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CHALLENGES YOUNG ENTREPRENEURS FACE WHEN SEEKING FUND TO ESTABLISH A BUSINESS: GHANA AS A CASE STUDY



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ABSTRACT

Promoting entrepreneurship by encouraging small businesses is today's undeniable economic strategy in developing a robust sustainable economy. This is a shift from the traditional strategy of falling on large businesses, though not a total shift. This shift is believed to promote employment, innovation and competition, economic growth, and quality life. A good question is how this shift is reflecting in, especially developing, economies.

This entrepreneurship study uses the country Ghana as a case study to look at the need and motivation for small businesses, especially among graduates. It studies the challenges when young entrepreneurs are starting a business. Finally, as the main aspect of the study, it investigates credit access challenges that young entrepreneurs face when starting a business.

With a mix method this study investigated the motivation of 40 young final year students from four Ghanaian universities; the startup and credit experiences of 20 small businesses of not more than 5 years in operation. It concludes that personal, demography and environmental issues contribute to entrepreneurial interest and acumen. Secondly, the process of starting a new business needs stronger policy attention. Thirdly, raising capital, credit access or business loan acquisition is still a challenge for young entrepreneurs.

The study informs emerging young entrepreneurs on how to take-off in business; but the key value is its worth in assisting decision-makers to create the right enabling environment which encourage young entrepreneurs in starting businesses, acquiring credit and thriving.

KEYWORDS:

Entrepreneur, Establish Business, Young entrepreneurs, Ghana, Challenges, Credit

Declaration

STUDENT DECLARATION

I, Usha Imran Nkun, do hereby declare that apart from references to other people`s works which were duly cited, this research is the results of my own work and that it has neither in whole or part been submitted for a degree at this, or at any other, university.

SIGNATURE

Usha Imran Nkun.....

DATE: 14.12. 2020.....

SUPERVISOR`S DECLARATION

I hereby declare that the preparation and presentation of this research work was supervised by me in accordance with the guidelines for supervision of research as laid down by the Turku University of Applied Sciences, Finland.

SUPERVISOR:

SIGNATURE

Mbare Otieno.....

DATE: 14.12.2020.....

Dedication and Acknowledgment

To begin my gratitude, I will attribute all the glory to Almighty for his mercy and guidance particularly through the moment of Covid19 difficulties and struggle. The successful completion of the BBA degree and this final thesis was by his mercy.

I am also indebted to my friends, family and love ones for the continual encouragement and advice. And I would like to say a special thanks to my supervisor, Mr, Mbare Otieno, for his selfless, endless, and excellent advice to enable me to complete well.

To the selected universities, specifically all the final year students, potential and upcoming entrepreneurs; and the enthusiastic entrepreneurs who dedicatedly and committedly contributed as responders in such a stressful time of Covid19, I say a very big thank you. Not forgetting the prestigious institution that gave me the opportunity to study, Turku University of Applied Science.

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LIST OF ABBREVIATIONS

OECD	Organization for Economic Co-operation and Development
GDP	Gross Domestic Products
US	United States (United States of America)
SBA	Small Business Administration
SME	Small and Medium Enterprises
UNIDO	United Nations Industrial Development Organization
UNCTAD	United Nations Conference on Trade and Development
MSME	Micro, Small and Medium Enterprises
EU	European Union
CFR	Code of Federal Regulations
GSS	Ghana Statistical Service
NBSSI	National Board for Small Scale Industries
BLS	Business Employment Dynamics
BED	Bureau of Labor Statistics
MIT	Massachusetts Institute of Technology
IBM	International Business Machines
WBES	World Bank Enterprise Survey
SSA	Sub Saharan Africa
IMF	International Monetary Fund
PwC	PricewaterhouseCoopers
FINSAP	Financial Sector Adjustment Programme
IFC	International Finance Corporation
SPER	Support for Public Expenditure Reforms
BAF	Business Assistance Funds
EDIF	Export Development and Investment Fund
FUSMED	Fund for Small and Medium Enterprises Development
EMPRETEC	Empresas Technologicas
MASLOC	Microfinance and Small Loans Centre

INTRODUCTION

1.1 Background

Generally, the driving force behind industrial and technical modernization of economies come from entrepreneurs (Boutillier S. & Uzunidis D., 2016). According to OECD's Entrepreneur at a glance. (2018 Edition), new enterprises doubled, bankruptcies dropped, job creation increased with a relative increase in employment as a result of an increase in enterprises and venture capital as a percentage of GDP (Gross Domestic Products) was small in many countries (OECD Highlights, 2018). According to World Bank, it is proven in the United States also this applies to Ghana, that entrepreneurs and entrepreneurship is one of the most vital aspects of economic development and growth: And entrepreneurial activity is a pillar of economic growth; with young firms creating more jobs than incumbent firms.

It is without a doubt that one of the leading economies of the world is the US economy. The former US Secretary of State, John Kerry in his remarks at the 2015 World Entrepreneurship Summit said, "The U.S has learned through its own experience that entrepreneurship is an indispensable driver of prosperity and of freedom." (World Entrepreneurship Summit Remarks, 2015). Small businesses have strongly proved to be the backbone of economies including that of developing nations (Kayanula and Quartey, 2000), which includes Ghana. The creators of these small businesses, usually sole proprietorship, and partnership businesses, are entrepreneurs. The entrepreneur is in a position to acknowledge the marketing potential of the invention and organize the capital, talent, and other resources that turn an invention into a commercially viable innovation (Audretsch David et al, 2002).

The Business growth consultants, Grounded Floor Partners in one of their 2019 articles written by their president Andrew Clarke entitled "The Driving Force of the US Economy" stated that in the U.S. '99.9% of all businesses are small businesses, there are about 30.2 million small businesses; 30% have one employee, 40% have between 2 and 5 employees, 10% have between 6 and 10 and 20% have between 10 and 500 employees; only about 18,500 businesses have more than 500 employees'. He added that historically small businesses have accounted for over 60% of the new jobs created in America. The Small Business Administration of US (SBA) in a report for 2015 and 2016

indicated that small businesses were responsible for 32.9% of the \$1.3 trillion dollars of exports in 2015; they employed 58.9 million people representing 47.5 per cent of the national workforce, they created 1.9 million net jobs in 2015 representing an average of 58,333 jobs per month, and the median income in 2016 for self-employed unincorporated businesses was \$23,060 and that for incorporated businesses was \$50,347

These statistics are relatively true also for Ghana. Small and Medium Enterprises (SMEs) drive national economies and development because they are labor-intensive, hence create more employment (Gambold, 2008). Make up over 90% SMEs of enterprises in the world and account for 50 to 60 per cent of employment created (UNIDO, 1999). Specifically, in Ghana, about 90% of yearly business registrations are SMEs. They make up about 80% of the private sector of the economy and generally 92% of businesses in Ghana (Abor and Beikpe, 2006). About 85% of these SMEs offer employment in the manufacturing sector and contribute about 75% to the Gross Domestic Products (GDP) of the country (Modern Ghana, Business and Finance, 2014).

Quartey, P. (2015) not only confirmed but also added that SMEs contribute so much but are more constrained by lack of access to appropriate technology, limited access to international markets, the existence of laws, rules and regulations that hinder the growth of the sector, weak institutional capacity, lack of management skills, training, and most importantly finance. There is a growing call in Ghana for financing SMEs by providing good credit facilities to these entrepreneurial businesses because of the critical challenges entrepreneurs face when seeking funding for their business, whether as a startup or an existing one (Aryeetey et al., 1994; Osei-Assibey, 2013).

Ghanaian entrepreneurs need funds not only for business startup or expansion but also for knowledge, skills, and human capital development. Such funds, therefore, promote business startup, survival, and growth. Start-ups need start-up capital and existing ones need working capital. Access to capital-based credit builds their capacity and gives life to the business dreams (UNCTAD, 2002). There is sufficient research evidence that the major challenge and limitation on SMEs especially in countries like Ghana is lack of access to credit (Aryeetey et al., 1994; Baah-Nuakoh, 2003; Beck, Demirgüç-Kunt and Maksimovic, 2002; Beck and Cull, 2014).

There is no better time to save entrepreneurs than now. Such a move would largely depend on government support to build a more predictable, credit-available entrepreneurial surrounding devoid of high tax, bribery and politicization which feed on

business capital, threatening the sustainability of newly established SMEs. This was the backdrop when former President John Agyekum Kufuor called for more support for young entrepreneurs who are investing in various sectors of the economy (Ghanaweb, Business News, 2018). This study, therefore, seeks to investigate the challenges of entrepreneurial financing in Ghana for such SMEs with focus on start-ups.

1.2 The Problem Statement

The search for funding to start a business, to expand an existing one, in Ghana as a young entrepreneur is one of the biggest issues for young Africans, typically as a result of economic challenges on the continent and the fact that business start-up is generally considered a high-risk investment. Existing businesses suffer the same, but to a lesser extent. The World Bank sponsored survey in 1999 of over 10,000 firms in more than 80 countries, revealed that the critical limitation to SMEs is capital funding (Beck and Demirgüç-Kunt, 2005). A Northern regional survey of about 120 companies in Ghana, with over 72% being SMEs, 60% had credit difficulty, 69.1% could never make it without credit (Aryeetey et al., 1994).

A number of conditions such as business plan, unfavorable terms and conditions, shorter loan term, cumbersome documentations, need of loan guarantors, business size, interest rate, collateral, none or few years of experience, higher risk grading and sometimes viability of sector are used to disqualify young business entrepreneurs from accessing credit facilities (Stephanou and Rodriguez, 2008; Alhassan and Sakara, 2014). Most young entrepreneurs who needed just a good capital push resort to meagre credits from friends, family (Beck and Demirgüç-Kunt, 2005; Nkuah, Tanyeh and Gaeten, 2013).

Funding is a real tug-of-war for young entrepreneurs in developing countries, specifically Ghana. The underlying monetary policies of the banks who basically govern the business environment putatively are unfavorable, creating challenges for upcoming businesses. Young entrepreneurs are greatly challenged in pursuing their business dreams. Many a times, many entrepreneurial dreams which could have created means of livelihood, employment and indirectly promoting development are shut down. Having witnessed the experience of the struggle of young entrepreneurs in terms of lack of funding, wastage

of ideas and also resources, the author seeks to examine the challenges facing these young entrepreneurs in Ghana on starting a business.

1.3 The Research Objective

Ghanaians who are self-employed are more than those employed by government. If government could divert the attention toward young entrepreneurs with acumen and passion to establish businesses, this could help in reducing unemployment and young people engaging in social vices. There are many channels government can use to attract these young entrepreneurs to engage them to become more innovative and creative.

According to Chinoso (2010) technical and vocational education should be the focus if entrepreneurship development and job creation for youths are required. For instance, (VET) the Vocational education and training in Finland is designed by the Government to provide competence channel at various level especially for youths without upper secondary qualifications and working adults. This develops skills, enhance competencies for employment, productivity, and entrepreneurial venture. It is such a strategic educational policies and principle that assist to equip individuals for any job expectation in Finland and across the globe.

Souitaris, Zerbinati and Al-Laham (2007) “also emphasized upon entrepreneurship education as being critical for raising entrepreneurial intentions and entrepreneurship development”. “Lack of a comprehensive entrepreneurial training and small market size also emerged as a critical challenge that entrepreneurs in the region face” (Dugassa, 2012).

The objective of this study is to examine or identify entrepreneurship challenges among young people and the impact of environmental factors such as credit, government support, experiences, educational background, and passion in starting a business.

1.4 The Research Questions

Systematic study of a problem or finding additional solution to a problem can be considered as a research (Chris and Lan, 2010). Considering the above problem and objective, this study seeks to provide answers to the following questions:

1. What factors influence young people to engage in entrepreneurial activity?
2. What challenges do young entrepreneurs face when starting a business in Ghana?
3. What is the main credit related challenges of a young entrepreneur in Ghana?

1.5 The Significance of the Study

The research findings will give understanding of entrepreneurship and what motivates young people to engage in entrepreneurial activity. This will inform relevant institutions in the country and beyond to create the necessary environment and resources to boost entrepreneurship.

Secondly, the outcome of this study will assist society especially, government, politicians, and policy makers to develop appropriate, radical policies that will support young entrepreneurs, as a means to promote economic development.

Thirdly, the research results would inform and guide emerging young entrepreneurs to be aware of the challenges and be prepared to overcome by developing strategies for their business.

A key significant value of this study is the awareness and information it provides to banks, financial institutions, donor bodies and business support entities to reconsider and redesign credit facilities and processes for young entrepreneurs.

Generally, it would result in the creation of the necessary economic opportunities in Ghana, right business decisions, new jobs by new firms, opens the opportunities for skyward social flexibility, promote economic inclusion, reinforce market competition and economic efficiency (Liao et al. 2008) which are deemed vital for economic progressiveness.

1.6 Limitations to the Research

Financial constraints: Financially, as a student it is difficult to purchase research materials and documents, as well as travel to many educational centres or institutions to get firsthand information.

Time constraints: It is extremely difficult to make enough time as a student to meet the appointment schedules with school authorities.

Due to both time and financial constraints, the sample for this study is restricted to a sizeable 20 business institutions, 5 in the northern and 15 in the southern sectors of Ghana. This is because there are more businesses in the southern sector. Additionally, 40 tertiary students from 5 tertiary institutions, 8 students from each.

The challenge of covid-19 pandemic and the related guidelines also limited the research activities; therefore, I used data journals, articles, and books available and engaged participants mainly by email, phone, and other affordable online communication tools.

2 LITERATURE REVIEW

2.1 The Concept of Entrepreneurs and Entrepreneurship

The term “entrepreneur” was a French-loaned word which meant an adventurer (Carlen, J. 2016). It was later used in the 17th and 18th centuries by earlier capitalist economist to mean one who takes economic risk by exploiting opportunities for profit or maximization of returns. (Cantillon, Richard, 1755; Stevenson and Jarillo, 2007). Schumpeter (1934, 1976) explained the entrepreneur as one who is involved in innovative thinking, in what he called the gale of creative destruction” – replacing products and services on the market with new or better ones; and as a result creating new markets or industries. With reference to Diochon and Anderson (2011), Gaddefors and Anderson (2017) and Alvarez and Lowell (2001), Wikipedia said it can be defined as the creation or extraction of value, which gives the view of change in value, especially economic change in value. Say Jean-Baptiste (1880) said entrepreneurship shifts economic resources out of an area of lower productivity into that of higher productivity and greater yield; Drucker also (1993) confirms that through entrepreneurship a product or service is created, value is added, or it is changed.

