3%)	20 (13.2%)	16 (10.6%)
Disagree	48 (31.8%)	38 (25.2%)	31 (20.5%)	45 (29.8%)
Neutral	23 (15.2%)	33 (21.9%)	28 (18.5%)	23 (15.2%)
Agree	49 (32.5%)	52 (34.4%)	61 (40.4%)	55 (36.4%)
Strongly Agree	17 (11.3%)	14 (9.3%)	11 (7.3%)	12 (7.9%)

Research Question 2: What are the contributions of Small and Medium Scale Enterprises (SMEs) in the Bolgatanga Municipality?

Correlation Analysis

Pearson correlation coefficient (r) was used to find the correlation concerning SMEs activities and economic development. It measures the strength of the nexus regarding two variables without assigning causality. It is denoted by r , and is used to measure what is called the linear association between two sets of measurements. The value of r can assume any value from -1 to +1, both inclusive (i.e. $-1 \leq r \leq 1$). If r is +1 it implies a perfect positive correlation, but it is perfect negative correlation if r is -1. The two variables are uncorrelated if $r = 0$. Brown and Onsmann (2013) recommend that

correlation coefficients be $> .3$ to demonstrate the presence of significant connections between variables.

Table 4: Correlation matrix for the Variables

Item		Economic Development	SMEs Activities
Economic Development	R	1	0.472
	Sig. (2-tailed)		0.000
	N		63
SMEs Activities	R		1
	Sig. (2-tailed)		
	N		

*. Significant Correlation at 5% level (2-tailed).

From table 4 above, the correlation figure of 0.472 indicates a positive connection between SMEs activities and its economic development. The statement is further supported by a p-value of 0.000 demonstrating that the association between the two variables is statistically significant. This means that SMEs activities influence economic development positively. Thus, the more SMEs activities are encouraged in our society, the more our societies become developed. The results confirms other studies on SMEs activities and economic development (Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Aketch, Abor & Quartey, 2010; Yeboah, 2015; Yoshino, Taghizadeh-Hesary, Charoensivakorn & Niraula, 2016; Basheka & Bagire, 2017; Nasir, Al Mamun & Breen, 2017).

Precisely, the results provide confirmation that enhancement in stakeholders' welfare, removal of poverty and the provision of employment are considered as an important conduit for economic development that results from SMEs activities. Also, some researchers in the SMEs domain (Abor & Quartey, 2010; Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Yeboah, 2015;

Aketch, Basheka & Bagire, 2017) have affirmed that SMEs are often recognized as a prolific job creator, innovation stimulators, new product developers, poverty alleviators and income redistributors.

It is evident that SMEs plays a vital role in the economic development and development which constitute approximately 90% of firms nationwide (Abor & Quartey 2010). The study result advanced the submission of Narteh (2013) that reducing poverty, reducing unemployment and balancing income distribution are substantial for economic development which can result from the economic activities of SMEs. The findings of this extant study tend to support the assertions of following scholars (Mensah & Rolland, 2004; Palma & Gabriel, 2005; Malik, Khan, Bhutto & Ghouri, 2011; Chowdhury, 2011; Narteh, 2013; OECD, 2014) that the SME sector represents approximately 93% of all establishments in the country and the sector employs almost 80% of the non-agricultural labour force.

Regression Analysis

Fritzsche and Oz (2007), submitted that examining research questions may begin once the right estimations have been realized. The path coefficients and its associated p-values were used to affirm the research questions. The R^2 value in the model explains the variance in economic development. This method was adopted to examine how much of the variation in economic development can be explained by SMEs activities.

Table 5: Parameter Estimates

	β	Std. Error	T	P-value	R^2
Constant	1.915	0.430	4.456	0.000	0.472
SMEs Activities	0.366	0.096	3.816	0.000	

From Table 5 above, the model explained about 47% of the variance and that the model is statistically sufficient to influence developmental activities since the independent variables obtained a p-value of 0.000.

