

Small And Medium Enterprises Access To Finance In Ghana: A Critical Review Of Progress, Challenges And Prospects

Mr. Stephen Oteng^{1*}, Dr. Ashwinkumar A. Patel²

^{1*}Research Scholar, Parul Institute of Commerce, Faculty of Commerce, Parul University,
stephen1442003@gmail.com

²Assistant Professor, Parul Institute of Commerce, Faculty of Commerce, Parul University,
ashwinkumarpatel528@gmail.com

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ABSTRACT

Small and medium enterprises in Ghana account for about 90% of businesses. However, Ghana faces the most significant financing gap for SMEs, with an estimated \$4.8 billion deficit. The current study reviewed the sources of financing for SMEs and their progress, challenges and prospects in Ghana from 2016 to 2023. Using a simple random sampling approach, a sample size of 121 SMEs was obtained from 12 of the 16 regions in Ghana. Cross-tabulation with Chi-square analysis and correlation analysis were adopted for the analysis. The study findings showed that SMEs in Ghana predominantly rely on internal funds and short-term debt, with limited access to equity financing, grants, and government financial support. The study further found that SMEs have a high cost of finance and a complex nature of access to finance regarding the provision of collateral and financial statements. The study recommends that the Government expand soft loans.

Keywords: Access, Finance, Review, Challenges, Small and Medium Enterprise

INTRODUCTION

The worldwide statistics on small and medium enterprises (SMEs) demonstrate that SMEs constitute 90 % of privately owned enterprises, most established in developing economies (World Bank Group, 2017). The existing data further show that about 90 % of most jobs are created by privately owned SMEs, representing approximately 52%of the jobs in sub-Saharan Africa (Agbola & Amoah, 2019). However, limited access to finance by SMEs operating in the continent stifles growth in the sector (Abor et al., 2019).

This re-emphasizes the observation made in prior studies (Gyimah *et al.*, 2022) that availability, accessibility, and affordability of finance are the major factors in the growth and success of small and medium enterprises (SMEs). The World Bank (2017) observed that Ghana faces the largest financing gap for African SMEs, with an estimated \$4.8 billion deficit. This study attempts to address the existing gap in the literature by asking the following questions: What are the main sources of finance for SMEs in Ghana? What are the conditions and requirements for accessing finance from these sources? What are the challenges faced by SMEs in accessing finance in Ghana? This study aims to answer these questions and make recommendations to enhance the availability, accessibility, and affordability of SME financing. The remaining part of the study discusses the literature review, research methodology, analysis and discussion of results, conclusion, and recommendations.

2.0 REVIEW OF LITERATURE

2.1 Definition of SMEs within the context of Ghana

The first official definition of SMEs in Ghana was formulated and announced in 1980 by the National Board for Small Scale Enterprise (NBSSI) now Ghana Enterprise Agency (GEA) in line with Section 4 of the NBSSI Act 434 of 1981, which mandates the institution to define SMEs for the country. SMEs in Ghana are defined by the following variables as indicated in Table I below

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Table 1: SMES Classification in Ghana

Enterprise Category	Employment (Permanent staff)	Size	Turnover	Assets
Small	6-30		US\$25,001-US\$1,000,000	US\$25,001-US\$1,000,000
Medium	31-100		US\$1,000,001-US\$3,000,000	US\$1,000,001-US\$3,000,000

Source: Ghana Enterprise Agency, 2023

2.2 Historical Background of SMEs in Ghana
Small and Medium Enterprises (SMEs) in Ghana originated in the pre-colonial era, where the middle class was trained to manage European merchants' businesses. However, SME development stalled during the first president's tenure, as he viewed the private sector as a political threat and implemented discouraging policies (Aryeetey, 2010). The economic setbacks 1980s pushed formal sector workers to create SMEs as a secondary revenue source, prompting the government to enact supportive policies. In 1981, the National Board for Small Scale Industries (NBSSI), now the Ghana Enterprises Agency (GEA), was established under Act 434 to oversee SME activities. (GCB Bank Plc., 2022).

2.3 Theoretical Underpinning: Resource-Based Theory

The study considers Resource-Based Theory (RBT) as a suitable theoretical underpinning to provide a theoretical foundation for the study's analysis and discussion. Resource-based theory (RBT) is a strategic management framework that emphasizes a company's ability to obtain, develop, and employ unique resources and capabilities that are valuable, uncommon, difficult to duplicate, and non-substitutable, that gives the company a competitive advantage over its rivals (Helfat & Peteraf, 2003). To achieve and maintain success, the RBT emphasizes internal resources more than external market conditions (Barney, 2007).