In the field of economics, Audretsch, Bozeman, Combs et al. (2002) suggests that an entrepreneur is able to recognize the marketing potential of an invention and organizes the capital, talent, and other resources that turn invention into a commercially viable innovation." In the 2000s, usage of the term "entrepreneurship" expanded, not just as investment but the act of identifying, assessing, and exploiting an innovative opportunity deemed viable, which leads to new products or services that can lead to wealth creation (Shane and Venkatraman, 2000; Brush et al., 2003). This expansion embraced other entrepreneurial activities such as social, political, knowledge and even intrapreneurship, as also affirmed by Deakins and Freel (2009).

The business dictionary says it is the capacity and willingness to develop, organize and manage a business venture along with any of its risks to make a profit. (Business Dictionary Accessed 5 May 2020). The domain, Dictionary.com, entrepreneurship is an act of being an entrepreneur, or "the owner or manager of a business enterprise who, by risk and initiative, attempts to make profits". The procedure of designing, starting, and operating a new business, which is usually a small business and a sole proprietorship

(Zindzy, G. 2018). According to Wikipedia, entrepreneurship is the process of designing, launching, and running a new business, often initially small (Accessed on 5 May 2020).

Therefore, this can be clearly seen that entrepreneurship is about creation of new businesses through viable innovation with available human, financial and material resources; and provide the required leadership to maximize returns: And one who does that is an entrepreneur.

2.2 Categorization of Entrepreneurial Businesses

Entrepreneurs create 'small businesses'. They come in different forms micro, small, and medium enterprises (Gockel, 2003), hence the collective name Micro, Small and Medium-sized Enterprises (MSMEs). But there is no single agreed international definition (Kayanula and Quartey, 2000).

Categorization of businesses in Ghana is related to that of Europe and the U.S. The European Union uses staff headcount and financial ceilings in determining enterprise categories as Micro, Small or Medium-sized Enterprise, as follows:

1. The category of micro, small and medium-sized enterprises (MSMEs) is made up of enterprises which employed fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Table 1: EU Classification of small businesses

In the United States (U.S.), according to the Small Business Administration (SBA), an autonomous U.S. government agency, the basic criteria is that the business must be for-profit venture, headquartered in the U.S., operate primarily in the U.S., independently owned and operated (not owned by a parent corporation) and a minority player in its industry by not holding a major market share (Small Business Administration, 2019).

Kushnir, K. (2010), of the Enterprise Analysis Unit of the World Bank Group, wrote that Tom Gibson and H. J. van der Vaartindeed in their paper “Defining SMEs: A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries” suggested a less imperfect formula by saying that an SME is a formal enterprise with annual turnover, in U.S. dollar terms, of between 10 and 1000 times the mean per capita gross national income, at purchasing power parity, of the country in which it operates. Kushnir indicated that though that definition looks attractive and fulfills the criterion as a single measure there are both technical and conceptual needs for a universal definition of Micro, Small and Medium Enterprises (MSMEs) because of lack of data, diverse structure of economies, cultural and political positions that can counter any likely universally agreed definition. The classification of the World Bank (2013) of an enterprise as MSME is based on number of employees, size of assets, or annual sales. By this, Microenterprises employ up to 10 employees, with total assets and annual sales of up to \$10,000; Small enterprises employ up to 50 employees with total assets and annual sales of up to \$3 million; and Medium-sized enterprises employ up to 300 employees, with total assets and annual sales of up to \$15 million.

Even in Ghana, the Ghana Statistical Service (GSS) and National Board for Small Scale Industries (NBSSI) use different criteria (Ackah and Vuvor, 2011). By the GSS (1987), micro- and small-scale enterprises are those employing up to 9 employees, medium-scale enterprises are those employing between 10 and 29 workers, and large-scale enterprises are those employing 30 or more employees (Gockel, 2003). The NBSSI

uses the number of employees and value of fixed assets. Enterprises with up to 5 employees and fixed assets not exceeding \$10,000 excluding land and buildings are classified as micro types. Those with 6 to 29 employees with fixed assets not exceeding \$100,000, excluding land and buildings are small types.

A survey of 133 enterprises in Ghana resultantly classified SMEs into four that is, microenterprises with less than 6 employees, very small enterprises with from 6 to 9 employees, small enterprises with employees from 10 to 29 and medium-sized enterprises with employees from 30 to 140 (Aryeetey et al., 1994). This classification is sometimes used to recognize or indicate 'very small' enterprises today.

2.3 Socio-Economic Impact of Entrepreneurial Businesses

Van Praag and Versloot (2008) asserts that the entrepreneurial firms have positive effects on employment, productivity, innovation and utility: 'And that entrepreneurs create more employment than their counterparts, relative to their size. Hence small and young firms are required to boost employment.' Their growth and survival are determined by their productivity (Syverson, 2011). Considerable research show that the entry, expansion, growth, survival and exit of these firms largely affect job creation (Bartelsman et al., 2004 and 2005). A research on the employment dynamics of Australian entrepreneurship compared to that of other countries affirmed that entrepreneurs greatly contribute to job creation and development (Luke, Stan, Antonio, and David, 2015). The US Bureau of Labor Statistics (BLS) and their Business Employment Dynamics (BED) data from 1977 through 2011 confirmed that, small businesses and more especially new entrants have higher net job creation than larger businesses and also have been largely responsible for the jobs rout in the global financial crisis (Bureau of Labor Statistics).

MSMEs accounts for 50% to 80% of industrial employment, especially in manufacturing; thereby contributing immensely to the economic growth and development of national economies through employment (Ayyagari et al, 2007 and UNCTAD, 2005).

Large businesses do not operate in markets with low profits, which actually strengthen domestic economic cycles and inter-sectoral relations to promote industrialization. Small businesses use simple, cheap labour and technologies in these economically important markets (Seibel, 1996). Research shows that around 55 per cent of workers are self

employed worldwide, and three-quarters of those are likely subsistence entrepreneurs (Gindling and Newhouse, 2014).

Phil Watlington, a global trend writer, said globalization forces owners of small businesses to be internationally competitive by continuous innovation and product or service improvement, a fact earlier stated by Mohsam and Brakel (2010). This results in new ideas, techniques, technologies, products and service. These drive social change and improve people's standard of living (Audretsch and Keilbach, 2008). Small businesses are crucial innovators in today's economy and are the technological leaders of many industries, though they are not the cornerstone of innovative activity. A typical industry is the computer industry from 1975 which saw MIT's Altair, to Apple II, Microsoft and Xerox, to IBM. These great innovations in the industry were made by lone entrepreneurs and small businesses (Kelly Edmiston, 2007).

Beck, Demirgüç-Kunt and Levine (2003) agreed to the fact that the size of MSMEs determines economic growth but was concern with how this happens because they are not labor-intensive than large enterprises; and there is no clear link between growth, poverty reduction and the promotion of small firms. In Ghana about 92% of businesses are MSMEs (Abor and Quartey, 2010); which make a growing contribution to GDP. In 1998 a contribution of 6% was made (Kayanula and Quartey, 2000). MSMEs made a contribution of about 70% of GDP in Ghana and created the market for industrial and consumer goods manufacture according to Abor and Quartey (2010). By the GSS Industrial Census of 2003, out of the 275,495 people engaged in employment, the small-sized establishments engaged about one-third (31.1%) while the large establishments engaged the remaining 68.9% of the total industrial workforce.

Generally, therefore small businesses improve standards of living and creates wealth, not only for the entrepreneurs, but also for related businesses. They drive change with innovation, where new and improved products enable new markets to be developed. They help to boost national income and tax revenue. As part of their social responsibilities, these firms contribute to community projects and local charities (Shobhit Seth, 2019).

2.4 Key Challenges of Entrepreneurial Businesses in Ghana

The challenges of entrepreneurs in developing countries are obstacles faced by SMEs though they are drivers of the economic growth and job creation and constitute the most dynamic firms in emerging economies (Mortensen and Pissarides, 1999). Challenges of small businesses are not so unique to developing countries, making it more complex and multi-dimensional (Stephanou and Rodriguez, 2008) but African entrepreneurs underperform compared to developing countries in Asia and Latin America as evident by the "great number of untapped potential to drive the African continent into its next phase of development" (Raphael Obonyo, Africa Renewal, April 2020).

Credit has the potential to transform entrepreneurs or induces less-productive businesses to step-up. (Abhijit Banerjee, Emily Breza, Esther Duflo, Cynthia Kinnan, March 2020). The World Bank Enterprise Surveys (2013) which covers data from 119 developing countries indicated about 18 obstacles facing SMEs, which include lack of access to credit especially for start-ups, increasing competition, sluggish demand, insufficient supply of business inputs such equipment, machines, raw materials, electricity and fuel and problems relating to business environment (Seibel, 1996).

Ghana as a developing country with a developing economy suffers same, as study shows that entrepreneurial businesses have challenges in financing, output demand, technology, raw materials, labour and management, infrastructure, marketing and business environment problems (Aryeetey et al., 1994; Baah- Nuakoh, 2003; Kayanula and Quartey, 2010). More than 70% of newly established businesses by young entrepreneurs tend to collapse due to leadership and managerial skills. Sadly, there is lack of adequate resources and opportunities to coach and educate these young entrepreneurs (Cordeiro, 2007).

Also, due to employee benefit issues, salary, training mismatch, lack of regulations, ineffective apprenticeship programmes, underinvestment in educational training, and outdated training programmes. There are bottlenecks in the supply of skilled labour in Ghana hampering the ability to find skilled labour across industries (Desmond Tutu Ayentimi, John Burgess & Kantha Dayaram, 2018). Shifts in the geographical origins and composition of trade pose major consequences for skills requirements. Economic transformation or changes within an economic sector changes skill requirement and adjusting the skills of the workforce to these changing requirements, is a continuing

challenge everywhere (International Labour Office, G20 Training Strategy, 2010). According to Aryeetey et al. (1994) 7% of firms in Ghana have problems acquiring skilled labour and 2% with unskilled labour. The insufficient supply of skilled labour hinder specialization, increases costs, and reduce flexibility in managing operations (Kayanula and Quartey, 2000).

Legodi and Kanjere (2015) posited that, many young entrepreneurs lack financial literacy and skills to grow and expand a successful venture. Hence, they start small, live small and die small; a result of credit unworthiness, most times disqualifying them when accessing credit for expansion and growth (Storey 1994).

Aryeetey et al. (1994) indicates that SMEs lack access to appropriate technologies and information on available techniques of production, which forces many of them to resort to simple and old equipment. 18% of the sampled firms complained of old equipment as a major concern. Unsuitability of technology, associated risks such as cyber-attacks, lack of information on technology application as a value-adding tool; rural technology disconnection, cost of technology and the related general lack of knowledge creates disinterest. (Musaazi, 2012; Ismail et al., 2011; Institute of Risk Management South Africa, 2015; Chilya et al., 2011; Ramsey et al., 2003). According to Lussier et al. (2015), technology forces small businesses to enlarge their scope of operations and production management to include functions such as the creation of utility, tangible products and/or intangible services. Adopting and adapting new technologies coupled with driving development through the business sector is a challenge, primarily due to the lack of physical, financial, and human resources (Visser, Chodokufa, Amadi and Phillips, 2019).

It is difficult for SMEs to compete on the market. Baah-Nuakoh (2003) found that SMEs have low domestic demand for their goods and services, and this is a major obstacle to their income. Kayanula and Quartey (2000) mentioned that the competitive market environment dominated by international firms' disadvantages SMEs; and they cannot compete them due to lack of partners, poor standards, and marketing experience.

Regulatory issues on general registration, workforce, international trade, tax administration, legal rights and compliance, usually come with cumbersome formalities that pose problems of delay, frustration and sometimes loss of investment; or even corrupt officials requesting bribes and gifts especially when bidding for government contracts or requiring a license for a specific operation.

There are poor or non-existent infrastructure constraints such as electricity, internet, water and transportation; poor management information and experience; and lack of proper association, collaboration or interdependence among SMEs account for losses in developing countries (Kayanula and Quartey, 2000; WBES, 2013).

Most of all these challenges is the challenge of access to financial resources and services from financial institutions, which is an important factor that influences business success (Mohamad Radzi et al., 2017; Murphy et al., 1996). Access to the formal services of financial institutions in Africa is limited (Association Ghana Industries, 2013). Tangible assets such as human, physical, financial, and technological systems and intangible assets such as knowledge, capabilities, skills, and reputations (Mohamad Radzi et al., 2017) are therefore limited as a result of such limited access. Finance is an undeniably common barrier most young entrepreneurs face when the business does not have self-sustainable revenue stream. As such, funding and investment continue to be the biggest challenges worldwide (Ghosh et al., 2017; Bamfo and Asiedu-Appiah, 2012; Lader, 1996). There is sufficient research that support the fact that lack of access to funds, financial support or financing is the most difficult constraint of all MSMEs.

Research evidence confirm the existence of financing gap for SMEs (Stephanou and Rodriguez, 2008; Aryeetey et al., 1994; Baah Nuakoh, 2003; Beck and Cull, 2014). The World Bank Enterprise Surveys (2013) lists financing as one of the majors constrains for SMEs. Beck and Cull (2014) found that more than 25% of firms in Africa rate availability and cost of finance as the most important obstacles to their operation and growth, besides the relatively lower use of financial services.

Generally, SMEs are aggressive catalysts and very important to the socio-economic growth and development of Ghana; and access to finance is generally the major obstacle to start-ups, future expansion and growth: with smaller businesses more challenged (Darkwah et. al., 2013).