Table 6: Analysis of Variance

	Sum of squares	Df	Mean Square	F	P-value
Regression	2.792	2	1.396	17.190	0.000
Residual	4.873	60	0.081		
Total	7.665	62			

The result in table 6 above indicates that SMEs activities are reliably sufficient to influence the rate of economic in the Municipality. This is the case because the ANOVA table predicted an F-value of 17.190 with a corresponding p-value of 0.000.

Research Question 3: What are the challenges confronting Small and Medium Scale Enterprises (SMEs) in the Bolgatanga Municipality?

The descriptive summary and analysis for the challenges confronting SMEs in the Bolgatanga Municipality as means and standard deviation is shown in table 7 below. Respondents clearly disagree with all the statement measuring the challenges confronting SMEs in the Bolgatanga Municipality, except for the statement, “SMEs inability to obtain the needed finance for their

business operations” where they agreed. Thus, they disagreed (*Mode* = 2) that employees, showed no cooperation in the challenges confronting Small and Medium Scale Enterprises (SMEs). They further disagreed that employees do not face problem relating to the acquisition of appropriate equipment and technology. Again, they rejected the assertion that SMEs lack managerial know-how in running their business.

The finding of the study also resonate with the empirical work of Abor and Biekpe (2006) that SMEs inability to obtain the needed finance for their business operations remained a central challenge for them in the country. Given this, SMEs may not be able to access long-term finance in the form of debt and equity. Similarly, appropriate equipment and technology acquisition have been stated as one of the challenges faced by SMEs in their operation which eventually prevent them from being innovative and competitive. According to Zoltan Acs (2006), various countries such as Ghana find in difficult to connect their SMEs with overseas stakeholders through technology making it difficult for them to grow their business. This development adversely affects the economic development of the country.

Also, the result links the findings of Abbor et al.’s (2010) in their study that the commercial policies detailing the operations of SMEs have decreased the country’s role in productive action. This can be attributed to limited access to public contracts and subcontracts, ascending from burdensome request processes that hinder SMEs. Furthermore, unproductive delivery networks dominated by bigger firms present vital restrictions to market access for SMEs (AGI, 2011). Another important challenge faced by SMEs includes a high start-up costs associated with the acquisition of licensing and registration

documents. Further, Court proceedings regarding SMEs operations and actions involve high capital (Kayanula Dalitso & Peter Quartey, 2000).

Table 7: Descriptive statistics on the challenges confronting Small and Medium Scale Enterprises (SMEs) in the Bolgatanga Municipality

STATEMENT	Minimum	Maximum	Mode	Mean	Std. Deviation
SMEs are faced with limited access to finance	1	5	4	2.77	1.027
SMEs have complications involved in gaining access to suitable technologies	1	5	2	2.89	.994
SMEs are faced with high start-up costs	1	5	2	2.79	1.117
SMEs lack managerial know-how in running their business	1	5	2	3.19	1.134

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The chapter of the study presents the summary of the findings obtained in chapter four. It further makes conclusions and recommendations for SMEs and government and recommendations for future research activities into this phenomenon.

Summary of the Study

The study assessed the characteristics of SMEs in the Bolgatanga Municipality; examined the contributions of SMEs in the Bolgatanga Municipality; assessed the challenges confronting SMEs in the Bolgatanga Municipality. The applicable literature and research questions have been reviewed. A simple random sampling technique was used to select 152 owners of SMEs in the Bolgatanga Municipality. The study was guided by explanatory research design. Moreover, the study employed SPSS version 20 to analyze the data. Also, the social exchange theory and contingency theory have also been discussed. Questionnaire was administered to the SMEs owners. Furthermore, the study employed SPSS version 20 to analyze the data.

Summary of main Findings

Research Question1: What are the characteristics of Small and Medium Scale Enterprises (SMEs) in the Bolgatanga Municipality?

The results showed that 31.8% and 11.3% agreed and strongly agreed respectively, that SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours, 31.8% and

9.3% respectively disagreed and strongly disagreed to that assertion, 15.2% were however neutral. Further, 43.7% agreed and 34.5% disagreed that SMEs in Ghana is basically made up of small businesses, little ventures, craftsman and town businesses and medium endeavours and were 21.9% were neutral.