2.4 Sources of Financing for SMEs

Sources of financing are the various channels through which businesses, especially emerging market enterprises (EMEs), can secure capital to fund their operations, growth, and expansion (Godke et al., 2019). Additionally, government initiatives and development programs provide targeted financial support to bridge the funding gap for SMEs, particularly in sectors like agriculture and women-owned enterprises (Mbogori & Luketero, 2019). Attrams and Tshehla (2022) further indicated that in Ghana, angel investment and venture capital are SMEs' most preferred forms of external sources of alternative financing. Also, according to Agbozo and Yeboah (2021), the significant sources of finance for SMEs in Ghana are trade credit, bank overdrafts, and bank loans. In line with the available sources of financing for SMEs, this study dissected the multiple sources of

2.5 Accessibility and Affordability of Sources of Finance for SMEs

Accessibility and affordability are two significant financial difficulties that African SMEs must overcome. The capacity of SMEs to obtain financing is referred to as accessibility (Runde et al., 2021). Because many SMEs in Africa are informal, and not formally recognised as businesses it is challenging to obtain funding (Mpofu & Sibindi, 2022). Moreover, accessibility issues are often present even for those officially registered. This is a big deal since businesses cannot develop and expand without operating capital (Runde et al., 2021). The accessibility of sources of finance for SMEs in Ghana is widely reported in the literature as a significant barrier, with issues such as stringent collateral requirements, high interest rates, and complex application procedures impeding financial access (Gyimah et al). This current study addresses these challenges by quantitatively analyzing the conditions and specific financial sources available to SMEs, identifying key obstacles, and suggesting actionable recommendations to improve accessibility

2.6 Sources of Financing Conditions for SMEs

Financial institutions, particularly commercial banks, utilize a variety of financing conditions to provide funds (debt financing) for businesses, particularly SMEs (Megersa, 2020). These conditions often include interest rates, loan guarantees, assessment of creditworthiness, and collateral requirements (Organization for Economic Cooperation and Development (OECD) (2020). The credit conditions are designed to balance the risk for the lender while providing the necessary capital for SMEs to operate and grow (Dietsch *et al.*, 2020).

Based on the tenets of Resources-Based Theory, coupled with the primary objective of the study that sought to analyze the significant sources of financing for small and medium enterprises (SMEs) in Ghana and their conditions, from 2016 to 2023 period, the following hypotheses were formulated to guide the study's analysis:

Hypothesis 1: SMEs in Ghana rely heavily on surplus and short-term loans of finance due to limited access to long-term loans and equity finance.

Hypothesis 2: The conditions and requirements of accessing finance are a major barrier for SMEs in Ghana.

Hypothesis 3: The majority of SMEs in Ghana face significant challenges in accessing finance due to stringent collateral requirements.

3.0 METHODOLOGY

This section of the research paper focuses on an appropriate research methodology adopted to analyze the financing sources and conditions for SMEs in Ghana from 2016 to 2023. According to the Bank of Ghana (2023), inflation has fluctuated, influenced by factors like food prices, exchange rates, and global economic trends from 2016 to 2023. This trend necessitated the choice of this period which has been very crucial for Ghana's economic development. Critical subjects addressed include research design, sampling techniques, data collection instruments, and data analysis techniques such as frequencies, percentages, chi-square tests, and Pearson's correlation. These elements collectively informed the study's comprehensive analysis of SMEs' sources of finance and their conditions within the context of Ghana.

3.1 Study Design, Population, Sample and Sampling Technique

The study employed a descriptive cross-sectional survey design by utilizing a quantitative research approach to collect and analyze the significant sources of financing for small and medium enterprises (SMEs) in Ghana and their conditions from 2016 to 2023. The target population was all the SMEs in the 16 regions of Ghana, estimated at 405,000, i.e., small enterprises (320,000) and medium (85,000), according to GCB Bank Inc. (2023). However, the study population was limited to manufacturing, service, and trading SMEs. The survey design was utilized, involving a sample size of 121 SMEs selected from 12 out of the 16 regions in Ghana. Simple random sampling techniques were employed to ensure a representative sample of the SMEs in these sectors.

3.2 Data Collection Instruments and Data Collection

Data was collected using structured questionnaires designed to capture various aspects of SMEs' demographics and financing, including the types of financial sources accessed, conditions of access, and the overall financial health of the SMEs. The questionnaires included closed and open-ended questions for detailed quantitative analysis. Informed consent was obtained from all participants, and the data collected was used solely for their intended purposes.

3.3 Data Analysis

Data preparation, coding cleaning, and analysis were executed using Microsoft Excel and Statistical Package for Social Sciences (SPSS) version 21. Four main analytical techniques were used to analyze the data presented in tables, charts, and graphs. These include frequencies and percentages, descriptive statistics, cross-tabulations, chi-square tests (non-parametric analysis), and Pearson's correlation (parametric analysis) (Chetty et al., 2024).

4.0 DATA PRESENTATION AND ANALYSIS

The main objective of this study is to analyze the significant sources of financing for small and medium enterprises (SMEs) in Ghana and the conditions associated with accessing these funds. Data presentation begins with profiling the sampled SMEs, detailing their distribution across various regions and sectors. Following this, the analysis explores the SMEs' access to financing, examining the types and frequency of financial sources utilized. Finally, the conditions for accessing financing, such as cost, procedural complexity, and time requirements, are evaluated to provide comprehensive insights into the financing landscape for SMEs in Ghana.