After studying 200 manufacturing firms, Baah-Nuakoh (2003) concluded that all firms and economic sectors cite capital financing as a problem. According to his data, finance was cited as a major constraint by micro firms (55 %), small firms (57%), medium-sized firms (29%) and large firms (32%). On a scale of 1 (not important) to 5 (very important) to measure the extent of severity, lack of access to finance is the most severe constraint (3.80) among all firms, with micro firms (3.71), small firms (4.08), medium-sized firms (3.49) and large firms (3.21). He also mentioned lack of credit to finance raw materials

and equipment, high interest rate and difficulty in dealing with bank as causes. Older, larger and foreign-owned firms have less to nil financing obstacles as a result of better records, experience, credit history, established presence and business relationship (Beck et al., 2006; Baah-Nuakoh, 2003).

The fastest means to disseminate innovation to date is internet (Dholakia et al. 2003: 7–12). As research points that mobile internet usage in Africa is among the highest, with an estimate of one billion phones around 2016, with smartphone sales surpassing that of computers four to one (cf. Kalan, 2013). The continued growth and development are the evidence of increase opportunity provided by internet for business investment to leverage new service (cf. Pepper and Garrity 2015). African at large require an enabling Internet environment, one that is based on openness, affordable and without excessive restrictions on online activities (Seidler 2013:43). But fortunately, Ghana has a wider coverage, but expensive to others, unstable internet within the sub-region.

Connectivity within the regional capitals are more stable. Internet speed in Ghana reached 3367.55 KBPs in the first quarter of 2017 from 3359.64 KBPs same time in 2016. 2014 had 5,171,993 Internet users representing 19.6% of the then 26, 327, 649 population: with a Facebook user of 2, 900, 000 as of November 2015 (<https://tradingeconomics.com/ghana/internet-speed>). The key findings of Julius Endert report (2018) assert that Internet service in Ghana is among the best in Africa, Ghana's government is working to expand Internet access and digital skills, rural communities still lack access to the Internet and high costs are holding back digital participation and affecting the achievement of entrepreneurs. (Julius Endert, DW Akadmie Article, November 2018). These Internet developments prepare the ground for technology dependent and digital entrepreneurial businesses development.

Generally, these constraints are not peculiar to SMEs, but they are comparatively more constrained (Schiffer and Weder, 2001) because they operate small business economies, have difficulty in absorbing large fixed costs, have no economies of scale and scope in key factors of production, and have higher unit costs of providing services (Kayanula and Quartey, 2010). The severity of these constraints varies inversely with the firm size. That is, micro firms have more problems than small firms, who also have more problems than medium-sized ones, who in turn report more problems than large firms. These obstacles are more severe for firms in Sub Saharan Africa (SSA), the Latin America and the Caribbean and transition economies (Schiffer and Weder, 2001; Beck and Cull, 2014).

2.5 Entrepreneurial Environment and Motivation

The characteristics of entrepreneurs and intent to start a business supported with the environment plays a vital role in business success. The related variables or indicators, personal characteristics, background and environment are important in understanding what motivates young entrepreneurs to start a business and to the extent of innovation they bring to bear. Personal characteristics such as the need for achievement (McClelland, 1961), risk-taking propensity (Brockhaus, 1980), locus of control (Brockhaus, 1982), tolerance of ambiguity (Schere, 1982), and desire for personal control (Greenberger and Sexton, 1988) are considered traits of entrepreneurial behaviour. The background elements include preceding employment (Storey, 1982; Ronstadt, 1988), the background of family (Scott and Twomey, 1988; Matthews and Moser, 1995), gender (Buttner and Rosen, 1989; Kolvereid et al., 1993), education (Storey, 1982), ethnic membership (Aldrich, 1980), and religion (Weber, 1930). And “the environment is seen as a pool of resources; the degree of resource abundance (Mazzarol, Volery, Doss & Thein, 1999) is known as environmental munificence (Dess and Beard, 1984; Castrogiovanni, 1991), and will significantly influence the start-up process.” Specht (1993) mentioned five main environmental factors influencing formation of a business including social, economic, political, infrastructure development and market emergence.

The Global Entrepreneurship Monitor (GEM) gives the following rating on entrepreneurial behaviour and attitudes. On self-perceptions, perceived opportunities is 69.27, perceived capabilities is 85.77, fear of failure was rated 24.64 and entrepreneurial intentions is 45.60. On entrepreneurial activity, total early stage was 25.82, total entrepreneurial activity was 25.93 but established business ownership and entrepreneurial employee activity has nil. On motivations, the motivational index was 1.72. On impact, the High Job Creation Expectation Rate innovation rate Business Services Sector Rate; and on societal values, the high status to successful entrepreneurs was 94.08 and entrepreneurship as a good career choice 84.64. Ghanaians are passionate entrepreneurs which calls for a good ecosystem to thrive and be successful.

2.6 Brief on Ghana and Its Economic Standing

Ghana is one of the 54 African countries, first to have pushed out her invaders, located in the sub-Saharan Africa, the West African sub-region. Ghana sits along the gulf of guinea and on the Atlantic Ocean, and borders three countries Togo at the east, Cote d'Ivoire at the west, and Burkina Faso to the north; with a current population of about 30,774,782 in 2019 and an estimated total of 31,072,940 by July 1, or end of 2020. This give the country a population rank of 47 (0.40%) with a growth rate of 2.15%, a density of 130.27%/km² covering a 238,522 km² area (World Bank Data – Ghana; United Nations World Population Prospects, 2019 Revision). The figure below shows the estimate of Ghana population growth from 2014-2024.

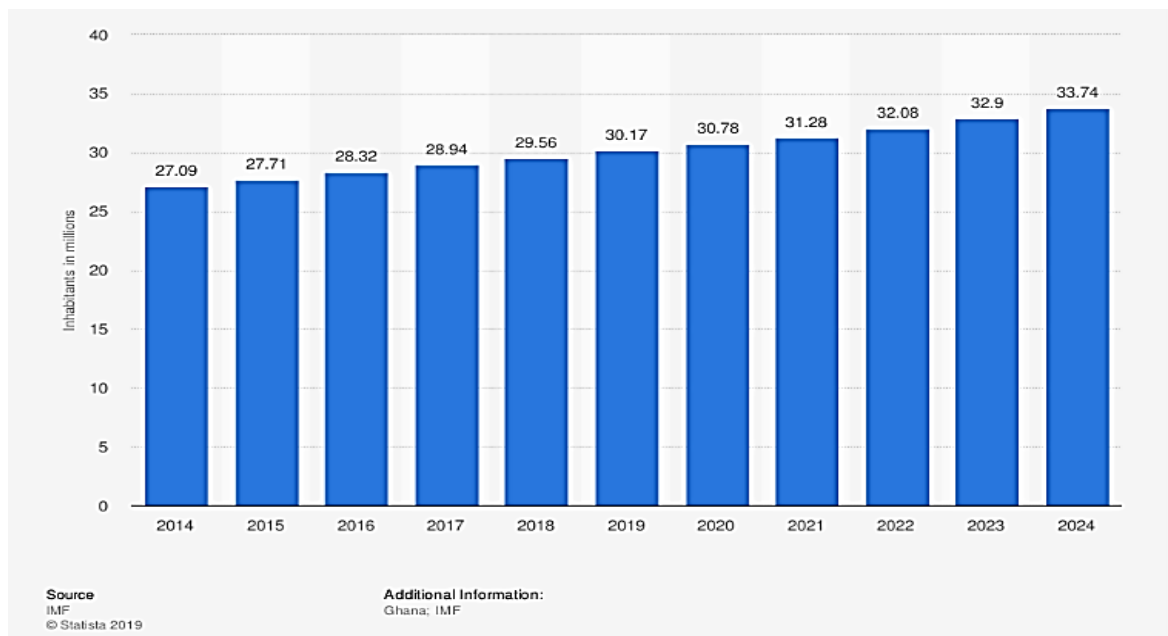


Chart 2.5-1: Ghana: Estimated total population 2014 - 2024 (in million inhabitants)

With the re-demarcation of boundaries by the December 27, 2018 referendum, Ghana no longer has 10 but 16 regions and its capitals which include Oti Region – Dambai, Bono East Region – Techiman, Ahafo Region – Goaso, Bono Region – Sunyani, North East Region – Nalerigu, Savannah Region – Damango, Western North Region- Sefwi Wiawso, Western Region – Sekondi, Volta Region – Ho, Greater Accra Region – Accra, Eastern Region – Koforidua, Ashanti Region – Kumasi, Central Region - Cape Coast, Northern Region – Tamale, Upper East Region – Bolgatanga and Upper West Region – Wa.

Despite the new regions, Greater Accra is still the administrative and business center with a population of 2,475,000 in 2019, a 1.48% increase from 2018 but currently in 2020 it has a population estimate of 2,514,000, a 1.58% increase from 2019. Figure 4 below shows Ghana's geographical map by its regions; reflecting a total area equivalent to that of United Kingdom's (92,099 square miles/238,535 square kilometers); which gives the country an overall population frequency of 313 people per square mile, or 121 people per square kilometer.



Figure 1: Geographical map of Ghana, shows its regions

(Source: <http://www.ghanadistricts.com/Home/LinkData/7188>)

Ghana is a multilingual nation in which every region enjoys its ethnic language. The country has about 80 spoken languages. English was inherited from the British during their existence in Ghana. The most spoken among Ghanaians is Akan language which consists of Asante, Fante, Akuapem and Bono Twi which are the dominant because of their common relation. Other languages that are well spoken according to their regional city are the two Mole-Dagbani ethnic languages (Dagaari and Dagbani), Ewe, Ga and Dangbme, Nzema, Gonja and Kassem. All these are part of government sponsored languages. With the peaceful atmosphere within the country it has enabled progress in

democracy. Due to Ghana's stability, it was ranked as one of the top three countries in Africa for freedom of speech, press freedom and strong media: with radio being the greatest means of reach to the people (World Bank Economic Outlook, 2019). These values and social environment promote or boost a friendly entrepreneurial ecosystem in Ghana; since the stability of the socio-cultural and political environment can affect the business market and operation of entrepreneurs (PESTLE Analysis Contributor, 2015).

In the 6th round of the Ghana Living Standards Survey (GLSS6, 2012-2013), the Ghana Statistical Services (GSS) reported a fast-growing population that is characteristically economic-minded, hardworking, very industrious, pursuing quality education and good policies though challenged by basic facilities, infrastructure, and sufficient revenue. It noted that 77.1% of the population 15 years and older are economically active, about 4 out of every 5 persons (81.7%) in rural areas are employed, 46.4% of the employed population are own account workers (they work on their own account) and almost 24.7% are self-employed in the agricultural sector without employees. It also explained that a greater percentage of businesses are non-farm enterprises; savings is by bank account or contribution to a savings scheme, though some do not save as a result of inadequacy or irregularity of income; and credit applications were low, as business have credit challenges. It noted that Ghana is politically stable, and the peace and security in the country allows citizens to go about their lawful activities.

According to the World Bank's 2019 economic outlook, the Gross Domestic Products (GDP) for the first quarter was estimated 6.7% against 5.4% for the previous year. This was driven by a non-oil growth of 6.0%, specifically as a result of strong recovery in the services sector which grew by 7.2% compared with 1.2% in 2018. Revenue was said to have fallen by 1.6% of GDP giving a budget deficit of 3.3% (on cash basis) higher than the expected 2.9%. The outlook said, the private sector credit also has grown stronger as a result of well-capitalization of the banking sector. Inflation though was a single digit from January to June 2019, rose from 9% in January to 9.5% in April 2019 but reduced to 9.1% in June 2019 mainly driven by low food inflation. The country's current account in the first half of 2019 was estimated at a surplus of 0.1% of GDP supported by favorable trade conditions of three main export commodities which are oil, gold and cocoa, resulting in a trade surplus of 2.8% of GDP. (World Bank, 2019).

The currency wise, the Ghana cedi cumulatively depreciated by 8.2% in the year to July 18, 2019. The outlook projected an economic growth to reach 7.6% in 2019; and non-oil growth accelerating to 6%. Inflation is expected to remain within the 6-10% target

range over the medium term. Fiscal consolidation is expected to slow to yield a projected fiscal deficit of 4.5% of GDP in the said year and remain within fiscal rule ceiling of 5% of GDP. The energy sector is in dire financial conditions and without remedy, posing serious fiscal risks coming years. The risk and challenges have to do with maintaining a fiscal consolidation stance and staying on a sustainable path through the 2020 election cycle. These present entrepreneurial need as well as opportunities in the service and agricultural sectors, especially businesses that do not depend much on energy, a window for young entrepreneurs.

According to the Ghana Statistical Services (GSS Quick Overview, 2020) on the Gross Domestic Product growth (GDP), inflation as of May 2020 was 11.3%, as shown in table 2.5 and chart 2.5 below, services form the main GDP driver followed by industry then agriculture. Both agriculture and industry has been falling while the service appears growing.