Whereas 48.1% of the respondents admitted that SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours, 43.7% dismissed that claim and the remaining 19% were equivocal.

Almost the same proportion of respondents who admitted (44.3%) also dismissed (40.4%) that SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours, although, 15.2% were neutral. Considering the results on the characteristics of SMEs in Ghana, it is clear that the respondents were split on their evaluation of the characteristics of SMEs in Ghana. The study revealed that SMEs in Ghana is made up of small businesses, little ventures, craftsman and town businesses and medium endeavours. The authors further argued that due to the competitive business environment with constant changes in environmental conditions resulting from globalization, SMEs are seen as the engines for development (Anthony, Ahiawodzi & Adade, 2012). Also, the Association of Ghanaian Industries (AGI) (2011), posit that a differentiating characteristics of SMEs from bigger organisations is that the bigger organisations tends to trade in both international and local markets, while SMEs are excluded because of the high intermediation expenses.

Research Question 2: What are the contributions of SMEs in the Bolgatanga Municipality?

The investigation discoveries affirm link on SMEs activities and economic development (Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Aketch, Abor & Quartey, 2010; Yeboah, 2015; Yoshino, Taghizadeh-Hesary, Charoensivakorn & Niraula, 2016; Basheka & Bagire, 2017; Nasir, Al Mamun & Breen, 2017). Precisely, the results provide confirmation that enhancement in stakeholders' welfare, removal of poverty and the provision of employment are important conduit for economic development that results from SMEs activities. Also, some researchers in the SMEs domain (Abor & Quartey, 2010; Neneh, 2012; Kee-Luen, Thiam & Seng, 2013; Yeboah, 2015; Aketch, Basheka & Bagire, 2017) have affirmed that SMEs are often recognized as a prolific job creator, innovation stimulators, new product developers, poverty alleviators and income redistributors.

Research Question 3: What are the challenges confronting SMEs in the Bolgatanga Municipality?

The descriptive summary and analysis for the challenges confronting SMEs in the Bolgatanga Municipality as means and standard deviation have been presented. Respondents clearly disagree with all the statement measuring the challenges confronting SMEs in the Bolgatanga Municipality, except for the statement, "SMEs inability to obtain the needed finance for their business operations" where they agreed. Thus, they disagreed (*Mode* = 2) that employees, showed no cooperation in the challenges confronting Small and Medium Scale Enterprises (SMEs). They further disagreed that employees do

not face problem relating to the acquisition of appropriate equipment and technology. Again, they rejected the assertion that SMEs lack managerial know-how in running their business.

The study clearly documented that SMEs inability to obtain the needed finance for their business operations remained a central challenge for them in the country. Given this, SMEs may not be able to access long-term finance in the form of debt and equity (Abor & Biekpe, 2006). Likewise, appropriate equipment and technology acquisition have been stated as one of the challenges faced by SMEs in their operation which eventually prevent them from being innovative and competitive. According to Zoltan Acs (2006), various countries such as Ghana find it difficult to connect their SMEs with overseas stakeholders through technology making it difficult for them to grow their business. This development adversely affects the economic development of the country.

Conclusion

Primarily, the study highlights evidence for the characteristics of SMEs in the Bolgatanga Municipality. The study recognized that SMEs in Ghana are made up of small businesses, little ventures, craftsman and town businesses and medium endeavours. Secondly, the study documented the contributions of SMEs in the Bolgatanga Municipality. The researcher opined that SMEs activities have a significant influence on its economic development. Thus, the more SMEs activities are encouraged in our society, the more our societies become developed. Also, enhancement in stakeholders' welfare, removal of poverty and the provision of employment are important conduit for economic development that results from SMEs activities

In conclusion, the study assessed the challenges confronting SMEs in the Bolgatanga Municipality and documented that SMEs inability to obtain the needed finance for their business operations have negative effect on their operations.