4.1 Profile of Sampled SMEs

Table 2: Twelve of 16 Region and SMEs sampled to participate in the study

Region	Frequency	Per cent
Greater Accra	23	19.0
Ashanti Region	10	8.3
Western Region	11	9.1
Western North	5	4.1
Central Region	7	5.8
Upper West Region	12	9.9
Upper East Region	9	7.4
Northern Region	12	9.9
Volta Region	5	4.1
Eastern Region	5	4.1
Bono Region	12	9.9
Bono East Region	10	8.3
Total	121	100.0
SMEs Sectors		
Manufacturing	59	48.8

Service	45	37.2
Trading	17	14.0
Total	121	100.0

Annual Turnover indicating the status of SMEs

	Frequency	Per cent
US\$25,000-US\$1,000,000 (Small)	91	75.8
US\$ 1,000,001-US\$3,000,000 (Medium)	29	24.2
Total	120*	100.0

Source: Field Data (2023) [*One no response captured]The data presented in Table 2 reflect a diverse representation of SMEs across 12 of the 16 regions in Ghana, crucial for understanding regional variations in funding sources and conditions. Greater Accra had the highest representation with 19.0 %, indicating its significance as an economic hub. The Upper West, Northern, and Bono regions contributed 9.9 %, showing a broad distribution. Lower representation from regions like Western North and Volta (4.1% each) suggests potential regional disparities in SME financing. This distribution supports the study's objective to identify funding sources and conditions across different regions. The data further show that nearly half of the sampled SMEs operate in the manufacturing sector (48.8%), followed by the service sector (37.2%), and trading (14.0%). This distribution highlights the prominence of manufacturing and service sectors in SME operations, aligning with the sector-specific funding sources and conditions. The results show that 75.8 % of the sampled SMEs fall under the small enterprise category with an annual turnover of US\$25,000-US\$1,000,000, while 24.2 % are medium enterprises with turnovers of US\$1,000,001-US\$3,000,000. This highlights the predominant presence of small enterprises, which is crucial for understanding their specific financing needs and conditions.

Table 3: Distribution of Regions by Sector cross-tabulation

Region * Sector Crosstabulation			Sector			Total	
		Manufacturing	Service	Trading			
Region	Greater Accra	Frequency	10	9	4	23	
		% in Region	43.5	39.1	17.4	100.0	
	Ashanti Region	Frequency	5	4	1	10	
		% in Region	50.0	40.0	10.0	100.0	
	Western Region	Frequency	5	5	1	11	
		% in Region	45.5	45.5	9.1	100.0	
	Western North	Frequency	3	1	1	5	
		% in Region	60.0	20.0	20.0	100.0	
	Central Region	Frequency	3	4	0	7	
		% in Region	42.9	57.1	0.0	100.0	
	Upper West Region	Frequency	6	5	1	12	
		% in Region	50.0	41.7	8.3	100.0	
	Upper East Region	Frequency	5	2	2	9	
		% in Region	55.6	22.2	22.2	100.0	
	Northern Region	Frequency	8	3	1	12	
		% in Region	66.7	25.0	8.3	100.0	
	Volta Region	Frequency	1	3	1	5	
		% in Region	20.0	60.0	20.0	100.0	
	Eastern Region	Frequency	5	0	0	5	
		% in Region	100.0	0.0	0.0	100.0	
	Bono Region	Frequency	5	3	4	12	
		% in Region	41.7	25.0	33.3	100.0	
	Bono East Region	Frequency	3	6	1	10	
		% in Region	30.0	60.0	10.0	100.0	
	Total		Frequency	59	45	17	121
			% within Region	48.8	37.2	14.0	100.0

Source: Field Data, 2023

The cross-tabulation (see Table 3) reveals regional variations in the sectoral distribution of SMEs. Manufacturing dominates in regions like Northern (66.7%) and Western North (60.0%), while service is prevalent in Central (57.1%) and Volta (60.0%). Trading is least represented, with higher percentages in Greater Accra (17.4%) and Bono (33.3%). This sectoral analysis underscores the study's objective to identify region-specific funding sources

and conditions, highlighting the diverse financial needs of SMEs across Ghana. The data suggests that the manufacturing and service sectors are crucial, indicating a need for targeted financial support to enhance accessibility and affordability.

4.2 SMEs ACCESS TO FINANCING

Table 4: Descriptive Statistics for Sources of Finance SMEs accessed from 2016-2023

	N	Minimum	Maximum	Mean	Std. Deviation
Short Term Debt	121	0.00	50,324,600.00	744,422.72	4,937,007.10
Long Term Debt	121	0.00	80,675,000.00	735,899.90	7,342,577.83
Total Debt	121	0.00	24,370,795.00	505,945.43	2,622,002.17
Equity	121	0.00	5,800,000.00	57,894.63	530,722.56
Fixed Asset	121	44,100.00	73,112,386.00	3,777,244.32	10,532,666.59
Fixed Category	121	1.00	5.00	2.35	0.82
Total Asset	121	82,000.00	72,389,000.00	4,345,924.36	10,660,005.86
Net Profit	120	7,500.00	78,120,000.00	1,214,321.62	7,348,879.66

Source: Field Data, 2023

From 2016 to 2023, as presented in Table 4, the sampled SMEs accessed various financing sources. Short-term debt averaged \$744,422.72 with significant variability (SD: \$4,937,007.10), and long-term debt averaged \$735,899.90 (SD: \$7,342,577.83). The total debt mean was \$505,945.43 (SD: \$2,622,002.17). Equity financing was notably lower, averaging \$57,894.63 (SD: \$530,722.56).