Agriculture	Industry	Service	Year
21.7	36.9	41.4	2013
22.1	38.1	39.8	2014
22.1	34.6	43.2	2015
22.1	30.6	46.7	2016
21.2	33.2	45.6	2017
19.7	34	46.3	2018
18.5	34.2	47.2	2019

Table 2: Growth Rate of Gross Domestic Product (GDP)

[Source: Ghana Statistical Services (GSS)]

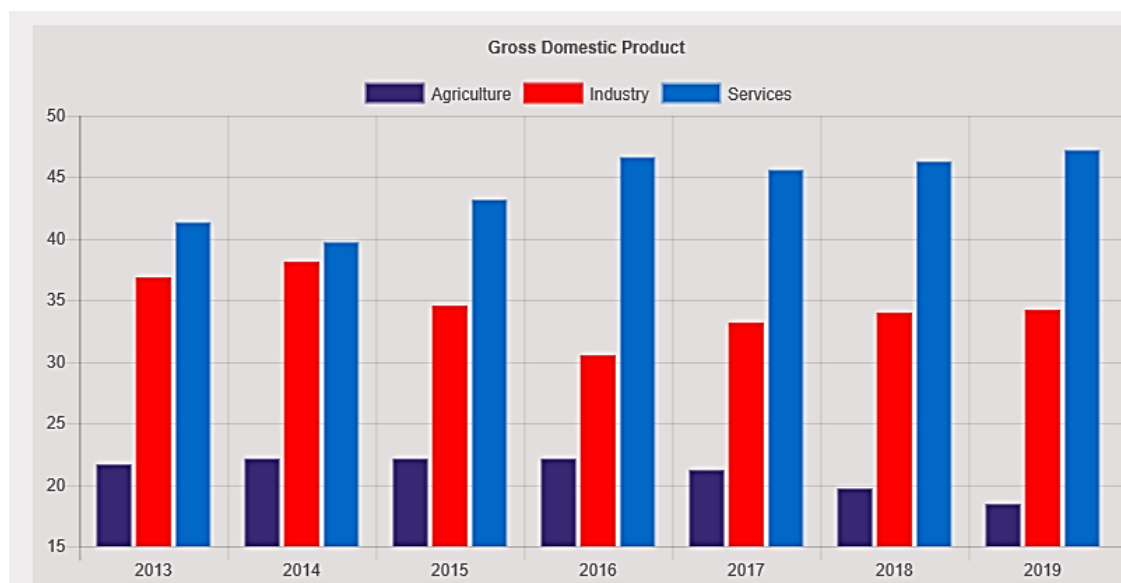


Chart 2.5-2: Growth Rates of Gross Domestic Product (GDP)

[Source: Ghana Statistical Services (GSS)]

From 2017 the Bank of Ghana embarked on rigorous financial sector reforms which included digitization, financial inclusion and sustainable banking practices, anti-money laundering and combating the financing of terrorism, banking sector cyber and information security directive, revocation of banking licenses of insolvent banks, corporate governance directive, capital requirement directive and full implementation of the minimum capital directive. The new minimum capital directive issued on 11 September 2017 was the most significant. Universal banks operating in Ghana were required to have a minimum stated capital of GHS400 million by the end of 2018. This led to 11 (32%) banks shrinking, leaving 23 out of the 34 banks. The Bank of Ghana indicated as of Friday, August 16, 2019, that it had revoked the licenses of 9 Universal Banks, 347 Microfinance Companies, 39 Microcredit Companies, 16 Savings and Loans Companies, 7 finance house companies, and 2 non-bank institutions. The clean-up of the financial sector cost the Bank of Ghana about GHC12 billion (Business and Financial Times, August 20, 2019). Such sharp policy action can create entrepreneurial disinterest and lack of access to funds. The clean-up largely reduced credit access and financing of MSMEs, it practically weakened and, in some cases, killed indigenous Ghanaian businesses. This affected the saving culture and confidence in the financial institutions, disorganized the entrepreneurial ecosystem and hugely created financial panic and withdrawals. (Prof. Kofi Anokye for Ghanaweb.com, September 2019)

According to the PricewaterhouseCoopers (PwC) Ghana Banking Survey report (2020), citing the World Economic Outlook (2019), it is indicated that the International Monetary Fund (IMF) Global Economic Growth, which peaked at 4.0% in 2017, has weakened to 3.6% in 2018. According to the PwC survey, in 2018 the bank total asset growth was 14.7%, there was a fresh recapitalization, banks were optimistic about revenue increment and more focused on operational efficiency, but credit risks was a major challenge.

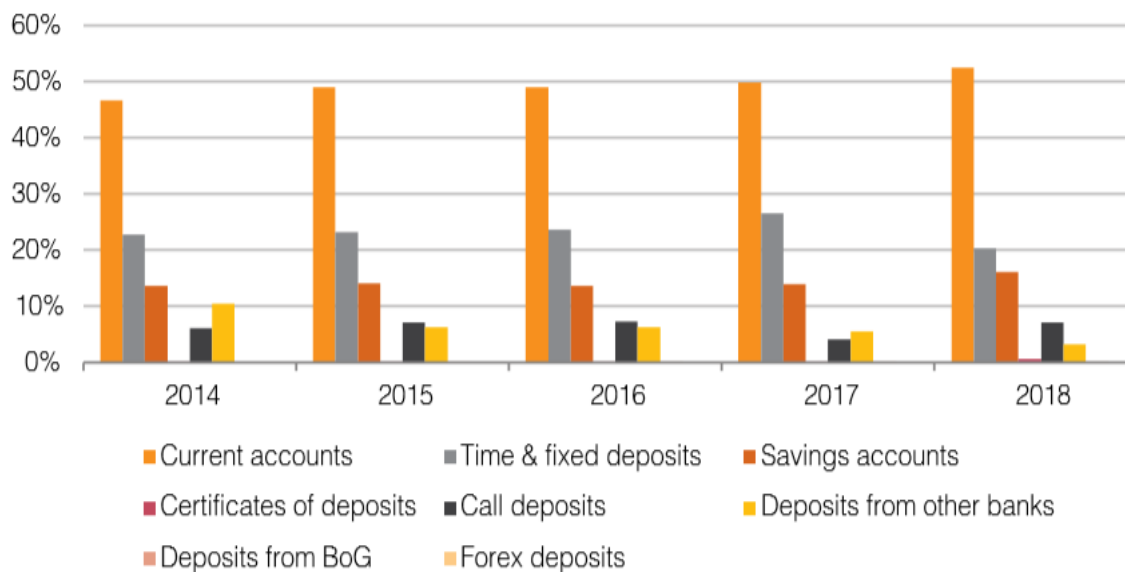


Chart 5.2-3: Banking industry deposits in percentage

As can be seen in Chart 5.2c above, the pace of deposit growth has slowed, and the average rate of growth fell from 20% in 2014 and 2016 to 6% in the following years until 2018. Current and Savings Accounts constituted 77% of deposits, which grew by 5% between 2017 and 2018. An increase of 8% in loans and advances was seen against the tight credit stance which characterized the industry. Most of these loans were to private enterprises and households. These credits and savings contribute to defining the business and entrepreneurial environment.

Generally, the country has made major strides, about two decades, in multi-party democratic system of governance, building a trustworthy judicial system, freedom of speech and press freedom to attain a solid social capital. But there is a reflection challenging economic conditions that has the tendency of strongly affecting credit access and hence entrepreneurship.

2.7 Brief on Ghana's Financial Sector and Market

Financial instruments including financial assets or securities such as cheque, cash, bills of exchange and bonds, are traded on the financial market by financial institutions; hence credits are made available to firms in the marketplace (Brealey et al, 2004). Financial markets are one of the strategic tools for financial access, development and sustainability. Financial institutions operate in the financial sector of the economy to provide a wide range of other financial services such as insurance protection, fund management, payments, fund transfer, savings and storing financial information.

Ghana has a diverse financial sector that has grown rapidly over the years. Currently, the system has a categorized list of 814 registered and licensed institutions which includes 24 banks, 25 savings and Loans companies, 11 financial houses, 1 leasing company, 4 representative offices, 3 financial and leasing companies, 1 mortgage finance, 1 remittance company, 137 deposit-taking microfinance institutions, 12 financial Non-Governmental Organizations (NGOs), 419 forex bureaus, 31 microcredit institutions and 144 rural and community banks and a mini-central bank for the rural and community banks called the Apex Bank (Bank of Ghana, 2020).

In 1983 the Economic Recovery Programme (ERP) was began; and with technical and financial assistance from the World Bank the country pursued a Financial Sector Adjustment Programme (FINSAP) in 1988 to liberalize the economy and remove the policy-induced distortions, promote financial savings mobilization and make banks more receptive to the credit needs of enterprises, especially those marginalized by repressive policies. Monetary policy reforms, securities markets, bills as a solution to excess liquidity, rationalizing minimum reserves for banks, new financial instruments and open market operations for liquidity management were introduced (Bank of Ghana, October 2007). These financial liberalizations did not heal the credit scarcity sufferings of small businesses (Augustine F. Gockel and Sesi K. Akoena, 2002).

The country has low levels of financial inclusion and access to finance for firms remains a major challenge. The limited infrastructure constrains access to formal and unregulated financial institutions, particularly in rural areas; and high collateral requirements between 200 and 250 percent for small firms, with real property mostly required, makes access to formal finance virtually prohibitive for many firms (World Bank Group, 2016).

In Ghana, the money market dominates the financial market and due to the increased participation cost (fees charged for providing services) the financial market has been dominated by intermediaries rather than individuals and firms. Individuals have withdrawn from the market and rely on intermediaries. Financial intermediaries play a critical, pivotal role in today's credit market for small businesses, typically as "financial supermarkets" where firms and individuals can obtain a whole range of financial services. They increase returns to scale in executing transactions, monitoring investments and acquiring information; they tailor securities to the needs of individual firms and engage in risk sharing (Tagoe Nii, 2016). Allen and Gale (1999) used the figure 2.5 below to explain the emerging paradigm for intermediation and established that the financial market cannot exist without the financial intermediaries.

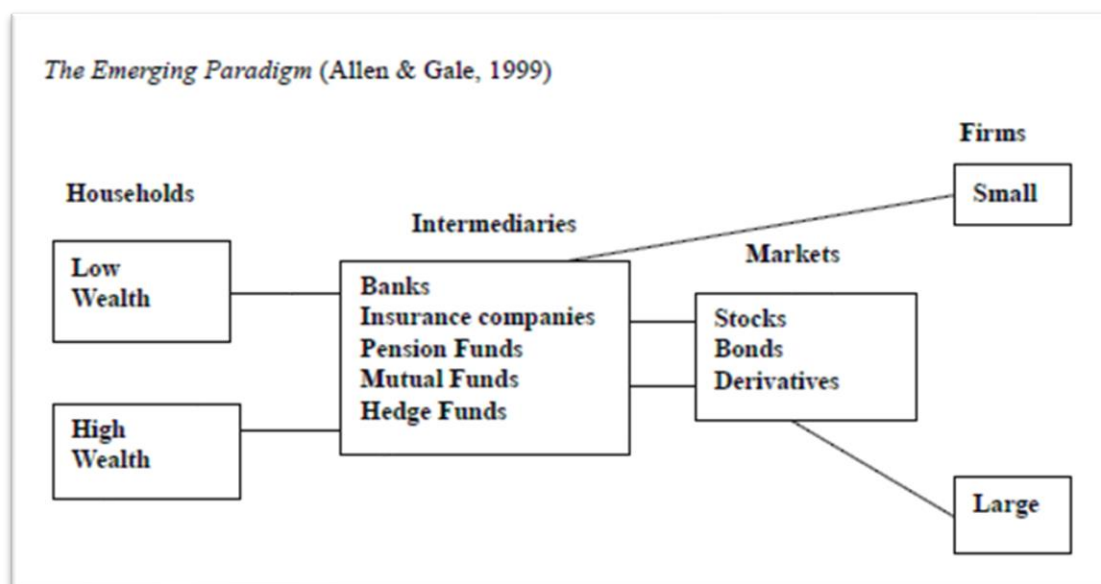


Figure 2: Complex financial transaction

(Source: Allen & Gale 1999)

There is not stability in prices, inflation, interest rates and foreign exchange. The markets are not robust enough to withstand shocks well, for example 1990 average annual rate of inflation grew from 37.3% to 59.5% in 1995 but fell to 46% in 1996. With an overall score of 59.4, the World Bank ranks Ghana 104 in the 2020 index of economic freedom. Current regulatory score is 58.4 for business freedom, labour freedom 59.3 and monetary freedom 68.9. This signifies 1.9 progress, giving the nation the 11th place in the sub-region of 47 countries." But financial services, electricity, and water supply remain expensive." For open markets: trade freedom is 63.8, investment freedom is 70.0 and financial freedom is 60.0. This gives the total value of exports and imports of goods

and services equals 73.6% of GDP. The average applied tariff rate is 10.6 percent, and three nontariff measures are in force. Though there is no discrimination against foreign investors except in key sectors, the overall investment regime lacks efficiency and transparency.” The financial sector has undergone restructuring, but access to financing remains limited.” (Heritage Foundation, 2020).

Stephanou and Rodriguez (2008) showed that lending is easier for retail customers and large enterprises. Kempson, Atkinson and Pilley (2004) showed that the cost of eligibility and risk, high minimum deposits and administrative charges, high interest rate, industry prioritization lending and self-exclusion are ways that make credit access challenging for SMEs.

More firms in Ghana employed financing services in 2012. 21% of firms in Ghana used banks to finance investments compared to 16% in 2007 and 25% used banks to finance working capital compared to 21% in 2007; with a corresponding global average of 25% and 30%. The 23% of firms that had a bank loan or line of credit was lower than the global average of 34% (Chart 4.4-2 and 4.4-3: World Bank Enterprise Survey 2013, The Analysis Unit).

The chance and supply issues could be as a result of the financial market competition and imperfections (Stiglitz and Weiss, 1981). Krasniqi (2010) explained the supply and demand of credit as necessary to determine access to credit. The supply of credit comes from credit sources and entrepreneurs must have clear, firsthand information from these sources which include formal, semi-formal and informal sources (Osei-Assibey et al., 2012). Beck et al. (2002) using 74 countries concluded that unhealthy banking environment affects lending credit in developing countries as a result of government interferences, restrictions and policy distortions (Beck et al., 2002; Stephanou and Rodriguez, 2008). The financial institutions for security reasons make the lending processes, terms and conditions, and documentations stricter to avoid impersonation, misinformation, and credit unworthiness. Pandula (2011) indicated that characteristics of a firm, its owner and finances determine credit worthiness and access. (Alhassan and Sakara, 2014) Added to these, the high risk of lending to SMEs results in high transaction costs especially in developing countries (UNCTAD, 2005) and improper information system infrastructure also result in information asymmetries and legal uncertainties (IFC, 2011).

The role of the government of Ghana is to introduce and enforce measures that will make the markets work efficiently and provide incentives such as interest subsidized loans, credit guarantees and lines of credit, to boost private sector financing (IFC, SMEs Finance Policy Guide 2011).

Past and current government interventions to ease credit access constraints have been diverse through both the banking and non-banking institutions (Amonoo et al., 2003); which usually goes to highly performing firms with high rate of employment and good financials (Baah-Nuakoh, 2003). Some of the direct and indirect government interventions are the Austrian Import Program in 1990, Japanese Non-Project Grants from 1987 to 2000, Canadian Structural Adjustment Fund and Support for Public Expenditure Reforms (SPER), Business Assistance Funds (BAF) in 1990, Ghana Investment Fund in 2002, the Export Development and Investment Fund (EDIF), the Fund for Small and Medium Enterprises Development (FUSMED) established in 1990 by the International Development Association of the World Bank to support establishment of new firms, rehabilitation and expansion of existing enterprises and leasing of equipment, the established of non-banking institutions such as the National Board for Small Scale industries (NBSSI) in 1985 and Empresas Technologicas (EMPRETEC) Ghana Foundation and others. (Mensah, 2004; Baah-Nuakoh, 2003; Amonoo et al., 2003).