Recommendations

The SMEs owners in the Bolgatanga Municipality should note the following recommendations based on the research findings. Mainly, the study recommends that SMEs owners in the Bolgatanga Municipality should endeavour to run their business in order to operate at a standard level to compete the international companies. SMEs owners need to notice that to grow beyond small businesses requires them to spend more capital, but they are more likely to benefit because such investments expands their businesses.

Besides, SMEs owners in the Bolgatanga Municipality are entreated to formulate and execute strategies such as CSR activities in order to improve stakeholders' welfare, removal of poverty and the provision of employment among others. Finally, the SMEs owners in the Bolgatanga Municipality are required to pay attention to the inability to obtain the needed finance for their business operations. They are also entreated to acquire external capital from government in order to improve their business.

Suggestions for Further Research

Future study on contributions of SMEs should be extended further in other sectors to confirm the connection in this study. While this study makes significant contribution to the extant literature on the contributions of SMEs, the following limitations were identified. First and foremost, the study did not strictly follow the principle of randomization because of the nearly impossible

nature of accessing an accurate sampling frame for the population. However, given the size of the data collected, it is logical to assume that the discoveries as well as the commendations of this study would be useful to the managers of SMEs.



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APPENDICES

APPENDIX A: QUESTIONNAIRE

QUESTIONNAIRE

Section A: Demographic Data

Kindly provide the appropriate response and tick [\checkmark] the box that correctly describes you.

1. Sex: Male Female

2. Age 21 - 31 years 32 - 41 years 42 - 51 years

above 52 years

3. Educational Qualification: JHS SHS/O^o level/ A level Diploma

First degree Master's PhD Other Specify

4. Ownership of your Organization: Single ownership Partnership
Company

5. Nature of your organization: Vehicle maintenance Providing services

Selling spare parts Other

6. Age of your Enterprise: Less than 1 year 1-5 years 5-10 years

10-20 years More than 20 years

How many staff does your company have: Less than 5 5-15 15-25

25-50 50-100

Section B: Owners' perceptions regarding the contributions of SMEs towards economic development

The table below examines your perceptions regarding the contributions of SMEs towards economic development. Please indicate your agreement with each statement by **ticking** (\checkmark) the most appropriate column following the Likert type of scale below.

1= strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5= Strongly agree

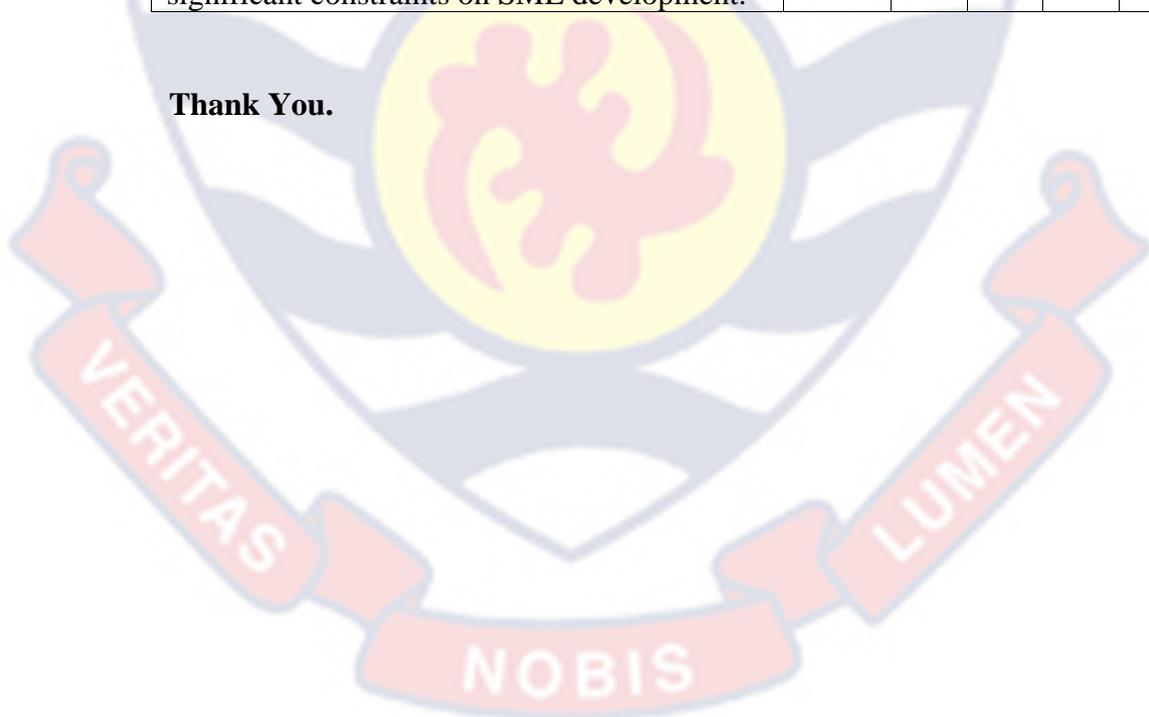
Description: Owners' perceptions regarding to the economic development	1	2	3	4	5
There is an improvement of daily products services provided by my firm.					
There are different types of products and services provided by my firm.					
There is an improvement in the number of employees in the business than in the past years.					
Now I am earning more profits than in the past.					
I think that I could have expanded the market share for my firm.					
Owners' perceptions regarding to the social Development					
I have provided high attention to the security condition of employees at my work place.					
The training opportunities are given to all employees.					
I have taken necessary arrangements for ensuring good health of my employees.					
Employees are provided attractive welfare facilities to enhance their life cycle.					
I have taken a good commitment to perform social responsibilities to the society.					
Owners' perceptions regarding to the environmental development					
I have prepared my organization and its environment in a satisfactory way.					
There is a proper drainage system for removing wastage in the firm.					
I have provided my attention to the re-cycling effort and re-production of some wasted things in my firm.					
I have taken correct steps to prevent noise and dust problem in my business.					
I have won certificates for environment protection competition held by government or any other society.					

Section C: Problems Faced by SMEs

The table below examines the problems faced by SMEs. Please indicate your agreement with each statement by **ticking** (✓) the most appropriate column following the Likert type of scale above.

Section C: Problems Faced by SMEs	1	2	3	4	5
There is a high cost of obtaining local raw materials.					
Access to finance remained a dominant constraint to small scale enterprises in Ghana.					
SMEs have difficulties in gaining access to appropriate technologies and information on available techniques.					
Recent economic policies have led to a decline in the role of the state in productive activity but a renewed private investment has created new opportunities for SMEs.					
High start-up costs for firms, including licensing and registration requirements can impose excessive and unnecessary burdens on SMEs.					
Lack of managerial know-how places significant constraints on SME development.					

Thank You.



APPENDIX B

INTRODUCTORY LETTER

UNIVERSITY OF CAPE COAST
COLLEGE OF HUMANITIES AND LEGAL STUDIES
SCHOOL OF BUSINESS
DEPARTMENT OF MANAGEMENT

Telephone: (03321) 32440 / 32444 Ext. 219 / 220
Direct: (03320) 96923
Telegrams: University, Cape Coast
Telex: 2552, UCC, GH.
E-mail: dmg@ucc.edu.gh



UNIVERSITY POST OFFICE
CAPE COAST, GHANA

7th June, 2021

Our Ref:

Your Ref:

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

INTRODUCTORY LETTER – MISS GLORIA ADANGO

The bearer of this letter, **Miss Gloria Adango**, is an MBA Management final year student of the above-named Department, School of Business, University of Cape Coast

She is doing a research on the topic “**contributions of small and medium scale enterprises to economic growth in Bolgatanga Municipality in the Upper East Region**”

We would be grateful if you could assist him with the necessary information that he may need.

We appreciate your cooperation.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Nicodemus Osei Owusu'.

Dr. Nicodemus Osei Owusu
Head

DEPARTMENT OF MANAGEMENT
UNIVERSITY OF CAPE COAST
CAPE COAST