Fixed assets were substantial, averaging \$3,777,244.32 (SD: \$10,532,666.59), reflecting significant capital investment. The total assets averaged \$4,345,924.36 (SD: \$10,660,005.86). Net profit averaged \$1,214,321.62 (SD: \$7,348,879.66), indicating varied profitability.

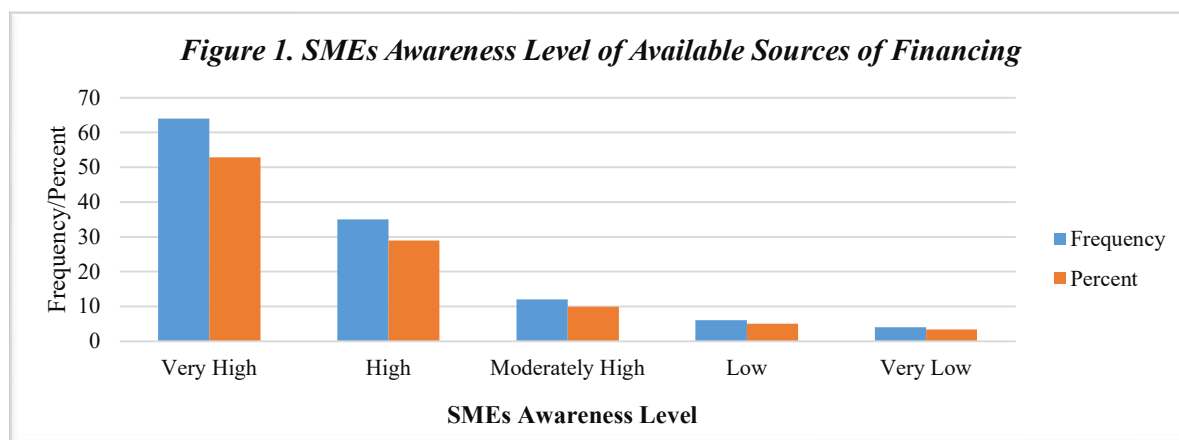
Table 5: Distribution of whether or not SMEs had access to specific Sources of Finance

Sources of Finance	Yes		No	
	Frequency	Per cent	Frequency	Per cent
Grant	43	35.50	78	64.50
Equity	18	14.90	103	85.10
Short-Term Debt	61	50.40	60	49.60
Long-Term Debt	32	26.40	89	73.60
Government Institution	27	22.30	94	77.70
Surplus	112	92.60	9	7.40
Tax Credit	1	0.80	120	99.20
Others	1	0.80	120	99.20

N = 121

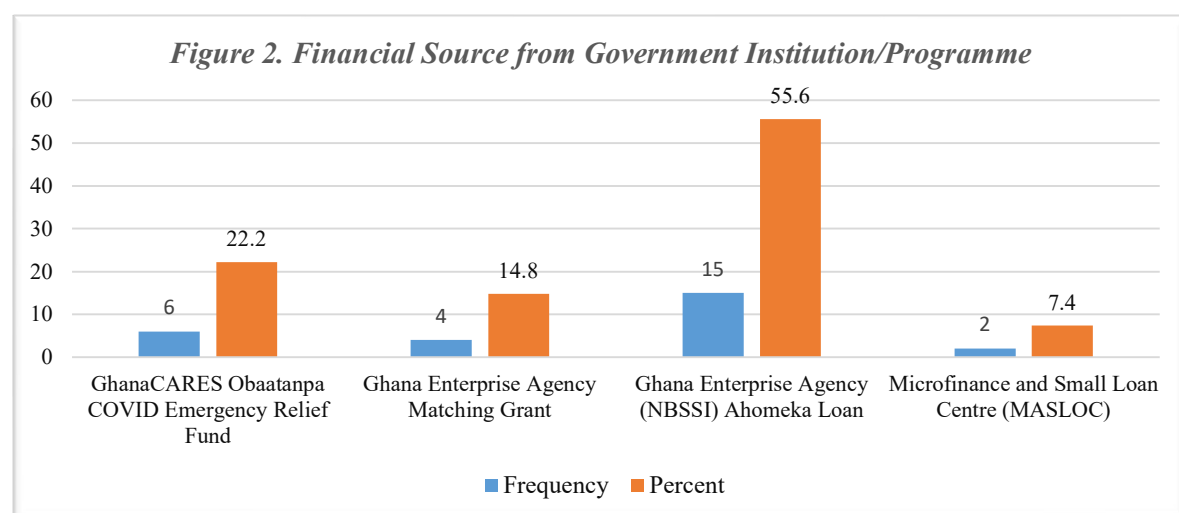
Source: Field Data, 2023

The data indicates (see Table 5) that between 2016 and 2023, the most common sources of finance accessed by sampled SMEs were surplus (92.6%) and short-term debt (50.4%). Grants were accessed by 35.5 %, while long-term debt was used by 26.4 %. Government institutions provided finance to 22.3 % of SMEs, and equity was the least accessed (14.9%). Tax credits and other sources were minimally utilized (0.8% each). These findings highlight the reliance on internal funds and short-term debt sources for SMEs in Ghana. Therefore, the hypothesis that SMEs in Ghana rely heavily on surplus and short-term loans of finance due to limited access to long-term loans and equity finance is accepted.