The above interventions usually come with lower interest rates on credit as compared to that of commercial banks. They are mostly located in Accra, the high collateral requirements and complex application processes make credit access difficult for SMEs (Amonoo et al., 2003; Baah-Nuakoh, 2003). So, the numerous challenges of MSMEs such as lack of access to finance, low demand for output, technology, raw materials, labour and management, infrastructure, institutional and regulatory obstacles amongst others still remains critical constraints, despite governments interventions to small businesses over the years.

3 METHODOLOGY

3.1 Research Perspective

Good research must have an outlined methodology. A well-defined methodology should be supported scientific principles (Elabi et al 2002). The essence of research methodology is to ascertain appropriate procedures that may yield the correct findings for analysis and conclusions (Nachmias and Nachmias, 1996; Saunders et al., 2007).

Generally, there are two main types of research perspectives, qualitative and quantitative (Guba and Lincoln, 1994; Denzin and Lincoln, 1994). Qualitative research is a scientific method of observation predominantly used for collection or analysis procedures that generates non-numerical data (Babbie, Earl 2014). It "refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and description of things" and not to their "counts or measures"; in order to answer why or how a phenomenon occurs (Berg, Bruce and Lune, Howard 2012). According to Leavy (2017), in the qualitative approach the aim is to explain rather than to predict phenomena and understanding things rather than to measure. Quantitative research, comparatively, is the systematic empirical investigation of observable phenomena using statistical, mathematical, or computational techniques producing quantitative data. Quantitative data is in numerical form such as statistics, percentages, etc. (Given, Lisa M. 2008). The perspective of this research is based on the researcher's intention (who is affected), outcomes (anticipated impact), questions (nature of object of study) and processes (how research is understood) (Åkerlind 2008).

The researcher adopted a mixed method approach of both qualitative and quantitative research (Creswell and Plano Clark, 2011). A "mixed method" of research approach refers to an emergent methodology that advances the systematic integration, or "mixing," of quantitative and qualitative data within a single investigation or sustained program of inquiry. The integration has great potential to strengthen the rigor and enrich the analysis and findings.' (Wisdom J. and Creswell J.W. 2013). By positivism and more interpretivism this research created a comprehensive knowledge of the challenges facing young entrepreneurs in Ghana in starting a business, which would be a perception of concept in its own light (Ann and Lin, 2005).

3.2 Research Design and Strategy

Trochim (2005) said research design "provides the glue that holds the research project together and it is used to structure the research, to show how all of the major parts of the research project work together to try to address the central research questions."

Building an effective research design requires a research paradigm consistent with the reality the viewpoints on the subject (Mills, Bonner, and Francis, 2006). The research design was a systematic and organized effort investigating the problems of entrepreneurship to add new general knowledge from the evidence gathered (Sekaran; 2000; Burn, 1994). In its social sense, Bulmer (1997) stresses that this knowledge must be systematic, reliable and valid; whilst in its scientific sense, Kerlinger (1986) states that the investigation has to be systematic, controlled, empirical and critical on the propositions and presumed relationships between the phenomena in consideration.

The researcher's strategy is implied through the research design (Thomas, 2006). The research strategy is the researcher's plan, defining how to conduct the investigation to address the research questions, objectives, and data collection. It specifies sources of data and constraints that may hamper the research and how they will be addressed (Saunders et al., 2007). The strategy explains method of data collection and analysis (Yin, 1994). Diversity in research strategies, as employed here, is not new and the growing interest for social relevance has strongly promoted such diversity (Habermas, J. 1979). The starting point of the strategy here is approaching the research project without a prior assumptions, definitions, or theoretical frameworks.

Diversity of strategy is employed in this research, borrowing from phenomenological, interpretive, descriptive, and explorative principles. It is part of the strategy to describe, explore and interpret the phenomenal experiences of starting a business in Ghana without predefining dependent and independent variables, but focus on the full complexities (Boland, 1991; Walsham's 1993). A careful fuse of both interpretive and descriptive phenomenology was used to discern the impact of the problem, because it allows for applying a 'good combination of the rules of analysis and hermeneutics' (Laverly 2003; Reid, Kate, Flowers, Paul and Larkin, Michael, 2005). As a result, this allowed multiple views of the problem, per the participants' views, to uncover relative or subjective realities of the issues (Greener, 2008; McKenna, Richardson, and Manroop, 2011).

The discussions and reflections of perceptions and experiences of the researched phenomenon was followed by a systematic and rigorous investigation of personal meaning and lived experiences of entrepreneurs (Tompkins, 2017). Questions used carefully constructed, made simple and realistic. There was constant follow-up engaging respondents to make sure they understood each question, since they were in difficult times as a result of Covid19. Each response was subject to scrutiny and necessary entrepreneurial interpretation related to the variables relevant to starting a business and credit challenges in the country. The expectation or task required is to present an interpretive account of what it means for respondents to have such experiences, within their particular context, which gets one close to the respondent's view (Noon, 2017; Larkin, Watts, & Clifton, 2006).

3.3 Population, Sampling and Size

This research used 2 sets of population, students, and new entrepreneurs. Sampling was random but purposive. Both the universities and small businesses were purposely selected to have a broader national span considering development differences between the Northern (less developed) and Southern (more developed) sectors of Ghana.

With respect to the students, the various university student's union associations were identified from Facebook groups and used in selecting the students based on the selected universities. The students were selected based on the entrepreneurial interest and plan to start businesses after school. And their contact was retrieved from student union association. While their immediate information was gathered to have personal communication. They were contacted via the messenger platform, WhatsApp, and electronic mail.

The student population was made of University students in Ghana. 3 Public universities, University of Development Studies in Tamale, University of Cape-Coast in Cape-Coast and University of Ghana in Accra; and 2 private universities, Pentecost University College and Central University were selected, giving a total of 5.

Sample size for each of the selected Universities was 8 final year students, making 40 students from each of the 5 Universities.

With respect to the businesses, the Ghana Business Directory (businessdirectory.net) was used to identify contact and select the businesses. Contact was by phone and electronic mail. The small business population was made of SME businesses that are not more than 5 years old from different sectors. The sample size was 5 businesses from the northern sector and 15 from the southern sector.

3.4 Types of Data Collected

Data collection is the procedure of accumulation and measuring information on variables of attraction, in a well-established systematic fashion that empower one to answer stated research questions, test hypotheses, and evaluate outcomes. The data collection component of research is common to all fields of study. The goal is to capture quality evidence that allows rich data analysis to build convincing and credible answer to research questions that have been posed. Research data takes many different forms, intangible as in measured numerical values found in a spreadsheet or an object as in physical research materials such samples of rocks, plants, or insects (Mac DeWitt Wallace Library, Research Guides, libguides.macalester.edu).

Data was collected to help understand factors that influence young people to engage in entrepreneurial activity or start a business, the challenges faced during the process, credit access issues and impact of the challenges on the nation as a whole. The expected end is progress in knowledge that informs on what should be done and its justification as a course of action (Gilje & Grimen, 1992; Repstad and Nilsson, 1999; Goldkuhl, 1998, 2004).

This study gathered both primary and secondary data (Douglas, 2015) from primary and secondary sources respectively (Mesly, 2015). According to Fowler (2009), primary data can either be qualitative or quantitative and may be collected by questionnaires, interviews, observation, case studies and critical incidents. The secondary data, which is data already collected by someone other than the user, provided a good background and foundation for this research (Fowler, 2009).

Data was collected on personal characteristics, background, and environmental factors to determine the factors that influence entrepreneurial activity. Data was also collected on challenges in starting a business and finding credit. Variable used were from

secondary data sources as in chapter 4 below (4.1, 4.2 and 4.3). In each case qualitative, ordinal, and quantitative discrete data was collected.

This research did not collect all data from participants (Tripathy, 2013). It acknowledges that some of the secondary data used (as in literature reviews) were collected for a different purpose, with different definitions and timing and may not have sufficient detail or have been modified during collection. But the purpose was to enrich this study research with assertions stemming from data that has a pre-established degree of validity and reliability. It was not re-examined, but appropriate analysis was conducted on the secondary data, since the background required on the assertions have been concluded, and in some cases published (Doolan and Froelicher, 2009; Novak, 1996; Heath Huff, 2018; Horn N., 2018).

3.5 Data Collection Process

The research instrument for gathering and measuring data was first selected based on the data collection strategy, applicable variable types, required accuracy, means of collection and enumerator (Parahoo, 1997; Kabir S. M. 2016; <https://ori.hhs.gov>).

A strategic means of information gathering was used to boost accuracy, validity and dependability (Zohrabi, 2013).

Well-structured, qualitative questionnaires (as in appendices 1 and 2) were carefully prepared and used to collect primary data on the personal, background, environmental and challenging factors in entrepreneurial activity. It consisted of a series of questions for the purpose of gathering entrepreneurial business information from respondents. The questionnaire was developed from an extensive review of the literature of secondary data sources. It contained open and closed-ended questions. A Likert-type scale was mostly used for simplicity. The distribution and collection of the questionnaires were done personally via electronic mailing due to travel limitations.

Invented by the Statistical Society of London in 1838, as a research instrument, questionnaires are great research instruments. (Powell & Silipigni, 2004; Babbie, 2003; Busha & Harter, 1980). Qualitative questionnaires generate a rich material, useful for researchers from many disciplines. The responses provided by the respondents were highly informative with anonymity, uniformity, and reliability.

The first set of questionnaires were distributed to 40 university final year students who were considered prospective future entrepreneurs, by email. This was to establish what influences young Ghanaians to start a business or engage in entrepreneurship. Out of the 40, 27 were males and 13 were females. The second set of questionnaires were also distributed by email to 20 small businesses to establish challenges in business start-up, credit access and its impact on their business dream.

With the support of 3 software, Microsoft Excel, google doc form and Orange, the response data was analyzed to help interpret indications and findings. Answer rate on students was 40, total of 100% as a result of the follow-up appeal and smaller size. Validity was about 88%, due to few rating errors found, mainly typographical and legibility. This was expected, as questionnaires were to be printed, and filled with pen, scanned, and returned by email, but some used phone camera to snap and send their response, which really had not change the response.

Secondary data was also collected from documentary, archival data and interpreted data from secondary data sources such as scientific literature, organizational reports and articles published in selected journals, professional magazines, and the like. The purpose was to establish the theoretical standpoint, understand, analyze, and interpret the entrepreneurial issues. This study depended on the findings from the enterprise survey conducted in Ghana by the World Bank in 2013 as the main secondary data literature.

The expected dilemma which could materialized during the data collection were investigated according to the guidance of Holloway and Wheeler (2002). Factors such as situational contaminants and environmental factors, transient personal biases, personal issues, administrative variations, and researcher biases were minimized.

Therefore, the purpose was well-explained anonymity and confidentiality was assured relating to what the gathered information would be used for. Everything was well explained through constant communication so as to get bugs out of the instrument (Naoum, 1998). This introduction assists the participant to grasp the importance of the research and to possess confidence in appropriate responds.

Responses were checked and scrutinized for completeness, comprehensibility, consistency, and reliability as a way of cleaning data (Powell and Silipigni, 2004).

4 ANALYSIS AND FINDINGS

4.1 Findings on factors that influence entrepreneurial activity

The measures of analysis are a determinant of the question used for the analysis. Saunders et al. (2012) posited that the utilization of questions should support the analysis queries, by collecting valid knowledge that are out there for the method. In answering the question ‘what factors influence young people to engage in entrepreneurial activity?’ three main classes of variables were investigated, that is the personal characteristics of the entrepreneur, demography, and environment. All the responders, based on the purposive sampling, want to start a business after graduation. Their response also consented to personal, background and environmental factors as means of motivation to start a business.

The set of personal characteristics indicators used are the need for achievement, risk-taking propensity, locus of control, tolerance of ambiguity, and desire for personal control. These were considered as common traits of entrepreneurial behaviour that give motivation to start or run a business. The response was taken to measure what the responders consider as very lowly, lowly, averagely, highly or very highly influential in starting a new business. The results are shown below, as in table 3 and 4.

Personal indicators	Very Low	Low	Average	High	Very High
Achievement-Oriented	0	0	12	24	4
Tolerance of ambiguity	1	6	22	9	2
Risk-taking Ability	2	5	16	13	4
Desire for Control	4	4	18	11	5
Locus of Control	3	6	15	9	5

Table 3: Influence of personal indicators in counts

Personal indicators	Scores in Percentage				
	Very low	Low	Average	High	Very high
Achievement-	0.0%	0.0%	30.0%	60.0%	10.0%
Tolerance of	2.5%	15.0%	55.0%	22.5%	5.0%
Risk-taking Ability	5.0%	12.5%	40.0%	32.5%	10.0%

Desire for Control	10.0%	10.0%	45.0%	27.5%	12.5%
Locus of Control	7.5%	15.0%	37.5%	22.5%	12.5%

Table 4: Influence of personal indicators in percentage

Achievement-oriented people are naturally, highly influenced to start a business. Tolerance of ambiguity, risk-taking, desire for control and one's locus of control will moderately make people start a new business and enter into entrepreneurial life.

Secondly, the background element used are preceding employment, family background, gender, education, ethnic membership, and religion. The responses are in table 5 and 6.

Background indicators	Strongly	Disagree	Somehow	Agree	Strongly Agree
Employment	0	0	8	24	8
Religion	8	10	9	6	7
Gender	3	11	6	18	3
Ethnicity	10	16	7	6	2
Education	5	9	8	13	5

Table 5: Background indicators in counts

Background indicators	Scores in percentage				
	Employment	0.0%	0.0%	20.0%	60.0%
Religion	20.0%	25.0%	22.5%	15.0%	17.5%
Gender	7.5%	27.5%	15.0%	45.0%	7.5%
Ethnicity	25.0%	40.0%	17.5%	15.0%	5.0%
Education	12.5%	22.5%	20.0%	32.5%	12.5%

Table 6: Background indicators in percentage

The lack of employment or need to be employed highly influence entrepreneurship. Religion on the other hand seem to have so little or at most a balance influence in becoming entrepreneur. One's gender seem to be a motivation, especially males. Even though, women are the leading entrepreneurs in Ghana. But all the 13 females did indicate that today's motivation is the increase in policy which has drawn a lot of women into entrepreneurship. But tribal background or ethnicity do not seem to be a strong influence, and education also helps and contributes to success, but it is not a strong motivation as most micro entrepreneurs are not so educated.

