Abstract:

The contribution of small and medium size enterprises (SMEs) has been recognised as the means to accelerate the rate of growth of economies globally, especially in developing countries of which Ghana is no exception. SMEs have been identified as the engine of growth and the faster way to help developing economies achieve the rapid industrialization and other developmental goals that they so much desire. In spite of the significant roles played by SMEs in developing countries, there exists a huge financing gap which is rated as a major constraint to the potential for SMEs to expand and grow. In an attempt to solve the increasing need for financing by SMEs, the government of Ghana since 1985 has instituted a number of interventions. However, the desired effects of such interventions have not been achieved. This study therefore seeks to investigate and analyse the financing of SMEs in Ghana and the overall impact of SME financing on some basic social and economic indicators using Accra, Kumasi, Sunyani and Tamale as case studies. As part of the study, the effect of the type of financing on business performance will be investigated together with the effectiveness of government interventions and the implications of policies on SMEs financing. An econometric model predicting the performance, growth and survival of SMEs based on the choice of financing will be developed and an optimal structure of interventions clearly designed. Hypotheses on SME financing and the effectiveness of government interventions will also be formulated and tested with the help of data analysis using STATA. The findings of the study will be helpful for government, developmental organizations, and existing and start-up SMEs in solving the current gaps that exist in the financing of SMEs in Ghana.