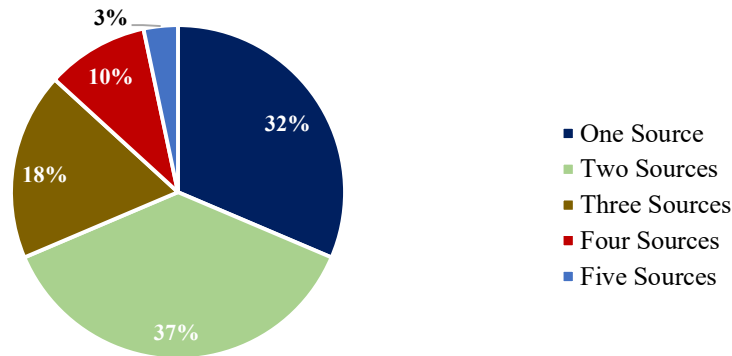
Source: Field Data, 2023

As indicated in figure 1 above that SMEs' awareness of available financial sources is predominantly high, with 52.9% reporting very high awareness and 28.9% reporting high awareness. Only a small proportion of SMEs have moderately high (9.9%), low (5.0%), or meagre (3.3%) awareness. This suggests that most SMEs are well-informed about their financing options. However, enhancing awareness further could improve accessibility and utilization of financial resources.



Source: Field Data, 2023

The results further show (see Figure 2) that from 2016 to 2023, the primary government funding source for SMEs was the Ghana Enterprise Agency (GEA/NBSSI) Ahomeka Loan, accounting for 55.6 % of the funds accessed. The GhanaCARES Obaatanpa COVID Emergency Relief Fund and the Ghana Enterprise Agency Matching Grant were accessed by 22.2 % and 14.8% of SMEs, respectively. Only 7% utilized funds from the Microfinance and Small Loan Centre (MASLOC). This distribution highlights the reliance on the Ahomeka Loan, supporting the availability and accessibility of government funding sources for SMEs in Ghana within a specific period.

Figure 3. Numbers of Financial Sources

Source: Field Data, 2023

The data shows (Figure 3) that from 2016 to 2023, most SMEs secured financing from multiple sources, with 37.2 % accessing two sources and 31.4 % relying on one source. Additionally, 18.2 % of SMEs secured financing from three sources, 9.9% from four, and 3.3 %from five. This distribution underscores the diverse financing strategies SMEs adopt in Ghana, reflecting the study's objective to identify the number and variety of financial sources SMEs access and the conditions associated with securing these funds.

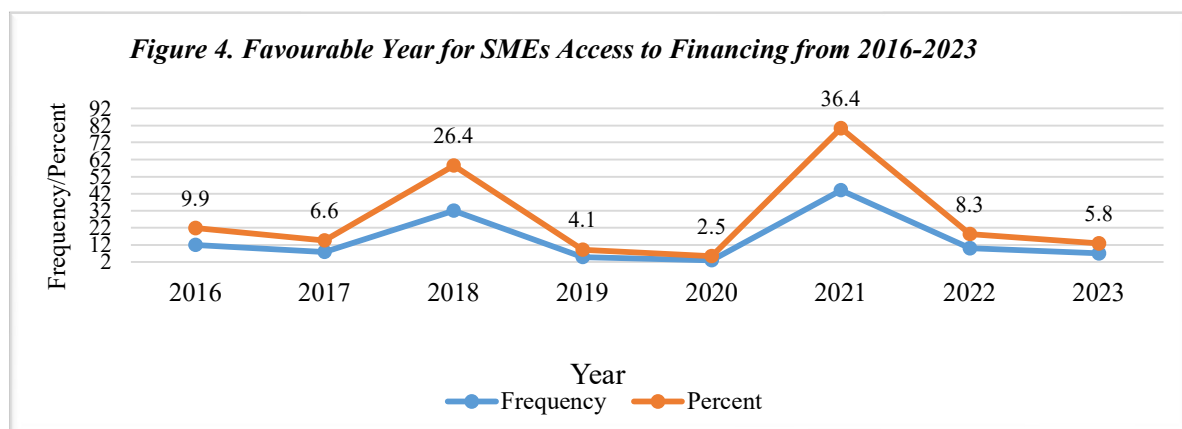
Table 6: Distribution of No of Financial Sources by Sector Crosstabulation