Thirdly, environmental factors were investigated. It emphasized that "the environment is seen as a pool of resources; the degree of resource abundance (Mazzarol, Volery, Doss & Thein, 1999) is known as environmental munificence (Dess and Beard, 1984;

Castrogiovanni, 1991), and will significantly influence the start-up process.” Specht (1993) mentioned five main environmental factors influencing formation of a business. These are social, economic, political, infrastructure development and market emergence. These were defined and explained to avoid generalization. Basically, the socio-cultural focused on creativity, social events, and conflict; the economy on access to credit and profitability; political factor was about democratic stability and government policy; the market factors on place to sell, goods to sell and buyers; and infrastructure has to do with clinic, road and electricity. These factors were investigated to assess which are rated very low, low, moderate, high, or very high. The results are represented below, as in table 7 and 8.

Environmental indicators	Very Low	Low	Moderate	High	Very High
Socio-culture	0	3	11	21	5
Economy	6	12	8	11	3
Political	2	8	16	12	2
Market	0	1	7	24	8
Infrastructure	0	5	14	12	9

Table 7: Environmental indicators in counts

Environmental indicators	Scores in percentage				
Socio-culture	0.0%	7.5%	27.5%	52.5%	12.5%
Economy	15.0%	30.0%	20.0%	27.5%	7.5%
Political	5.0%	20.5%	40.0%	30.0%	5.0%
Market	0.0%	2.5%	17.5%	60.0%	20.0%
Infrastructure	0.0%	7.5%	35.0%	30.0%	22.5%

Table 8: Environmental indicators in percentage

The social and cultural environment, business market and available entrepreneurial infrastructure like good and secure market centres play a key role promoting entrepreneurship. With respect to the economy and political environments, a good one has a high influence, especially good policy initiatives and credit. The peace and stability in Ghana are a good motivation to prospective entrepreneurs and businesses. And the continuous economic improvement in industry and service towards Ghana’s GDP can serve as a good window of opportunity for new entrepreneurs.

4.2 Findings on Challenges in starting a business

According to the World Bank environmental regulatory that promote entrepreneurship for local economic, to understand its success a right framework needs to be identified to promote entrepreneurial environment. This regulatory framework for firm registration was developed by Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2002). And the world Bank annual Ease of Doing Business report has applied this framework since 2003 for almost 180 countries in its Ease of Starting a Business.

So, in answering the question of ‘what challenges young entrepreneurs face in starting a new business?’ The researcher introduced variables based on the indicators used in the World Bank Report. The World Bank Report on Ease of Doing Business in Ghana 2019, 16th in the series ranked Ghana 114 out of 190 economies with a score of 59.22. It used 13 indicators of business regulations with definition of factors under each. The 11 areas in table 4.2-1 below are included in the ease of doing business score and ease of doing business ranking. Doing Business is aimed also at measuring features of labor market regulation but not included in the score and ranking.

Business regulatory indicator	Factors
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, and the reliability of the electricity supply and the transparency of tariffs
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders’ rights in related-party transactions and in corporate governance
Paying taxes	Payments, time, total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts

Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
Labor market regulation	Flexibility in employment regulation and aspects of job quality

Table 9: Business Regulation Area for Ease of Doing Business

(Source: Created from *Doing Business 2019, World Bank*)

The researcher was more interested in the first on the list, 'starting a business. According to the World Bank Report this measures the number of procedures, time, cost and paid-in minimum capital requirement for a small- to medium-sized limited liability company to start up and formally operate in the largest city. Responders also recognized and agreed to this fact.

The procedures to complete legal status and start operation, 46% had challenges with preregistration, 38% had challenges with registration and 42% had challenges with post registration. Family approval and obtainment of identification card was not a challenge at all.

The time required to complete each procedure, 71% complained of delay in information gathering, 54% had problem with the time it takes for processing of their data and issuance of certificates. 62% had problems with communication lines usually used to follow up on their application, resulting in calling-in in person at the registration department.

The cost required to complete each procedure, 38% felt official costs should be reduced by 50% to encourage more locally owned, private, non-formal sector businesses, especially young entrepreneurs, and graduates to register their businesses. 63% complained of bribery, what they called 'gift' to expedite name search, information processing, timely professional services. 61% needed the cancellation of the GHC10 Ghana Revenue Service registration fees, the 0.5% of paid-up capital as commencement tax and 50% reduction or free on the registration forms of the GHC100.

The paid-in minimum capital, 81% suggested that upcoming young entrepreneurs and graduates should be given a good reduction to motivate them in the commencement of their entrepreneurial journey. 87% said they had challenges in raising the initial capital. 46% also had bank challenges when opening company accounts for a new business, as a result of bank account requirements. Specifically, they are indicating availability of

capital with a bank, but such account is not opened until business certificates are presented to the bank. Chart 4.2 presents responders data.

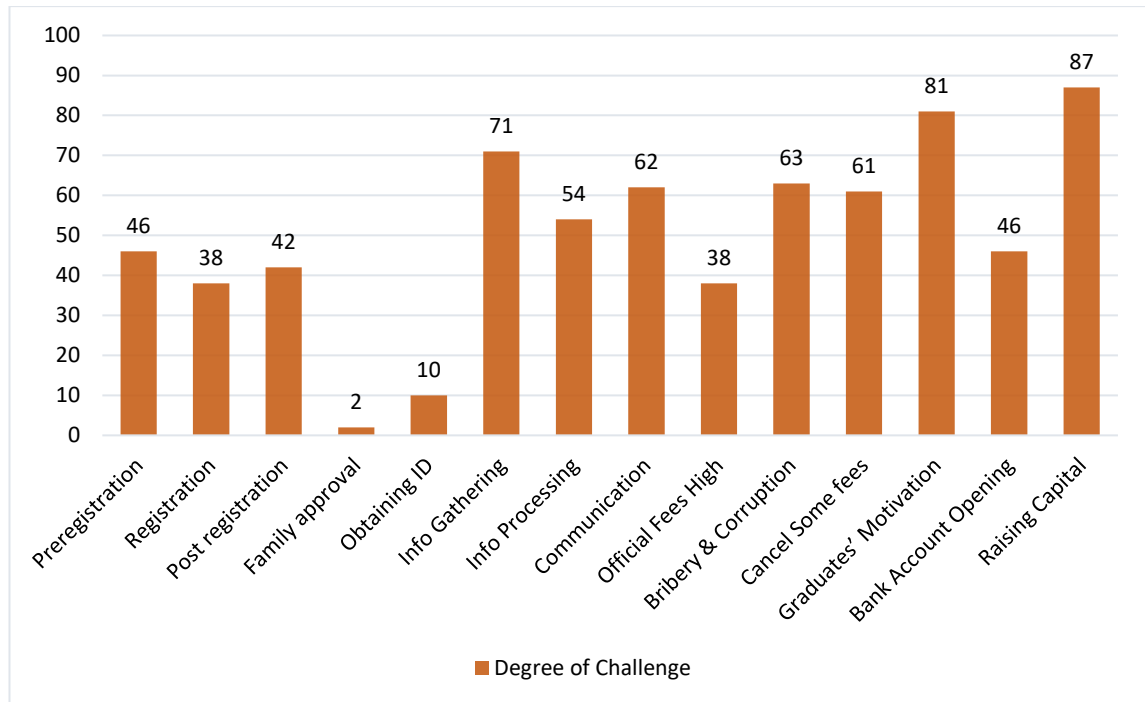


Chart 4.2-1. Degree of Challenges of Starting Business

Raising capital appears the highest challenge, which is one of the main factors that influence business success in Ghana. Motivation of young graduates must be considered so that they can start businesses, create employment for themselves and for others, instead of looking for one. Business information resource, the next high challenge, requires a good solution as it can be a learning and educative source for new entrants. Bribery and corruption, as a result of bureaucracies in regulatory institutions need to be eradicated through appropriate legal means since it has not improved and appears a strong challenge. As the backbone of the country's economy MSMEs will be able to make more contributions to Ghana's GDP, boost national income and tax revenue among others, if business start-up challenges are solved or minimized.

4.3 Findings on credit challenges of young entrepreneurs

The responders and literature have already proved that there are credit challenges; and raising capital is relatively the highest challenge among all the constraints faced by young entrepreneurs. In accordance with the research objectives, the researcher investigates

this credit challenges using some variables from the World Bank Report 2019 on Doing Business in Ghana.

According to the report 'getting credit' is one of the business regulation areas, which concerns movable collateral laws and credit information systems. It measures the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. The indicators measure the following:

- Strength of legal rights index (0-12)
 - Rights of borrowers and lenders through (0-10)
 - Collateral laws, protection of secured creditors' rights through bankruptcy laws (0-2)
- Depth of credit information index (0-8)
 - Scope and accessibility of credit information distributed by credit bureaus and credit registries (0-8)
- Credit bureau coverage (% of adults)
 - Number of individuals and firms listed in largest credit bureau as a percentage of adult population,
- Credit registry coverage (% of adults),
 - Number of individuals and firms listed in credit registry as a percentage of adult population

(World Bank Report on ease of Doing Business in Ghana 2019).

Besides these, the researcher adopted practical indicators such as need for credit, source of credit, supply of credit, demand of credit, difficulty in accessing credit, reasons for lack of access, chances of getting credit, impact of credit on business and response to access issues. Responders agreed to these factors as important.

Beginning with the report from the World Bank on Doing Business (2019), strength of legal rights index was 6, depth of credit information index was 6, credit registry coverage was 0 and credit bureau coverage was 22.4. This gave a rank of 73 from a score of 60 on getting credit. It was reported that there is no credit registry in Ghana and data from retailers or utility companies, banks and financial institutions are not distributed. In addition, bureau or registry credit scores is not offered as a value-added service to banks and financial institutions in assessing the creditworthiness of borrowers. These in line with answers received from responders.

Of the responders, 100% indicated that all entrepreneurs need credit at most point in the time of the business, 52% lack enough information on credit sources in the country, 43% said there is not enough supply of credit compared to the 92% who says there is always a demand for credit but there is difficulty in accessing credit. 86% explained that lack of access is serious challenge, with 76% say application processes are cumbersome, 64% say terms and conditions are business-unfriendly, 57% say too many documentations, bribery and corruption got 46%, unrealistic interest rates got 61% and 69% complain of bank and sometimes agency charges eating more than 10% of the credit. 34% said chances of getting credit are unlikely not necessarily because of defaulting. 95% asserts that entrepreneurs always dream and that timely credit or availability of funds to pursue opportunities has great impact in the business, especially for growth and expansion. These are represented in table 4.3 below.

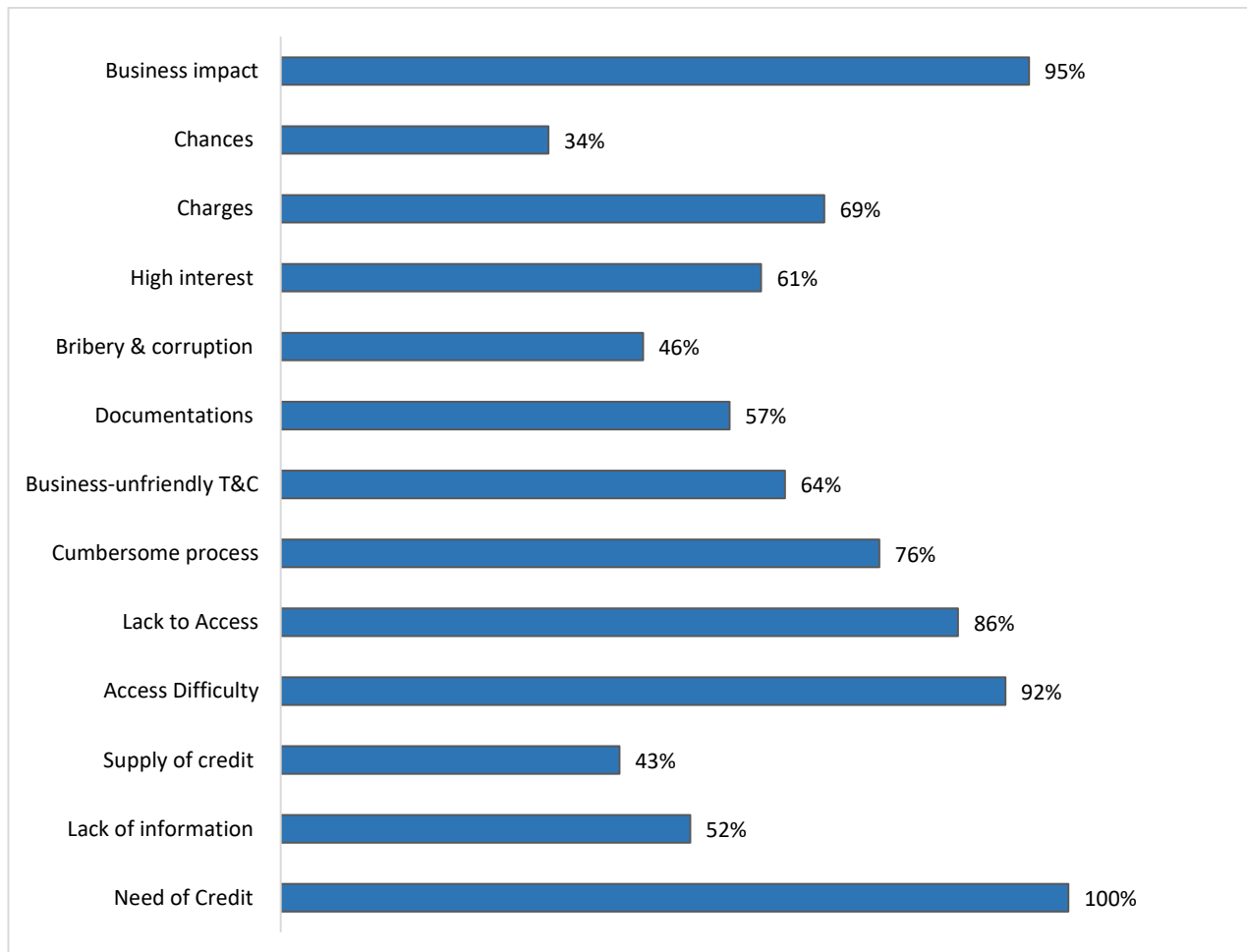


Chart 4.3-1. Measure of Credit Access Challenges

4.4 Explanations

Interpretively, a combination of factors from each variable class influences the starting of business. Thus, personal characteristics, background demographics and environmental factors together influence the edge to be entrepreneurial. The highest personal characteristics is the innate motivation and need to achieve something. Tolerance, risk-taking ability, desire for control and one's locus of control followed successively.