		Sector			Total	
		Manufacturing	Service	Trading		
No of Sources	One Source	Frequency	20	12	6	38
		% within No of Sources	52.6	31.6	15.8	100.0
	Two Sources	Frequency	21	17	7	45
		% within No of Sources	46.7	37.8	15.6	100.0
	Three Sources	Frequency	9	9	4	22
		% within No of Sources	40.9	40.9	18.2	100.0
	Four Sources	Frequency	5	7	0	12
		% within No of Sources	41.7	58.3	0.0	100.0
	Five Sources	Frequency	4	0	0	4
		% within No of Sources	100.0	0.0	0.0	100.0
Total	Frequency	59	45	17	121	
	% within No of Sources	48.8	37.2	14.0	100.0	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.721 ^a	8	.366
Likelihood Ratio	11.741	8	.163
Linear-by-Linear Association	.510	1	.475
N of Valid Cases	121		

Source: Field Data, 2023A cross-tabulation (see Table 6) was used to test whether the sector under which SMEs operate is associated with the number of financial sources from which SMEs could secure funds. The cross-tabulation and chi-square test results indicate no significant association between the sector in which SMEs operate and the number of financial sources they could secure funds from ($\chi^2 = 8.721$, $p = .366$). SMEs in manufacturing, service, and trading sectors accessed one to five financial sources with varying percentages, but no clear pattern emerged. Manufacturing SMEs had higher access to one (52.6%) and two (46.7%) sources, while service sector SMEs accessed up to four sources (58.3%) more frequently. This analysis suggests sectoral differences in accessing multiple funding sources, but SMEs could secure financing without statistically significant associations between sectors and the number of financial sources.



Source: Field Data, 2023

The analysis of favourable access to finance years for SMEs from 2016 to 2023 as indicated in figure 4 above that 2021 and 2018 were the best years, with 36.4 % and 26.4% of SMEs securing sufficient financing, respectively. Conversely, 2020 and 2019 were the worst years, with only 2.5 % and 4.1 %of SMEs accessing financing. This data highlights significant yearly fluctuations in financing conditions, reflecting the study's objective to understand the temporal dynamics in SME financing accessibility in Ghana

4.3 CONDITIONS FOR ACCESS TO FINANCING FOR SMEs

Table 7: Description of Sources of Financing Conditions for SMEs

	Frequency	Per cent
Cost of Finance Description		
Too expensive	96	92.3
Very expensive	4	3.8
Condition very attractive	3	2.9
Very high	1	1.0
Total	104	100.0
Description of Procedure to secure fund		
Reasonable	61	91.0
Too complex	5	7.5
Easy	1	1.5
Total	67	100.0
Description of Time Required to Secure Fund		
On-time	62	93.9
Longer period	4	6.1
Total	66	100.0

Source: Field Data, 2023The study reveals (see Table 7) that 92.3 % of SMEs find the finance cost too expensive, indicating a significant barrier to accessing funds. Procedures to secure financing are deemed reasonable by 91.0 %of respondents, suggesting that complexity is less of an issue than cost. Additionally, 93.9 % of SMEs report receiving funds on time, highlighting efficiency in the disbursement process. These findings align with the analysis of conditions such as cost, procedures, and time required to access financing, emphasizing the need for cost reduction to improve financial accessibility for SMEs in Ghana. Therefore the hypothesis that the conditions and requirements of accessing finance are a major barrier for SMEs in Ghana have mixed findings.

Table 8: Rating of Financial Institutions Conditions for Access to Financing by SMEs

Financial Institutions Preferred Conditions	EXUNFBLE		UNFBLE		MDFBLE		FBLE		EXFBLE	
	f	%	f	%	f	%	f	%	f	%
Proof of Creditworthiness	19	15.7	26	21.5	30	24.8	29	24.0	17	14.0
Submission of Business Plan	15	13.2	23	19.0	35	28.9	31	25.6	16	13.2
Provision of Financial Statements	17	14.0	17	14.0	45	37.2	30	24.8	12	9.9
Collateral Requirements	13	10.7	18	14.9	32	26.4	45	37.20	13	10.7
Provision of Guarantors	16	13.2	16	13.2	38	31.4	39	32.20	12	9.9
Business Profitability and Cash Flow	10	8.3	24	19.8	31	25.6	42	34.70	14	11.6

Professional Management Team	11	9.1	22	18.2	35	28.9	35	28.90	18	14.9
Total	121	100.0	121	100.0	121	100.0	121	100.0	121	100.0

Where;

EXUNFBLE: Extremely unfavorable

UNFBLE: Unfavourable

MDFBLE: Moderately favourable

FBLE: Favourable

EXFBLE: Extremely favorable

f: Frequency; %=Percentage

Source: Field Data, 2023

As depicted in Table 8, the study reveals that financial institutions prefer certain conditions for granting SMEs access to financing. Proof of creditworthiness was moderately favourable to favourable for 48.8 % of respondents. A business plan submission was viewed as moderately favourable by 54.5%, while the financial statement provision was viewed favourably by 62%. Collateral requirements were favourable for 47.9 %, and the provision of guarantors was moderately favourable to favourable for 63.6 %. Business profitability and cash flow were viewed favourably by 46.3%, and having a professional management team was moderately favourable by 57.8 %. These findings imply the need for policies that simplify and clarify financing conditions, making them more accessible and transparent for SMEs. Therefore the hypothesis that the majority of SMEs in Ghana face significant challenges in accessing finance due to stringent collateral requirements is rejected.