New business formation cannot be examined in isolation because there could be other factors that contribute and influence the creation of a suitable condition (Johnson and Cathcart, 1979). "A prospective entrepreneur may seek to purchase an already-established business venture rather than start an enterprise." Even a franchise is an opportunity that assures one of a proven concept, and has many benefits compared to starting from the ground (Kristandy Shintya & Aldianto Leo, 2015). It appears that the stronger the innate character then other factors such as personal satisfaction, fulfillment, desire to build financial wealth, economic independence, opportunity, market needs, and freedom fuel a business idea leading to entrepreneurship by some form of change and innovation.

Second, starting a business has more challenges which were not captured because they are not formal issues. For instance, the World Bank Report (2019) suggests that the average time and cost to register a business has declined from 59 days and 192% of income per capita in 2006 to 23 days and 40% of income per capita today. Also, the average paid-in minimum capital has fallen from 212% of income per capita to 11% of income per capita in the same period.

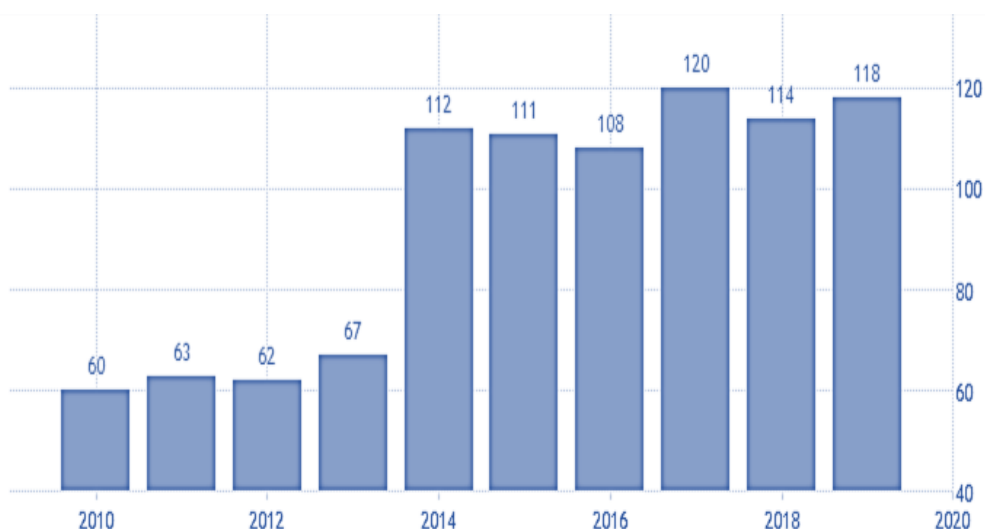


Chart 4.4-1: Ease of Doing Business in Ghana 2010 – 2019
(Source: tradingeconomics.com)

But the report had several assumptions of businesses and procedures like no corruption or bribes, which is not an economic reality in practice. Because the corruption index for the same period 2019 is 41.00 and the corruption rank is 78.00. A 2-point improvement in corruption rank but the index is the same. Gathering information, bureaucratic delays and cutting down fees for graduates is a concern. But raising capital and corruption appears a very high concern. Gabriel Yeboah (2016) wrote that administrative and bureaucratic tasks by regulators are still time-consuming, including registration, opening a bank account and business approvals, can be practically dragged into months. Not much has really changed. Generally, more than half of the variables is beyond 50%, which calls for practical steps to remove these constraints.

The third explanation relates to credit access challenges being a major part of this study. Analyzing the World Bank Report on Doing Business in Ghana – Getting Credit (2019), there has been an improvement in getting credit compared to previous years and other economies. But since that study only measured credit information sharing and legal rights of lender and borrower, it does not capture many indicators in practical circumstances of credit needs, application and processes.

A look at the Enterprise Survey of 2013 adds a clearer picture of credit access challenges. By the said World Bank Enterprise Survey of 2013 (WBES, 2013), credit demand was determined by asking 720 firms whether they have applied for a loan or a line of credit in the last fiscal year (2012). 167 (approximately 23%) did; whilst 553 of them (approximately 77%) did not. Of the 167 who did, 143 firms (approximately 86%)

had access but 24 firms (approximately 14%) did not. It was 98 of the small firms (58.68%) and 53 medium-sized firms (31.74%) who applied for credit: And out of 143 firms that had access to credit small and medium-sized firms constituted 52% and 36% respectively. Only 16 large firms applied for credit and all of these firms had access to credit.

Again, the WBES of 2013 further indicated that less than a quarter (23.19%) of firms applied. On the reasons for those who did not, 154 (28.73%) said they do not need a loan, 145 (27.5%) cited unfavorable interest rates, 87(16.23%) complained of high collateral requirements, 84 (15.67%) complained of cumbersome application processes and procedures, 8 firms (1.49%) declined because of small loan amount and early loan maturation, 8 (1.31%) lost confidence, 43 (8.02%) gave other reasons and 7 (1.49%) gave no specific reason. 62.2% of the firms identify access to finance as a major constraint shows in (Appendix 1.1). One in every two firms reported access to finance as the biggest obstacle to their day-to-day operations. This is an increase compared to one in every three firms in 2007. This gives a very strong credit access background, attesting to the response of all the entrepreneurs engaged that credit needs and cost are high, but availability and access are low.

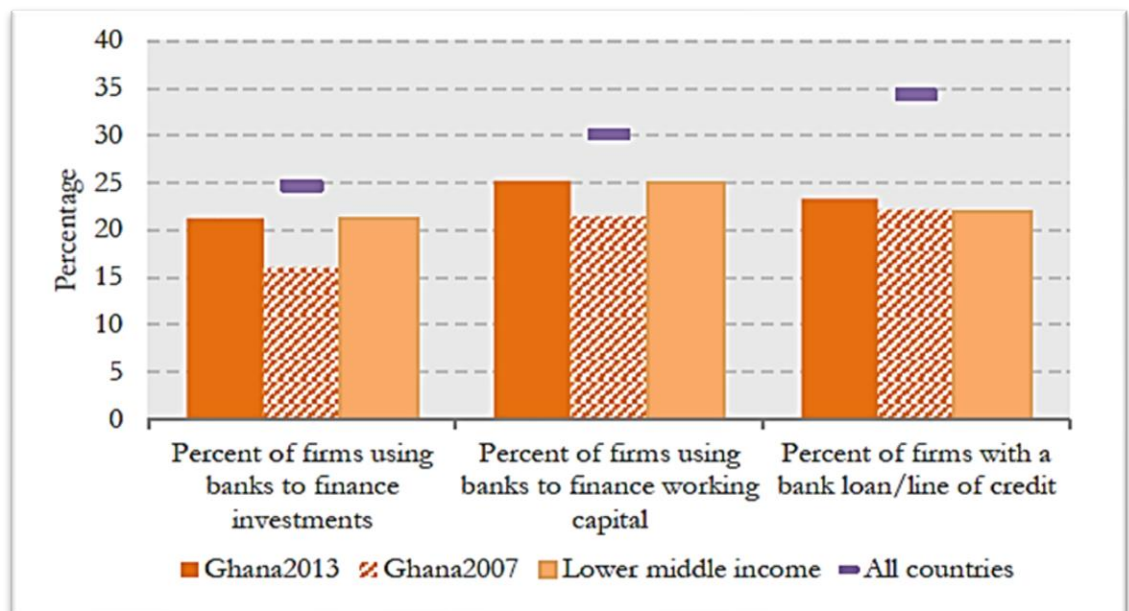


Chart 4.4-2. Percentage of firms (Source: World Bank Enterprise Survey 2013)

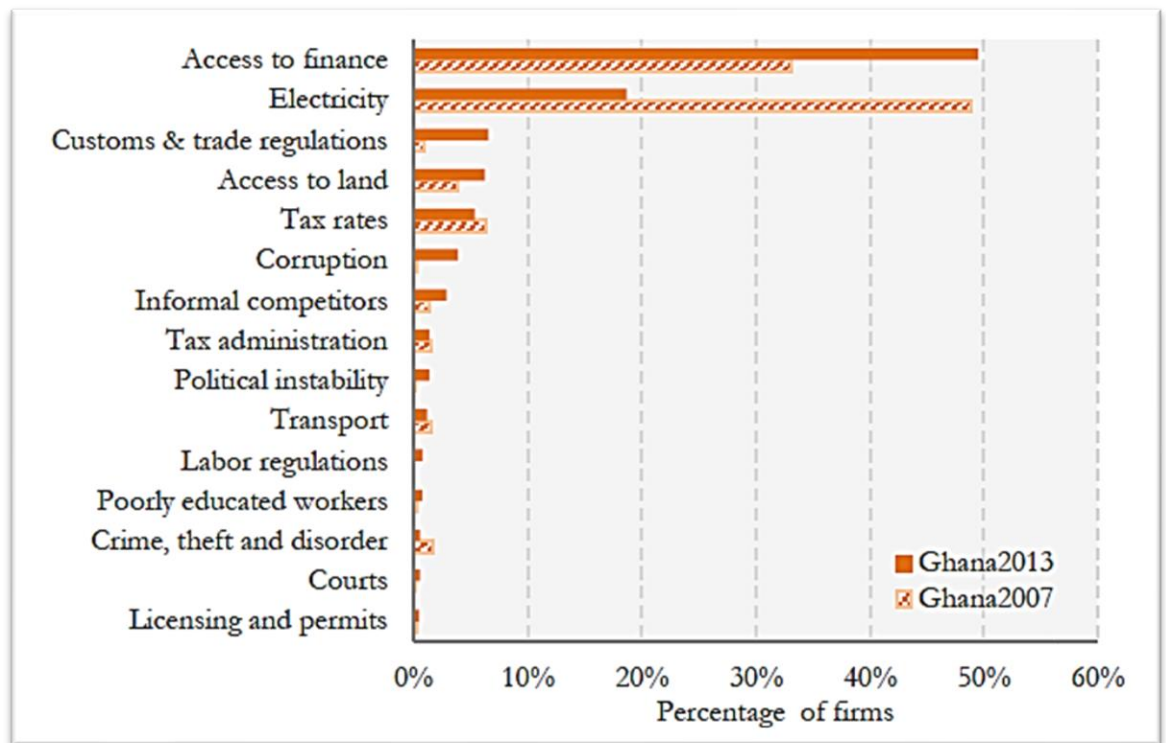


Chart 4.4-3. Percentage of firms (Source: World Bank Enterprise Survey 2013)

In this study, the responders' data as primary data and the survey data as secondary data indicate that access to credit is a major concern that must be practically dealt with. This is generally about credit availability, cost and quality (Claessens, 2005; Claessens and Tzioumis, 2006). The World Bank Policy Research Report (2008) on "Finance for All? Policies and Pitfalls in Expanding Access" explained access to credit as the 'absence of price and non-price barriers in the use of financial services.

The need for credit and impact of credit facilities on business and the relative access difficulties are very high but chances and supply are low. Bribery 'gifts' appears a worry; and again, most indicators are above 50% showing that entrepreneurs in Ghana are very much challenged when it comes to credit, considering the 43.5% of firms identified corruption as a major constraint (World Bank Enterprise Survey 2013). Most often there are other underlying factors that contribute to this, for instance when people want to evade tax due to tax constraints.

This is because investigating the statistical relationships between corporate taxes, investment, and entrepreneurship using new data on effective first-year and five-year corporate income tax rates for 85 countries, Djankov, Ganser, McLiesh, Ramalho, Shleifer, (2010) established that effective corporate tax rates have a large and significant

adverse effect on corporate investment and entrepreneurship. Entrepreneurs may therefore engage in bribery with corruption tax officials to buy an undue tax exemption.

5 RECOMMENDATIONS AND CONCLUSIONS

5.1 Recommendations

This task of finding out the challenges young entrepreneurs face when starting a business has yielded very informative points worth considering not only by entrepreneurs but government, financial institutions, and business associations, especially those in Ghana. The objective of examining entrepreneurship challenges among young people and the impact of environmental factors such as credit, government support, experiences, educational background, and passion in starting a business. This triggered the questions about factors influencing young people to engage in entrepreneurial activity, challenges young entrepreneurs face when starting a business in Ghana and the main credit related challenges on young entrepreneurs in Ghana.

Using an integrated research approach, it is clear that entrepreneurs, and start-ups associated with MSMEs in Ghana are subject to the principle of the stipulation or classification of MSMEs. This means they must all operate within the current prevailing business environment in Ghana. But beyond that and more importantly, a considerable question one ought to be asking is, 'what solutions can be offered to the perplexity of latest graduates and small enterprises in Ghana in terms of exploitation of credit and innovative opportunities to harvest the benefits of entrepreneurship'?

Generally, in assessing the motivation to starting a business, I assert that, a combination of personal, background and environmental factors that influence young people to embark on entrepreneurial activity or enter into business, especially the young entrepreneurs and graduates. Also, any change in financial policy, support and services to attract more entrepreneurs must target the background and environmental factors, and other underlying factors but personal traits cannot be changed by financial systems.

Business support institutions, like the National Board for Small-Scale Industries (NBSSI) should do more and provide enough information on their website and customer service to help start-ups in find and know how to take-off, identify the right opportunities following innovative principles, develop expertise, understand the market demands in the sectors of the economy, develop efficient capital projections and financial plans, become

competitive, well locate, be compliant, follow rules and regulations, use appropriate technologies and hire right skills.