Table 9: SMEs Description of Conditions from Government Institution Source for accessing loans and grants

Conditions for Government Institution Source	Frequency	Per cent
The interest rate for government institution loans is very low	6	22.2
Disbursement usually delays	3	11.1
The condition of a 40% contribution to the matching grant is reasonable	2	7.4
The amount given by Government institutions is not enough for our business	4	14.8
Repayment of Government loans is not as difficult as the commercial banks	8	29.6
The general conditions of Government funds are flexible for our business	4	14.8
Total	27	100.0

Source: Field Data, 2023

The respondents provided varied descriptions of conditions for accessing loans and grants from government institutions (see Table 9). Notably, 29.6 % found government loan repayment easier than commercial banks, while 22.2 % appreciated the low interest rates. However, 14.8 % felt the funding was insufficient, and another 14.8 % considered the overall conditions flexible. Additionally, 11.1% noted delays in disbursement, and 7.4 % found the 40 % contribution to matching grants reasonable. These insights highlight the mixed perceptions of government financing, suggesting areas for improvement in disbursement efficiency and funding adequacy. These findings suggest the need for policy enhancements to improve disbursement efficiency, increase funding amounts, and maintain low interest rates.

Table 10: Conditions for access to financing and sources of financing for SMEs

SPSS output: Pearson Product Moment Correlation Matrix										
		A	B	C	D	E	F	G	H	I
A	r	1								
	Sig.									
B	r	.941**	1							
	Sig.	.000								
C	r	-.017	.005	1						
	Sig.	.857	.957							
D	r	.533**	.341**	.219*	1					
	Sig.	.000	.000	.016						
E	r	.978**	.976**	.001	.502**	1				
	Sig.	.000	.000	.994	.000					
F	r	.152	.181	-.057	-.022	.172	1			
	Sig.	.115	.059	.553	.817	.076				
G	r	-.030	-.103	-.073	-.002	-.105	.238*	1		
	Sig.	.779	.339	.497	.983	.329	.026			

H	r	-.059	-.042	-.039	-.087	-.047	-.043	.025	1	
	Sig.	.617	.724	.743	.462	.693	.724	.836		
I	r	-.083	-.056	-.055	-.131	-.084	-.047	-.153	.125	1
	Sig.	.365	.540	.552	.151	.359	.629	.151	.292	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

A	<i>Short Term Debt</i>
B	<i>Long Term Debt</i>
C	<i>Equity</i>
D	<i>Fixed Asset</i>
E	<i>Net Profit</i>
F	<i>Cost of Finance Condition [(binary; 1 = expensive; 2 = not expensive)]</i>
G	<i>Access to Finance Procedure [(Binary; 1 = Easy; 2 = Complex)]</i>
H	<i>Time Required to Secure Finance [(binary; 1 = Short period; 2 = Long period)]</i>
I	<i>Awareness of existing sources of finance Awareness [(binary; aware = 1; Unaware = 2)]</i>

Source: Field Data, 2023

The Pearson Product Moment Correlation Matrix (see Table 10) investigates the relationships between financing conditions and specific financial sources for SMEs. Significant findings include strong correlations between short-term debt and net profit ($r = 0.978$, $p < 0.01$), and fixed assets ($r = 0.533$, $p < 0.01$), indicating that higher short-term debt is associated with increased profitability and asset acquisition. Similarly, long-term debt correlates significantly with net profit ($r = 0.976$, $p < 0.01$) and fixed assets ($r = 0.341$, $p < 0.01$). However, many relationships were found to be insignificant. The cost of finance condition does not significantly correlate with other financial sources, showing correlations such as with short-term debt ($r = 0.152$, $p = 0.115$) and long-term debt ($r = 0.181$, $p = 0.059$). The access to finance procedure is insignificantly correlated with long-term debt ($r = -0.103$, $p = 0.339$) and net profit ($r = -0.105$, $p = 0.329$). The time required to secure finance shows no significant correlations with specific financial sources, with short-term debt ($r = -0.059$, $p = 0.617$) and long-term debt ($r = -0.042$, $p = 0.724$). These findings highlight the critical influence of financial conditions on SME financing decisions in Ghana, particularly emphasizing the significance of profitability and asset acquisition in financing.

5.1 DISCUSSION

From 2016 to 2023, SMEs in Ghana predominantly relied on internal funds and short-term debt for their financing needs, with equity financing being the least accessed source. This finding is consistent with prior studies (Abor & Biekpe, 2009) which identified a similar trend of heavy reliance on debt over equity among African SMEs. The limited use of equity financing suggests a potential area for policy intervention to encourage more diverse financing options, including promoting equity investment through incentives and education on its benefits. The awareness of available financial sources among SMEs was notably high, with a significant majority reporting high to very high awareness levels. This finding contradicts the study of Elhusseiny and Crispim (2022), which identified SMEs' lack of awareness as a barrier to accessing finance. The high awareness level in Ghana suggests that efforts to disseminate information about financial sources have been practical. However, the continued reliance on a few funding sources indicates that awareness alone is insufficient; there needs to be an improvement in the accessibility and attractiveness of diverse financing options (Aidoo, 2020). Government funding sources, particularly the Ghana Enterprise Agency (GEA) Ahomeka Loan, were crucial for SMEs, accounting for most government-related financing. This finding aligns with the study of Abor & Biekpe (2009) which emphasized the importance of government interventions in SME financing. Regarding the conditions for accessing financing, the finance cost was identified as a significant barrier, with many SMEs finding it too expensive. This finding is consistent with the study of Akpanyi and Xuezhou (2019), which noted high financing costs as a significant impediment for SMEs in developing countries. Additionally, while procedures for obtaining financing were deemed reasonable and disbursements timely, ongoing efforts to streamline processes further and ensure timely access to funds are essential for maintaining and improving SME growth and sustainability (Salvioni et al., 2021). The analysis of SMEs' financing in Ghana from 2016 to 2023 reveals fluctuating trends. Notably, 2021 and 2018 stood out as the most favourable years. Conversely, 2020 and 2019 were the least favourable. This underscores the dynamic nature of SME financing accessibility (Sansa, 2019). Such fluctuations have significant implications for SME growth and economic stability. The statistically insignificant relationships the study found among various financing conditions and specific financial sources for SMEs in Ghana suggest that the cost of finance, access to finance procedures, and time required to secure finance do not substantially impact SMEs' ability to obtain different types of financing. This indicates potential areas for policy improvement, as these conditions should ideally facilitate better access to financial resources, highlighting a need for targeted interventions to enhance SME financing environments. The identified relationship between financing conditions and specific financial sources for SMEs in Ghana could be attributable to the fact that SMEs would usually go for financial facilities

with unfavourable conditions because all the financial institutions speak the same language, and there is no best alternative. On the other hand, the SMEs' awareness of various financial sources and their conditions is presented in the study's findings. However, due to limited access to sources of finance, they are more likely to continuously rely on unfavourable financial sources. This is why the Resources-Based theory adopted in this study places greater emphasis on a company's ability to mobilize internal resources than relying on external market resources and conditions.

5.2 CONCLUSIONS

Based on the essential findings and discussion, the study concludes that SMEs in Ghana predominantly rely on internal funds and short-term debt, with limited access to equity financing. Despite high awareness among SMEs regarding available financial sources, the continued reliance on a few funding options indicates the need for policy interventions to promote diverse financing options. Government funding, mainly through the Ghana Enterprise Agency (GEA) is crucial in supporting SMEs in Ghana. Additionally, the high cost of finance and complex nature of access to financing by SMEs in terms of provision of collateral and guarantors, proof of creditworthiness, and provision of financial statements, among others, pose a significant barrier to SME financing. In addition, the study concludes that there are statistically insignificant relationships among various financing conditions and specific financial sources for SMEs in Ghana, suggesting that factors like the cost of finance, access procedures, and time required do not significantly affect SMEs' access to different financing types.

5.3 RECOMMENDATIONS

1. Government and financial institutions should develop targeted financing programs for SMEs, considering their unique capital structure needs.
2. Tax policies should be designed to encourage SMEs to adopt optimal capital structures, such as tax deductions for interest expenses.
3. There should be an expansion of government programmes that provide financial support to SMEs and an increase in accessibility to grants and subsidies such as the Ghana Skills Development Fund to reduce reliance on high-interest debt.
4. The government and relevant institutions need to promote alternative financing options such as crowdfunding, venture capital, and angel investors to reduce SMEs' dependence on traditional debt financing.
5. Extensive awareness campaigns should be conducted by relevant state institutions and business associations to educate SMEs on the diverse funding sources available, and to reduce reliance on expensive financing options.
6. SMEs should consider offering shares to employees, leveraging their influence to facilitate loan acquisition, and using collectively owned assets as collateral.
7. Enhancement of physical asset capacity, enabling SMEs to leverage these assets as collateral when applying for loans.
8. Further studies can investigate the effectiveness of government interventions and alternative funding options for SMEs. Research can explore the impact of financing constraints on SMEs' growth, innovation, and job creation.
9. Financial institutions should review collateral requirements to make financing more accessible to SMEs.
10. Initiatives should be implemented to educate SME owners on capital structure decisions and their implications.
11. Regular monitoring and evaluation of SME financing policies should be undertaken to help identify areas for improvement.
12. The government should establish credit guarantee schemes to mitigate lending risks and increase SME access to financing.
13. Financing programs can be tailored to address specific industry needs, such as agriculture or manufacturing.
14. Enhancement of SME's physical asset capacity, enabling them to leverage these assets as collateral when applying for loans.

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