The author also recommends that policies should aim at encouraging and promoting young entrepreneurs in Ghana, and the economic emphasis should be placed on the promotion of native tools, resources, and products to cut back reliance on imports. Due to size and resource limitations, they are unable to develop a remunerative business, create crucial changes or expand the prevailing businesses. But there is a chance. MSMEs have the potential to initiate minor technological innovations to suit their setting. However, to totally develop and use this potential, they need specific government policy measures on such required technology services and provide infrastructure to make them accessible for entrepreneurs to succeed.

On a major part of this research, as in the findings, credit access is still lower compared to the average for all the countries. Increasing access to financial services for firms in Ghana is important as contributes to continue growth. MSMEs need credit and are more constrained than large one but business-unfriendly interest rates, collateral requirements, maturity and lending processes and procedures will deter or reduce credit demand.

In addition, financial data used for econometric analysis to determine access to credit to MSMEs is difficult to obtain in current financial information infrastructure in Ghana, since small businesses do not publish their financials and there is no general database on entrepreneurial businesses; as such credit assessment must be consistent across financial institutions and the related information that will help develop their entrepreneurial acumen should be made readily available to small business entrepreneurs so they can work with it.

Lack of access to appropriate entrepreneurial development information contributes to the dearth of progress or inability of MSMEs. There is, undoubtedly, an increasing urgency for a confirmative and supportive policy that encourages the institutions of documentation and data networks (like NBSSI) National Board for Small Scale Industries to supply the required data for MSMEs at no fee.

In addition, Government ought to build adequate coaching centres that provide business development information in each region and its municipalities. This can assist young entrepreneurs by providing managerial, ICT and technical training for young entrepreneurs and small enterprises to equip and empower them.

Another issue is politicization of services required by entrepreneurs. This is an undeniable problem in young democratic societies including Ghana. Too much of politics in everyday life affect the development and implementation of proper policies. The unreliable rules and regulations cause disorientation in economic, investment and entrepreneurial growth among youth. Typically, selective subsidization rules and political pricing of services can have serious effect on entrepreneurial businesses such as start-ups, new graduate interest and operation of small businesses especially in their early stages of business activity. Relatively, too much bureaucracy in business licensing, taxation and permits or approvals discourages entrepreneurs. These often reduce the motivation of young businesses to continue their activity which allows many to remain in informal business activities.

Added to these, tax pressure should be eased with good reliefs, especially exemptions for start-ups. It is important to note that poor tax incentives drain entrepreneurs' capital and limit their financial liquidity thereby constraining the business. This causes businesses to become more indebted in such tax environments and hence financially disadvantaged and would not like to borrow.

5.2 Conclusions

Innovation, performance, size, location, age, sector, asset structure, relationship with the bank in addition to owner's gender, education, managerial skills and business affiliations do not only impact on the business start-up for entrepreneurs but also strongly contribute to determining credit access (Osei-Assibey, 2014; Aryeetey et al., 1994; Freel, 2007; Pandula, 2011; Ahmed and Hamid, 2011; Baah-Nuakoh, 2003; Stiglitz and Weiss, 1981; Vos et al., 2004). Complex application processes, unfavorable interest rates, high collateral requirement and short loan maturity period are major obstacles preventing firms from applying for credit; with interest rate and collateral security are the most hindrances to credit access.

The current business environment seems to favor well-established businesses. Ghana need policies that must be friendly to both formal and informal small enterprises, with the aim to favor the efforts of young entrepreneurs especially start-ups, not only well-established businesses. Most young entrepreneurs are within the informal sector and lack finance, it would be expedient for government to establish additional credit system that is more small business start-up friendly, or review MASLOC. This should have very low-interest rate, long-term payment, good moratorium, and some tax exemption. With an incentive-driven policy for MSMEs in Ghana, they can help add value to the economy.

Policy interventions are necessary to encourage entrepreneurship, business start-up and solve credit challenges of MSMEs. Interventions in support of SMEs are justified by economic research which has found that enterprises facing constraints are less likely to participate in growth-enhancing activities such as investment, marketing, hiring, exporting and importing (Holton et al., 2013). The Domestic enterprises need help to build capacity and capabilities in order to access finance, information, technology and markets. This requires specific policies, programmes and institutional frameworks by government (UNCTAD, 2005).

According to the study of European Commission the contribution of SMEs is due to the framework condition SMEs operate and therefore, the culture are the key factors of the contribution to macroeconomic growth. SMEs would have struggled if the framework condition is not in place even with the strong presence of entrepreneur culture (European Commission 2013a).

Furthermore, according to (European Commission, 2013b), SMEs represent 66.5% within European jobs for the year 2012 and 99.8% of the entire variety of corporations. Whereas it contributed about 57.6% of gross worth added by the private, non-financial economy in Europe (Eurostat, 2013).

The researcher realizes that most businesses experienced failure within short period after the introduction of the business. Reducing bureaucracy will help young entrepreneurs continue developing their business ideas in a reliable environment. This will increase motivation in entrepreneur mindset rather than employed mindset. Due to the dimensions of businesses in Ghana. Therefore, the limitation of resources young businesses is unable to accumulate new technology or to form vital change to the prevailing one which is significant for their business's growth. Entrepreneur may identify event, influence, and realize new combinations of resources and market needs so on to undertake the advantage of their economic future.

Further, research and development institutions that are publicly and privately funded should be encouraged to focus on the technology needs of MSMEs. If the government sectors are nonexistence within the process of MSMEs. The progress of domestic enterprise both formal and informal young entrepreneur development will be jeopardized by lack of opportunities. Government got to accelerate domestic enterprise development in Ghana to assist in reshaping the local business environment in order to compete with foreign businesses. However, to do so the prices of doing business, like official and informal payments to initiate and operate a business, a rental place for operations, electricity requirement, water system, internet, personnel and an excessive amount of bureaucracy like, time spent handling required procedures and minimum capital that require to be met are among the restricting factors within the local businesses environment. This is often in accordance with Djankov et al. (2002) who emphasize that prime registration costs do not serve the public interest but only benefit politicians and bureaucrats. However, some studies have even cast doubt on the real-world business environment and the relationship of doing business measures as perceived by actual business owners (Hallward-Driemeier et al., 2010).

5.3 Limitations

This research study had some limitations and challenges in terms of travel and transportation for face-to-face meetings with responders due to the Covid-19 pandemic; besides the lack of enough data resources on MSMEs directly from oversight institutions in Ghana. This is reason for the use of a lot of secondary and cross-sectional data.

At the time of research, no national database on entrepreneurs was available, as the NBSSI was working to develop one, that will be covering all sectors of the economy, which will give more entrepreneurial data to work with.

I therefore recommend a further, later, separate investigation into the extent of influence of each of the personal characteristics of entrepreneurs, their background and environment. Also, an experimental investigation on starting a new business can be used to verify the challenges of business start-up.

The findings of this study, notwithstanding the limitations, provide useful insight for further studies.

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APPENDICES

Appendix 1: Motivation to Start a Business Questionnaire

Please respond to all the questions listed below as accurately as possible.

Personal Information:

1. Last Name:.....
2. First Name:.....
3. Male or Female?
4. Name of University:.....
5. Department:.....
6. Course or Degree Programme:.....
7. Mobile Number:.....
8. Email Address:.....
9. Postal Address:.....
10. Country:.....

Business interest:

11. Would like to be an entrepreneur?.....
12. Would you like to start a business after graduation?.....
13. Do you have a personal motivation for business?.....
14. Do you agree that your education, religion, cultural and ethnic up-bringing, self-employment, and gender contributes to your entrepreneurial interest?.....

15. Indicate by marking "X" to rate the following factors under each of the categories given, according to how you think each can influence your decision to start a business or be an entrepreneur?

a. Personal motivation:

Factors	Very Low	Low	Average	High	Very High
Desire to achieve					
Patience in uncertainties					
Ready to take risks					
Desire to control things					
Locus of control					

b. Background motivation:

Factors	Strongly Disagree	Disagree	Somehow	Agree	Strongly Agree
Self-employment					
Your religious faith					
Your gender					
Your ethnicity					
Your education					

c. Environmental motivation:

Factors	Very Low	Low	Moderate	High	Very High
Socio-cultural environment					
Economic environment					
Political environment					
Market environment					
Infrastructural environment					

End of questions.

Your co-operation and response is very much appreciated. Thank you.

Appendix 2: Business Startup and Credit Access Questionnaire

Please respond to all the questions listed below as accurately as possible. Do not hesitate to seek further explanation if you a question is not very clear to you.

A. Personal information:

1. Last Name:.....
2. First Name:.....
3. Male or Female?
4. Mobile Number:.....
5. Email Address:.....
6. Postal Address:.....
7. Country:.....

B. Business information:

8. Business Name:.....
9. Business Address:.....
10. Sector industry:.....
11. How long have you been in running your business?.....

C. Ease of Starting a Business

12. How easy was it when you were starting your business?

- Very difficult
 Difficult
 Easy
 Very Easy

13. How easy was it in correcting errors or mistakes?

- Very difficult
 Difficult
 Easy
 Very Easy

14. Have you witnessed any other person(s) with similar experiences?.....

(Please continue on the next page)

15. According to your personal experience in starting a business score (from 0 - 10) in the table below the extent to which a factor is a challenge. (0 is the lowest and 10 is the highest value). Then give a reason in brief below it in the space provided below that factor.

Areas of challenges in starting your business	Score (0,1,2,3,4,5,6,7,8,9, or 10)
a. Preregistration	
<i>Reason:</i>	
b. Registration	
<i>Reason:</i>	
c. Post registration	
<i>Reason:</i>	
d. Family or Parental approval	
<i>Reason:</i>	
e. Information processing	
<i>Reason:</i>	
f. Gathering necessary information	
<i>Reason:</i>	
g. Communication of information	
<i>Reason:</i>	
<i>(Please continue on the next page)</i>	

Areas of challenges in starting your business	Score (0,1,2,3,4,5,6,7,8,9 or 10)
h. Demand for money by officers	
<i>Reason:</i>	
i. Opening the firm's bank account	
<i>Reason:</i>	
j. Request and Obtaining ID	
<i>Reason:</i>	
k. Official fees	
<i>Reason:</i>	
m. Motivation by educational qualification	
<i>Reason:</i>	
n. Raising initial capital	
<i>Reason:</i>	

D. Credit Access Challenges

16. When was the last time you applied for a loan? **(Circle the applicable one below)**

1 year 2 years 3 years 4 years 5 years

17. What was the source of loan (or to which institution did you apply): **(Check all that apply)**

Friend Relative Bank Savings & Loan Credit Scheme

18. On a scale of 0 – 5, rate what you considered to be your chance for loan(s)?

(Please continue on the next page)

19. Based on your personal experience in running a business for the past year(s), score the following the suggested credit access factors from 0 – 10 (0 is the lowest and 10 is the highest value). Then give a reason in each case.

Suggested credit access factors	Score (0,1,2,3,4,5,6,7,8,9 or 10)
a. Impact of credit on business	
<i>Reason:</i>	
b. Chances to credit	
<i>Reason:</i>	
c. Fees and charges	
<i>Reason:</i>	
d. Interest rate on loan	
<i>Reason:</i>	
e. Giving money to credit officers (Bribery)	
<i>Reason:</i>	
f. Demotivation by documentations	
<i>Reason:</i>	
g. Unfavorable terms and conditions	
(Please continue on the page)	

Areas of challenges in starting your business	Score (0,1,2,3,4,5,6,7,8,9 or 10)
h. Simplicity of application process	
<i>Reason:</i>	
i. Lack of access	
<i>Reason</i>	
h. Credit access difficulties	
<i>Reason:</i>	
i. Ability of institutions to give credit	
<i>Reason:</i>	
j. Lack of enough information	
<i>Reason:</i>	
k. Need of credit	
<i>Reason:</i>	

End of questions.

Your co-operation and response is very much appreciated. Thank you.

Appendix 3: World Bank Enterprise Survey 2013 – Data on Finance (Source: World Bank Enterprise Surveys)

Indicator	Ghana	Sub-Saharan Africa	All Countries
Percent of firms with a checking or savings account	95	87.4	88.1
Percent of firms with a bank loan/line of credit	23.3	21.5	33.3
Proportion of loans requiring collateral (%)	79.5	84.3	77.6
Value of collateral needed for a loan (% of the loan amount)	240	203.7	199.2
Percent of firms not needing a loan	22.5	38.6	47.5
Percent of firms whose recent loan application was rejected	9.4	15.6	10.7
Percent of firms using banks to finance investments	21.2	19.4	26.5
Proportion of investment financed internally (%)	76	75.3	71.8
Proportion of investment financed by banks (%)	12.6	9.8	14.9
Percent of firms using banks to finance working capital	25.3	22.5	30.1
Percent of firms using supplier/customer credit to finance	36.5	22.8	29.5
Proportion of working capital financed by banks (%)	10.6	8.8	11.7
Percent of firms identifying access to finance as a major	62.2	38.8	26

Appendix 4: World Bank Enterprise Survey 2013 – Data on Corruption (Source: World Bank Enterprise Surveys)

Indicator	Ghana	Sub-Saharan Africa	All Countries
Bribery incidence (percent of firms experiencing at least one bribe payment request)	18.7	21.8	16.4
Bribery depth (% of public transactions where a gift or informal payment was requested)	14.7	16.7	12.8
Percent of firms expected to give gifts in meetings with tax officials	11.4	16.6	12.3
Percent of firms expected to give gifts to secure government contract	35.2	32.4	24
Value of gift expected to secure a government contract (% of contract value)	2.2	2.4	1.4
Percent of firms expected to give gifts to get an operating license	19.1	15.1	13.1
Percent of firms expected to give gifts to get an import license	23.1	14.6	12.3
Percent of firms expected to give gifts to get a construction permit	35.1	24.5	20.8
Percent of firms expected to give gifts to get an electrical connection	32.8	22.4	15
Percent of firms expected to give gifts to get a water connection	18.8	20.2	15
Percent of firms expected to give gifts to public officials "to get things done"	24.3	28.2	20.4
Percent of firms identifying corruption as a major constraint	43.5	40.9	32.6
Percent of firms identifying the courts system as a major constraint	9.7	17.8	15.4